Survey on the revised exposure draft Leases

August 2013

Japan Leasing Association

○ Japan Leasing Association (JLA) conducted a survey on the revised exposure draft leases (the re-ED) issued by the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) in May 2013. The purpose of the survey is to understand views on the re-ED from public companies and large companies in Japan from the standpoint of lessee accounting (the number of the companies which were surveyed is 9,226.).

○ **More than 90% of the respondents disagree to the proposals by the Boards in the re-ED.** More than 80%* of the respondents view that the current standard should be retained.

* The reasons to disagree to the proposals are as follows.
"It is more reasonable to improve the disclosures considering costs and practicability into account if the information provided under the current standard is not sufficient."
"The current standard is appropriate."

○ For the on-balance sheet treatment of leases, about 80% of the respondents agree to that treatment only if a lessee were allowed to recognize an asset and a liability at the undiscounted lease payments (undiscounted lease payments approach). For the proposal associated with measuring a lease term in the re-ED, about 90% of the respondents disagree to that proposal. For the proposed short term lease accounting, about 80% of the respondents disagree to that proposal. For a lease of a non-core asset, about 90% of the respondents disagree to the proposal that there is no any distinction in accounting on the basis of whether the underlying asset is core to an entity's operations. According to the result of the survey, **it has become clear that the majority of the respondents (companies) in Japan have concerns to the proposals in the re-ED.**

Ⅰ Summary

1. Aim

JLA conducted the survey on the re-ED issued by the IASB and the FASB in May 2013 for the purpose of

- understanding the views from preparers of financial statements (Japanese lessees) broadly,
- including the views in JLA's comment letter, and
- having the IASB and other standards setters understand the views.

2. Items

a. The proposed lessee accounting
b. Recognition of lease expenses on a straight line basis
c. Measurement of a lease term
d. Accounting for a short term lease
e. Accounting for a lease of a non-core asset

3. Method to conduct the survey

Questionnaires were sent to companies.

4. Scope of surveyed companies and respondents

The survey was conducted to all the public companies (3,538 companies) and large companies (5,688 companies). A large company is defined as a company whose capital is 500 million yen or more, or a company whose liability is 20 billion yen or more. The number of companies within the scope is 9,226. The respondents account for 13.6% of all the companies surveyed.

Table; The number of companies surveyed and that of respondents

	Companies surveyed	Respondents	Respondents/Companies surveyed
Public companies	3,538	514	14.5%
Non-public companies (Large companies)	5,688	737	13.0%
Total	9,226	1,251	13.6%

JLA's member companies are not included. The companies surveyed cover almost all the public companies and large companies in Japan.

5. Period

From June 14, 2013 to July 16, 2013

6. Aggregation method

The number of the respondents is not same with that of valid respondents in each question because all the respondents did not answer each of the questions.

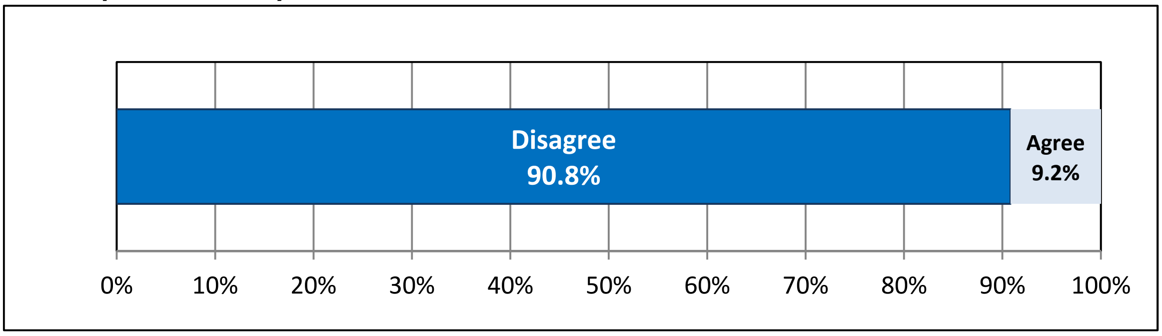
Ⅱ Result of the survey

1. Lessee Accounting

Do you agree to the proposal for lessee accounting?

For the proposed lessee accounting in the revised exposure draft (the re-ED), the majority (90.8%) of the respondents disagree to the proposal, while only 9.2% of the respondents agree (refer to Table 1-1).

Table1-1 Whether you agree to the proposed lessee accounting in the re-ED (the number of the valid respondents 1,232)



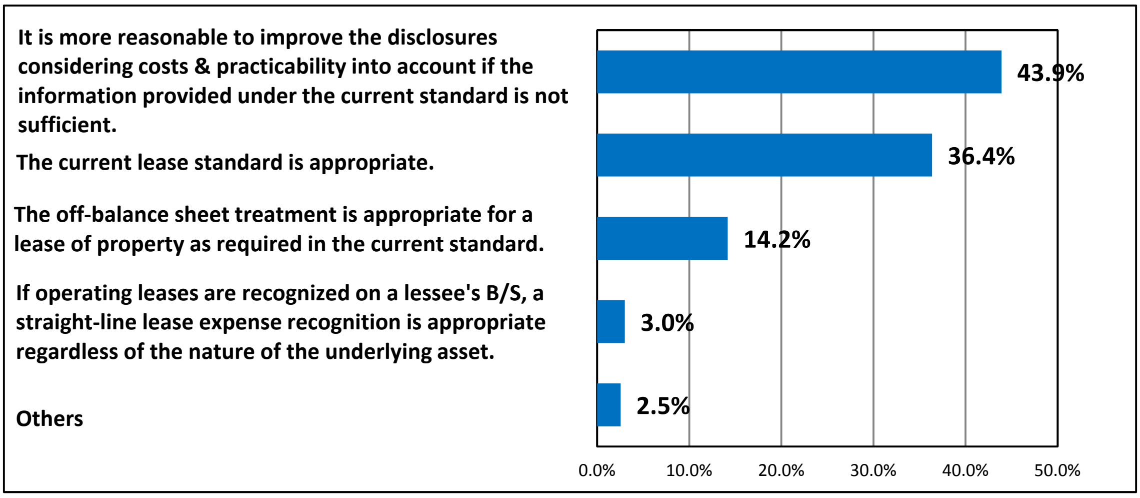
<The reasons for disagreeing to the proposal>

43.9% of the respondents who disagree to the proposal view that it is more reasonable to improve the disclosures considering costs and practicability into account if the information provided under the current standard is not sufficient. 36.4% of those respondents view that the current standard is appropriate.” Consequently, more than 80% of those respondents view that the current standard should be retained.

14.2% of those respondents view that the off-balance sheet treatment is appropriate for a lease of property as required in the current standard. 3.0% of those respondents view that a straight-line lease expense recognition pattern is appropriate, regardless of whether the underlying asset is property or not (Refer to table 1-2).

Many of the respondents who answered “others (2.5%)” view that it is impossible to apply the proposal in practice. In addition, some respondents have a concern associated with costs and benefits, and other respondents view that comparability would be reduced because of arbitrariness associated with measuring a lease term.

Table1-2 The reasons for disagreeing to the proposal by the boards (The number of valid respondents; 1,100)

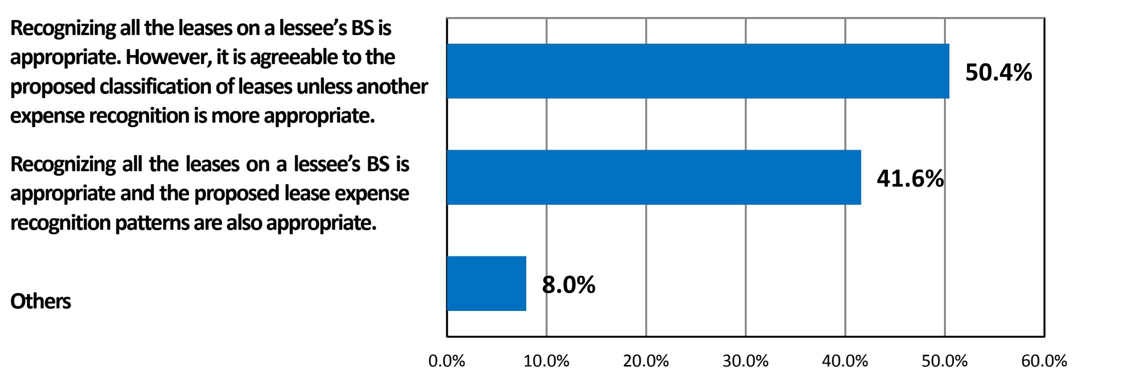


<The reasons for agreeing to the proposal>

The respondents who agree to the proposed lessee accounting account for only 9.2% (113 companies) of all the respondents. Some (50.4%) of those respondents view that it is appropriate to recognize all the leases in a lessee’s balance sheet. However, it is agreeable to the proposed classification of leases for the purpose of lease expense recognition patterns unless there are any forms of appropriate approaches to classify leases. In addition, some (41.6%) of those respondents view that recognizing all the leases on a lessee’s balance sheet is appropriate and the proposed classification of leases for the purpose of lease expense recognition patterns is also appropriate (Refer to Table 1-3.).

The respondents who answered “others (8.0%)” include respondents who are reluctantly supportive of the proposal. In addition, some required the boards to pay more attentions to practicability.

Table1-3 Reasons for agreeing to the proposal (the number of valid respondents; 113)



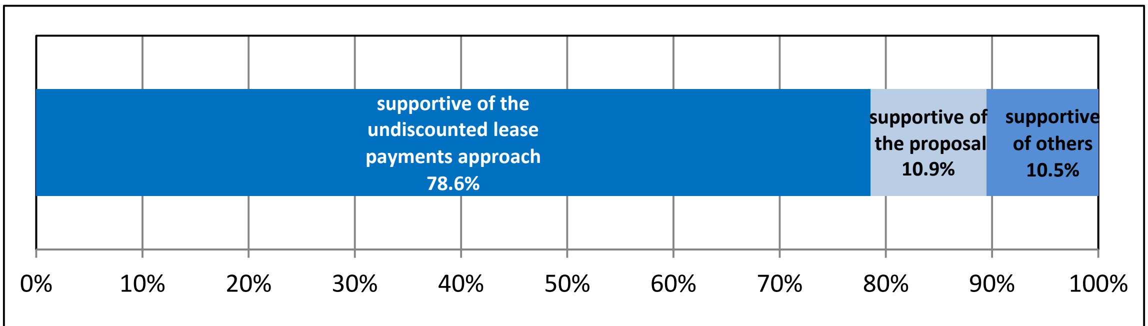
2. Straight-line lease expense recognition

<Which approach do you agree to, either the proposed lease expense recognition pattern in which the lessee recognizes lease expense on a straight-line basis or "undiscounted lease payments approach"?>

If the lessee's ROU model were adopted, the majority (78.6%) of the respondents are supportive of the "undiscounted lease payments approach[*2]", while the minority (10.9%) of the respondents are supportive of the proposal in the re-ED and the others (10.5%) are supportive of other approaches to recognize lease expense (Refer to Table2-1.).

*2 Under the undiscounted lease payments approach, the lessee recognizes a ROU asset and lease liability at the undiscounted lease payments. The lessee recognizes depreciation evenly over the lease term and amortizes lease liability at the amount of lease payments in each period.

Table2-1 Straight-line lease expense recognition pattern (the number of valid respondents; 1,217)

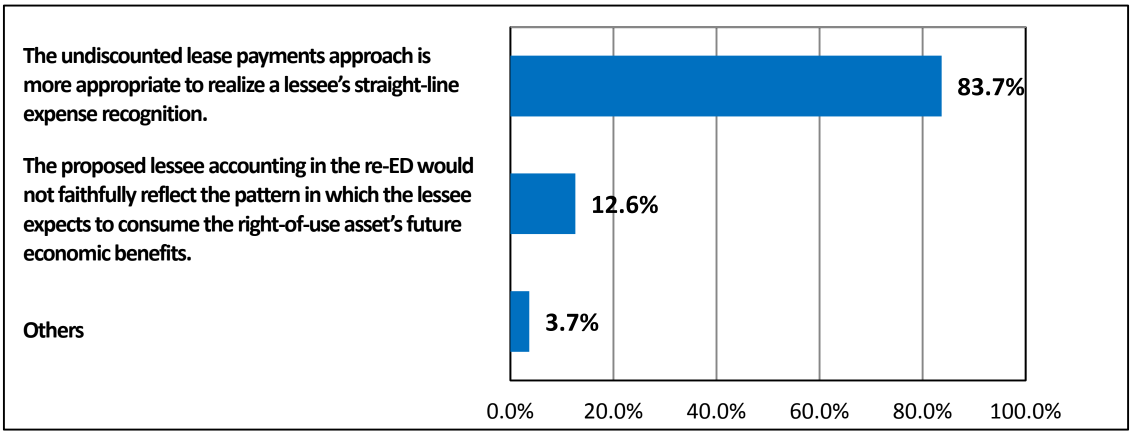


<The reasons for being supportive of the undiscounted lease payments approach>

The majority (83.7%) of the respondents who are supportive of the "undiscounted lease payments approach" view that that approach is more appropriate than the proposed lease expense recognition patterns to realize a lessee's straight-line expense recognition. 12.6% of those respondents view that the proposed accounting in the re-ED would not faithfully reflect the pattern in which the lessee expects to consume the right-of-use asset's future economic benefits (Refer to Table2-2.).

Many of the respondents who answered "others (3.7%)" indicate that the proposed lessee accounting is more burdensome because it requires lessees to discount lease payments.

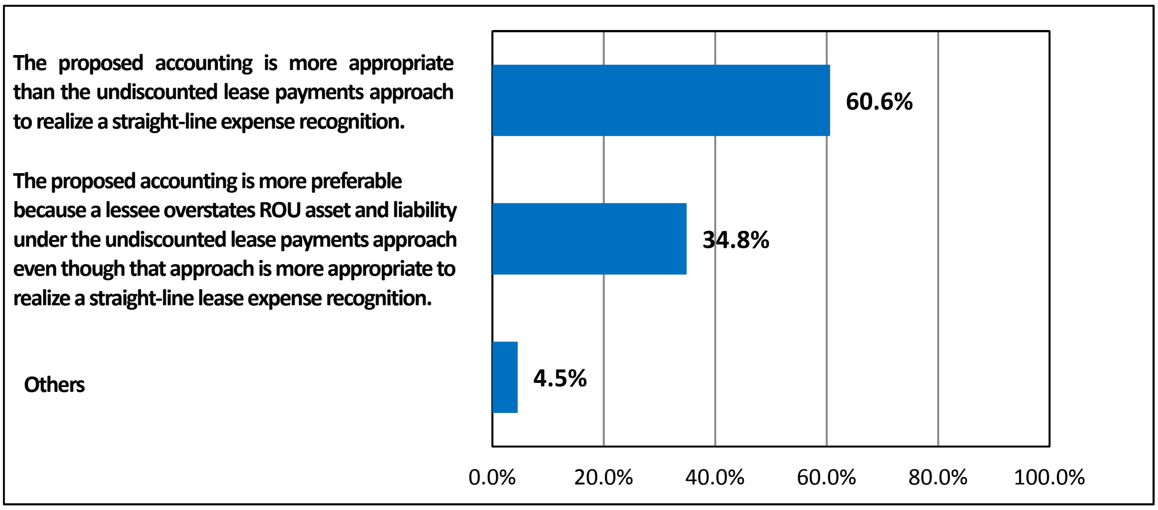
Table2-2 The reasons for being supportive of the undiscounted lease payments approach (the number of valid respondents; 951)



<The reasons for being supportive of the proposal in the re-ED>

The respondents who are supportive of the proposal in the re-ED account for only 10.3% (133 companies). 60.6% of the supportive view that the proposed lessee accounting is more appropriate than the undiscounted lease payments approach to realize a lessee's straight-line expense recognition. Some (34.8%)of the supportive view that the proposed lessee accounting is more preferable because a lessee overstates ROU asset and lease liability under the undiscounted lease payments approach even though that approach might be more appropriate to realize a lessee's straight-line lease expense recognition.

Table2-3 The reasons for being supportive of the proposal in the re-ED (the number of the valid respondents; 132)

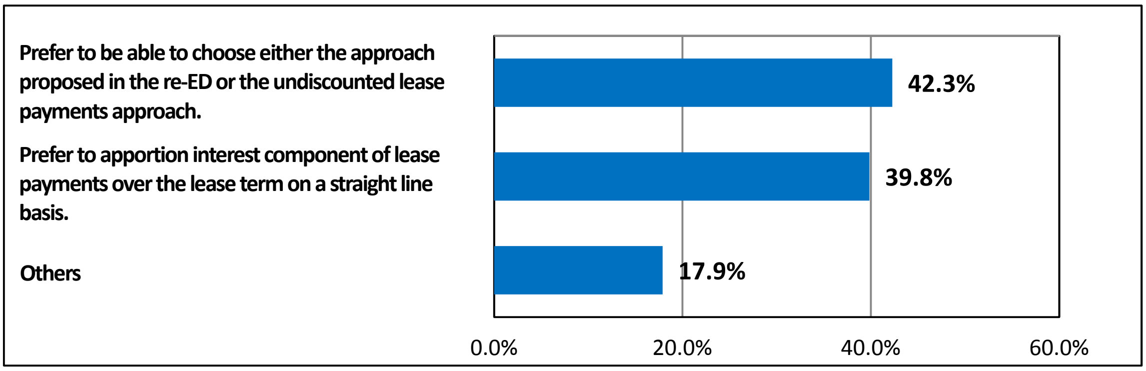


<The reasons for being supportive of other approaches>

The respondents who are supportive of other approaches account for only 10.5% (128 companies). 42.3% of the respondents who are supportive of others prefer to be able to choose either the approach proposed in the re-ED or the undiscounted lease payments approach. Some (39.8%) of those respondents prefer that a lessee apportions interest component of lease payments over the lease term on a straight line basis (refer to Table2-4.).

The respondents who answered "others" (17.9%) view that the current standard is more preferable.

Table2-4 The reasons for being supportive of others (the number of the valid respondents; 123)



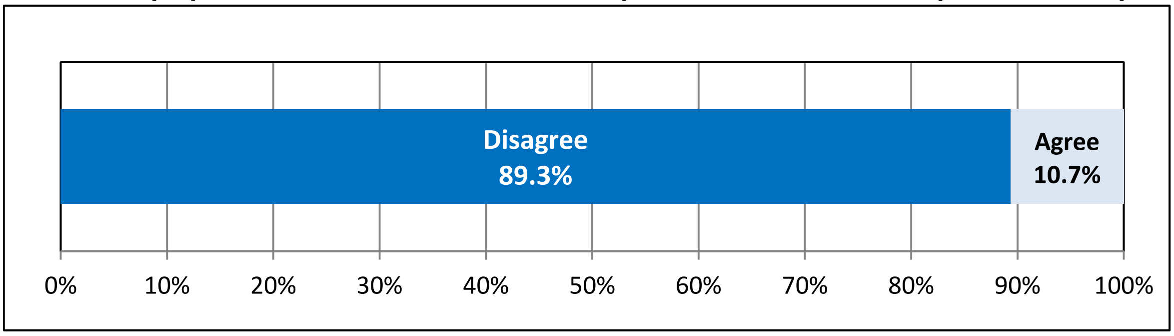
3. Measurement of a lease term

<Do you agree to the proposed measurement of a lease term in the re-ED?>

The majority (89.3%)of the respondents disagree to the proposed measurement of a lease term*3 in the re-ED, while the minority (10.7%) of the respondents agree to the proposal (refer to Table3-1.).

*3 The re-ED proposes that a lease term be determined as the non-cancellable period together with the periods covered by an option to extend or terminate the lease if the lessee has a significant economic incentive.

Table3-1The proposed measurement of a lease term (the number of the valid respondents; 1,229)

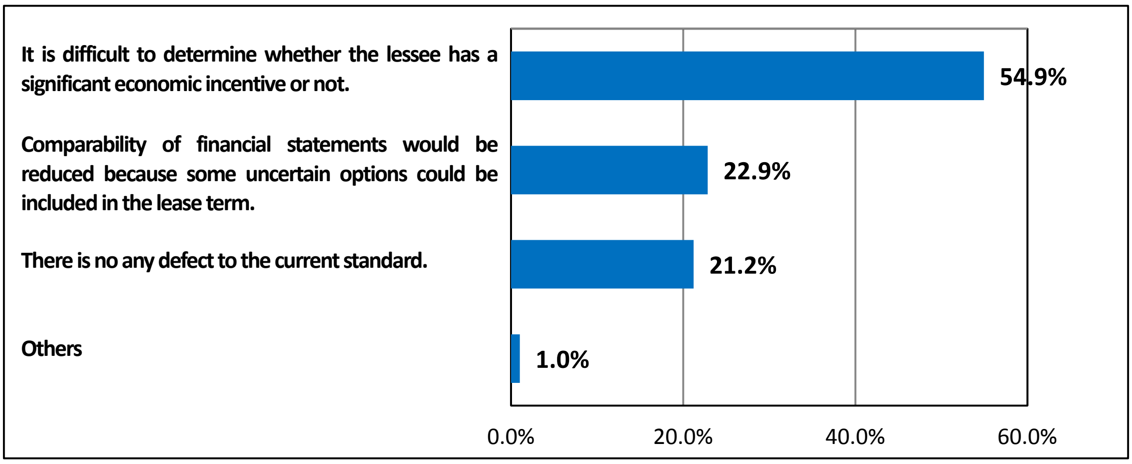


<The reasons for disagreeing to the proposal>

At first, 54.9% of the respondents who disagree to the proposal view that it is difficult to determine whether the lessee has a significant economic incentive or not. At second, 22.9% of those respondents view that comparability of financial statements would be reduced because some uncertain options could be included in the lease term (Refer to Table3-2.).

Some (1.0%) of the respondents who answered "others" view that the proposed measurement of a lease term is complex and others view that a lease term might be arbitrarily determined.

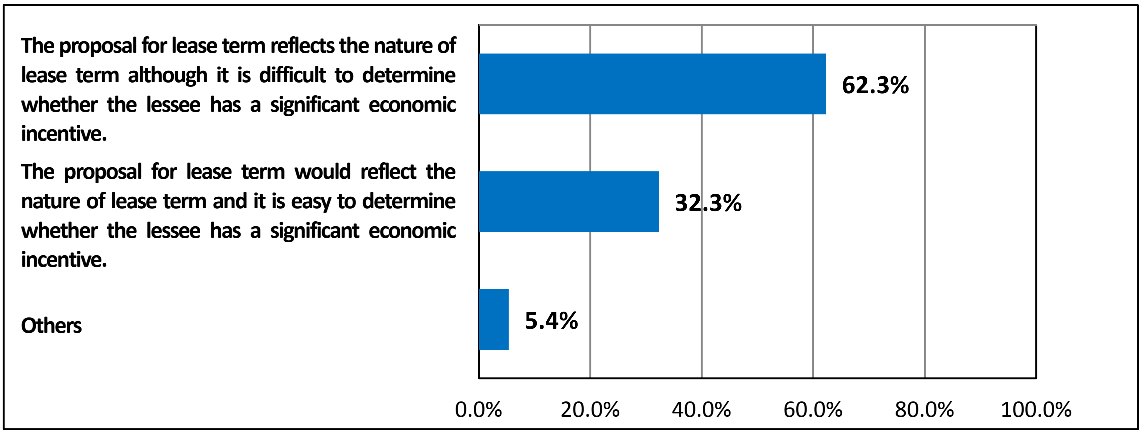
Table3-2 The reasons for disagreeing to the proposal (the number of the valid respondents; 1,094)



<The reasons for agreeing to the proposal>

The respondents who agree to the proposal in the re-ED account for only 10.7% (131 companies) of all the respondents. 62.3% of those respondents view that the proposed measurement of a lease term would reflect the nature of the lease term although it is difficult to determine whether the lessee has a significant economic incentive. 32.3% of those respondents view that the proposed measurement would reflect the nature of the lease term and it is easy to determine whether the lessee has a significant economic incentive (Refer to Table3-3.).

Table3-3 The reasons for agreeing to the proposal (the number of the valid respondents 130)



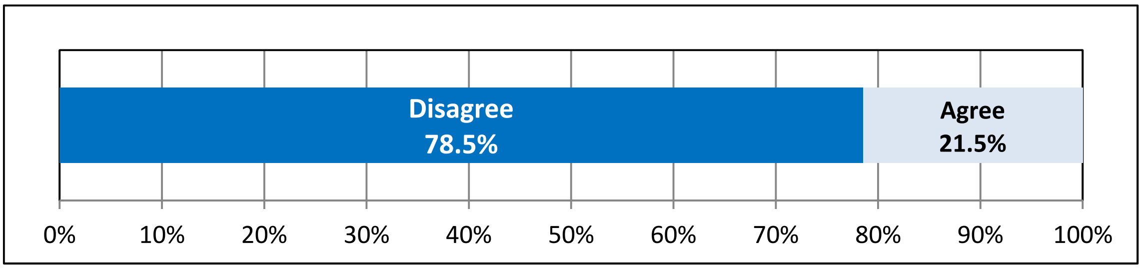
4. Accounting for a short term lease

<Do you agree to the proposed accounting for a short term lease?>

The majority (78.5%) of the respondents disagree to the proposed accounting for a short term lease[*4,] while the minority (21.5%) of the respondents agree to the proposal (refer to Table4-1.).

*4 The re-ED proposes that an entity can choose to account for a short term lease under the off-balance sheet treatment. A short term lease is defined as "a lease that, at the commencement date, has a maximum possible term under the contract, including any options to extend, of 12 months or less."

Table4-1 Accounting for a short term lease (the number of the valid respondents; 1,220)

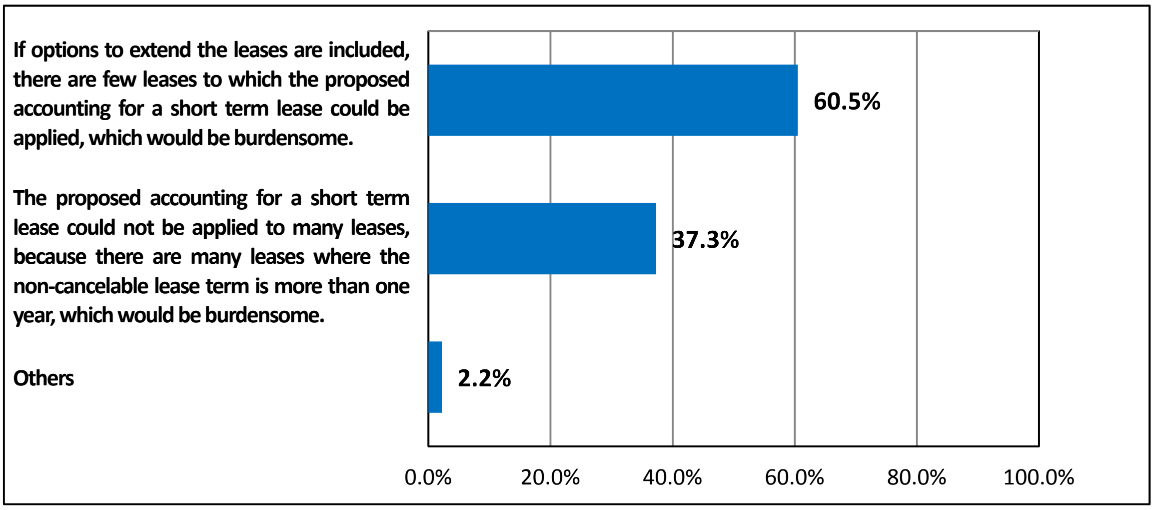


<The reasons for disagree to the proposal>

The majority (60.5%) of the respondents who disagree to the proposal view that if options to extend the leases are included, there are few leases to which the proposed accounting for a short term lease could be applied, which would be burdensome. 37.3% of those respondents view that the proposed accounting for a short term lease could not be applied to many leases, because there are many leases where the non-cancelable lease term is more than one year, which would be burdensome. (Refer to Table4-2.).

Some (2.2%) of the respondents who answered “others” view that it is difficult to determine options to extend the lease and others view that the definition of short term lease should be one year or less excluding options to extend the lease.

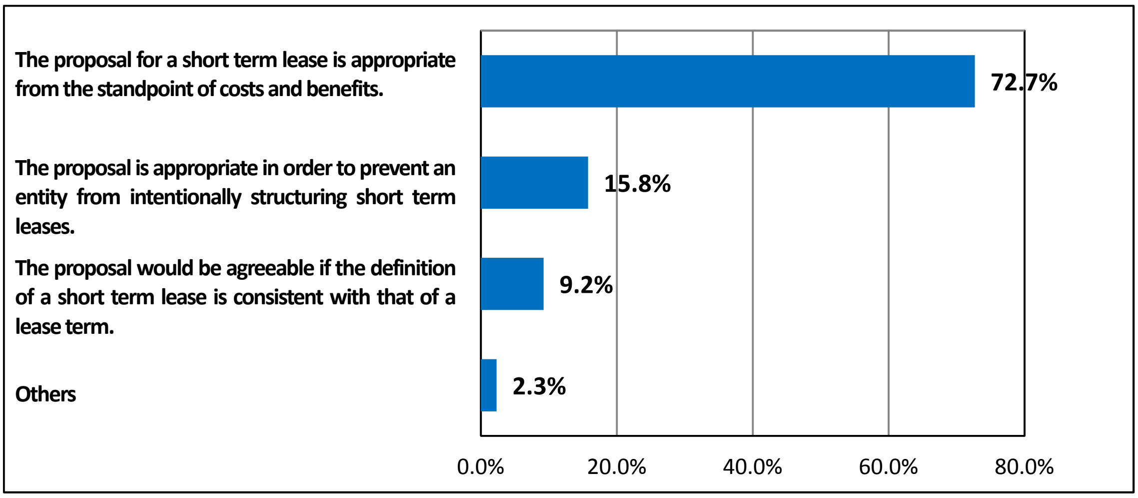
Table4-2 The reasons for disagreeing to the proposal (the number of the valid respondents; 954)



<The reasons for agreeing to the proposal>

The respondents who agree to the proposal account for only 21.5% (262 companies) of the all the respondents. At first, the majority (72.7%) of those respondents view that the proposal for a short term lease is appropriate from the standpoint of costs and benefits. At second, 15.8% of those respondents view that the proposal is appropriate in order to prevent an entity from intentionally structuring short term leases. 9.2% of those respondents view that the proposal would be agreeable if the definition of a short term lease is consistent with that of a lease term (i.e. options are included if the lessee has a significant economic incentive.) (Refer to Table4-3.).

Table4-3 The reasons for agreeing to the proposal (the number of the valid respondents; 260)

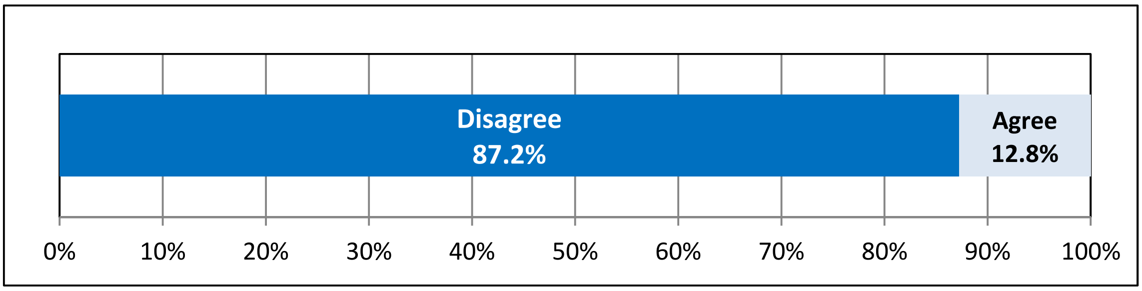


5. Accounting for a lease of a non-core asset

<Do you agree to the proposal that there is no any distinction in accounting on the basis of whether the underlying asset is core to an entity's operations?>

The majority (87.2%) of the respondents disagree to the proposal that there is no any distinction in accounting on the basis of whether the underlying asset is core to an entity's operations, while the respondents who agree account for only 12.8% of all the respondents (Refer to Table5-1.).

Table5-1 Accounting for a lease of a non-core asset (the number of the valid respondents; 1,061)

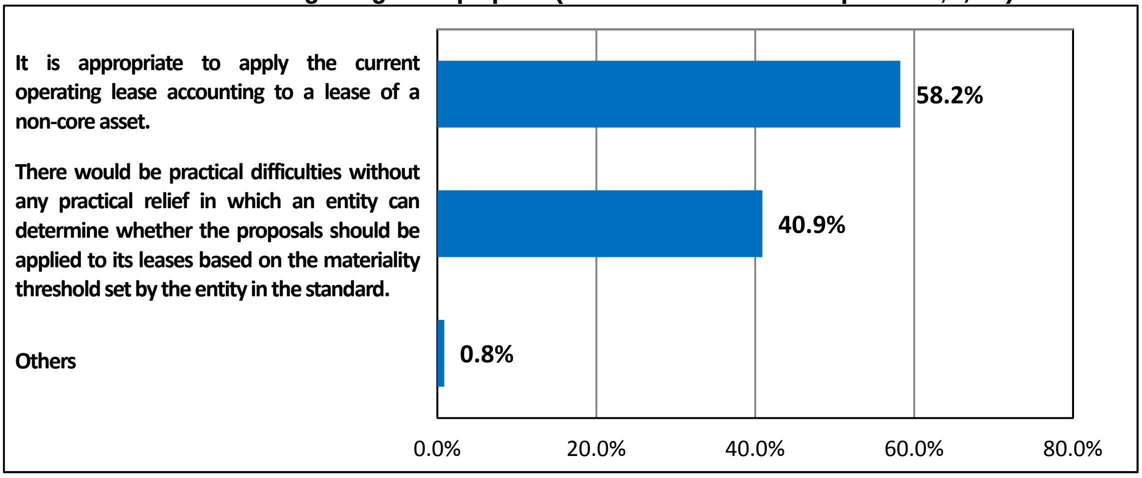


<The reasons for disagreeing to the proposal>

At first, 58.2% of the respondents who disagree to the proposal view that it is appropriate to apply the current operating lease accounting to a lease of a non-core asset. At second, 40.9% of those respondents view that there would be practical difficulties unless there is any practical relief in which an entity is able to determine whether the proposals in the re-ED should be applied to its leases based on the materiality threshold set by the entity in the lease accounting standard itself(Refer to Table 5-2.).

The respondents who answered "others" (0.8%) view that it is likely to be extremely costly and burdensome to recognize all the immaterial leases on a lessee's balance sheet.

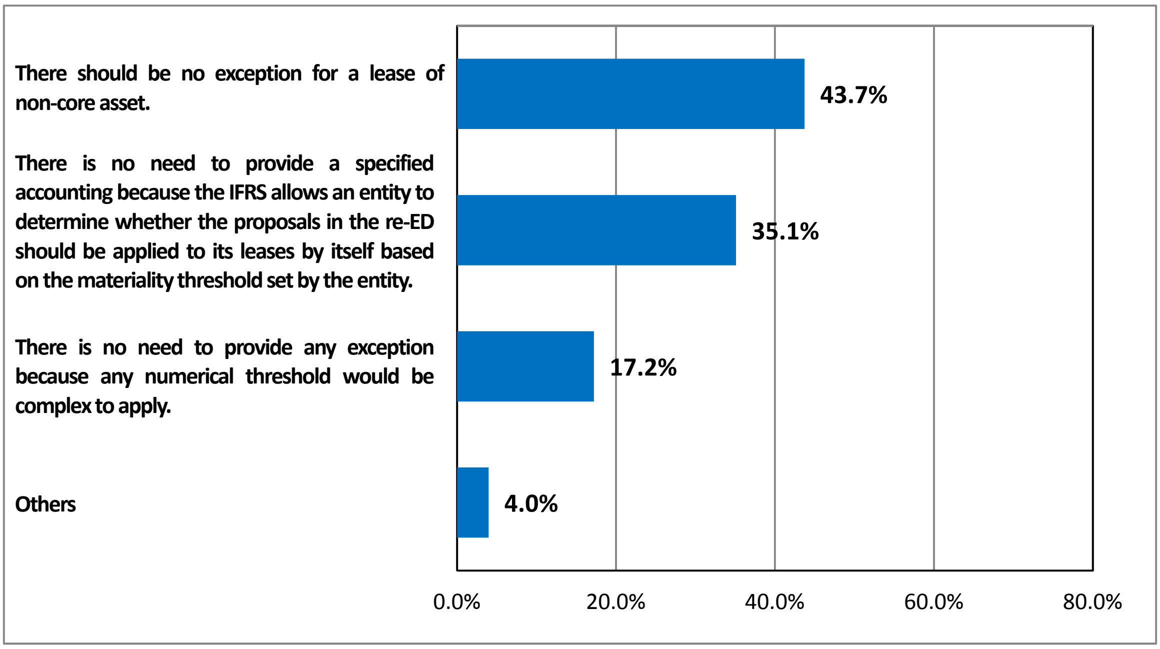
Table5-2 The reasons for disagreeing to the proposal (the number of the valid respondents; 1,061)



<The reasons for agreeing to the proposal>

The respondents who agree to the proposal (i.e. there is no any distinction in accounting on the basis of whether the underlying asset is core to an entity's operations.) account for only 12.8% (156 companies) of all the respondents. 43.7% of those respondents view that there should be no exception for a lease of non-core asset. 35.1% of those respondents view that there is no need to provide a specified accounting because the IFRS allows an entity to determine whether the proposals in the re-ED should be applied to its leases by itself based on the materiality threshold set by the entity. 17.2% of those respondents view that there is no need to provide any exception because any numerical threshold would be complex to apply.

Table5-3 The reasons for agreeing to the proposal (the number of the valid respondents; 151)



<Appendix 1> Attribution of respondents, Respondents who use leases and those who do not.

(1) Area (The number of the valid respondents; 1,233)

Area	Public companies	Non-public companies	Total
Hokkaido	6 (1.2%)	23 (3.2%)	29 (2.4%)
Tohoku area (Aomori, Iwate, Miyagi, Akita, Yamagata, Fukushima)	10 (2.0%)	38 (5.2%)	48 (3.9%)
Kanto-Koshinetsu (Ibaraki, Tochigi, Gunma, Saitama, Chiba, Tokyo, Kanagawa, Niigata, Yamanashi, Nagano, Shizuoka)	297 (58.7%)	415 (57.1%)	712 (57.7%)
Tokyo only	221 (43.7%)	290 (39.9%)	511 (41.4%)
Chubu area (Toyama, Ishikawa, Gifu, Aichi, Mie)	55 (10.9%)	62 (8.5%)	117 (9.5%)
Kinki area (Fukui, Shiga, Kyoto, Osaka, Hyogo, Nara, Wakayama)	92 (18.2%)	102 (14.0%)	194 (15.7%)
Chugoku area (Tottori, Shimane, Okayama, Hiroshima, Yamaguchi)	17 (3.4%)	24 (3.3%)	41 (3.3%)
Shikoku area (Tokushima, Kagawa, Ehime, Kochi)	7 (1.4%)	18 (2.5%)	25 (2.0%)
Kyushu area (Fukuoka, Saga, Nagasaki, Kumamoto, Oita, Miyazaki, Kagoshima, Okinawa)	22 (4.3%)	45 (6.2%)	67 (5.4%)
Total	506 (100.0%)	727 (100.0%)	1,233 (100.0%)

(2) Capital stock (the number of the valid respondents; 1,244)

Capital stock	Public companies	Non-public companies	Total
Less than 1,000 million yen	136 (26.7%)	301 (41.0%)	437 (35.1%)
1,000 million yen – less 5,000 million yen	177 (34.7%)	330 (45.0%)	507 (40.8%)
5,000 million yen – less 10,000 million yen	65 (12.7%)	45 (6.1%)	110 (8.8%)
10,000 million yen – less 50,000 million yen	87 (17.1%)	42 (5.7%)	129 (10.4%)
50,000 million yen –less 100,000 million yen	18 (3.5%)	9 (1.2%)	27 (2.2%)
100,000 million yen -	27 (5.3%)	7 (1.0%)	34 (2.7%)
Total	510 (100.0%)	734 (100.0%)	1,244 (100.0%)

(3) Type of business (The number of the valid respondents; 1,241)

Type of business	Public companies	Non-public companies	Total
Construction	34 (6.7%)	39 (5.3%)	73 (5.9%)
Manufacturing	212 (41.5%)	211 (28.9%)	423 (34.1%)
Information and Communication	34 (6.7%)	55 (7.5%)	89 (7.2%)
Transport	20 (3.9%)	34 (4.7%)	54 (4.4%)
Wholesale and retail trade	101 (19.8%)	112 (15.3%)	213 (17.2%)
Finance and Insurance	19 (3.7%)	74 (10.1%)	93 (7.5%)
Real estate	18 (3.5%)	56 (7.7%)	74 (6.0%)
Others	73 (14.3%)	149 (20.4%)	222 (17.9%)
Total	511 (100.0%)	730 (100.0%)	1,241 (100.0%)

(4) Type of underlying assets (The number of the valid respondents; 1,218)

Type of underlying asset under leases		Public companies	Non-public companies	Total
Respondents who have lease contracts		481 (96.0%)	657 (91.6%)	1,138 (93.4%)
	Property	291 (58.1%)	371 (51.7%)	662 (54.4%)
	Equipment(assets other than property	446 (89.0%)	596 (83.1%)	1,042 (85.6%)
Respondents who have no lease contracts (owned assets only)		20 (4.0%)	60 (8.4%)	80 (6.6%)
Total		501 (100.0%)	717 (100.0%)	1,218 (100.0%)

* The respondents multiply answer to "Property" and "Equipment (assets other than property)". If a respondent answers either "Property" or "Equipment", the respondent is included in "Respondents who have lease contracts".

(5) Type of property leases (the number of the valid respondents; 653)

Type of property leases	Public companies	Non-public companies	Total
Finance lease	38 (13.2%)	33 (9.0%)	71 (10.9%)
Operating lease	275 (95.5%)	350 (95.9%)	625 (95.7%)
Total	288 (100.0%)	365 (100.0%)	653 (100.0%)

(6) Type of equipment leases (leases of assets other than property)

Type of equipment	Finance lease	Operating lease	No leases
Information & communication equipment (the valid respondents; 925)	698(75.5%)	371(40.1%)	26 (2.8%)
Manufacturing equipment & construction equipment (the valid respondents; 755)	346(45.8%)	158(20.9%)	329(43.6%)
Commercial & service equipment (the valid respondents; 670)	261(39.0%)	127(19.0%)	332(49.6%)
Cars (the valid respondents; 846)	382(45.2%)	448(53.0%)	118(13.9%)
Others (the valid respondents; 357)	64(17.9%)	34(9.5%)	273(76.5%)

*1 The respondents multiply answer to "finance lease" and "operating lease".

*2 "Others" includes software, office equipment, transport equipment other than cars, and medical equipment.

<Public companies>

Type of equipment	Finance lease	Operating lease	No leases
Information & communication equipment (the valid respondents; 400)	304(76.0%)	161(40.3%)	12(3.0%)
Manufacturing equipment & construction equipment (the valid respondents; 357)	191(53.5%)	76(21.3%)	134(37.5%)
Commercial & service equipment (the valid respondents; 322)	141(43.8%)	64(19.9%)	147(45.7%)
Cars (the valid respondents; 382)	177(46.3%)	214(56.0%)	44(11.5%)
Others (the valid respondents; 157)	33(21.0%)	11(7.0%)	121(77.1%)

<Non-public companies>

Type of equipment	Finance lease	Operating lease	No leases
Information & communication equipment (the valid respondents; 525)	394(75.0%)	210(40.0%)	14(2.7%)
Manufacturing equipment & construction equipment (the valid respondents; 398)	155(38.9%)	82(20.6%)	195(49.0%)
Commercial & service equipment (the valid respondents; 348)	120(34.5%)	63(18.1%)	185(53.2%)
Cars (the valid respondents; 464)	205(44.2%)	234(50.4%)	74(15.9%)
Others (the valid respondents; 200)	31(15.5%)	23(11.5%)	152(76.0%)

(7) Share of property leases in operating leases (the valid respondents; 623)

Share	Public companies	Non-public companies	Total
Less than 10%	44 (16.4%)	71 (20.0%)	115 (18.5%)
10%- 50%	53 (19.8%)	65 (18.3%)	118 (18.9%)
More than 50-70%	25 (9.3%)	28 (7.9%)	53 (8.5%)
More than 70%	146 (54.5%)	191 (53.8%)	337 (54.1%)
Total	268 (100.0%)	355 (100.0%)	623 (100.0%)

<Appendix 2> Details of the results from the survey

1. The proposed lessee accounting in the re-ED

(1) The proposed lessee accounting in the re-ED (the valid respondents; 1,232)

	Respondents	Share
Disagree to the proposal.	1,119	90.8%
Agree to the proposal.	113	9.2%
Total	1,232	100.0%

a. Public/Non-public ones (the valid respondents; 1,232)

	Public companies	Non-public companies
Disagree to the proposal.	453(89.7%)	666(91.6%)
Agree to the proposal.	52(10.3%)	61(9.2%)
Total	505(100.0%)	727(100.0%)

b. Respondents who use leases/respondents who do not. (the valid respondents; 1,200)

	Companies using leases	Companies using no leases
Disagree to the proposal.	1,024(91.1%)	64(84.2%)
Agree to the proposal.	100(8.9%)	12(15.8%)
Total	1,124(100.0%)	76(100.0%)

c. Type of underlying assets used by respondents who use leases (the valid respondents; 1,124)

	both property & others	only property
Disagree to the proposal.	942(91.5%)	82(87.2%)
Agree to the proposal.	88(8.5%)	12(12.8%)
Total	1,030(100.0%)	94(100.0%)

(2)The reasons for disagreeing to the proposal (the valid respondents; 1,100)

	Respondents	Share
It is reasonable to improve the disclosures considering costs & practicability into account if the information provided under the current standard is not sufficient.	483	43.9%
The current lease standard is appropriate.	400	36.4%
The off-balance sheet treatment is appropriate for a lease of property as required in the current standard.	156	14.2%
If operating leases are recognized on a lessee's B/S, a straight-line lease expense recognition is appropriate regardless of the nature of the underlying asset.	33	3.0%
Others	28	2.5%
Total	1,100	100.0%

a. Public/Non-public companies (the valid respondents; 1,100)

	Public companies	Non-public companies
It is reasonable to improve the disclosures considering costs & practicability into account if the information provided under the current standard is not sufficient.	188(42.4%)	295(44.9%)
The current lease standard is appropriate.	153(34.5%)	247(37.6%)
The off-balance sheet treatment is appropriate for a lease of property as required in the current standard.	69(15.6%)	87(13.2%)
If operating leases are recognized on a lessee's B/S, a straight-line lease expense recognition is appropriate regardless of the nature of the underlying asset.	14(3.2%)	19(2.9%)
Others	19(4.3%)	9(1.4%)
Total	443(100.0%)	657(100.0%)

b. Companies using leases/companies using no leases(the valid respondents; 1,070)

	Using leases	Using no leases
It is reasonable to improve the disclosures considering costs & practicability into account if the information provided under the current standard is not sufficient.	449(44.6%)	27(42.9%)
The current lease standard is appropriate.	359(35.7%)	28(44.4%)
The off-balance sheet treatment is appropriate for a lease of property as required in the current standard.	142(14.1%)	5(7.9%)
If operating leases are recognized on a lessee's B/S, a straight-line lease expense recognition is appropriate regardless of the nature of the underlying asset.	31(3.1%)	2(3.2%)
Others	26(2.6%)	1(1.6%)
Total	1,007(100.0%)	63(100.0%)

c. Type of underlying assets used by respondents who use leases (the valid respondents; 1,007)

	Both property & others	Only property
It is reasonable to improve the disclosures considering costs & practicability into account if the information provided under the current standard is not sufficient.	421(45.5%)	28(34.6%)
The current lease standard is appropriate.	331(35.7%)	28(34.6%)
The off-balance sheet treatment is appropriate for a lease of property as required in the current standard.	120(13.0%)	22(27.2%)
If operating leases are recognized on a lessee's B/S, a straight-line lease expense recognition is appropriate regardless of the nature of the underlying asset.	30(3.2%)	1(1.2%)
Others	24(2.6%)	2(2.5%)
Total	926(100.0%)	81(100.0%)

(3) The reasons for agreeing to the proposal (the valid respondents; 113)

	Respondents	Share
Recognizing all the leases on a lessee's BS is appropriate. However, it is agreeable to the proposed classification of leases unless another expense recognition is more appropriate.	57	50.4%
Recognizing all the leases on a lessee's BS is appropriate and the proposed lease expense recognition patterns are also appropriate.	47	41.6%
Others	9	8.0%
Total	113	100.0%

a. Public/Non-public companies (the valid respondents; 113)

	Public companies	Non-public companies
Recognizing all the leases on a lessee's BS is appropriate. However, it is agreeable to the proposed classification of leases unless another expense recognition is more appropriate.	25 (48.1%)	22(36.1%)
Recognizing all the leases on a lessee's BS is appropriate and the proposed lease expense recognition patterns are also appropriate.	23(44.2%)	34(55.7%)
Others	4(7.7%)	5(8.2%)
Total	52(100.0%)	61(100.0%)

b. Companies using leases/companies using no leases (the valid respondents; 112)

	Using leases	Using no leases
Recognizing all the leases on a lessee's BS is appropriate. However, it is agreeable to the proposed classification of leases unless another expense recognition is more appropriate.	51(51.0%)	6(50.0%)
Recognizing all the leases on a lessee's BS is appropriate and the proposed lease expense recognition patterns are also appropriate.	43(43.0%)	4(33.3%)
Others	6(6.0%)	2(16.7%)
Total	100(100.0%)	12(100.0%)

c. Type of underlying assets used by respondents who use leases (the valid respondents; 100)

	Both property & others	Only property
Recognizing all the leases on a lessee's BS is appropriate. However, it is agreeable to the proposed classification of leases unless another expense recognition is more appropriate.	44(50.0%)	7(58.3%)
Recognizing all the leases on a lessee's BS is appropriate and the proposed lease expense recognition patterns are also appropriate.	39(44.3%)	4(33.3%)
Others	5(5.7%)	1(8.3%)
Total	88(100.0%)	12(100.0%)

2. Straight-line lease expense recognition

(1) Straight-line lease expense recognition (the valid respondents; 1,217)

	Respondents	Share
Supportive of the "undiscounted lease payments approach".	956	78.6%
Supportive of the proposal in the re-ED.	133	10.9%
Supportive of other approaches.	128	10.5%
Total	1,217	100.0%

a. Public/Non-public companies (the valid respondents; 1,217)

	Public companies	Non-public companies
Supportive of the "undiscounted lease payments approach".	385(77.2%)	571(79.5%)
Supportive of the proposal in the re-ED.	63(12.6%)	70(9.7%)
Supportive of other approaches.	51(10.2%)	77(10.7%)
Total	499(100.0%)	718(100.0%)

b. Companies using leases/companies using no leases (the valid respondents; 1,187)

	Using leases	Using no leases
Supportive of the "undiscounted lease payments approach".	877(78.8%)	58(78.4%)
Supportive of the proposal in the re-ED.	120(10.8%)	9(12.2%)
Supportive of other approaches.	116(10.4%)	7(9.5%)
Total	1,113(100.0%)	74(100.0%)

c. Type of underlying assets used by respondents who use leases (the valid respondents; 1,113)

	Both property & others	Only property
Supportive of the "undiscounted lease payments approach".	809(79.3%)	68(73.1%)
Supportive of the proposal in the re-ED.	105(10.3%)	15(16.1%)
Supportive of other approaches.	106(10.4%)	10(10.8%)
Total	1,020(100.0%)	93(100.0%)

(2) The reasons for being supportive of the undiscounted lease payments approach (the valid respondents; 951)

	Respondents	Share
The undiscounted lease payments approach is more appropriate to realize a lessee's straight-line expense recognition.	796	83.7%
The proposed lessee accounting in the re-ED would not faithfully reflect the pattern in which the lessee expects to consume the right-of-use asset's future economic benefits.	120	12.6%
Others	35	3.7%
Total	951	100.0%

a. Public/Non-public companies (the valid respondents; 951)

	Public companies	Non-public companies
The undiscounted lease payments approach is more appropriate to realize a lessee's straight-line expense recognition.	308(80.2%)	488(86.1%)
The proposed lessee accounting in the re-ED would not faithfully reflect the pattern in which the lessee expects to consume the right-of-use asset's future economic benefits.	58(15.1%)	62(10.9%)
Others	18(4.7%)	17(3.0%)
Total	384(100.0%)	567(100.0%)

b. Companies using leases/companies using no leases (the valid respondents; 930)

	Using leases	Using no leases
The undiscounted lease payments approach is more appropriate to realize a lessee's straight-line expense recognition.	735(84.1%)	46(82.1%)
The proposed lessee accounting in the re-ED would not faithfully reflect the pattern in which the lessee expects to consume the right-of-use asset's future economic benefits.	107(12.2%)	9(16.1%)
Others	32(3.7%)	1(1.8%)
Total	874(100.0%)	56(100.0%)

c. Type of underlying assets used by respondents who use leases (the valid respondents; 874)

	Both property & others	Only property
The undiscounted lease payments approach is more appropriate to realize a lessee's straight-line expense recognition.	676(83.9%)	59(86.8%)
The proposed lessee accounting in the re-ED would not faithfully reflect the pattern in which the lessee expects to consume the right-of-use asset's future economic benefits.	98(12.2%)	9(13.2%)
Others	32(4.0%)	0(0.0%)
Total	806(100.0%)	68(100.0%)

(3) The reasons for being supportive of the proposal in the re-ED (the number of the valid respondents; 132)

	Respondents	Share
The proposed accounting is more appropriate than the undiscounted lease payments approach to realize a straight-line expense recognition.	80	60.6%
The proposed accounting is more preferable because a lessee overstates ROU and liability under the undiscounted lease payments approach even though that approach is more appropriate to realize a straight-line lease expense recognition.	46	34.8%
Others	6	4.5%
Total	132	100.0%

a. Public/Non-public companies (the valid respondents; 132)

	Public companies	Non-public companies
The proposed accounting is more appropriate than the undiscounted lease payments approach to realize a straight-line expense recognition.	34(54.8%)	46(65.7%)
The proposed accounting is more preferable because a lessee overstates ROU and liability under the undiscounted lease payments approach even though that approach is more appropriate to realize a straight-line lease expense recognition.	24(38.7%)	22(31.4%)
Others	4(6.5%)	17 2.9%)
Total	62(100.0%)	70(100.0%)

b. Companies using leases/companies using no leases (the valid respondents; 128)

	Using leases	Using no leases
The proposed accounting is more appropriate than the undiscounted lease payments approach to realize a straight-line expense recognition.	71(59.7%)	6(66.7%)
The proposed accounting is more preferable because a lessee overstates ROU and liability under the undiscounted lease payments approach even though that approach is more appropriate to realize a straight-line lease expense recognition.	43(36.1%)	2(22.2%)
Others	5(4.2%)	1(11.1%)
Total	119(100.0%)	9(100.0%)

c. Type of underlying assets used by respondents who use leases (the valid respondents; 119)

	Both property & others	Only property
The proposed accounting is more appropriate than the undiscounted lease payments approach to realize a straight-line expense recognition.	62(59.6%)	9(60.0%)
The proposed accounting is more preferable because a lessee overstates ROU and liability under the undiscounted lease payments approach even though that approach is more appropriate to realize a straight-line lease expense recognition.	37(35.6%)	6(40.0%)
Others	5(4.8%)	0(0.0%)
Total	104(100.0%)	15(100.0%)

(4) The reasons for being supportive of others (the number of the valid respondents; 123)

	Respondents	Share
Prefer to be able to choose either the approach proposed in the re-ED or the undiscounted lease payments approach.	52	42.3%
Prefer to apportion interest component of lease payments over the lease term on a straight line basis.	49	39.8%
Others	22	17.9%
total	123	100.0%

a. Public/Non-public companies (the valid respondents; 123)

	Public companies	Non-public companies
Prefer to be able to choose either the approach proposed in the re-ED or the undiscounted lease payments approach.	17(35.4%)	35(46.7%)
Prefer to apportion interest component of lease payments over the lease term on a straight line basis.	21(43.8%)	28(37.3%)
Others	10(20.8%)	12(16.0%)
total	48(100.0%)	75(100.0%)

b. Companies using leases/companies using no leases (the valid respondents; 118)

	Using leases	Using no leases
Prefer to be able to choose either the approach proposed in the re-ED or the undiscounted lease payments approach.	49(44.1%)	1(14.3%)
Prefer to apportion interest component of lease payments over the lease term on a straight line basis.	44(39.6%)	3(42.9%)
Others	18(16.2%)	3(42.9%)
total	111(100.0%)	7(100.0%)

c. Type of underlying assets used by respondents who use leases (the valid respondents; 111)

	Both property & others	Only property
Prefer to be able to choose either the approach proposed in the re-ED or the undiscounted lease payments approach.	44(43.6%)	5(50.0%)
Prefer to apportion interest component of lease payments over the lease term on a straight line basis.	42(41.6%)	2(20.0%)
Others	15(14.3%)	3(30.0%)
total	101(100.0%)	10(100.0%)

3. Measurement of a lease term

(1) Measurement of a lease term (the valid respondents; 1,229)

	Respondents	Share
Disagree to the proposal in the re-ED.	1,098	89.3%
Agree to the proposal in the re-ED.	131	10.7%
Total	1,229	100.0%

a. Public/Non-public companies (the valid respondents; 1,229)

	Public companies	Non-public companies
Disagree to the proposal in the re-ED.	444(88.1%)	654(90.2%)
Agree to the proposal in the re-ED.	60(11.9%)	71(9.8%)
Total	504(100.0%)	725(100.0%)

b. Companies using leases/companies using no leases (the valid respondents; 1,200)

	Using leases	Using no leases
Disagree to the proposal in the re-ED.	1,009(89.8%)	62(81.6%)
Agree to the proposal in the re-ED.	115(10.2%)	14(18.4%)
Total	1,124(100.0%)	76(100.0%)

c. Type of underlying assets used by respondents who use leases (the valid respondents; 1,124)

	Both property & others	Only property
Disagree to the proposal in the re-ED.	936(90.9%)	73(77.7%)
Agree to the proposal in the re-ED.	94(9.1%)	21(22.3%)
Total	1,030(100.0%)	94(100.0%)

(2) The reasons for disagreeing to the proposal (the number of the valid respondents; 1,094)

	Respondents	Share
It is difficult to determine whether the lessee has a significant economic incentive or not.	601	54.9%
Comparability of financial statements would be reduced because some uncertain options could be included in the lease term.	250	22.9%
There is no any defect to the current standard.	232	21.2%
Others	11	1.0%
Total	1,094	100.0%

a. Public/Non-public companies (the valid respondents; 1,094)

	Public companies	Non-public companies
It is difficult to determine whether the lessee has a significant economic incentive or not.	242(54.9%)	359(55.0%)
Comparability of financial statements would be reduced because some uncertain options could be included in the lease term.	111(25.2%)	139(21.3%)
There is no any defect to the current standard.	83(18.8%)	149(22.8%)
Others	5(1.1%)	6(0.9%)
Total	441(100.0%)	653(100.0%)

b. Companies using leases/companies using no leases (the valid respondents; 1,067)

	Using leases	Using no leases
It is difficult to determine whether the lessee has a significant economic incentive or not.	557(55.4%)	29(46.8%)
Comparability of financial statements would be reduced because some uncertain options could be included in the lease term.	231(23.0%)	15(24.2%)
There is no any defect to the current standard.	209(20.8%)	16(25.8%)
Others	8(0.8%)	2(3.2%)
Total	1,005(100.0%)	62(100.0%)

c. Type of underlying assets used by respondents who use leases (the valid respondents; 1,005)

	Both property & others	Only property
It is difficult to determine whether the lessee has a significant economic incentive or not.	521(55.8%)	36(50.0%)
Comparability of financial statements would be reduced because some uncertain options could be included in the lease term.	215(23.0%)	16(22.2%)
There is no any defect to the current standard.	189(20.3%)	20(27.8%)
Others	8(0.9%)	0(0.0%)
Total	933(100.0%)	72(100.0%)

(3) The reasons for agreeing to the proposal (the number of the valid respondents 130)

	Respondents	Share
The proposal for lease term reflects the nature of lease term although it is difficult to determine whether the lessee has a significant economic incentive.	81	62.3%
The proposal for lease term would reflect the nature of lease term and it is easy to determine whether the lessee has a significant economic incentive.	42	32.3%
Others	7	5.4%
Total	130	100.0%

a. Public/Non-public companies (the valid respondents; 130)

	Public companies	Non-public companies
The proposal for lease term reflects the nature of lease term although it is difficult to determine whether the lessee has a significant economic incentive.	39(65.0%)	42(60.0%)
The proposal for lease term would reflect the nature of lease term and it is easy to determine whether the lessee has a significant economic incentive.	17(28.3%)	25(35.7%)
Others	4(6.7%)	3(4.3%)
Total	60(100.0%)	70(100.0%)

b. Companies using leases/companies using no leases (the valid respondents; 128)

	Using leases	Using no leases
The proposal for lease term reflects the nature of lease term although it is difficult to determine whether the lessee has a significant economic incentive.	75(65.2%)	5(38.5%)
The proposal for lease term would reflect the nature of lease term and it is easy to determine whether the lessee has a significant economic incentive.	35(30.4%)	6(46.2%)
Others	5(4.3%)	2(15.4%)
Total	115(100.0%)	13(100.0%)

c. Type of underlying assets used by respondents who use leases (the valid respondents; 115)

	Both property & others	Only property
The proposal for lease term reflects the nature of lease term although it is difficult to determine whether the lessee has a significant economic incentive.	57(60.6%)	18(85.7%)
The proposal for lease term would reflect the nature of lease term and it is easy to determine whether the lessee has a significant economic incentive.	32(34.0%)	3(14.3%)
Others	5(5.3%)	0(0.0%)
Total	94(100.0%)	21(100.0%)

4. Accounting for a short term lease

(1) Accounting for a short term lease (the valid respondents; 1,220)

	Respondents	Share
Disagree to the proposal in the re-ED.	958	78.5%
Agree to the proposal in the re-ED.	262	21.5%
Total	1,220	100.0%

a. Public/Non-public companies (the valid respondents; 1,220)

	Public companies	Non-public companies
Disagree to the proposal in the re-ED.	372(74.3%)	586(81.5%)
Agree to the proposal in the re-ED.	129(25.7%)	133(18.5%)
Total	501(100.0%)	719(100.0%)

b. Companies using leases/companies using no leases (the valid respondents; 1,192)

	Using leases	Using no leases
Disagree to the proposal in the re-ED.	880(78.9%)	57(75.0%)
Agree to the proposal in the re-ED.	236(21.1%)	19(25.0%)
Total	1,116(100.0%)	76(100.0%)

c. Type of underlying assets used by respondents who use leases (the valid respondents; 1,116)

	Both property & others	Only property
Disagree to the proposal in the re-ED.	811(79.4%)	69(73.4%)
Agree to the proposal in the re-ED.	211(20.6%)	25(26.6%)
Total	1,022(100.0%)	94(100.0%)

(2) The reasons for disagree to the proposal (the number of the valid respondents; 954)

	Respondents	Share
If options to extend the leases are included, there are few leases to which the proposed accounting for a short term lease could be applied, which would be burdensome.	577	60.5%
The proposed accounting for a short term lease could not be applied to many leases, because there are many leases where the non-cancelable lease term is more than one year, which would be burdensome.	356	37.3%
Others	21	2.2%
total	954	100.0%

a. Public/Non-public companies (the valid respondents; 954)

	Public companies	Non-public companies
If options to extend the leases are included, there are few leases to which the proposed accounting for a short term lease could be applied, which would be burdensome.	235(63.5%)	342(58.6%)
The proposed accounting for a short term lease could not be applied to many leases, because there are many leases where the non-cancelable lease term is more than one year, which would be burdensome.	125(33.8%)	231(39.6%)
Others	10(2.7%)	11(1.9%)
total	370(100.0%)	584(100.0%)

b. Companies using leases/companies using no leases (the valid respondents; 933)

	Using leases	Using no leases
If options to extend the leases are included, there are few leases to which the proposed accounting for a short term lease could be applied, which would be burdensome.	534(61.0%)	29(50.9%)
The proposed accounting for a short term lease could not be applied to many leases, because there are many leases where the non-cancelable lease term is more than one year, which would be burdensome.	326(37.2%)	26(45.6%)
Others	16(1.8%)	2(3.5%)
total	876(100.0%)	57(100.0%)

c. Type of underlying assets used by respondents who use leases (the valid respondents; 865)

	Both property & others	Only property
If options to extend the leases are included, there are few leases to which the proposed accounting for a short term lease could be applied, which would be burdensome.	492(61.7%)	42(61.8%)
The proposed accounting for a short term lease could not be applied to many leases, because there are many leases where the non-cancelable lease term is more than one year, which would be burdensome.	302(37.9%)	24(35.3%)
Others	3(0.4%)	2(2.9%)
total	797(100.0%)	68(100.0%)

(3) The reasons for agreeing to the proposal (the number of the valid respondents; 260)

	Respondents	Share
The proposal for a short term lease is appropriate from the standpoint of costs and benefits.	189	72.7%
The proposal is appropriate in order to prevent an entity from intentionally structuring short term leases.	41	15.8%
The proposal would be agreeable if the definition of a short term lease is consistent with that of a lease term (i.e. options are included if the lessee has a significant economic incentive.).	24	9.2%
Others	6	2.3%
	260	100.0%

a. Public/Non-public companies (the valid respondents; 260)

	Public companies	Non-public companies
The proposal for a short term lease is appropriate from the standpoint of costs and benefits.	88(68.2%)	101(77.1%)
The proposal is appropriate in order to prevent an entity from intentionally structuring short term leases.	26(20.2%)	15(11.5%)
The proposal would be agreeable if the definition of a short term lease is consistent with that of a lease term (i.e. options are included if the lessee has a significant economic incentive.).	12(9.3%)	12(9.2%)
Others	3(2.3%)	3(2.3%)
Total	129(100.0%)	131(100.0%)

b. Companies using leases/companies using no leases (the valid respondents; 253)

	Using leases	Using no leases
The proposal for a short term lease is appropriate from the standpoint of costs and benefits.	172(73.2%)	15(83.3%)
The proposal is appropriate in order to prevent an entity from intentionally structuring short term leases.	37(15.7%)	1(5.6%)
The proposal would be agreeable if the definition of a short term lease is consistent with that of a lease term (i.e. options are included if the lessee has a significant economic incentive.).	22(9.4%)	0(0.0%)
Others	4(1.7%)	2(11.1%)
Total	235(100.0%)	18(100.0%)

c. Type of underlying assets used by respondents who use leases (the valid respondents; 235)

	Both property & others	Only property
The proposal for a short term lease is appropriate from the standpoint of costs and benefits.	152(72.4%)	20(80.0%)
The proposal is appropriate in order to prevent an entity from intentionally structuring short term leases.	33(15.7%)	4(16.0%)
The proposal would be agreeable if the definition of a short term lease is consistent with that of a lease term (i.e. options are included if the lessee has a significant economic incentive.).	21(10.0%)	1(4.0%)
Others	4(1.9%)	0(0.0%)
Total	210(100.0%)	25(100.0%)

5. Accounting for a lease of a non-core asset

(1) Accounting for a lease of a non-core asset (the valid respondents; 1,223)

	Respondents	Share
Disagree to the proposal in the re-ED.	1,067	87.2%
Agree to the proposal in the re-ED.	156	12.8%
Total	1,223	100.0%

a. Public/Non-public companies (the valid respondents; 1,223)

	Public companies	Non-public companies
Disagree to the proposal in the re-ED.	430(84.8%)	637(89.0%)
Agree to the proposal in the re-ED.	77(15.2%)	79(11.0%)
Total	507(100.0%)	716(100.0%)

b. Companies using leases/companies using no leases (the valid respondents; 1,194)

	Using leases	Using no leases
Disagree to the proposal in the re-ED.	979(87.6%)	64(84.2%)
Agree to the proposal in the re-ED.	139(12.4%)	12(15.8%)
Total	1,118(100.0%)	76(100.0%)

c. Type of underlying assets used by respondents who use leases (the valid respondents; 1,118)

	Both property & others	Only property
Disagree to the proposal in the re-ED.	900(87.9%)	79(84.0%)
Agree to the proposal in the re-ED.	124(12.1%)	15(16.0%)
Total	1,024(100.0%)	94(100.0%)

(2) The reasons for disagreeing to the proposal (the number of the valid respondents; 1,061)

	Respondents	Share
It is appropriate to apply the current operating lease accounting to a lease of a non-core asset.	618	58.2%
There would be practical difficulties without any practical relief in which an entity is able to determine whether the proposals should be applied to its leases based on the materiality threshold set by the entity.	434	40.9%
Others	9	0.8%
Total	1,061	100.0%

a. Public/Non-public companies (the valid respondents; 1,061)

	Public companies	Non-public companies
It is appropriate to apply the current operating lease accounting to a lease of a non-core asset.	223(52.2%)	395(62.3%)
There would be practical difficulties without any practical relief in which an entity is able to determine whether the proposals should be applied to its leases based on the materiality threshold set by the entity.	200(46.8%)	234(36.9%)
Others	4(0.9%)	5(0.8%)
Total	427(100.0%)	634(100.0%)

b. Companies using leases/companies using no leases (the valid respondents; 1,037)

	Using leases	Using no leases
It is appropriate to apply the current operating lease accounting to a lease of a non-core asset.	563(57.9%)	37(57.8%)
There would be practical difficulties without any practical relief in which an entity is able to determine whether the proposals should be applied to its leases based on the materiality threshold set by the entity.	404(41.5%)	25(39.1%)
Others	6(0.6%)	2(3.1%)
Total	973(100.0%)	64(100.0%)

c. Type of underlying assets used by respondents who use leases (the valid respondents; 969)

	Both property & others	Only property
It is appropriate to apply the current operating lease accounting to a lease of a non-core asset.	522(58.6%)	41(52.6%)
There would be practical difficulties without any practical relief in which an entity is able to determine whether the proposals should be applied to its leases based on the materiality threshold set by the entity.	367(41.2%)	37(47.4%)
Others	2(0.2%)	0(0.0%)
Total	891(100.0%)	78(100.0%)

(3) The reasons for agreeing to the proposal (the number of the valid respondents; 151)

	Respondents	Share
There should be no exception for a lease of non-core asset.	66	43.7%
There is no need to provide a specified accounting because the IFRS allows an entity to determine whether the proposals in the re-ED should be applied to its leases by itself based on the materiality threshold set by the entity.	53	35.1%
There is no need to provide any exception because any numerical threshold would be complex to apply.	26	17.2%
Others	6	4.0%
Total	151	100.0%

a. Public/Non-public companies (the valid respondents; 151)

	Public companies	Non-public companies
There should be no exception for a lease of non-core asset.	34(45.3%)	32(42.1%)
There is no need to provide a specified accounting because the IFRS allows an entity to determine whether the proposals in the re-ED should be applied to its leases by itself based on the materiality threshold set by the entity.	32(42.7%)	21(27.6%)
There is no need to provide any exception because any numerical threshold would be complex to apply.	5(6.7%)	21(27.6%)
Others	4(5.3%)	2(2.6%)
Total	75(100.0%)	76(100.0%)

b. Companies using leases/companies using no leases (the valid respondents; 146)

	Using leases	Using no leases
There should be no exception for a lease of non-core asset.	59(43.4%)	5(50.0%)
There is no need to provide a specified accounting because the IFRS allows an entity to determine whether the proposals in the re-ED should be applied to its leases by itself based on the materiality threshold set by the entity.	51(37.5%)	2(20.0%
There is no need to provide any exception because any numerical threshold would be complex to apply.	21(15.4%)	3(30.0%)
Others	5(3.7%)	0(0.0%)
Total	136	10

c. Type of underlying assets used by respondents who use leases (the valid respondents; 136)

	Both property & others	Only property
There should be no exception for a lease of non-core asset.	53(43.8%)	6(40.0%)
There is no need to provide a specified accounting because the IFRS allows an entity to determine whether the proposals in the re-ED should be applied to its leases by itself based on the materiality threshold set by the entity.	44(36.4%)	7(46.7%)
There is no need to provide any exception because any numerical threshold would be complex to apply.	19(15.7%)	2(13.3%)
Others	5(4.1%)	0(0.0%)
Total	121(100.0%)	25(100.0%)