

Expansion of English Disclosure in the Prime Market

Tokyo Stock Exchange, Inc. Listing Department
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General Comments

- **Some overseas investors have said that they do not invest in Japanese companies because of a lack of English disclosure, which is a very big opportunity loss. Considering the concept of the Prime Market, English disclosure should be promoted.**
- **Overseas investors are dissatisfied with information asymmetries and disadvantages, such as differences in the volume and timing of information between disclosure in Japanese and English.**
- **While taking the situation of companies into account, it would be appropriate to make the documents that are in high demand by investors mandatory on a priority basis.**

Target Companies

- **The Prime Market concept needs to be consistent, and should start with the “formality” of English disclosure for all listed companies in the Prime Market, even if it is just to adhere to the “comply or explain” approach.**
- **In light of the Prime Market concept, differences between companies in the scope of documents subject to mandatory disclosure should not be established based on market capitalization or the ratio of overseas investors, but during the transitional period, gradual mandatory disclosure based on company size, etc., could be considered.**
- **We recommend that English disclosure be made mandatory for all listed companies in the Prime Market on an effort basis, and that companies that are considered by overseas investors as part of the universe (for indices, companies in the TOPIX 500 and the JPX Prime 150 Index) be given priority in making English disclosure mandatory.** This will lead to an improvement in the perception of foreign investors and their evaluation of the Japanese stock market.
- **There is a concern that high-quality English disclosures will not be facilitated if discussions are conducted from an idealistic approach, without considering the actual situation of companies.** To start with, we suggest that **English disclosure be requested with priority from companies in which overseas investors hold 30% or more of the total shares.**
- **To attract overseas investors in the future, companies with a lower ratio of overseas investors need to make more appealing English disclosures, and it is not appropriate to assign priority based on the ratio of overseas investors.**

Itemized Comments

Scope of Documents

- In making English disclosure mandatory, priority could be given to **earnings reports, IR event and presentation materials**, and **Annual Securities Reports** (starting with items with particularly high needs), which are particularly in high demand by overseas investors.
- **Earnings reports (at least a summary) and timely disclosure** should be mandatory
- **Timely disclosure** should be addressed as soon as possible, as there is a significant gap between investors' needs and current corporate efforts.
- **Compared to other documents, we feel that investors' needs for Annual Securities Reports are not that high. We provide English disclosure for earnings report summaries, IR event and presentation materials (earnings conference materials), and timely disclosure materials, and have not received any further requests for English disclosure.**
- **Statutory disclosure** documents **such as timely disclosure materials, earnings reports, and Annual Securities Report** should be the base in terms of requiring English disclosure, including information that could be disadvantageous for the company.

Timing of Disclosure

- It goes without saying that **simultaneous disclosure in English and Japanese is preferable**, but it **could also be acceptable to separate the two depending on the nature of the material.**
- Simultaneous disclosure is preferable for timely disclosure, and **at least a summary should be disclosed at the same time for** those items of considerable complexity, such as the issuance of shares and subscription warrants.

Other

- It is also important to **share the expertise of companies that actively disclose in English with other companies.**
- **Translation software** may be a powerful tool to assist in the preparation of English disclosure materials.
- **Based on the mindset of Japanese companies, it is impossible to disclose translations generated by AI as is.** Even if a translation is outsourced to a translation company, it is **necessary to check the content in-house** to avoid discrepancies that could occur if the disclosure is made as is, and companies **need to understand the work related to this requires a considerable process and amount of time.**
- **Translations using AI can be carried out by investors.** For such situations, **to find out what** investors really needs or for issuers to understand any problems that have arisen, it **is necessary to delve a little deeper and more carefully into the circumstances and opinions of both sides.**

- While some, particularly large companies, were praised for recent improvements in English disclosure, there was dissatisfaction towards **the lack of improvement regarding the gap between Japanese and English disclosure for some large companies, and** some believe that **very limited English-language information from relatively small companies is a constraint on investment.**
- The **time lag between Japanese and English disclosures is a major disadvantage for overseas investors, and** many are demanding more **prompt disclosure.**
 - However, some respondents, depending on the investment style, valued the comprehensiveness of information even if there is a time lag.

Main Opinions

General Remarks

Dissatisfaction with English disclosure by Japanese companies

- English disclosure by large companies is improving, but **some large companies still do not disclose simultaneously in English and Japanese.** (Long-only, Mid and small-cap, Europe)
- It is unfortunate that some companies, even if they are **large cap stocks and the business itself is attractive, lack English-language information compared to Japanese.** (Long-only, Large-cap and mid-cap, Europe)
- Although there is currently a focus on investing in small cap stocks, it is **difficult to increase the percentage of investment in Japanese small cap stocks** because **small cap stocks are not included in brokers' research coverage** and **English-language information on company websites is limited.** (Long-only, Mid and small-cap, Europe)

Time Lag between Japanese and English Disclosures

- **The time lag between Japanese and English disclosure is a significant disadvantage for overseas institutional investors due to the asymmetry of information.** (Long-only, Large-cap, North America)
- I understand that there are various disclosures and **not all of them can be in English, but the time lag between Japanese and English disclosures is critical.** (Long-only, Mid and small-cap, North America)
- Regarding English disclosure, **comprehensiveness of information is of course important, but more emphasis should be placed on the promptness of the information.** (Long-only, Large-cap, Asia)
- For investors engaged with fundamental analysis, the more information in English, the better, even if there is a time lag. (Investment Bank)

- **The most common opinion on which** English disclosure should be promoted as a priority was **earnings reports and earnings conference materials**, which should be **disclosed in a timely manner and include qualitative information**.
- **Timely disclosures were also emphasized as they contain important information that can affect the market, and there is a strong need for simultaneous disclosure in English and Japanese.**
- Some believe that **Annual securities reports are useful when broadly researching an issue and obtaining an overview of the company.**

Main Opinions

Itemized Comments

Scope of Documents and Timing of Disclosure

- If prioritizing particular materials, then **earnings reports and earnings conference materials** should be prioritized (Long-only, Large-cap, Europe)
 - **Summary information in earnings reports is distributed in English by information vendors, so it is the qualitative information that is of value.** (Long-only, Large-cap, Europe)
 - **It is not sufficient to provide only numerical information such as sales and earnings in earnings reports. We would like to see English disclosures that include segment information and notes.** (Long-only, Large-cap, North America)
 - **Earnings conference materials** should also be disclosed simultaneously, as they **sometimes contain figures that are not available elsewhere.** (Long-only, Mid and small-cap, Europe)
 - Information pertaining to earnings **should be provided in a particularly timely manner.** (Long-only, Large-cap, North America)
- **As timely disclosures contain important market-moving information, they are the most time-sensitive and require English disclosure.** (Long-only, Large-cap and mid-cap, Europe)
- **With regard to timely disclosure**, we understand that the volume and content of fund raising-related disclosures are large and complex, so although we would not ask for all parts, we **would like to see important parts of the disclosures made simultaneously in English as well as Japanese.** (Long-only, Large-cap, Asia)
- Overseas institutional investors **look at Annual Securities Reports when gaining a broad understanding of issues.** It is worth having **these documents, which are issued in a somewhat uniform format by each company, in English.** (Hedge fund, Large-cap and mid-cap, Asia)
- U.S. investors are **familiar with the 10-K and read the Annual Securities Report as the equivalent. The description of analyses and studies from management's perspective, such as MD&A, are particularly important.** (Long-only, Large-cap, North America)
- We don't look at Annual Securities Reports even if they have English disclosures. There is too much information. (Long-only, Large-cap, Asia)

- Overseas investors are also using machine translation, but some say it is inconvenient because, **depending on the type of material and data format**, materials can be incompatible **with translation software**.

Main Opinions

Other

- **Investors are also using machine translation, but are concerned about how much they can trust it.** (Securities company)
- **Quantitative information is not a problem.** It can be obtained from Japanese-language materials using natural language processing techniques. (Investment bank)
- **While IR presentation materials are important for understanding the general situation of a company, it is difficult to understand the content using machine translation.** (Hedge fund, Small and mid-cap, North America)
- **PDF data is inconvenient due to low searchability and compatibility with machine translation.** (Long-only, Large-cap, Asia)

Note: Automatic translations of corporate disclosure information are also provided by information vendors such as Bloomberg.

- Although some listed companies disclose information delivered by translation companies as is, **many companies carefully check the content** of their English disclosures due to **concerns about liability for the accuracy of the content**.
- Many listed companies that have issues with English disclosure have not been **able to make simultaneous disclosures because the Japanese text is not finalized until just before disclosure**.
- Among companies that **outsource English disclosures**, some start requesting translations before the Japanese disclosure, while others start requesting translations after the disclosure.
 - Many companies that request translations after Japanese disclosure are concerned about the risk of **leaking confidential information**.
 - Even for companies that request translations prior to Japanese disclosure, there are **resource constraints at the outsourced company** and **internal checks of the delivered disclosure materials, which create** challenges for simultaneous disclosure.
- In addition, although many companies that prepare disclosure materials internally use **machine translation tools**, the risk of **mistranslations** and the **inability to express detailed nuances**, as well as the risk of **information leaks through** the use of cloud-based services, were cited as issues.

Main Opinions

- **Concerns about liability for the accuracy of English disclosures have prevented a** significant expansion of the scope of disclosure.
- **Disclosure materials are subject to revision until just before disclosure**, so simultaneous disclosure is not possible.

Challenges in Outsourcing Translations

- **Outsourcing takes place after disclosure for the sake of insider information and other information management.**
- We outsource translation work because we do not have in-house personnel who can speak English at a native level, but the **outsourcing company is strapped for resources** and cannot meet our deadlines.
- **Even if outsourcing is done, a system for checking is needed**, and this is a challenge.

Issues Related to the Use of Machine Translation

- **Machine translation is** used for same-day disclosure, but the **accuracy of phrases related to laws and regulations and timely disclosure rules is questionable, and with machine translation alone, the translation is not complete.**
- We have tried machine translation, but **it did not give us the content we wanted to convey.**
- Proper nouns are replaced with fictitious ones and then machine translation is used, but it is still difficult to know how to utilize machine translation while avoiding the risk of **information leakage**

Items for Discussion (1)

- Based on the Prime Market concept, it is preferable if in the future, all listed companies in the Prime Market will be able to disclose important information equally in Japanese and English at the same time.
- This, however, would create a considerable burden for listed companies in practice. As such, we suggest that from around March 2025,
 - First, to improve the reputation of Japanese stocks to overseas investors by eliminating asymmetric information on items that have a large impact on the market, it is conceivable to require English disclosure of earnings reports and timely disclosure information.
 - With regard to the timing of disclosure, given that the time lag between Japanese and English is a disadvantage for overseas investors, we would like to request that disclosure be made simultaneously in Japanese and English.
 - ✓ It is expected that earnings reports, quarterly earnings reports, and earnings conference materials will be disclosed simultaneously in English and Japanese, but the scope of English translation could be left to the discretion of each company.
 - ✓ Regarding timely disclosure information, while requiring simultaneous disclosure of all items in English and Japanese, it could also be acceptable to allow excerpts, such as only a summary, to be disclosed in English.
 - However, depending on the size of the company, it may take time to develop the necessary systems for English disclosure. If this is difficult to do, we suggest requesting the disclosure of a specific date for the start of English disclosure.

Information Required to be Disclosed in English	Expected Documents	English Disclosure Timing	Target Company
Earnings information	<ul style="list-style-type: none"> • Earnings reports, quarterly earnings reports • Earnings conference materials, etc. Note: Scope of disclosure to be determined by each company.	Strive for simultaneous disclosure with Japanese	Prime Market All listed companies
Timely disclosure information (excluding earnings information)	<ul style="list-style-type: none"> • Decisions • Facts which occurred • Revision of earnings forecast, etc. Note: Partial excerpts are acceptable, e.g., summary only.		Note: Disclosure of specific start date if response is difficult.

- In addition, the further expansion of English disclosure (e.g., simultaneous timing, Annual Securities Reports that are considered useful for understanding a company's profile, etc.) should be considered, taking into account the progress of English disclosure by listed companies in the future.
 - In addition, TSE will also support listed companies by sharing expertise of companies that are actively engaged in English disclosure through more interviews with them and create an environment for investors to use machine translation.
- What will be the status of English disclosure, given that concerns about liability for the accuracy of content have become a hurdle to the expansion of English disclosure by listed companies?
 - For example, could it be considered that the English disclosure be seen as a reference translation only, and for that to be clarified (e.g., that it is not subject to enforcement under exchange rules)?

Reference: Status of English Disclosure



Earnings Reports

	Simultaneously (with Japanese release)	Same day	Within 3 days	Within 1 week	Within 1 month	Thereafter	Subtotal	Unavailable	Total
Full Disclosure	357 (24.1%)	43 (2.9%)	32 (2.2%)	66 (4.4%)	188 (12.7%)	15 (1.0%)	701 (47.2%)	123 (8.3%)	1,484 (100.0%)
Partial Disclosure	271 (18.3%)	87 (5.9%)	155 (10.4%)	78 (5.3%)	59 (4.0%)	10 (0.7%)	660 (44.5%)		
Total	628 (42.3%)	130 (8.8%)	187 (12.6%)	144 (9.7%)	247 (16.6%)	25 (1.7%)	1,361 (91.7%)		

Earnings Conference Materials

	Simultaneously (with Japanese release)	Same day	Within 3 days	Within 1 week	Within 1 month	Thereafter	Subtotal	Unavailable	Not Available in either English or Japanese	Total
Full Disclosure	403 (27.2%)	71 (4.8%)	53 (3.6%)	140 (9.4%)	275 (18.5%)	44 (3.0%)	986 (66.4%)	286 (19.3%)	163 (11.0%)	1,484 (100.0%)
Partial Disclosure	13 (0.9%)	9 (0.6%)	5 (0.3%)	4 (0.3%)	17 (1.1%)	1 (0.1%)	49 (3.3%)			
Total	416 (28.0%)	80 (5.4%)	58 (3.9%)	144 (9.7%)	292 (19.7%)	45 (3.0%)	1,035 (69.7%)			

Timely Disclosure Documents

	Simultaneously (with Japanese release)	Same day	Next Day or Late	Subtotal	Unavailable	Total
Full Disclosure	321 (19.4%)	53 (3.2%)	73 (4.4%)	447 (27.0%)	823 (49.7%)	1,657 (100.0%)
Partial Disclosure	151 (9.1%)	71 (4.3%)	165 (10.0%)	387 (23.4%)		
Total	472 (28.5%)	124 (7.5%)	238 (14.4%)	834 (50.3%)		

Sources: Earnings reports, earnings conference materials are based on the results of the "Prime Market Survey on English Disclosure Requirements"; timely disclosure documents are based on the results of the "Availability of English Disclosure Information by Listed Companies" (as of the end of October 2023) Survey.

- TSE publishes interviews with listed companies that have been recognized by overseas investors as proactive in English disclosure, regarding their efforts in English disclosure (e.g., how they started or expanded English disclosure, their efforts in English disclosure, and the reactions of overseas investors)
- Currently, interviews are underway (to be posted on the website at a later date) with listed companies that were rated by overseas investors as having excellent English disclosure in the "Results of the Survey of Overseas Investors on English Disclosure by Japanese Companies" released in August, based on the current state of their English disclosure and recent improvements.

Interviews with Listed Companies Regarding English Disclosure

Tokyo Stock Exchange (TSE) conducted a survey on overseas investors' assessment of listed companies' disclosure of information in English, and, as a result, those investors evaluated many listed companies as actively conducting efforts in providing disclosure in English. As such, TSE has interviewed several listed companies about their efforts in providing English disclosure, including matters such as reasons behind having begun and expanding English disclosure and ingenuity for and overseas investors' reactions to their English disclosure practices.

Please read the interviews for your reference when considering commencing and/or expanding English disclosure practices.

(note)

-For overseas investors' responses to the survey, please click the link below.

● Survey Reports (Report of the Survey to Overseas Investors on English Disclosure by Japanese Companies)

List of Interviews

Oisix ra daichi Inc.

Code: 3182 Sector: Retail Trade



Building Trusting Relationships with Overseas Investors by Improving English Disclosure

Shoya Umemura

MARUI GROUP CO., LTD.

Code: 8252 Sector: Retail Trade



Efforts for Disclosure of ESG Information from Global Perspectives and Deepening Dialogue with Overseas Investors

Mariko Kuwae, Nahoko Kutsukake, Naho Murakami

Kurita Water Industries Ltd.

Code: 6370 Sector: Machinery



Enhancing English Disclosure of Non-Financial Information, and Praise from Overseas Investors from an ESG Perspective

Kosuke Arai, Kumiko Sasaki, Shizuko Yamazaki

AVANT CORPORATION

Code: 3836 Sector: Information & Communication



Attracting Active Investors by Disclosing Management Information in English

Kenji Nishimura

Kaonavi, inc.

Code: 4435 Sector: Information & Communication



Turning Attention to Overseas Investors and Promoting Disclosure in English

Kimitaka Hashimoto