

# Results of the Survey of Overseas Investors on English Disclosure by Japanese Companies

August 2021  
Listing Department  
Tokyo Stock Exchange, Inc.

# Executive Summary

## 1. Assessment of English Disclosures (pages 4-7)

- ◆ More than 80% of respondents saw an improvement in English disclosure, but about 60% were dissatisfied with discrepancies in the quantity of information between Japanese and English, and the timing of disclosure, etc.
- ◆ Disclosure at some large-cap stocks and at small/medium-cap stocks is still insufficient, and there were also comments that the level of disclosure is inferior to the international level.

## 2. Impact on Investment Activities from Insufficient English Disclosure (pages 8-9)

- ◆ Insufficient English disclosure is a hindrance to dialogue and exercise of voting rights.
- ◆ It affects investment behavior, even leading to valuation discounts and exclusion from investment universes.

## 3. Documents for which English is Considered Necessary (pages 10-17)

- ◆ More than 70% of respondents, and more than 80% of those who make investment decisions, answered that English disclosure of Earnings Reports, IR presentations, timely disclosure documents, and Annual Securities Reports is “essential” or “necessary”.
- ◆ Most of the respondents answered that priority for English disclosure should be given to Earnings Reports and IR presentations.

## 4. Companies with Excellent English Disclosure/Companies where More Complete Disclosure is Needed (pages 18-21)

- ◆ Companies considered to have excellent English disclosure are highly evaluated for the comprehensiveness and timeliness of their disclosure, IR support in English, and level of detail.
- ◆ For companies where a more complete disclosure in English is needed, there were responses about large- and mid-cap companies whose disclosure is incomplete and delayed, and some respondents expected to improve disclosure in English by investable small-cap companies.

## 5. Comments regarding IR Activities (pages 22-24)

- ◆ There are improvements in IR activities overall, but issues remain regarding IR support in English, access to executives, and content of the dialogue, among other things.

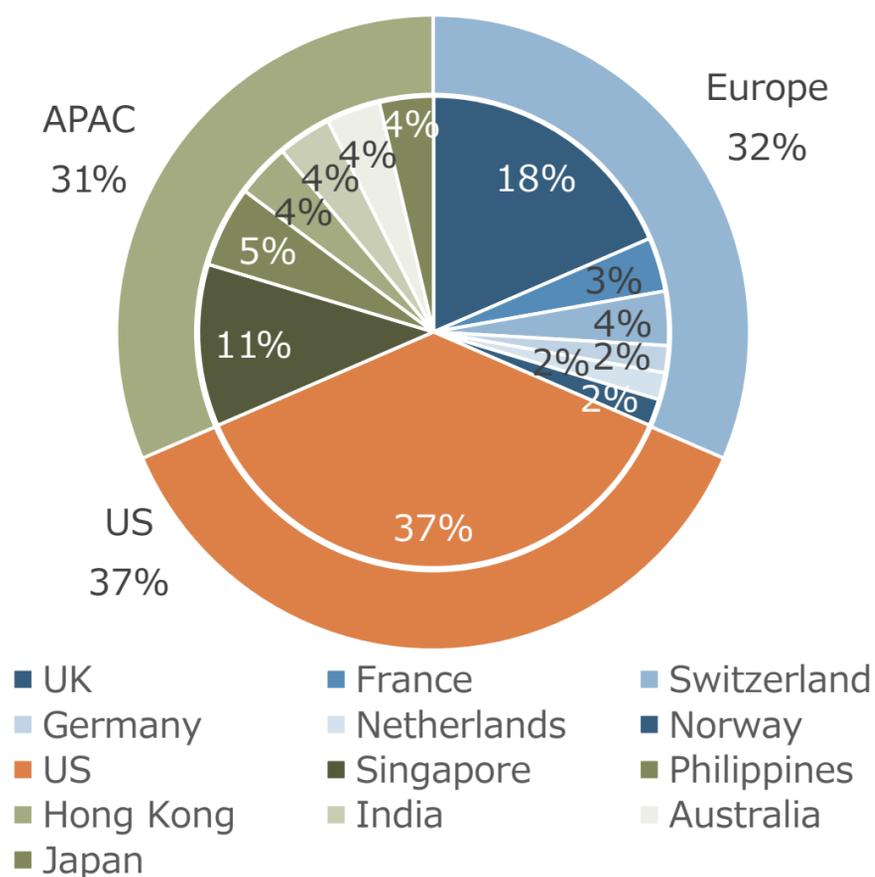
# I. Survey Outline/Respondent Attributes

- Period: Jul. 1, 2021 to Aug. 13, 2021
- Method: Web questionnaire (responses on-record) and interviews
- Target: Mostly overseas institutional investors
- Number of responses: 54 (including 48 institutional investors)

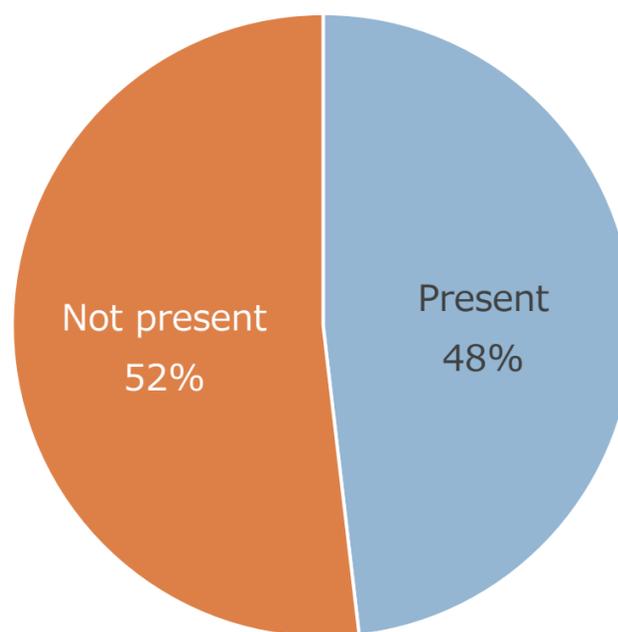
Note: This survey was conducted in English, and the comments quoted in this document are excerpts of the answers.

## Respondent Attributes

Location

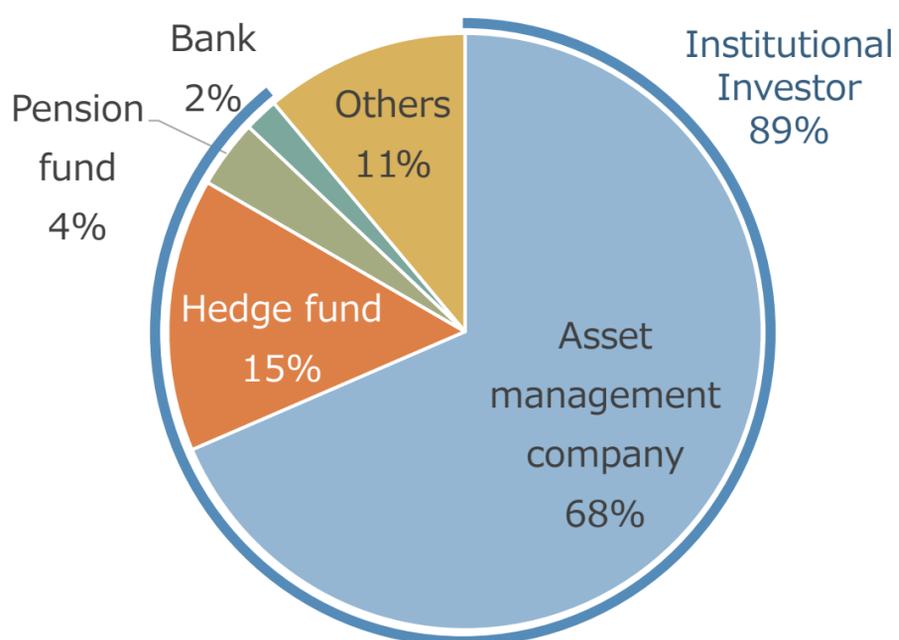


Presence of staff who can read Japanese disclosure documents (on the investment team)

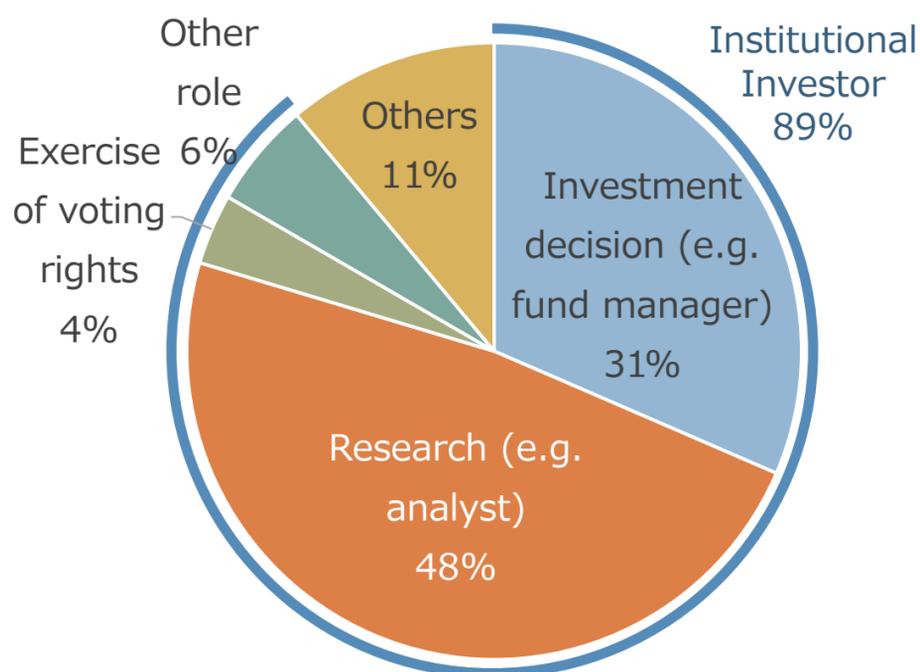


Note: Those categorized as "Japan" are employees of Japanese offices of overseas asset management companies.

Type of organization



Main role



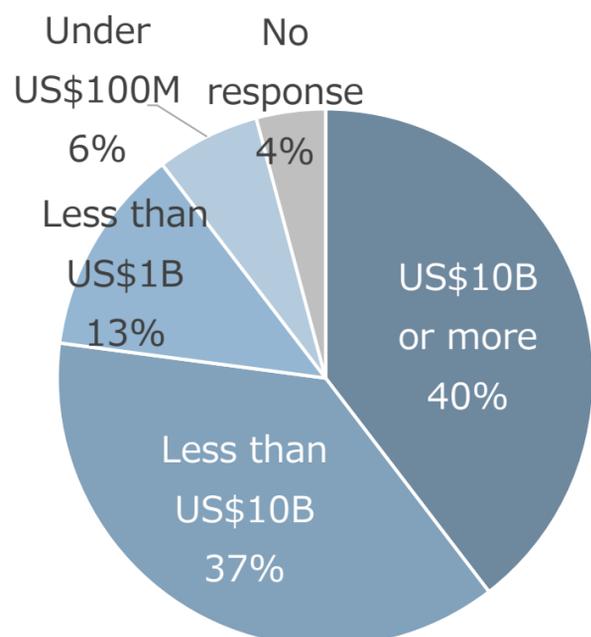
Note: "Others" includes brokerage companies, independent research companies, investment banks, and index providers.

Notes: -"Other role" includes those in charge of stewardship & engagement, compliance, and products at asset management companies.  
 -"Others" includes brokerage companies, independent research companies, investment banks, and index providers.

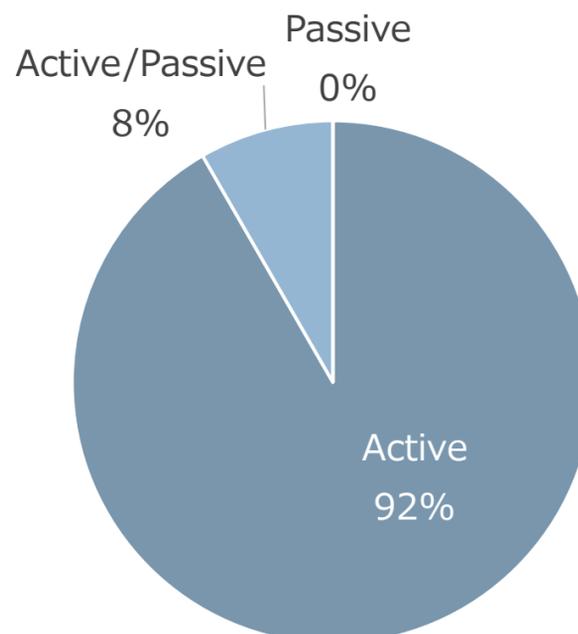
## Respondent Attributes (Institutional Investors)

- Below are attributes of the institutional investors which responded (asset management companies, hedge funds, pension funds and banks) (48 responses)
- Questions on investment management styles and investment universes were multiple-choice (optional, multiple answers allowed). If none of the applicable options were selected, the response is counted as "no response".

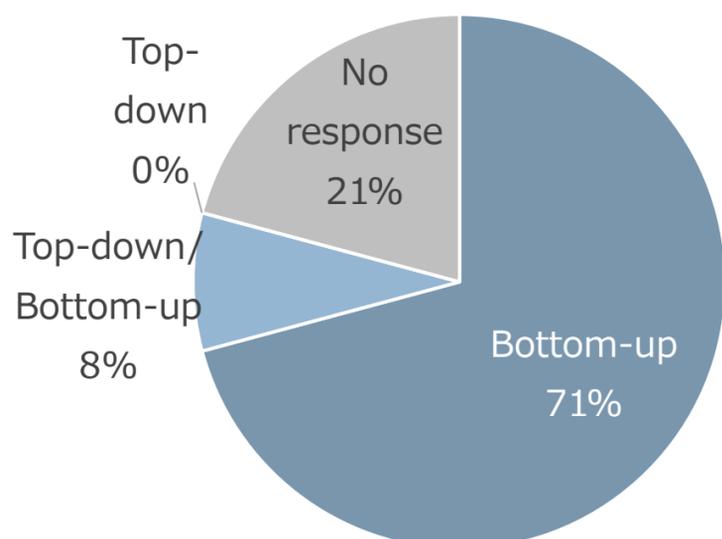
AUM of respondent's fund



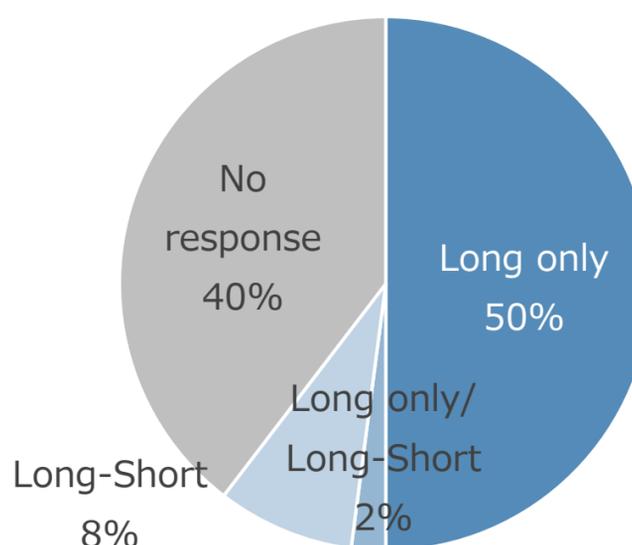
Management style (active or passive)



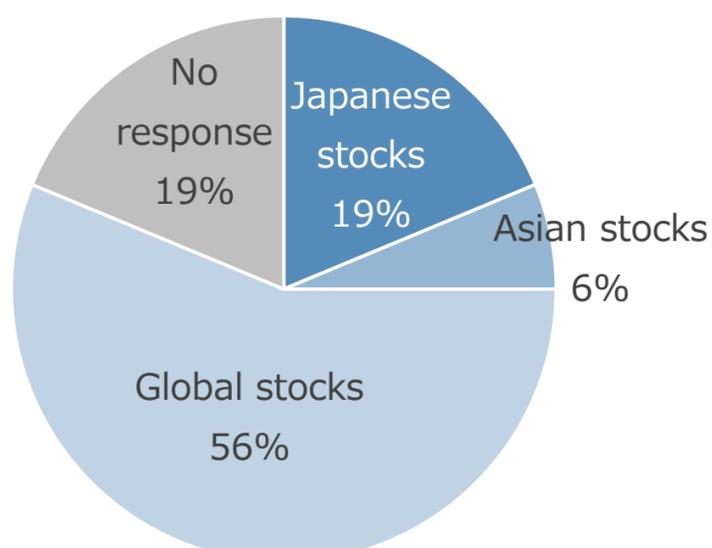
Management style (stock selection)



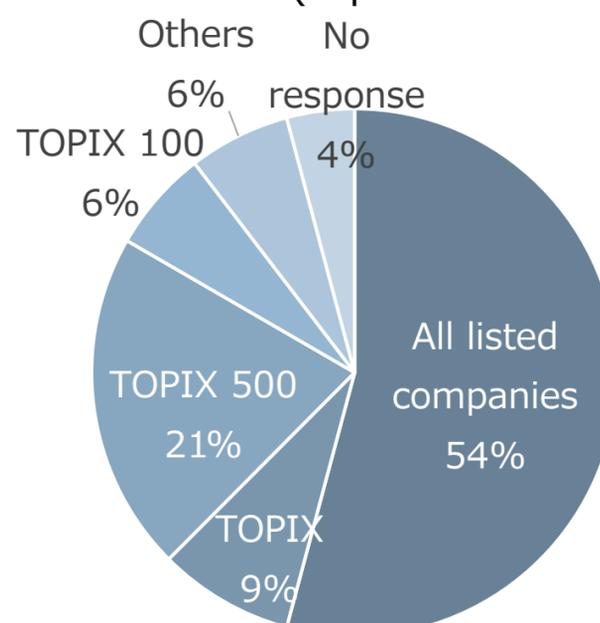
Management style (use of short strategy)



Investment universe (region)



Investment universe (Japanese stocks)



Note: If multiple options are selected, the option with the widest range of regions is counted as the answer.

Notes: -If multiple options are selected, the option with the widest range of investment targets is counted as the answer.  
 -"Others" includes TOPIX 500, markets for emerging companies, MSCI JAPAN and companies with a trading volume of over USD 5 million a day

## II. Survey Results

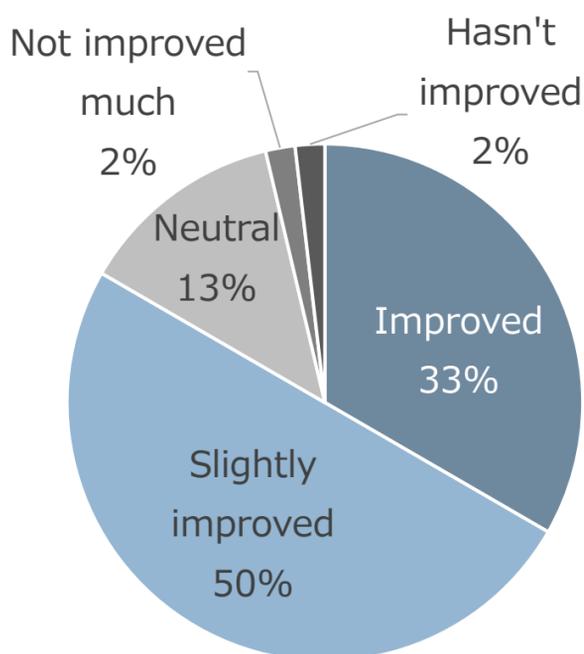
### 1. Assessment of English Disclosures

- ◆ Regarding the status of disclosure in English by Japanese listed companies, 83% answered that it was "improved" or "slightly improved", and many investors positively evaluated the progress of recent efforts.
- ◆ On the other hand, 57% (64% among those with no staff who can read Japanese disclosure documents) answered that they were "dissatisfied" or "somewhat dissatisfied" with the current situation. Many commented that the reason for this was that there are discrepancies in the quantity of information between Japanese and English disclosure, and that the timing of disclosure in English is late. It was also pointed out that this is putting foreign investors at disadvantage.
- ◆ In addition, although large-cap companies have improved as a whole, disclosure at some large-cap companies and small- and mid-cap companies is still insufficient, with some commenting that they are inferior to the international level.

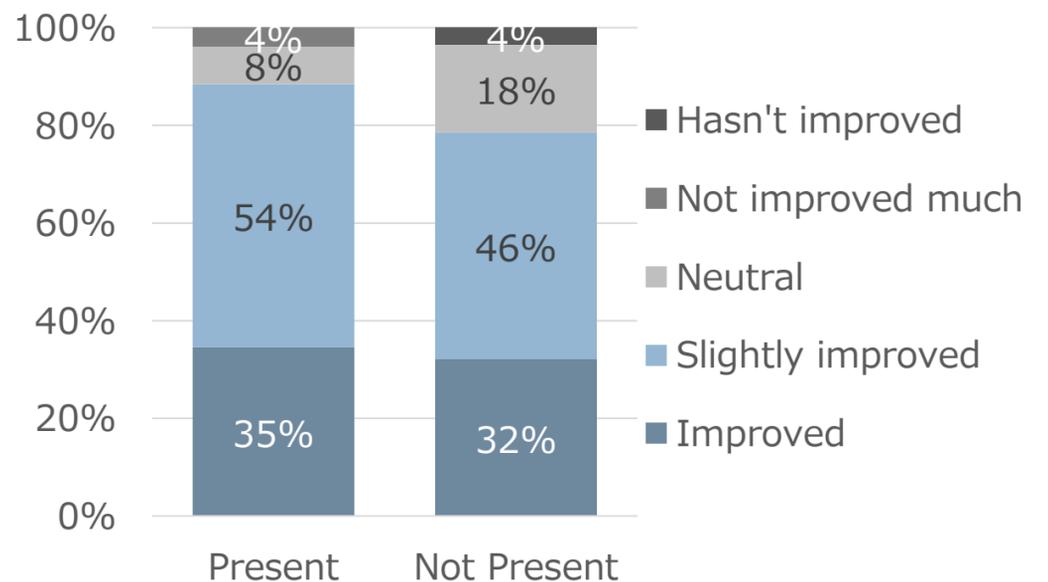
Q1. Please provide your assessment of English disclosures by listed Japanese companies.

(1) Do you think that the level of English disclosures by listed Japanese companies has improved in recent years?

All respondents (54)

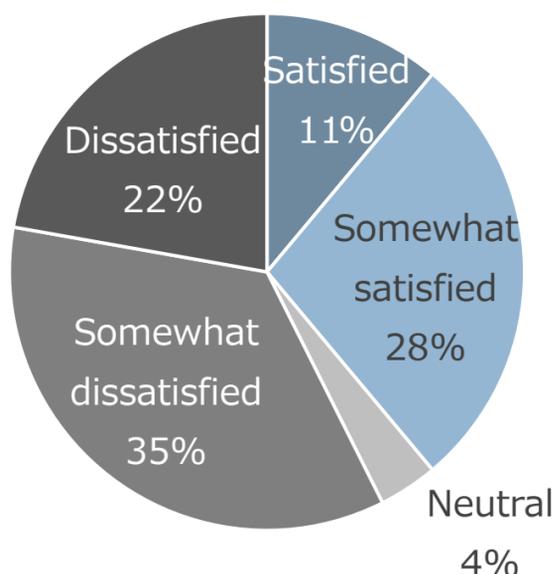


Answers by presence of staff who can read Japanese disclosure documents (on the investment team)

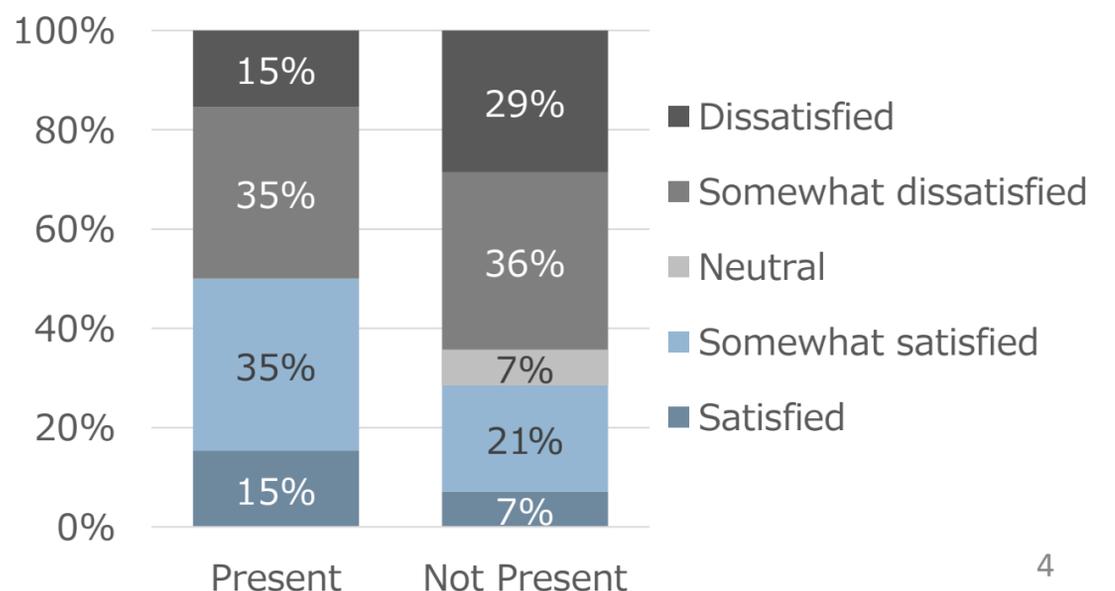


(2) Are you satisfied with the level of English disclosure by listed Japanese companies?

All respondents (54)



Answers by presence of staff who can read Japanese disclosure documents (on the investment team)



### (3) Please state the reasons for your selections

(Work location, Type of organization, Main role)

(Dissatisfied)

- Not much in English. (US, Asset management company, Research)
- I have not noticed a material improvement in English disclosures in Japan. My response for question 2 (dissatisfied) was due to the fact that I still see **very few English disclosures among the TSE1 companies** that we analyze. (US, Hedge fund, Research)
- Whilst companies often release summary information in English **not all materials are translated or available at the same time**. In some cases there are **meaningful differences** in wording where English disclosure can convey a different impression than that in Japanese. (UK, Asset management company, Investment decision)
- Many times just the intro para is in English, **detailed documents are still in one language only** (India, Asset management company, Investment decision)
- It is very **difficult to analyze many Japanese companies and track their earnings trends** as they do not disclose sufficient information in English. (Australia, Hedge fund, Research)
- In the last 1-2 years there has been some improvement in English language disclosures. That being said, we follow and invest in many **small cap Japanese companies**. Many of these continue to have **little or no English language materials on their investor relations site or in their financial filings**. In general, we've found the mid-large cap companies to be good at providing English language materials. (US, Asset management company, Research)
- Disclosures are very limited. **Management discussion about key developments during the year, key accounting policies and notes to accounts in English are essential** to build conviction on any company. (India, Asset management company, Research)
- **There are some Japanese companies with more than 30% foreign shareholders and still do not release CG information in English (proxy materials, CG report, etc)**. (US, Asset management company, Research)
- I cover financial companies (e.g. banks, insurance companies) and find **the disclosure to be terrible compared to other developed markets**. Banks don't give good average balance sheet data, waterfall of NPLs and even capital information isn't uniform. I also like quarterly data. Insurance companies also lag international peers. Finally, it irks me that Japanese companies seem to leak to the press ahead of time. (US, Asset management company, Research)

(Somewhat dissatisfied)

- Many companies release **English financials on a delayed basis or not at all**. (US, Asset management company, Research)
- Amount of English disclosure has increased, but still **many companies have no English materials** and some that do are **on much delayed timeline**. (US, Asset management company, Research)
- There are more English documents available, but they are **not as thorough as the Japanese ones, or some key documents are still missing**. **English documents come out days after the Japanese ones**. (UK, Asset management company, Research)
- General disclosure and English disclosure has increased over recent years but there is still work to be done here. Disclosure of information is still much deeper in Japanese, and **if companies want International investors then we need to make sure English is in line with Japanese disclosure**. Specifically **would like companies to disclose full version of the Yuho in English as well as Japanese**. Focus on improving sustainability reports, target setting, providing investors with examples of ESG work taking place. (UK, Asset management company, Investment decision)
- Information is often **only available with a delay** in English, and **sometimes it is less complete**. Further, **verbal communication in English (for example post-results conference calls) is very rare**. Further, **detailed information is unavailable (e.g. Yuho)**. (Germany, Other institution, Research)

(3) Please state the reasons for your selections (continued)

(Somewhat dissatisfied) (continued)

- **There are still large cap companies with very poor English disclosures.** Many companies **release English materials with a big delay.** Many companies **do not have a dedicated IR email distribution list.** (UK, Asset management company, Research)
- **We expect all large companies to have English disclosure at the same time as the Japanese disclosure.** (Japan, Asset management company, Exercise of voting rights)
- While large-cap Japanese companies have improved their English disclosure over the past decade, we still see **disproportionate lack of English disclosure with small- and mid-cap Japanese companies.** Many of them **still do not report in English at all,** and even those that do often **do not release English materials in a timely manner.** Furthermore, English disclosure of those companies **generally lack details** when compared to the Japanese disclosure, **putting foreign investors at informational disadvantage.** (US, Asset management company, Research)
- **We are still dissatisfied for mid-small cap field.** (Singapore, Hedge fund, Investment decision)
- **Smaller companies are still not good at English disclosure.** (Norway, Hedge fund, Research)
- English disclosure by Japanese companies have improved. I am still somewhat dissatisfied, because **there aren't many companies providing simultaneous translation of earnings call in English and take questions from foreign audience.** In some cases, **earnings calls are still run only for media and analysts on invitation-only basis,** rather than openly inviting all shareholders. (Singapore, Asset management company, Research)
- Some companies have great information now, but many continue to **lag far behind global standards** in English reporting. There is **a significant discrepancy in information between Japanese and English annual report,** and we must have all annual reports translated from Japanese as a result. (US, Asset management company, Investment decision)
- Although there has been improvement, it has been **far slower than in other Asian markets.** (UK, Asset management company, Others)
- It has clearly improved in recent years, but **overall is still lacking. A lot of improvement potential remains.** (US, Asset management company, Research)
- Things have gotten better, but there is **a long way to go** (US, Asset management company, Research)

(Neutral)

- **It is very uneven,** and I recognize that it might make sense to differentiate and have higher requirements for the First Compartment and the TOPIX. (US, Other institution, Research)
- More companies are disclosing in English, however in order to aid engagement they **should all disclose the convocation notice in English.** (UK, Asset management company, Research)

(Somewhat satisfied)

- **The number of Japanese companies with enhanced English disclosure is increasing every year,** and **the timeliness and fullness of that disclosure is increasing as well.** **There are still many companies with either insufficient or extremely slow English disclosure.** (US, Hedge fund, Investment decision)
- **Significant improvement overall** but **considerable variations from company to company.** (France, Asset management company, Investment decision)

(3) Please state the reasons for your selections (continued)

(Somewhat satisfied) (continued)

- **Some companies have made great strides, while other companies have room for improvement.** (France, Asset management company, Investment decision)
- **While there definitely has been an increase in the level of English disclosure for larger companies** so more domestically focused companies have **more limited disclosure especially on their ESG or CSR practices.** (US, Asset management company, Research)
- English disclosure has improved in general, but **some smaller issuers do not disclose much,** if any, English material, which **impedes non-Japanese speaking investors.** (UK, Asset management company, Investment decision)
- **Companies definitely publish more information in English.** However, in some cases (for example Tanshins), **the information is abridged.** With the help of Google Translate, companies could easily publish full information in English. (UK, Asset management company, Investment decision)
- We see **more companies producing Annual Securities Report in English or improving their earnings presentations** which are appreciated. However, we do note **there is still delay in English materials being uploaded with not all corporates providing the same level of detail in their English filings compared to local filings.** (Singapore, Asset management company, Research)
- **We've seen an uptrend of Japanese companies making English disclosure for essential information, such as shareholder meeting materials, Integrated Report, medium-to long-term business plan, investor presentation materials, etc.,** but Japanese version **sometimes contain details which are either unavailable in English version or inaccurately translated,** presenting challenges for international investors. (Singapore, Asset management company, Others)
- **Overall disclosure improved, but there is still meaningful gap particularly in supplementary materials and investor presentation materials.**(Hong Kong, Asset management company, Investment decision)
- **Not all the earnings presentation materials are available in English.** And some companies **have delay compared to the Japanese ones. Corporate governance reports are mostly not translated in English.** (Switzerland, Asset management company, Investment decision)
- **Would like to see the full financials in English** - currently most companies we have looked at only have the summary financials. **Would like to see full transcripts of the earnings calls** similar to other regions, and **would really be great to have earnings calls in English at some point** (even if in the middle of the night US time). (US, Asset management company, Investment decision)

(Satisfied)

- There were a few companies which didn't make an English presentation materials in the past, but we can see those companies **have put an effort to publish an English materials** nowadays. (UK, Asset management company, Research)
- We have noticed that more companies have **made their investor presentations available in English and available on their websites.** (US, Asset management company, Research)
- In comparison to the past, the **level of disclosure has definitely gotten better.** (US, Asset management company, Research)
- Disclosure of Japanese companies is **comparatively sufficient to understand and analyze the fundamentals,** and well standardized. (Singapore, Asset management company, Others)

## 2. Impact on Investment Activities from Insufficient English Disclosure

- ◆ Many investors, mainly long-term investors who emphasize dialogue, told of not being able to have in-depth dialogue with listed companies because sufficient information was unavailable beforehand.
- ◆ Listed companies with insufficient disclosure in English are directly affected by investment decisions, such as discounting, reduction of weights, and exclusion from investment universes.
- ◆ Regarding the exercise of voting rights, there were answers saying that as the meeting agenda cannot be fully examined, it is not possible to make a judgment independent of the opinion of the proxy advisory firms. This is affecting the governance of listed companies.

Q2. What kind of problems have you experienced due to inadequacy of English disclosure?

Since information was unavailable beforehand, **analyses were incomplete, and we could not have in-depth dialogues at IR meetings.**

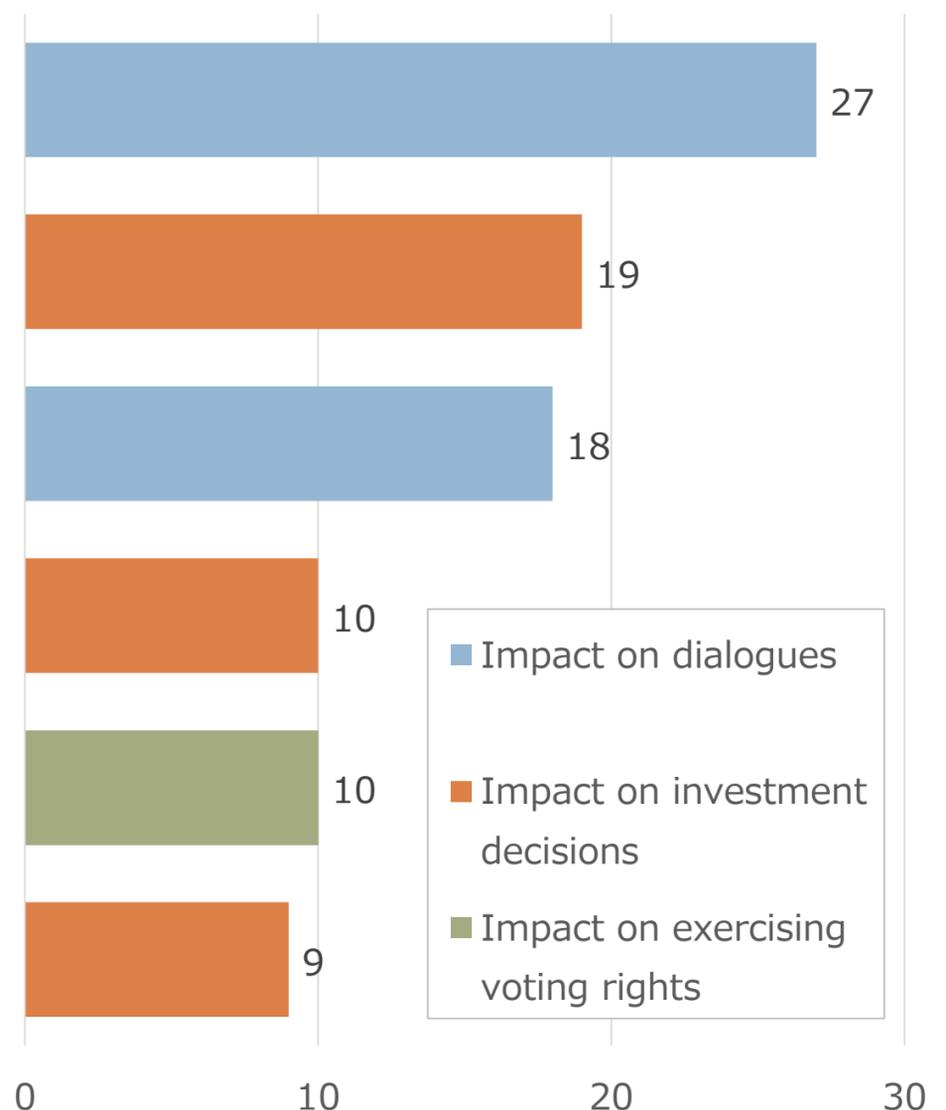
Since we could not obtain information in a timely manner, **we had to discount Japanese stocks when evaluating them.**

Since it was **a waste of time** explaining details disclosed only in Japanese, **we could not have in-depth dialogues at IR meetings.**

Since we could not obtain information in a timely manner, **we had to reduce weights of Japanese stocks.**

Confirming info disclosed in Japanese took time, so **we were unable to secure enough time to consider exercising voting rights.**

Since the available information was limited, **we had to exclude Japanese stocks from the investment universe.**



Other answers

- **We had to close funds for Japanese equities** due to a lack of sufficient interest from asset owners such as pension funds and insurers. As a result, Japanese stocks will be included in the global funds, but since there is no rule that the global fund must invest in Japanese stocks, **if Japanese companies do not disclose in English, they will be excluded from the investment universe.** Japanese companies need to understand this trend and actively disseminate information in English. (UK, Asset management company, Investment decision)
- Where Japanese stocks are included in global funds, companies that do not disclose in English **will not be attractive investment targets**, which may lead to them being undervalued and a decrease in the weight of Japanese stocks. (UK, Asset management company, Research)
- **Put a higher cost of equity on Japanese companies than would otherwise do** - owing to poor disclosure. (US, Asset management company, Research)
- We believe that **many investors will discount Japanese stocks if they are unable to access information in English.** It is also **inefficient in preparing for meetings** if key materials are only available in Japanese. (UK, Asset management company, Investment decision)

## Other answers (continued)

- If the notice of the general shareholders meeting is not disclosed in English, it is **very difficult to exercise voting rights from an independent standpoint rather** than just following the recommendations of the proxy advisory firms. Due to the large amount of information released during the shareholders' meeting season, the proxy advisory firms may also make recommendations for voting based on inaccurate information. Even if investors have doubts over the proxy advisory firms' recommendations, they are busy during this season and have no obligation to check with the company, so may just vote in accordance with the recommendations. (UK, Asset management company, Investment decision)
- We have particularly **struggled with the lack of English language proxy materials** because we do not rely on shareholder advisory services, thus we have to review proxy materials ourselves, many of which are not available in English. (UK, Asset management company, Investment decision)
- Companies with less advanced governance standards have a higher tendency to overlook/underestimate the need to have sufficient English disclosure for international investors to make informed voting decisions. Aside from making English shareholder meeting materials available, the level of details included in the English version as well as the timeliness of disclosing English materials a sufficient period prior to the meeting dates are both very crucial for international investors to effectively exercise voting rights. There were many times our Governance Team had to **resort to external resources or translation tools to do the analysis when making voting decisions**. (Singapore, Asset management company, Others)
- We are very interested in timely information ahead of exercising our voting rights and **would not invest in a company where this might be a problem**. (US, Pension fund, Investment decision)
- As an ESG manager it is **harder to determine the company's management of ESG issues** if there is limited or no English disclosure. This also **impedes our ability to exercise voting rights and engage with the company**. We have used a translator in company meetings when needed. (US, Asset management company, Research)
- As long-term investors of Japan, our research process incorporates working with any lack of disclosure in English. That process could involve corporate calls (including customers and/or suppliers of the company in question), industry research or expert calls, and sell side research. However, **good disclosure in English could certainly shorten research time and make it more efficient**. (Singapore, Asset management company, Research)
- **Analysis takes more time and money** (Norway, Hedge fund, Research)
- Worked around this just makes it **a lot more labour intensive** and limits our ability to look across the benchmarks as we spend time focusing on a few companies in more detail. **Companies that do not have good disclosure we feel often do not meet their full valuation as a number of International investors don't look at them**. (UK, Asset management company, Investment decision)
- Because it takes so long to get information from Japanese only documents (we put each page through Google Translate), **we have had to limit the number of meetings we do**. Preparing for such meetings takes much longer than for meetings where companies have English Language materials. (UK, Asset management company, Investment decision)
- **Lack of equal disclosure undermines trust in the market**. Overseas investors assume Japanese investors have superior information. (UK, Asset management company, Research)

### 3. Documents for which English is Considered Necessary

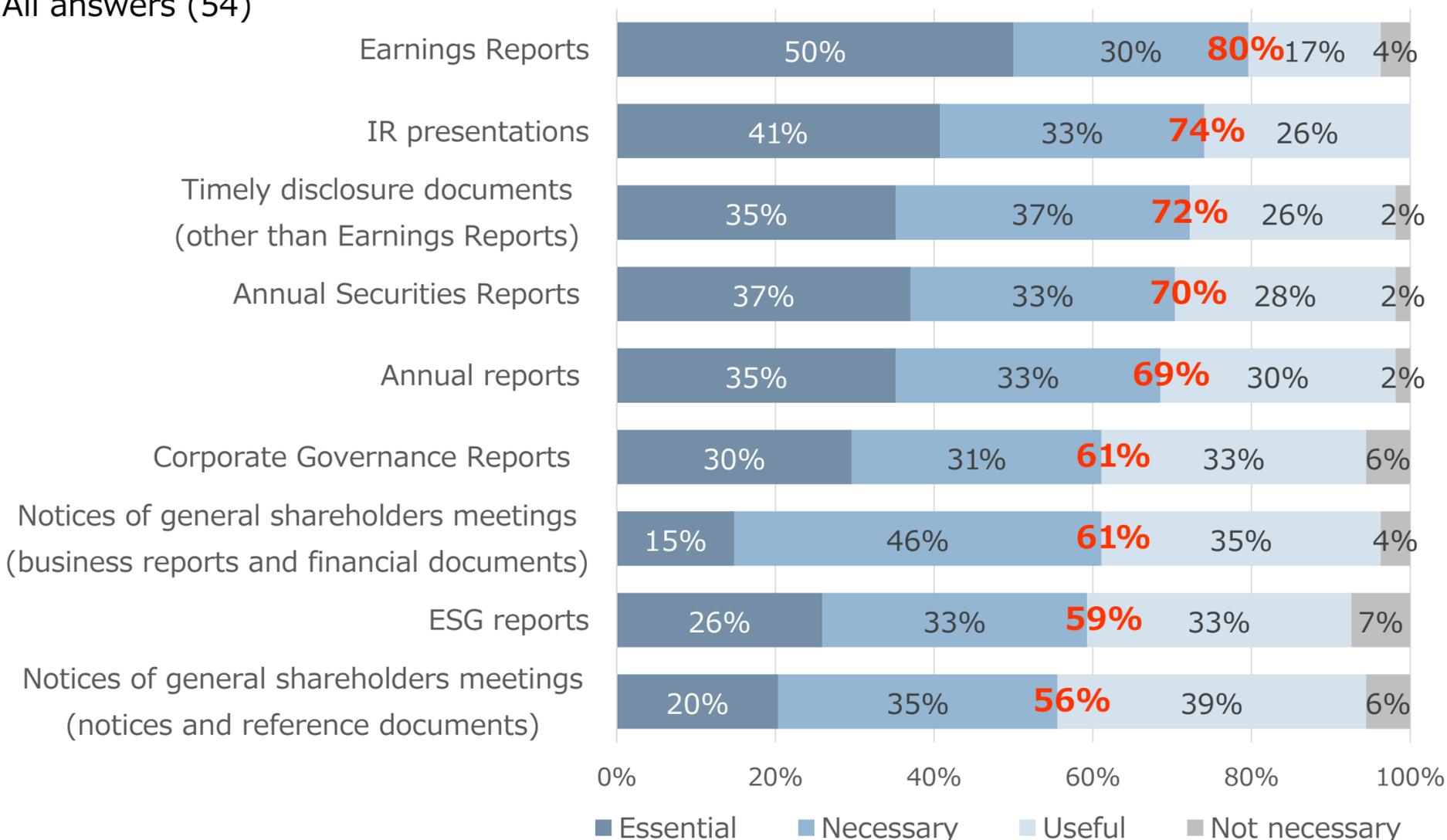
#### (1) Documents for which English is Considered Necessary

- ◆ For all the documents surveyed, the majority of respondents replied that English disclosure was “Essential” or “Necessary”.
- ◆ For institutional investors, respondents in charge of investment decisions generally considered more disclosure in English necessary than those in charge of research. In particular, the ratio of Earnings Reports (100%), IR presentations (88%), and timely disclosure documents (88%) used for real-time investment decisions is high.
- ◆ For those with no staff who can read Japanese disclosure documents, the ratio of respondents needing English IR presentations (79%) and Annual Securities Reports (79%), which are difficult to translate by machine, is relatively high.

Q3. Please select one of the following items for each document to determine whether disclosure in English by listed Japanese companies is necessary when investing in those companies.

- Essential: If listed Japanese companies do not provide disclosure documents in English, we will not make investments.
- Necessary: We need disclosure documents in English.
- Useful: If disclosure documents are available in English, we will use them.
- Not necessary: We do not use disclosure documents in English even if they are available.

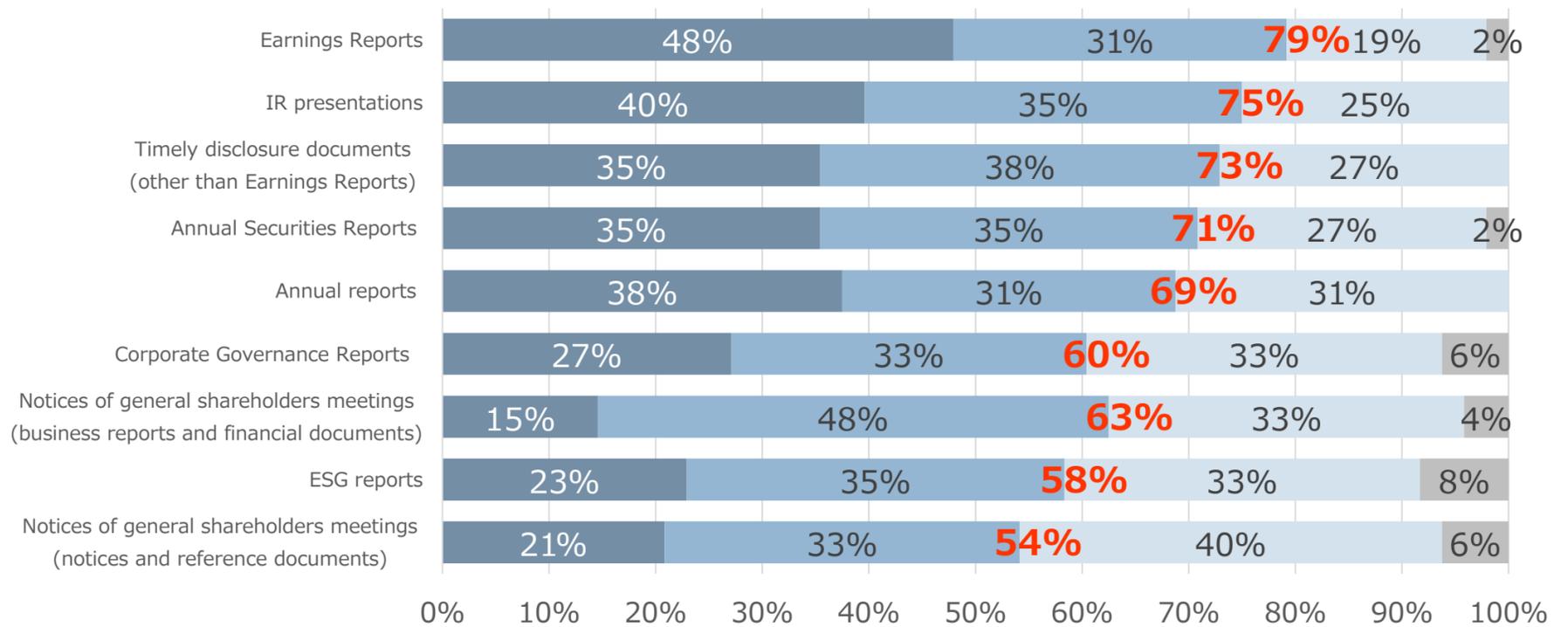
All answers (54)



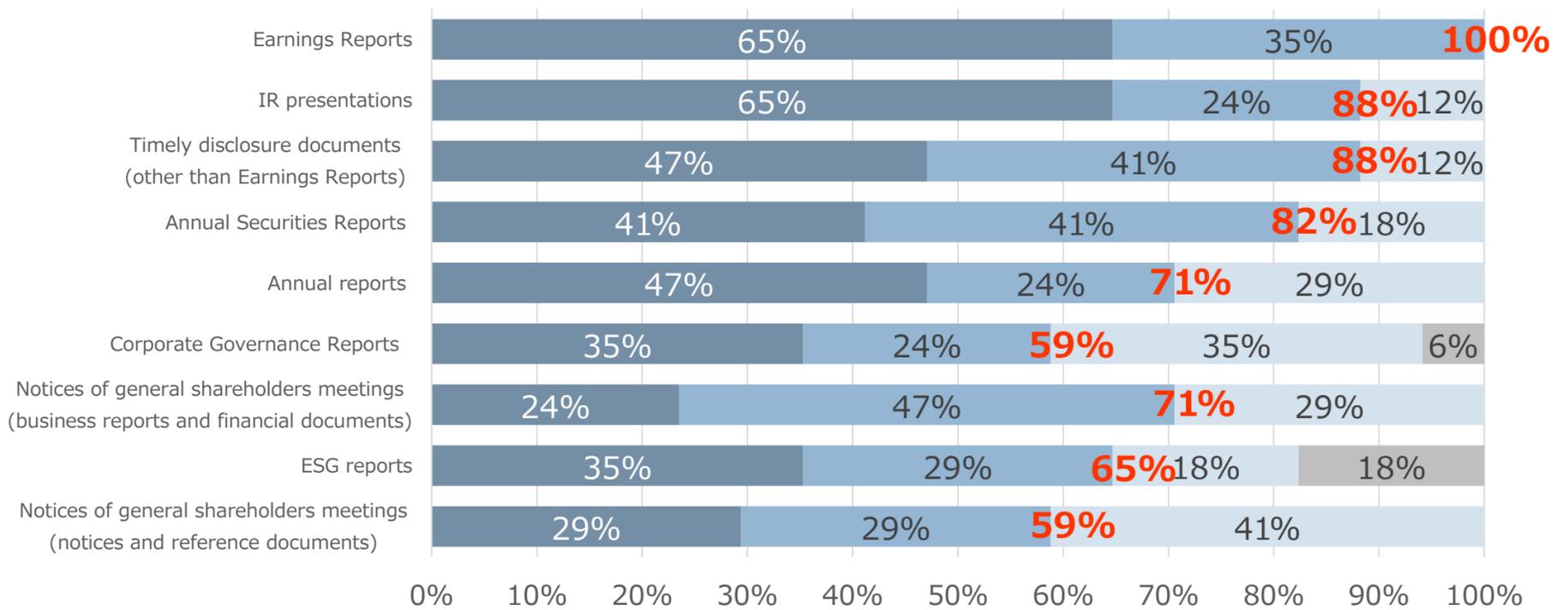
Other documents (free input, one answer each)

- Essential: Voting results, medium-term plan and other long term strategy documents, matters concerning controlling shareholders, climate action plan
- Necessary: Integrated Reports, compensation and HR policies, Articles of Incorporation
- Useful: Voting results, transcripts of earnings calls, transcripts of meetings (earnings briefings, AGM presentations, etc)

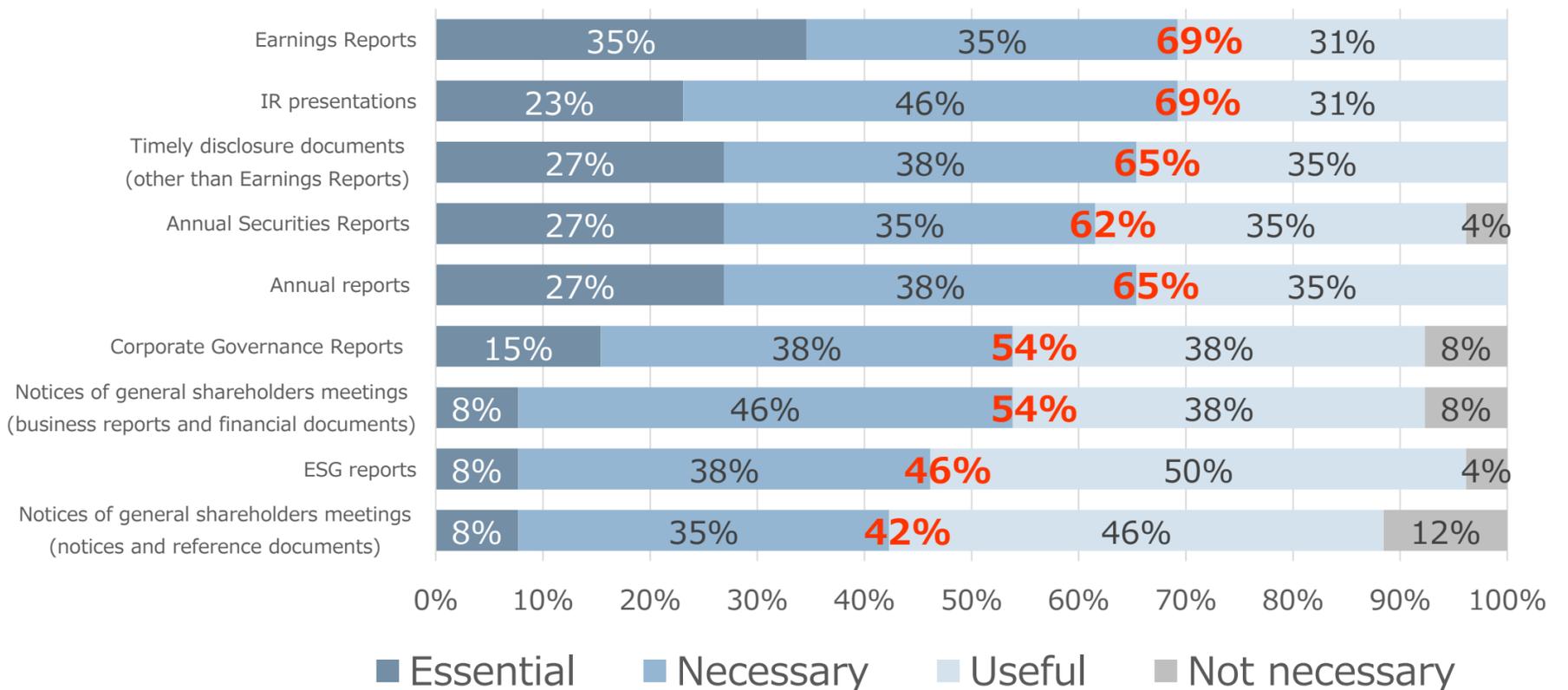
## Institutional investors (48)



## Investment decision roles at institutional investors (e.g. fund managers) (17)



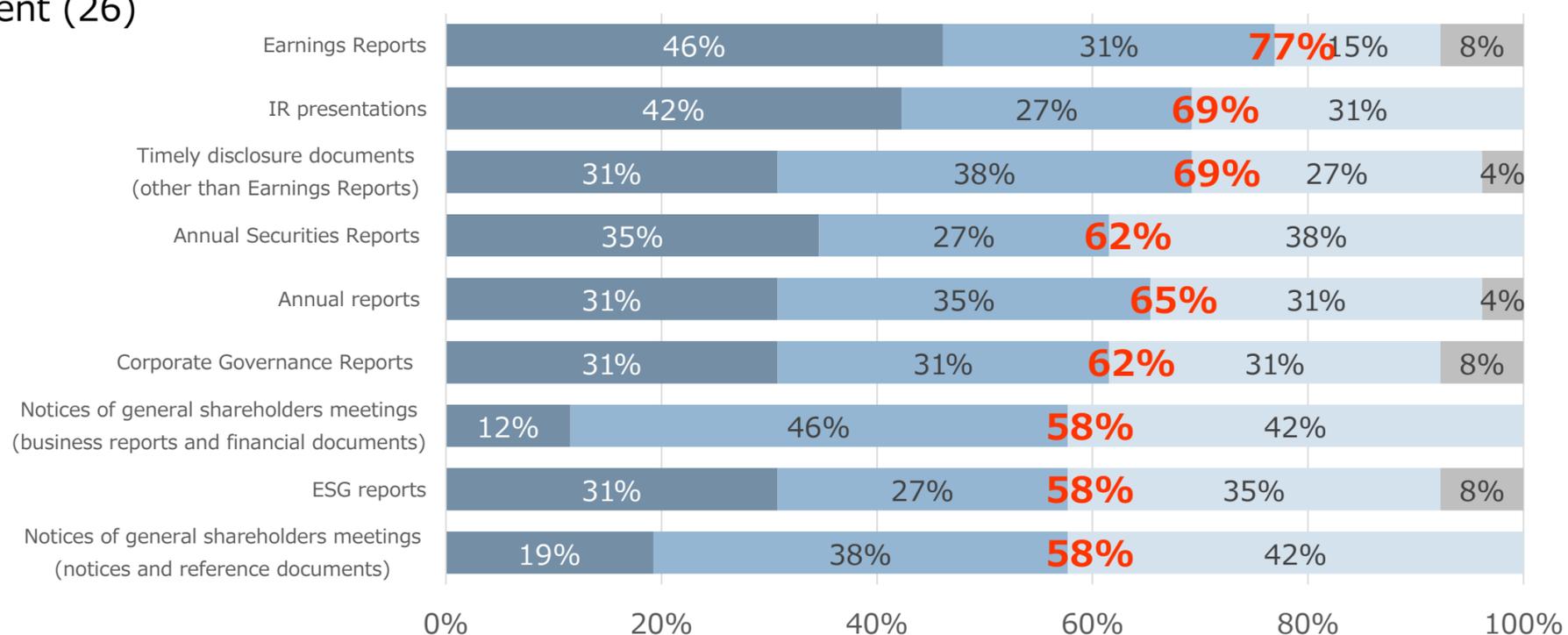
## Research roles at institutional investors (e.g. analysts) (26)



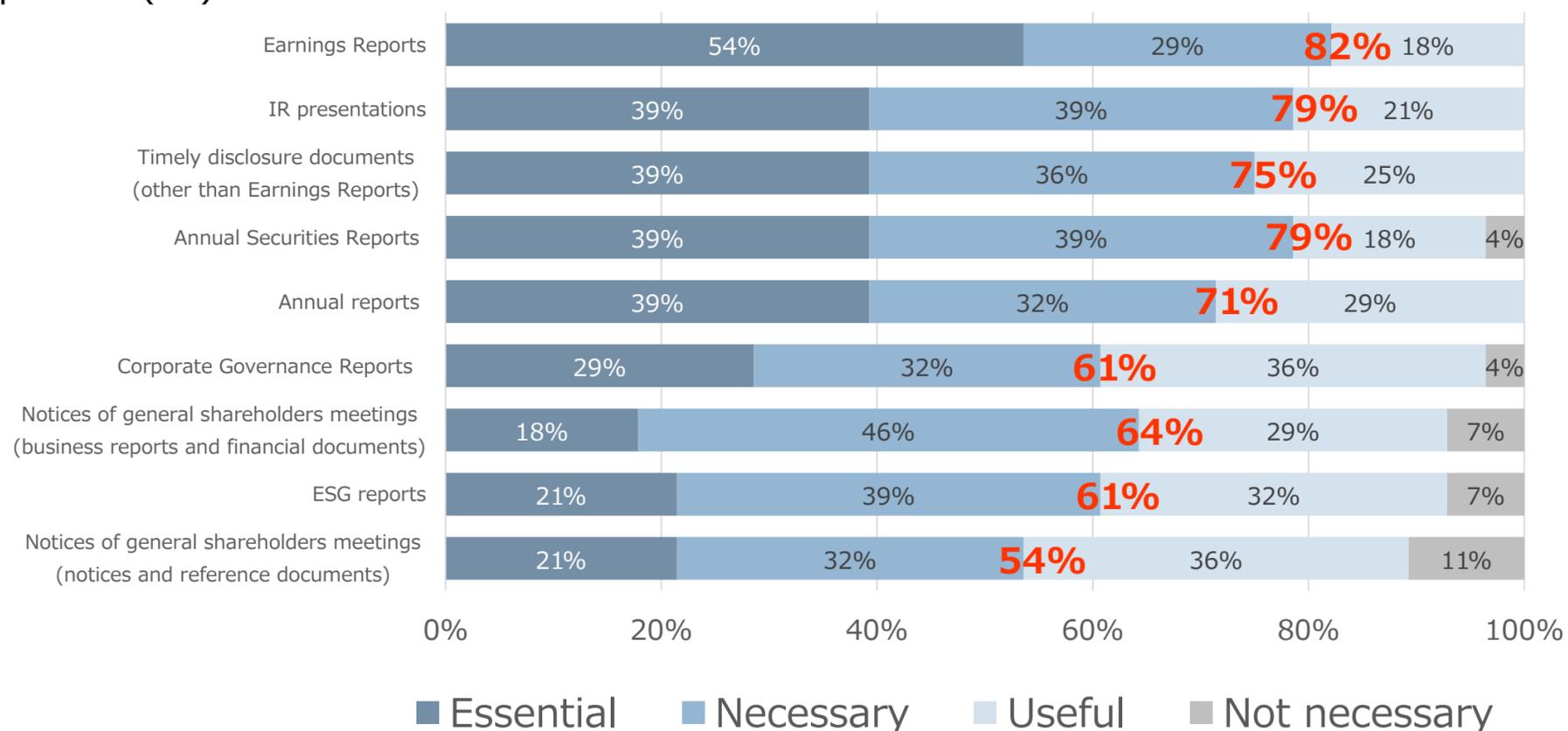
■ Essential ■ Necessary ■ Useful ■ Not necessary

## Answers by presence of staff who can read Japanese disclosure documents (on the investment team)

### Present (26)



### Not present (28)



## (Reference) Presence of staff who can read Japanese disclosure documents, by respondent attributes

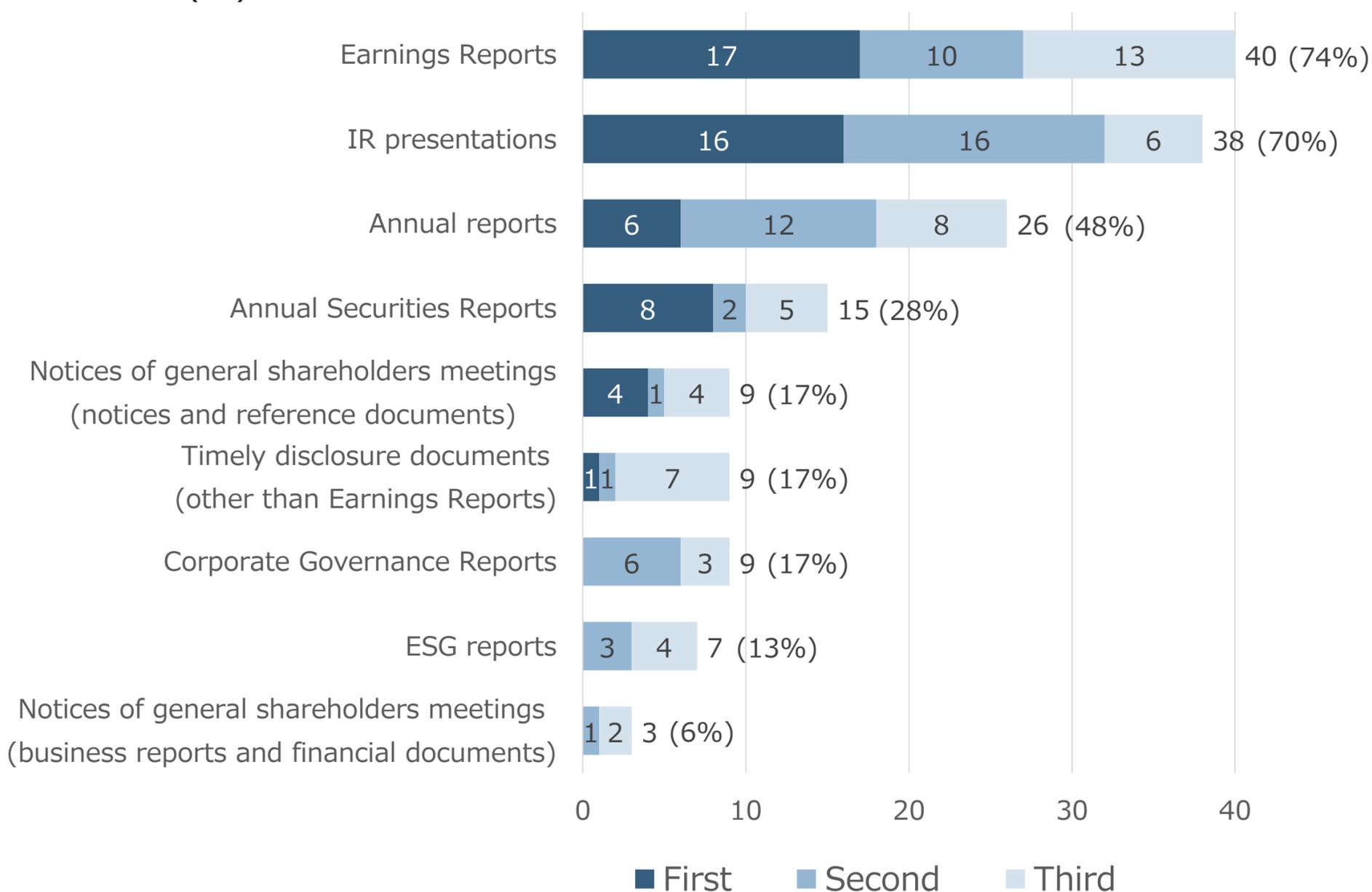
Type of organization	Main role	Presence of staff who can read Japanese disclosure documents		Total
		Present	Not present	
Institutional investors	Investment decision	6	35%	11
	Research	10	38%	16
	Exercise of voting rights	2	100%	0
	Other role	3	100%	0
Others	-	5	83%	1
Total		26	48%	28

## (2) Documents that should be given priority for English disclosure

- ◆ Many responses gave Earnings Reports and IR presentations as the top documents to which companies should give priority for English disclosure, and there were comments saying that these documents should be started first.
- ◆ Many comments said that that Earnings Reports, IR presentations, and timely disclosure documents are necessary for making investment decisions with a timely understanding of business performance, business conditions, and strategies, etc., and that Annual Securities Reports and annual reports are necessary for the analysis and evaluation of financial information.
- ◆ It was also pointed out that IR presentations, Annual Securities Reports and annual reports are difficult to translate by machine (so they should be disclosed in English).
- ◆ Regarding notices of general shareholders meetings, it was commented that it is important to exercise voting rights based on sufficient information, and that it is difficult to take a different position from the recommendation of the proxy advisory firms if English is not provided.
- ◆ Regarding Corporate Governance Reports and ESG reports, it was also pointed out that ESG information is becoming more important.

Q4. What are the top three disclosure documents that listed Japanese companies should give priority to, to disclose in English, as well as the reasons for them?

All answers (54)



Note: Two respondents answered "Not applicable". The percentage in parentheses is the percentage of all answers (54) that gave the applicable answer.

## Reasons for answers to Q4

(First: Earnings Reports, Second: IR presentations, Third: Annual Securities Reports)

- **Timely quarterly earnings reports and IR presentations are key and important in making investment decisions, and so is annual securities reports.** If these filings could be made available in English in the same amount of detail as Japanese, that would certainly bring forth Japan atop of other Asian countries. (Singapore, Asset management company, Research)
- These three materials are **necessary to catch financial information and business model. For deep-dive analysis, annual reports is very helpful.** (Singapore, Hedge fund, Investment decision)

(First: Earnings Reports, Second: IR presentations, Third: Timely disclosure documents (other than Earnings Reports))

- We understand that it may be difficult, especially for smaller issuers, to know what they should disclose in English. We feel that **as a minimum, companies should disclose earnings reports (kessan tanshin), and earnings presentations (setsumeikai shiryo)** in English. Otherwise analysis by non-Japanese speakers is very difficult. (UK, Asset management company, Investment decision)
- **Earnings Reports should be given priority for disclosure in English.** The reason is simple, because it is **the earliest financial information.** (UK, Asset management company, Research)
- The above three are **ALL equally important to make an informed investment decision.** (Japan, Hedge fund, Research)

(First: Earnings Reports, Second: IR presentations, Third: Notices of general shareholders meetings (notices and reference documents))

- **Shareholders have to know what they are being asked to vote** in good time to give it consideration. Owners need to be able to **understand the strategy and see how company is executing on the strategy.** I would also urge that companies make transcripts of the Setsumeikai available. Much valuable information and nuance is shared at these meetings which are often hard for international investors to access.

As a general view we would like companies to spend more time and effort discussing what they have achieved over the recent past, what they are working on today and how that connects to their longer term strategy. Whilst detail is important too often discussions are dragged into minutiae without focusing on what really matters - strategy, culture, sustainability etc. In that light the Annual reports are often devoid of meaningful insight into company strategy and management thinking. The Chairman and CEO should aim to inform the reader about their thinking, strategy, challenges and opportunities. Jamie Dimon at JPMorgan does this outstandingly well. Additionally, whilst company data books often have much information they can also be unenlightening on corporate capital and cost allocation between divisions and with data on key product sales and margins. (UK, Asset management company, Research)

(First: Earnings Reports, Second: Notices of general shareholders meetings (notices and reference documents) , Third: IR presentations)

- Earnings reports should include IR presentations. The third priority should be a transcript, including the Q&A session, from the fair disclosure point of view. Most Japanese companies don't even disclose their transcript in Japanese, and that is just WRONG. These materials are **crucial for investors to have timely updates about the company's business performances, strategies, upcoming guidance and plans** as well as for investors to **conduct essential stewardship activities, such as exercising proxy voting rights and having constructive dialogues with portfolio companies in regards to their business growth and corporate governance practices.** (Singapore, Asset management company, Others)

## Reasons for answers to Q4 (continued)

(First: Earnings Reports, Second: Corporate Governance Reports, Third: IR presentations)

- **These determine whether a company is investable** for us. (France, Asset management company, Investment decision)

(First: IR presentations, Second: Earnings Reports, Third: Timely disclosure documents (other than Earnings Reports))

- **IR presentation and earnings report are what help investors understand quarterly result better. These documents are time-sensitive**, because earnings result usually have share price impact. **Most institutional investors do not rely on analysts from brokerage firms as we need to do our own analysis**. (Singapore, Asset management company, Research)
- **IR Presentations typically have the best and most detailed public information** produced by a company about **the business strategies, strengths & weaknesses of the company's position, drivers of recent results, etc.** (US, Asset management company, Research)

(First: IR presentations, Second: Annual reports, Third: Earnings Reports)

- It is fairly easy to use google translate or other translation services to go through routine quarterly financials. **However, due to the charts, it is nearly impossible to translate presentations or annual reports**. As a result, it is much more important that they are available in a full and timely manner in English. (US, Hedge fund, Investment decision)
- **IR presentation is the most important and effective medium to provide an overview of the company's business and industry to investors**. Offering English IR presentations is **the best way for a company to effectively communicate the key information to investors in a timely and efficient manner**. Annual reports entail the most sophisticated details about the company's financial information, and **offering English annual reports enables foreign investors to analyze a company with improved transparency**. **Earnings reports, despite being the most time-sensitive materials**, have typically been the poorest area where listed Japanese companies fail to provide English disclosure in a timely manner. Providing English earnings reports **could bridge the gap between Japanese companies and foreign investors and improve the efficiency of the market**. (US, Asset management company, Research)

(First: IR presentations, Second: Annual reports, Third: Annual Securities Reports)

- **IR presentations are an efficient way of communicating essential information about a business**, and these documents are **not easily machine translatable**. **Annual reports and Annual Securities reports** are very informative and also **difficult to machine translate** due to their length and formatting. (US, Asset management company, Research)

(First: IR presentations, Second: Annual reports, Third: Notices of general shareholders meetings (notices and reference documents))

- **IR presentations** in English that describe the business, segments, market positions/share and strategy are **the most informative to understand what the company does/if it is relevant for us to research further and to best prepare for meetings with IR and/or management**. In addition, these presentations are often **the most difficult to translate from Japanese to English**. Annual reports and annual securities reports when translated from Japanese to English can be difficult to understand. Notices of AGM's can be even more difficult to decipher when translated from Japanese to English than annual reports because of the legal/formal structure they are written in. (US, Hedge fund, Research)

(First: IR presentations, Second: ESG reports, Third: Corporate Governance Reports)

- We are **dependent on material ESG disclosures for investment and regulatory purposes** (UK, Asset management company, Research)

## Reasons for answers to Q4 (continued)

(First: Annual Securities Reports, Second: Earnings Reports, Third: IR presentations)

- **Annual report** is one of **the best ways to learn about the company, especially details in MD&A. Earnings reports are necessary just to get an update** on what's going on. **IR Presentations are helpful for learning about the companies too.** (US, Asset management company, Research)
- All of these are **important in terms of deciding on long term investments.** (US, Pension fund, Investment decision)

(First: Annual Securities Reports, Second: IR presentations, Third: Notices of general shareholders meetings (business reports and financial documents))

- While of course we would like to see multiple documents translated into English, it is **necessary for at least the annual reports, the Notice of general shareholder meetings to assess both the financial stability and management quality.** **The IR presentations are also an important reference document to the company's business strategy and expected earnings.** We would like to see more companies though prioritize translation of their **Corporate Governance documents given increasing focus to Governance issues and links to management quality.** (US, Asset management company, Research)

(First: Annual Securities Reports, Second: Corporate Governance Reports, Third: Earnings Reports)

- **The notes in the yuho are essential** for a proper assessment of the company's financial health. The cash flow statement should always be included with the quarterly kessan tanshin. (UK, Other institution, Research)

(First: Annual reports, Second: Earnings Reports, Third: IR presentations)

- **Reviewing audited financial statements are essential to our investment process. Reviewing earnings reports is necessary as well. Investor presentations can be very helpful in understanding a company initially and then monitoring the company's progress along its strategic plan.** (US, Asset management company, Research)

(First: Annual reports, Second: IR presentations, Third: Earnings Reports)

- These documents **help us best to understand a business.** (US, Asset management company, Investment decision)

(First: Annual reports, Second: IR presentations, Third: Annual Securities Reports)

- **Annual report sets the tone for business, strategy and most relevant information. IR presentation gives additional context and is more timely given the recent reporting period. ASR deep dive into the company detail.** (UK, Asset management company, Investment decision)

(First: Notices of general shareholders meetings (notices and reference documents), Second: Earnings Reports, Third: ESG reports)

- It is **very difficult to take an independent stance on voting** (not just following the proxy advisory firms), **if companies do not make shareholder meetings notices available in English. Earnings reports are an essential part of monitoring the company's progress. ESG reports are becoming increasingly important.** (UK, Asset management company, Investment decision)

(First: Notices of general shareholders meetings (notices and reference documents), Second: Notices of general shareholders meetings (business reports and financial documents) , Third: Annual Securities Reports)

- It is **important for investors to be able to make informed decisions** at the AGM. We realize that translations can be very time consuming which is why we are in favor of companies moving their AGMs to a later time of year (July for example) to allow for more time to prepare for the meeting (a less condensed AGM season will also benefit investors). (Japan, Asset management company, Exercise of voting rights)

## Reasons for answers to Q4 (continued)

(First: Notices of general shareholders meetings (notices and reference documents), Second: Corporate Governance Reports, Third: Annual reports)

- These are the documents where the meaning of the wording is particularly important, we want to **understand our holdings as best we can and having the disclosures in English helps with that.** (UK, Asset management company, Research)

(First: Timely disclosure documents (other than Earnings Reports), Second: Earnings Reports, Third: Annual reports)

- They are **the basis of an assessment of the future of the company.** (US, Other institution, Research)

(First: N/A, Second: N/A, Third: N/A)

- As much as I understand the importance of English disclosure, **as a firm that employs staffs with Japanese language skills, I think we (used to) benefit from some level of information asymmetry.** (US, Asset management company, Research)

(First: N/A, Second: N/A, Third: N/A)

- **All documents are important** and should be disclosed. (UK, Asset management company, Others)

## 4. Companies with Excellent English Disclosure/ Companies where More Complete Disclosure is Needed

- ◆ Companies considered to have excellent English disclosure are highly evaluated for their disclosure's comprehensiveness and timeliness compared to Japanese materials, IR support in English, and level of detail such as segment information and management indicators.
- ◆ On the other hand, for companies where more complete disclosure in English is needed, companies were named which are judged to disclose too little information in English or disclose late, regardless of being large-cap or medium-cap.
- ◆ In addition, many comments expressed hope that small-cap companies would enhance their disclosure in English, as many have scant disclosure, including those with no English IR webpage at all, and this means that investors cannot find the information they need to invest, even if the company is a possible investment target.

Q5. Please provide names of companies with excellent English disclosure as well as the reasons.

- The following 61 companies were nominated as those with excellent English disclosure (by category, in order of company code).

### [1<sup>st</sup> Section]

#### <TOPIX 100>

- Ajinomoto Co., Inc.
- Mitsubishi Chemical Holdings Corporation
- Kao Corporation
- Takeda Pharmaceutical Company Limited
- TERUMO CORPORATION
- Shiseido Company, Limited
- NIPPON STEEL CORPORATION
- Recruit Holdings Co., Ltd.
- KOMATSU LTD.
- KUBOTA CORPORATION
- DAIKIN INDUSTRIES, LTD.
- Hitachi, Ltd.
- NIDEC CORPORATION
- FUJITSU LIMITED
- SONY GROUP CORPORATION
- SYSMEX CORPORATION
- FANUC CORPORATION
- TOYOTA MOTOR CORPORATION
- HONDA MOTOR CO., LTD.
- OLYMPUS CORPORATION
- HOYA CORPORATION
- Nintendo Co., Ltd.
- Tokyo Electron Limited
- Mitsubishi UFJ Financial Group, Inc.
- Sumitomo Mitsui Trust Holdings, Inc.
- Sumitomo Mitsui Financial Group, Inc.
- ORIX CORPORATION
- Sompo Holdings, Inc.
- MS&AD Insurance Group Holdings, Inc.
- Dai-ichi Life Holdings, Inc.
- Tokio Marine Holdings, Inc.
- Mitsui Fudosan Co., Ltd.

- Mitsubishi Estate Company, Limited
- NIPPON TELEGRAPH AND TELEPHONE CORPORATION
- KDDI CORPORATION
- SoftBank Group Corp.

#### <TOPIX Mid400>

- Nihon M&A Center Inc.
- Kakaku.com, Inc.
- Nomura Real Estate Holdings, Inc.
- TIS Inc.
- Nomura Research Institute, Ltd.
- Rakuten Group, Inc.
- AMADA CO., LTD.
- Kurita Water Industries Ltd.
- MINEBEA MITSUMI Inc.
- TOSHIBA CORPORATION
- OMRON Corporation
- YOKOGAWA ELECTRIC CORPORATION
- AS ONE CORPORATION
- MARUI GROUP CO., LTD.

#### <TOPIX Small>

- Oisix ra daichi Inc.
- AVANT CORPORATION
- Prestige International Inc.
- Asahi Holdings, Inc.
- SIGMAXYZ Inc.
- TSUGAMI CORPORATION
- Solasto Corporation
- METAWATER Co., Ltd.

### [Mothers]

- Mercari, Inc.
- kaonavi, inc.
- freee K.K.

Comments on companies with the highest numbers of nominations:

Hitachi, Ltd. (7)

- The information is **published in full on the same day** as the Japanese information.
- **Extensive segment disclosure** and **quarterly securities report in English**.
- English materials are **available at the same time and in the same level of detail** as Japanese materials. **Calls and presentations are done with simultaneous translation** and are **e-archived and accessible to investors in any time-zone easily**. Quality of materials in both English and Japanese are excellent.
- **All materials are provided in English immediately. Analyst presentation is broadcast with simultaneous English translation.**
- The company **discloses results in English at the same time** as they disclose in Japanese. Hitachi also have **earnings calls (YouTube streaming)** that is **simultaneously translated into English**.
- **Translating close to everything** that is available in Japanese to English. Lots of information on segment and strategy trends.

SONY GROUP CORPORATION (7)

- Sony provides **all materials in English immediately** and run **conference calls that are interpreted, or run calls specifically in English**.
- Long established presence outside of Japan. **Depth of knowledge of English by their staff**.
- Sony's **board independence & diversity level and related disclosures** are aligned with that of leading companies in this market. It **exceeds general practice by making English disclosure** on information such as compositions for Audit, Remuneration and Nomination committees (at least 75% independent), policy and procedures for director candidates selection, policy for evaluation of board and committee effectiveness, board and committee meetings schedule and agendas as well as director skill matrix.
- **Translating close to everything** that is available in Japanese to English. Lots of information on segment and strategy trends.

NIDEC CORPORATION (5)

- **Everything they do is in English**: conference calls, announcements, IR presentations, etc. **When meeting with executives, they provide translation services**.
- **Time disclosure both in Japanese and English**. Sufficient time for Q&A in presentation. **Top management and IR are capable of handling Q&A in English**.
- Nidec provides **all materials in English immediately** and run **conference calls that are interpreted, or run calls specifically in English**.

TOYOTA MOTOR CORPORATION (5)

- Long established presence outside of Japan. **Depth of knowledge of English by their staff**.
- The company **discloses results in English at the same time** as they disclose in Japanese. Toyota also have **earnings calls (YouTube streaming)** that is **simultaneously translated into English**.
- **Translating close to everything** that is available in Japanese to English. Lots of information on segment and strategy trends.

## Reasons for answers to Q5 (continued)

Other selected comments:

Kurita Water Industries Ltd., YOKOGAWA ELECTRIC CORPORATION, MARUI GROUP CO., LTD.

- Kurita Water, Yokogawa Electric, and Marui are some other mid cap companies making **thorough disclosure including ESG topics and data.**

AS ONE CORPORATION, Prestige International Inc., Solasto Corporation

- These companies have **excellent English websites, financials and most important, shareholder presentations.** Not only are their presentations in English, but even more importantly, they **give detailed information about what the company does, the underlying metrics of each segment and on their future strategy plans.** **In addition, they disclose important non-financial information, such as employee turnover, organic growth, M&A spend, # of customers, etc.** These companies are all Japanese models of excellent English reporting and international investor communication, in my opinion.

Oisix ra daichi Inc., SIGMAXYZ Inc., kaonavi, inc.

- The companies **offer timely and detailed English IR materials,** which includes industry-wide trends, segment-by-segment updates, performance, and outlook.

AVANT CORPORATION, TSUGAMI CORPORATION

- Tsugami and Avant are notable **as small cap companies publishing the Annual Securities Report (YUHO) in English.** Avant Corp has also released **a very informative and engaging Integrated Report (CREATIVE DIALOGUE 2020),** including manga.

Q6. Please provide names of companies where a more complete disclosure in English is needed (or disclosure in English is inadequate) and the reasons.

➤ 42 companies\* were nominated as those which need to provide more complete disclosure in English (whose disclosure in English is inadequate).

\* 15 large-cap companies (TOPIX 100), 6 medium-cap companies (TOPIX Mid400), 21 small-cap companies (other categories)

Reasons for answers to Q6

Comments on large-cap and medium-cap companies:

- **No earnings presentation** and only summary of financial statements on quarterly basis.
- **There is a long gap between Japanese & English disclosure and no securities report in English.**
- **Delays in English materials or no translations at all.** Best practice is equal English Japanese disclosure at the same time. The company always has a lag.
- **English materials are delayed or incomplete,** even when they are for long-term projects like medium term management plans. **IR calls are never recorded or available with simultaneous translation services.**
- The company is getting better but **still only has its IR presentation in Japanese.**
- **Earnings call in Japanese only (sometimes invite-only).**
- **Poor disclosure in English** and company **refuses to give shareholders access to senior management.**
- The firms have had problems, but **if there is no shareholder engagement, the investors will sell first and ask questions later.**

Comments on small-cap companies:

- **Very limited English IR disclosure.** Most have **no English IR pages on their web sites.**
- This company previously prepared English disclosure but they are shifting to new corporate website **without English translation page.** This is one example of "down-grade". I guess **the reason is exit of CFO.**
- **None of these companies have enough information on their websites to understand exactly what the business does** and the information in Japanese (when translated to English) is also inadequate. **None of these companies disclose their annual reports in English** and most importantly, **none of these companies have an IR presentation in English.** In our view, these companies would benefit significantly from improved English disclosure, as foreign investors would be very interested in their businesses and growth opportunities, but there is currently **not enough information available for them to appreciate their value and opportunities.**
- **Their shareholder meeting materials are only available in Japanese** and **very limit disclosure available on the company's English website,** such as IR news.
- In some cases, it is **not clear if there is an annual report in English.**
- **The company provides the bare minimum in earnings report and English annual report is inadequate with no financial notes or management discussion.**
- **Earnings presentations** include basic data but **not granular detail.**
- The company (with market cap between JPY 100-150 billion) **disclosures is very limited for a company with more than JPY100B market cap,** with only a summary of the Tanshin report provided. No presentation was provided for our IR meeting, limiting our understanding.
- **Almost all companies with a market cap of less than Y100bn lack English disclosure.** These companies sometimes **do not have IR websites,** presentations and lack parity of information in their quarterly and annual reports.

## 5. Comments regarding IR Activities

- ◆ While many respondents said that IR activities were improving overall, some criticized the fact that some companies do not see IR as important, do not respond to requests for interviews, do not provide access to executives, or do not talk about management strategies.
- ◆ Many people wanted an IR person who could speak English, and it was pointed out that disclosure in English is indispensable for securing long-term investors and that it would also be a measure against activists.

Q7. Please provide names of companies with excellent English disclosure as well as the reasons.

- **IR activities have improved** the last few years. **Looking forward to company visits and roadshows again.** Video calls have limitations on building long term relationships. It is **very helpful when there is someone on the IR team that knows English well enough** to correct the translator if something is conveyed incorrectly. (US, Pension fund, Investment decision)
- We have noticed an **improvement** in the IR activities of listed Japanese companies over the past several years in terms of **disclosure and availability to U.S.-based investors** in the form of conference participation and roadshows in the U.S. (including virtual roadshows over the past 18 months). **Information availability is much less of a concern** when investing in the TSE market today than it was several years ago. (US, Asset management company, Research)
- **Material improvement** in the last 2-3 years in **the level of engagement from IR teams across Japanese companies.** Understand the need to have a good dialogue with investors. Stemmed from the Corporate Governance code. **Simultaneous translation** is still not common but is **very useful** and allows conversations to flow very well. (UK, Asset management company, Investment decision)
- We appreciate the **increasing publication of Integrated Reports.** We are happy to see **more small cap companies** using company-sponsored research providers **to publish detailed reports.** We are also happy to see **more companies releasing IR transcripts.** (US, Asset management company, Research)
- Japanese companies' **IR activities to foreign investors have improved.** I hope more efforts are made to make: 1) **time-sensitive information to be disclosed in English simultaneously as Japanese version,** and 2) **management access to shareholders get better.** (Singapore, Asset management company, Research)
- We **appreciate how more companies are willing to meet.** However, **engagement should not just be with IR, but should rather be with management and board members.** It would also be **helpful if more companies could make their IR email addresses available on their company websites.** (Japan, Asset management company, Exercise of voting rights)
- IR activities have improved significantly and **many companies are keen to talk to foreign investors.** However, there are **still a few companies, which we continue to find it difficult to meet.** (UK, Asset management company, Investment decision)
- Some companies have very active IR however in general **IR is not seen as a strategically important function in the same way it is at many US and European companies.** Too often the speaker is **not able to discuss the strategy and how the senior leadership team look at the world** as they are far away from the management team. **The 'strategic IR' can be seen at some companies like the company where the IR team has weekly access to the President and is a vital conduit for feedback from the market.** In contrast we hear that at another company's IR often has little input into presentations and sometimes does not see the full slide deck until investors do. **Companies need to bring the role of IR to a more senior level within the company either at CFO (another undervalued role in Japan) or other level.** (UK, Asset management company, Investment decision)

- It seems that generally Japanese companies are worried that they will attract overseas activist funds by proactively disclosing in English, but the opposite is true. **Securing long-term investors** by proactively disclosing in English will be **a measure against activists**. **If English disclosure is not good enough, it is highly likely that the company will be sold at a discount, and it becomes more likely to be the target of activists**. Since **disclosure in English is absolutely necessary to secure long-term investors**, I would like Japanese companies to understand this cycle. (UK, Asset management company, Investment decision)
- Improving generally but with **wide variations**. It remains frustrating that some companies still attempt to defend oyako structures or "strategic" holdings. Many companies have yet to talk about **KPIs such as Roe, RoIC, capital allocation**. (France, Asset management company, Investment decision)
- Some companies are taking a very proactive IR program, which is appreciated. Other companies **act as if IR activities are a nuisance**. (France, Asset management company, Investment decision)
- Language is the main problem. Accessibility has improved significantly thanks to video conferencing, but unfortunately **most Japanese corporates do not have English IR speakers**. (Germany, Other institution, Research)
- We **highly appreciate** when the co has **an internal translator or a quasi-specialised translator who would be able to explain the business on their own**. (Switzerland, Asset management company, Investment decision)
- IR staffs **should be able to have investor meeting in English without interpreter**. (Hong Kong, Asset management company, Research)
- It would be **immensely helpful if calls with company IR departments were conducted in English**. It can be challenging to fully understand the nuances of most businesses via a translated call. In addition, a one hour call may only consist of ~20 minutes of dialogue due to the time for translation. We think that many Japanese companies would **benefit from hiring a young, English-speaking IR person** and that this would also save significant time for the companies' management teams as they would not need to spend time with investors on introductory calls. In addition, **investors would be far more informed of the company and ask better questions once they spoke with senior management**. (US, Hedge fund, Research)
- Companies **should appoint dedicated IR personnel and make the top executives, such as CEO and CFO, more accessible to investors**. Also, they **should continuously train IR personnel using the best practices** so that the quality of investor interaction is improved and IR messages are clear and effective. (US, Asset management company, Research)
- Japanese companies should treat investors equally **spend a proportionate amount of IR resources to cater to English-speaking investors**. Bilingual investors are scarce, and **the market will naturally discount if there is a lack of information and disclosure**. We believe that the US market benefits from a) sufficient and timely disclosure and b) a strong legal system, which allows companies to think and simulate different scenarios. (Japan, Hedge fund, Research)
- Too many companies **hide behind quiet periods which are unnecessary** if IR simply say no comment about the quarter just ended. **We want to discuss the future not the past**. (UK, Other institution, Research)
- **Non-Executive Directors often fail or refuse to engage with shareholders**. (UK, Asset management company, Others)
- I continue to believe that IR is more treated as PR. The dialogue is fundamentally promotional and does not provide a candid assessment of strengths and weaknesses. **When there is a difficulty, the IR professionals tend to avoid embarrassing questions**. (US, Other institution, Research)

- 1) Most Japanese companies seem to **think IR is no different from PR**. IR should include management opinion on how they want the company to be valued, but this is rarely taken into consideration as seen in very low usage of non-GAAP measures like 'Adjusted EBIT' or 'Cash EPS'. There should be MORE management thoughts on valuation using non-GAAP measures!
- 2) Japanese companies like to host in-person results meeting after Japan's close, all in Japanese. This is very unfriendly to foreign investors. They should change the format to online, and they **must provide its recording and English transcript on the same day from the fair disclosure point of view**.
- 3) **President / CEO** doesn't get involved with regular dialogues with shareholders. They **should offer to meet with key shareholders and investors at least once a year on an 1 on 1 basis**. This can be done online instead of going on a long tour domestically / internationally. **Japanese and English disclosure should be done simultaneously**. The only exception is **the result meeting transcript** as the meeting is held in Japanese. But the Japanese transcript **should be translated** from Japanese to English **with no delay**. (Singapore, Asset management company, Others)
- Many Japanese companies have **different contacts listed on their English and Japanese language websites**, which makes direct contact with companies more difficult for non-Japanese speakers. (US, Hedge fund, Investment decision)