



FINANCIAL SERVICES AGENCY
GOVERNMENT OF JAPAN
3-1-1 Kasumigaseki Chiyoda-ku Tokyo 100-8967 Japan

January 27, 2004

Mr. Richard Brearley
UK Listing Authority
The Financial Services Authority
25 The North Colonnade
Canary Wharf
London E14 5HS
United Kingdom

Re: Review of the Listing Regime

Dear Mr. Brearley,

As Deputy Commissioner for International Affairs of the Financial Services Agency of Japan ("Japan FSA"), I am pleased to submit this letter on behalf of the Japan FSA in response to the request of the Financial Services Authority of the United Kingdom ("UK FSA") for comments on its proposal for modernizing and simplifying the Listing Rules in the UK ("Proposal"), which was published on October 8, 2003.

The UK hosts one of the most major financial centers of the world, namely the "City." The City has continued to be a very attractive market for the financial activities of foreign issuers, including Japanese issuers, thanks to its free, fair and global nature. We recall that the goal of our announcement of the so-called "Financial Big-Bang" in 1996 was to make Tokyo one of the major international financial centers, like London, based on the notion of free, fair and global markets. We have continuously implemented measures for securities markets reforms, and have committed to further reforms in line with international developments, including those in the UK.

Recently, there has been growing concern among Japanese issuers regarding the treatment of non-EU issuers under the Prospective Directive and the draft Transparency Directive of the European Commission, mainly because of the possibility that these Directives may require Japanese issuers who have made or will make public offerings of or have listed or will list their securities within the EU to prepare their financial statements in accordance with International Accounting Standards (IAS).

The Proposal has also raised concern among Japanese issuers because it is proposed or suggested in the Proposal that overseas issuers with a primary listing or a secondary listing would be required to use IAS or US GAAP.

While there are approximately 32 Japanese issuers listed within the United States, there are approximately 75 Japanese issuers with shares listed within the EU, of which approximately 25 Japanese issuers are listed on the London Stock Exchange ("LSE"). There are also at least 180 Japanese issuers whose bonds, such as convertible bonds (CB) and warrant bonds (WB), are listed within the EU,

including at least 108 Japanese issuers listed on the LSE.

We sincerely hope that the European capital markets, in particular the City, will continue to be attractive to Japanese issuers following the integration of the European capital markets in 2005. However, if Japanese issuers were required to prepare their financial statements in accordance with IAS, and not allowed to use Japan GAAP, this could discourage their financial activities within the City and other EU markets, encourage their delisting from the LSE and other EU securities exchanges, and shift the focus of Japanese financing efforts outside Japan to non-EU markets. It is rightfully pointed out in the Proposal that "this could mean that some significant issuers are refused access to our markets." Such an outcome would neither be in line with the globalization of capital markets nor desirable to the economies of the UK, EU, and Japan. We believe it is in our mutual interest to avoid such an adverse situation and to maintain the open and global nature of world capital markets, including the City. In this context, we welcome the UK FSA's views that "the maintenance of a strong overseas listed market in the UK is encompassed by our regulatory objectives."

From this viewpoint, we respectfully request the UK FSA to retain secondary listings and to continue to allow Japanese issuers with a primary listing or a secondary listing on the LSE to use Japan GAAP as equivalent to IAS (or US GAAP). It should be noted that the Japan FSA has already permitted some EU corporations to use financial statements prepared in accordance with IAS in the Japanese capital markets, in addition to permitting the use of financial statements by 18 UK corporations prepared in accordance with UK GAAP.

Through the so-called "Accounting Big Bang" in the late 1990s and early 2000s as a part of our "Financial Big-Bang," Japan GAAP has been rapidly developed and has become consistent with international accounting standards. Recently developed or revised and implemented accounting standards under Japan GAAP include the standards for Consolidated Financial Statements, Retirement Benefits, Deferred Taxes, Fair Value Accounting for Financial Instruments, Impairment of Fixed Assets, and Business Combinations. The Annex to this letter shows a list of the recent development in Japan GAAP. We believe that Japan GAAP is one of the "high quality, internationally recognized accounting standards" mentioned in the G8 Declaration on "Fostering Growth and Promoting a Responsible Market Economy" in June 2003. We also believe that the Accounting Standards Board of Japan ("ASBJ"), a private accounting standards setting body established in July 2001, has committed to continuously improve Japan GAAP in line with developments in the other major internationally recognized accounting standards including IAS or International Financial Reporting Standards ("IFRS") and US GAAP. Therefore, we are confident that the use of Japan GAAP ensure comparability of data. We will be prepared to explain Japan GAAP to the UK FSA.

We would greatly appreciate it if you would seriously consider our views.

Yours Sincerely,

Makoto Hosomi
Deputy Commissioner for International Affairs
Financial Services Agency, Japan

ANNEX

Development of Internationally Consistent Accounting Standards in Japan

Major Accounting Standards Reviews	Status	Implemented for financial statements for fiscal years beginning on or after
Consolidated Financial Statements	Revised June 1997	April 1, 1999
Consolidated Cash Flow Statements	Issued March 1998	April 1, 1999
Research and Development Costs	Issued March 1998	April 1, 1999
Interim Consolidated Financial Statements	Issued March 1998	April 1, 1999
Retirement Benefits	Issued June 1998	April 1, 2000
Deferred Taxes	Issued October 1998	April 1, 1999
Fair Value Accounting for Financial Instruments	Issued January 1999	April 1, 2000
Foreign Currency Transactions and Financial Statements	Revised October 1999	April 1, 2000
Impairment of Fixed Assets	Issued August 2002	April 1, 2003 (voluntary basis) April 1, 2005
Business Combinations	Issued October 2003	April 1, 2006