

Summary of Comments Submitted in the Public Consultation Procedure  
Regarding "Increasing Flexibility of Earnings Reports and Quarterly Earnings Reports"  
(Limited to Comments made in English)

Tokyo Stock Exchange, Inc. (hereinafter "TSE") released the outline of "Increasing Flexibility of Earnings Reports and Quarterly Earnings Reports" on October 28, 2016 and sought public comment until November 27, 2016. The summary of the comments gathered and TSE's responses to the comments are as follows. Please note that this document contains content pertaining to comments submitted in English. Comments made in Japanese and their corresponding responses have been omitted.

No.	Summary of Comments	TSE Response
1. Increasing flexibility of earnings reports		
1	<ul style="list-style-type: none"> <li>- Pursuant to the proposal, the Tokyo Stock Exchange (TSE) will increase flexibility for company disclosure by removing the requirement to use its formats for the Earnings Reports. The new proposal also reduces information covered by the current eXtensible Business Reporting Language (XBRL).</li> <li>- Whilst the TSE hopes that this will promote early announcement of earnings, we are apprehensive over the content of new reports. Earnings reports are useful for analysts who need to respond short/mid-term investment decisions but it is unclear what information will be omitted. We would welcome the simplification of Tanshin as long as only non-essential information is removed.</li> <li>- In particular, we emphasize that the following information should be kept or provided:               <ul style="list-style-type: none"> <li>➤ Basic format for the summary paper, i.e. the current first two pages, should be maintained and those details should be reflected on XBRL data. (PIRC)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>* The removal of the requirement to use summary information formats is in response to the proposal made by the Financial System Council's Working Group on Corporate Disclosure ("FSC Working Group") to increase flexibility for company disclosure by reducing, to the extent possible, the requirements for categories of information covered and enable companies to disclose information in a way that reflects each company's unique situation, thereby enhancing constructive dialogue among companies and their shareholders/investors.</li> <li>* Originally, TSE had only requested, not made mandatory, that companies use summary information formats. Thus, TSE will continue to request preparation/disclosure of earnings reports and quarterly earnings reports based on the reference formats TSE provides.</li> <li>* TSE will continue to request companies to provide XBRL data comparable to that which has been provided to date.</li> </ul>
2. Revision of requested information/data based on the proposal made by the FSC Working Group		
* The following items pertain to revisions to the information/data companies are requested to include in earnings reports and quarterly earnings reports in		

No.	Summary of Comments	TSE Response
	practice. These are not amendments to listing systems. Thus, they are not within the scope of public consultation, but TSE would like to furnish opinions on these comments.	
2	- Tanshin should contain corporate governance information necessary for proxy voting, such as changes in directors and officers, amendment of articles and matters concerning executive remuneration. (PIRC)	* The FSC Working Group indicates that earnings reports and quarterly earnings reports should be issued with the aim of releasing financial information ahead of securities reports, etc.; whereas, securities reports, etc. are statutory reports to be released after completion of audits/reviews.
3	<p>- We believe that the proposed change underestimates the importance of the financial statement supplementary document for investors, regardless of their investment time horizon.</p> <p>- In our view, the financial statement supplementary document provides a useful backdrop to the quarterly earnings digest and is an important part of the earnings release in analysing companies' ongoing fundamentals. We would therefore not be supportive of the proposal which would allow companies to release the document later than the earnings digest and for companies to be given the discretion to present only the summary information.</p> <p>- We also have a concern that the earnings digest without the financial statement supplementary document might potentially encourage trading on superficial numbers, which often tends to be short-term trading, rather than investment based on a full understanding of companies' fundamentals. This could create unintended volatility during the period around the earnings releases by companies. (USS)</p>	<p>In this respect, the FSC Working Group has proposed to promptly release earnings reports and quarterly earnings reports by clarifying once again that these reports do not need audits/reviews and to increase flexibility of disclosure by limiting items that require immediate disclosure in earnings reports and quarterly earnings reports.</p> <p>* The proposals have also indicated that improving flexibility will allow listed companies to determine what information in earnings reports and quarterly earnings reports needs to be disclosed and to disclose information according to their needs upon dialogue with investors.</p> <p>* In line with the proposals, TSE will stop requiring that companies use the prescribed summary information formats when they disclose earnings reports and quarterly earnings reports. At the same time, TSE will revise which categories of information/data it requests companies to furnish in the reports.</p> <p>* In this round of public consultation, TSE has received many comments from investors and analysts in reference to categories of information requested in earnings reports and quarterly earnings reports. In consideration of the views presented at the FSC Working Group, where it was determined that the financial information investors require should be provided in a timely manner upon dialogue between investors and listed companies, TSE will inform all listed companies of these comments, as well as post them on the TSE website, for their reference in those</p>

No.	Summary of Comments	TSE Response
4	<ul style="list-style-type: none"> <li>- Under the proposals, it will no longer be a requirement that companies publish the full year 'financial statement' supplementary document with the fourth quarter earnings digest. If a company does not voluntarily provide this supplementary document at that time, the disclosure of detailed financial information may be delayed and potentially not be available until after the AGM. A potential consequence of this will be that investors will have less information when they are making voting decisions or less time to assess the information provided. Additionally a constructive dialogue between shareholders and the company ahead of the AGM will be more difficult.</li> <li>- If we may make an alternative suggestion, we would respectfully suggest that consideration is given to amending the relevant and prevailing rules and practices to allow companies to hold their AGM later. The time between the end of the financial year and the shareholder meeting is shorter in Japan than in other major equity markets. This may be placing unnecessary strain on companies who are required to meet several demanding deadlines with respect to reporting.</li> <li>- Moreover, holding the AGM later would enable companies to publish the full Annual Report ahead of the meeting with sufficient time for shareholders to absorb the relevant information. This would facilitate a more constructive dialogue with investors at that time. As an additional benefit, this would also give more time for translation of the Annual Report into English, something that would be of value to foreign investors. (ICGN, Group of institutional investors led by Legal and General Investment Management, RPMI Railpen and Standard Life Investments)</li> </ul>	<p>dialogues.</p> <ul style="list-style-type: none"> <li>* To date, companies have been requested to disclose consolidated financial statements together with summary information as an appendix to earnings reports. However, disclosure has not been mandatory. TSE will continue requesting listed companies to disclose consolidated financial statements, in principle, together with summary information.</li> <li>* The FSC Working Group has proposed that it be made possible for summary information to be disclosed prior to consolidated financial statements, thereby enabling companies to announce their financial results earlier and in a way that reflects each company's unique situation. This shall only be allowed if there is no possibility that it could lead to misleading investment decisions; and, even if summary information were to be disclosed ahead of consolidated financial statements, consolidated financial statements must also be immediately disclosed as soon as is feasible.</li> <li>* TSE will inform listed companies of comments to the effect that it is imperative that companies promptly provide consolidated financial statements for a full year to facilitate voting rights execution at the AGM.</li> </ul>