

Analysis of Disclosure in “Basic Policy Regarding Selection of Accounting Standards”

Tokyo Stock Exchange, Inc.

I. Background

◆ Jun. 24, 2014 Japan Revitalization Strategy (Revised in 2014)

4) Promoting of an increase in the number of companies voluntarily adopting IFRS

Tokyo Stock Exchange will encourage listed companies to **explain to investors** their **basic views on the selection of accounting standards** (for example, whether they are considering adopting IFRS).

◆ Nov. 11, 2014 Revision of Guidelines for Financial Results

✓ Request description on “Basic Policy Regarding Selection of Accounting Standards” in Financial Results

✓ <Guidelines for Financial Results>

*• Please describe basic policy regarding selection of accounting standards.
• For example, whether you are considering the adoption of IFRS.
(stage of consideration, scheduled adoption date)*

✓ Adoption from Financial Results for FY-ended Mar. 31, 2015 (early adoption possible)

◆ Jun. 30, 2015 Japan Revitalization Strategy (Revised in 2015)

4) Further promotion of an increase in the number of companies voluntarily adopting IFRS

Listed companies disclose their progress in considering the adoption of IFRS in “Basic Policy Regarding Selection of Accounting Standards” of the financial results. The government will **analyze** this **together with Tokyo Stock Exchange** and **disseminate the state of IFRS adoption** to contribute to efforts among listed companies to consider transitioning to IFRS.

II. Scope of Analysis

◆ Coverage : 3,507 companies

- ✓ Basic Policy Regarding Selection of Accounting Standards (hereinafter "Basic Policy") of financial results that have been described by TSE-listed companies
 - FY ended April 2015 ~ FY ended December 2015 : 895 companies
 - FY ended January 2016 ~ FY ended February 2016 : 246 companies
 - FY ended March 2016 (include irregular accounting period)
: 2,366 companies

III. Content of Analysis of IFRS Adoption

1. **Categories of Companies in Analysis (P.5)**
2. **Shift in Number of Companies That Have Adopted IFRS (P.6)**
3. **Present situation of companies that voluntarily adopt IFRS «All TSE-listed companies» (P.7)**
4. **Present situation of companies that voluntarily adopt IFRS «JPX-Nikkei 400» (P.8)**
5. **IFRS Adoption by Industrial Sector (P.9~13)**
6. **IFRS Adoption Date (P.14)**
7. **Stage of Progress Among "④ Companies Considering IFRS Adoption" (P.15)**

III – 1. Categories of Companies in Analysis

Categories of companies included in analysis (3,507 companies)

① Companies that have adopted IFRS (85 companies)

Companies that submitted IFRS-based consolidated financial statements or quarterly consolidated financial statements by Jun. 30, 2016

② Companies that have decided to adopt IFRS (30 companies)

Companies whose executive body has disclosed, by Jun. 30, 2016, its decision to adopt IFRS

③ Companies planning to adopt IFRS (26 companies)

Companies whose executive body has described plans to adopt IFRS in its Basic Policy, but yet to decide on IFRS adoption

④ Companies considering IFRS adoption (233 companies)

Companies that described that it is considering IFRS adoption in its Basic Policy

⑤ Other companies (3,133 companies)

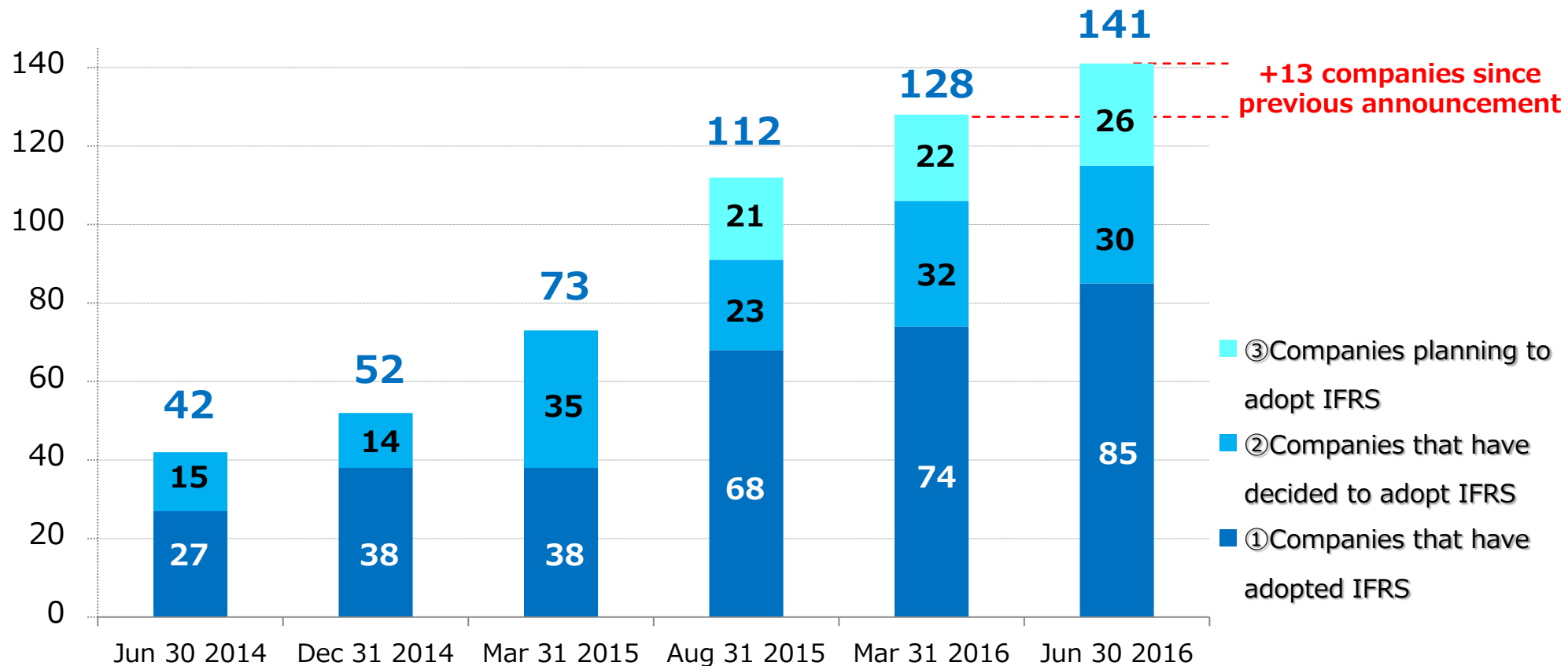
For example, the following companies:

- Company that mentioned only the possibility of future adoption of IFRS
- Companies that mentioned only its current accounting standards

Ⅲ – 2. Shift in Number of Companies That Have Adopted IFRS

- ✓ The combined number of “① Companies that have adopted IFRS”, “② Companies that have decided to adopt IFRS”, and “③ Companies planning to adopt IFRS” is 141 companies as of Jun. 30, 2016.

Number of companies

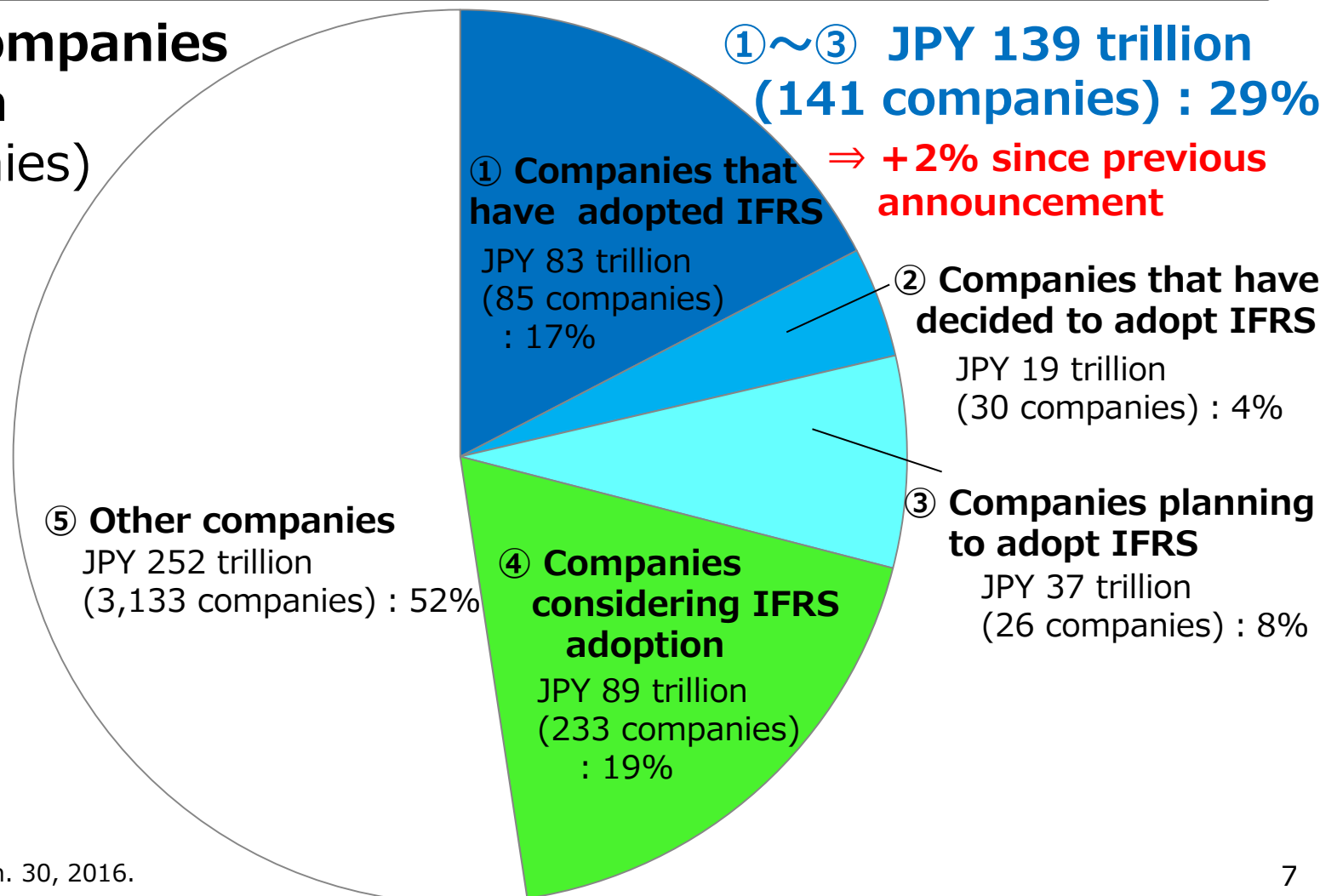


Ⅲ – 3. Present situation of companies that voluntarily adopt IFRS «All TSE-listed companies»

✓ The combined market capitalization of “① Companies that have adopted IFRS” and “② Companies that have decided to adopt IFRS” and “③ Companies planning to adopt IFRS” is JPY 139 trillion, 29% of the entire listed market capitalization (JPY 481 trillion).

All TSE-listed companies

JPY 481 trillion
(3,507 companies)



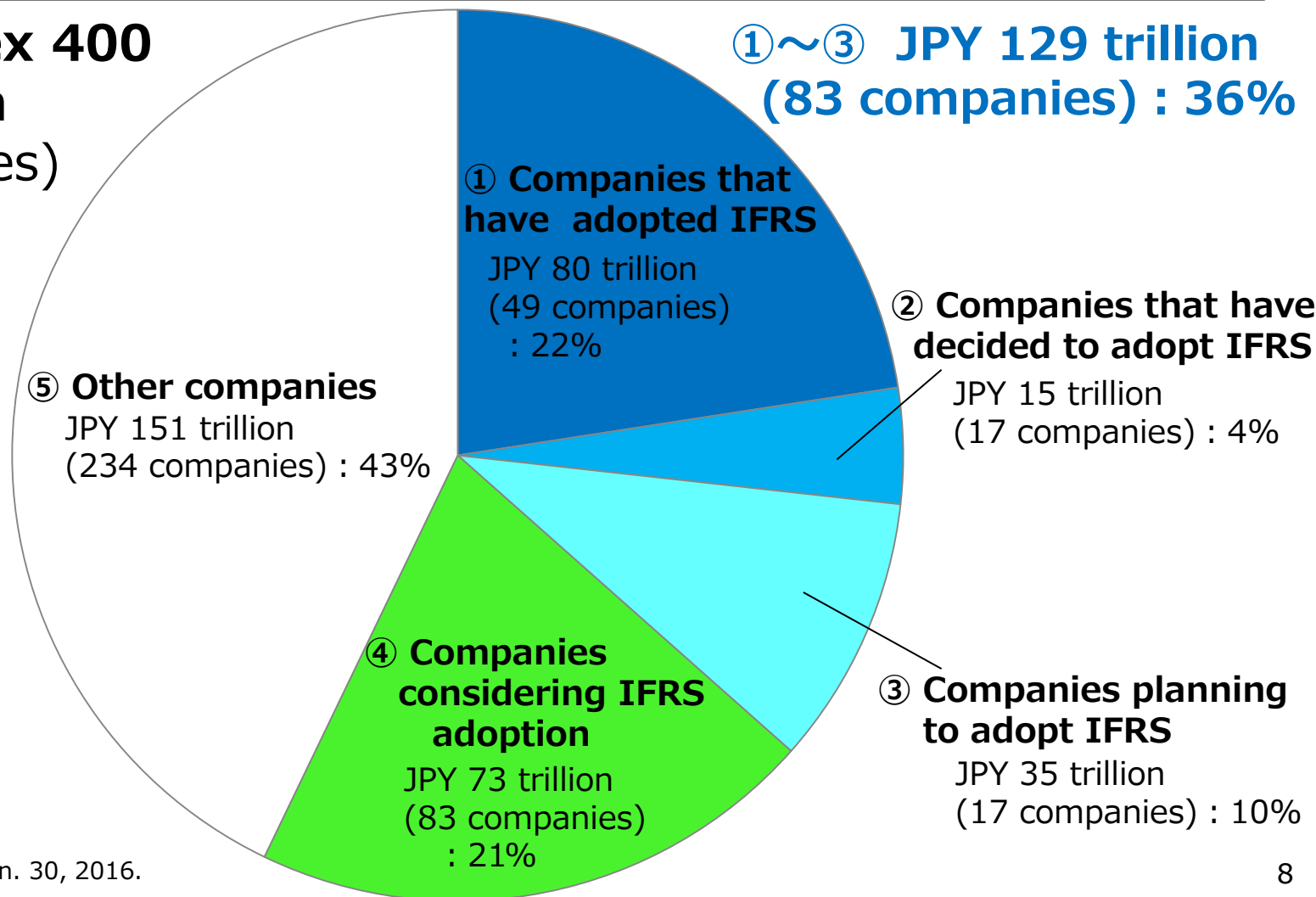
Note: Market capitalization as of Jun. 30, 2016.

Ⅲ – 4. Present situation of companies that voluntarily adopt IFRS «JPX-Nikkei 400»

✓ The combined market capitalization of “① Companies that have adopted IFRS” and “② Companies that have decided to adopt IFRS” and “③ Companies planning to adopt IFRS” is JPY 129 trillion, 36% of the market capitalization of JPX-Nikkei 400 (JPY 353 trillion).

JPX-Nikkei Index 400

JPY 353 trillion
(400 companies)



Note: Market capitalization as of Jun. 30, 2016.

III – 5. IFRS Adoption by Industrial Sector

- ✓ By industrial sector, "① Companies that have adopted IFRS", "② Companies that have decided to adopt IFRS", and "③ Companies planning to adopt IFRS" are found in 23 of the 33 industrial sectors.
- ✓ Industrial sectors that have a significant number of "① Companies that have adopted IFRS" and "② Companies that have decided to adopt IFRS" and "③ Companies planning to adopt IFRS" are: Electric Appliances (21), Pharmaceutical (14), Information & Communication (13), Wholesale Trade (12), Transportation Equipment (12), and Services (12).

Note:

(1) Market capitalization as of Jun 30, 2016.

(2) Numbers to the left of company names indicate the order of their market capitalization within the industrial sector.

	Rubber Products (4/19)	Pharmaceutical (14/65)	Information & Communication (13/378)	Wholesale Trade (12/320)	Foods (6/127)
①Adopted ②Decided to adopt	(2) Sumitomo Rubber Industries (6) Sumitomo Riko	(1) Astellas Pharma (2) Takeda Pharmaceutical (4) ONO PHARMACEUTICAL (5) CHUGAI PHARMACEUTICAL (7) DAIICHI SANKYO (8) Eisai (9) Mitsubishi Tanabe Pharma (13) SANTEN PHARMACEUTICAL (18) Sosei Group (40) GNI Group	(2) KDDI (3) SoftBank (5) Yahoo Japan (9) NEXON (10) KONAMI (17) HIKARI TSUSHIN (21) ITOCHU Techno-Solutions (163) Infotera (200) Fusion Partners (249) Hotto Link	(1) Mitsubishi (2) MITSUI (3) ITOCHU (4) SUMITOMO (5) Marubeni (10) Hitachi High-Technologies (12) Sojitz (27) ITOCHU ENEX (38) KOMEDA Holdings (45) KANEMATSU	(1) JAPAN TOBACCO (2) Asahi Group Holdings (5) Suntory Beverage & Food (12) NH Foods
③Planning to adopt	(1) BRIDGESTONE (3) Yokohama Rubber	(3) Otsuka Holdings (10) Kyowa Hakko Kirin (12) Sumitomo Dainippon Pharma (19) SAWAI PHARMACEUTICAL	(1) NTT DOCOMO (4) NIPPON TELEGRAPH AND TELEPHONE (6) NTT DATA	(25) AUTOBACS SEVEN (35) GULLIVER INTERNATIONAL	(4) Kirin Holdings (6) Ajinomoto
Market capitalization (A)	JPY 3.3 trillion	JPY 21.8 trillion	JPY 38.7 trillion	JPY 10.3 trillion	JPY 12.0 trillion
Total market cap of industrial sector (B)	JPY 3.8 trillion	JPY 28.5 trillion	JPY 52.1 trillion	JPY 19.6 trillion	JPY 25.0trillion
(A/B)	87%	77%	74%	53%	48%

III – 5. IFRS Adoption by Industrial Sector

	Precision Instruments (5/50)	Iron and Steel (2/46)	Oil & Coal Products (1/13)	Electric Appliances (21/260)	Chemicals (10/209)
①Adopted ②Decided to adopt	(2) HOYA (3) OLYMPUS (21) Noritsu Koki	(3) Hitachi Metals	(1) JX Holdings	(7) NIDEC (8) Panasonic (9) Hitachi (11) SYSMEX (13) TOSHIBA (15) FUJITSU (19) RICOH (20) SEIKO EPSON (21) NEC (28) KONICA MINOLTA (32) BROTHER INDUSTRIES (38) ADVANTEST (42) Hitachi Kokusai Electric (54) TOSHIBA TEC (59) ANRITSU (64) CLARION (132) NIHON DEMPA KOGYO (137) SUMIDA (163) TEAC (212) NISHISHIBA ELECTRIC	(1) Kao (5) NITTO DENKO (9) Mitsubishi Chemical Holdings (18) TAIYO NIPPON SAN SO (19) Hitachi Chemical (23) JSR (61) KUREHA (70) The Nippon Synthetic Chemical Industry
③Planning to adopt	(4) NIKON (17) NIKKISO	(1) NIPPON STEEL & SUMITOMO METAL (※)		(14) Renesas Electronics	(8) NIPPON PAINT HOLDINGS (10) SUMITOMO CHEMICAL
Market capitalization (A)	JPY 3.4 trillion	JPY 2.3 trillion	JPY 1.0 trillion	JPY 14.2 trillion	JPY 7.5 trillion
Total market cap of industrial sector (B)	JPY 7.5 trillion	JPY 5.1 trillion	JPY 2.3 trillion	JPY 51.1 trillion	JPY 28.4 trillion
(A/B)	46%	45%	43%	28%	26%

(※) IFRS or JMIS

III – 5. IFRS Adoption by Industrial Sector

	Transportation Equipment (12/97)	Services (12/388)	Metal Products (3/85)	Glass & Ceramics Products (2/58)	Other Financing Business (3/30)
①Adopted ②Decided to adopt	(2) HONDA MOTOR (4) DENSO (9) AISIN SEIKI (21) TS TECH (25) KEIHIN (29) F.C.C. (30) NISSIN KOGYO (31) KYB (42) SHOWA (52) YUTAKA GIKEN (57) Yachiyo Industry	(4) Rakuten (5) DENTSU (6) M3 (14) DeNA (27) COOKPAD (30) TechnoPro Holdings (32) NEXT (33) SEPTENI HOLDINGS (45) OUTSOURCING (56) BELLSYSTEM24 HOLDINGS (154) ITmedia	(1) LIXIL Group (29) H-ONE	(3) Asahi Glass (11) Nippon Sheet Glass	(3) Japan Exchange Group (10) Hitachi Capital (14) J Trust
③Planning to adopt	(11) Mazda Motor	(160) Metaps	(12) G-TEKT		
Market capitalization (A)	JPY 10.5 trillion	JPY 5.1 trillion	JPY 0.6 trillion	JPY 0.7 trillion	JPY 1.0 trillion
Total market cap of industrial sector (B)	JPY 45.2 trillion	JPY 24.1 trillion	JPY 3.3 trillion	JPY 4.0 trillion	JPY 6.4 trillion
(A/B)	23%	21%	18%	18%	15%

III – 5. IFRS Adoption by Industrial Sector

	Retail Trade (5/339)	Real Estate (3/113)	Securities & Commodity Futures (2/42)	Other Products (2/108)	Machinery (6/230)
①Adopted ②Decided to adopt	(2) FAST RETAILING (28) SKYLARK (45) COLOWIDE (54) Toridoll	(5) Iida Group Holdings (30) TOSEI	(3) SBI Holdings (11) Monex Group	(32) DUNLOP SPORTS	(9) NSK (14) Hitachi Construction Machinery (17) MIURA (31) DMG MORI SEIKI (42) Hitachi Koki (66) TSUBAKI NAKASHIMA
③Planning to adopt	(71) OHSO FOOD SERVICE	(8) NTT URBAN DEVELOPMENT		(5) YAMAHA	
Market capitalization (A)	JPY 3.5 trillion	JPY 1.0 trillion	JPY 0.3 trillion	JPY 0.6 trillion	JPY 1.3 trillion
Total market cap of industrial sector (B)	JPY 31.1 trillion	JPY 12.6 trillion	JPY 3.9 trillion	JPY 7.9 trillion	JPY 21.3 trillion
(A/B)	11%	8%	7%	7%	6%

III – 5. IFRS Adoption by Industrial Sector

	Nonferrous Metals (1/34)	Construction (1/166)	Land Transportation (1/58)
①Adopted ②Decided to adopt	(12) Asahi Holdings		(21) Hitachi Transport System
③Planning to adopt		(18) TOSHIBA PLANT SYSTEMS & SERVICES	
Market capitalization (A)	JPY 0.1 trillion	JPY 0.2 trillion	JPY 0.2 trillion
Total market cap of industrial sector (B)	JPY 3.2 trillion	JPY 14.7 trillion	JPY 20.2 trillion
(A/B)	2%	1%	1%

10 industrial sectors with no company transitioning to IFRS and
size of industrial sector
(unit: companies)

Air Transportation	Mining	Fishery, Agriculture & Forestry	Insurance	Marine Transportation	Electric Power & Gas	Pulp & Paper	Warehousing & Harbor Transportation Services	Textiles & Apparels	Banks
5	7	11	12	14	23	24	36	53	87

III – 6. IFRS Adoption Date

✓ The scheduled adoption dates (including targeted) that "③ Companies planning to adopt IFRS (26 companies)" have described in their Basic Policy are as follows.

Adoption/Scheduled adoption date (including quarters within the range)	Companies that have adopted IFRS	Companies that have decided to adopt IFRS	Companies planning to adopt IFRS	Total
~ March 2016	82	–	–	82
April 2016 ~ March 2017	3	20	7	30
April 2017 ~ March 2018	–	5	7	12
April 2018 ~ March 2019	–	1	6	7
April 2019 ~	–	–	2	2
TBD	–	4	4	8
Total	85	30	26	141

III – 7. Stage of Progress Among "④ Companies Considering IFRS Adoption"

✓ Of the 233 companies that were "considering IFRS adoption", 160 companies described concrete matters in its Basic Policy. Many described "Preparation of manual and guidance".



Note: Total exceeds 160 due to descriptions falling under multiple categories.