

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 : 3,671 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 2019 ~ FY ended December 2019 : 1,077 companies
 - FY ended January 2020 ~ FY ended February 2020 : 261 companies
 - FY ended March 2020 : 2,333 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.9~14)**
- 6. IFRS Adoption Date (P.15)**
- 7. Stage of Progress Among "④ Companies Considering IFRS Adoption" (P.16)**

III – 1. Categories of Companies in Analysis

Categories of companies included in analysis (3,671 companies)

① Companies that have adopted IFRS (212 companies)

Companies that submitted IFRS-based consolidated financial statements or quarterly consolidated financial statements by Jun. 30, 2020

② Companies that have decided to adopt IFRS (11 companies)

Companies whose executive body has disclosed, by Jun. 30, 2020, its decision to adopt IFRS

③ Companies planning to adopt IFRS (11 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 (172 companies)

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

⑤ Other companies (3,265 companies)

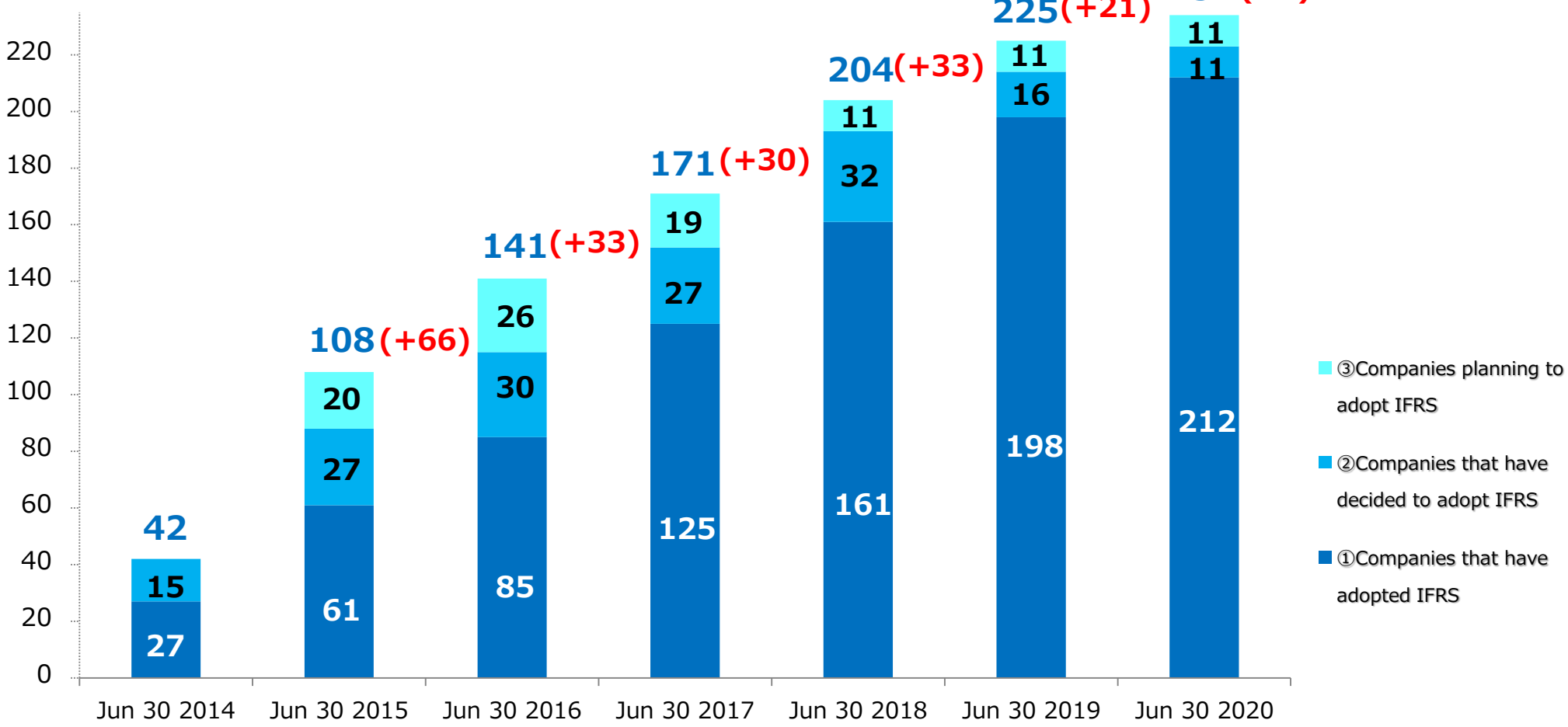
For example, the following companies:

- 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 234 companies as of Jun. 30, 2020.

Number of companies

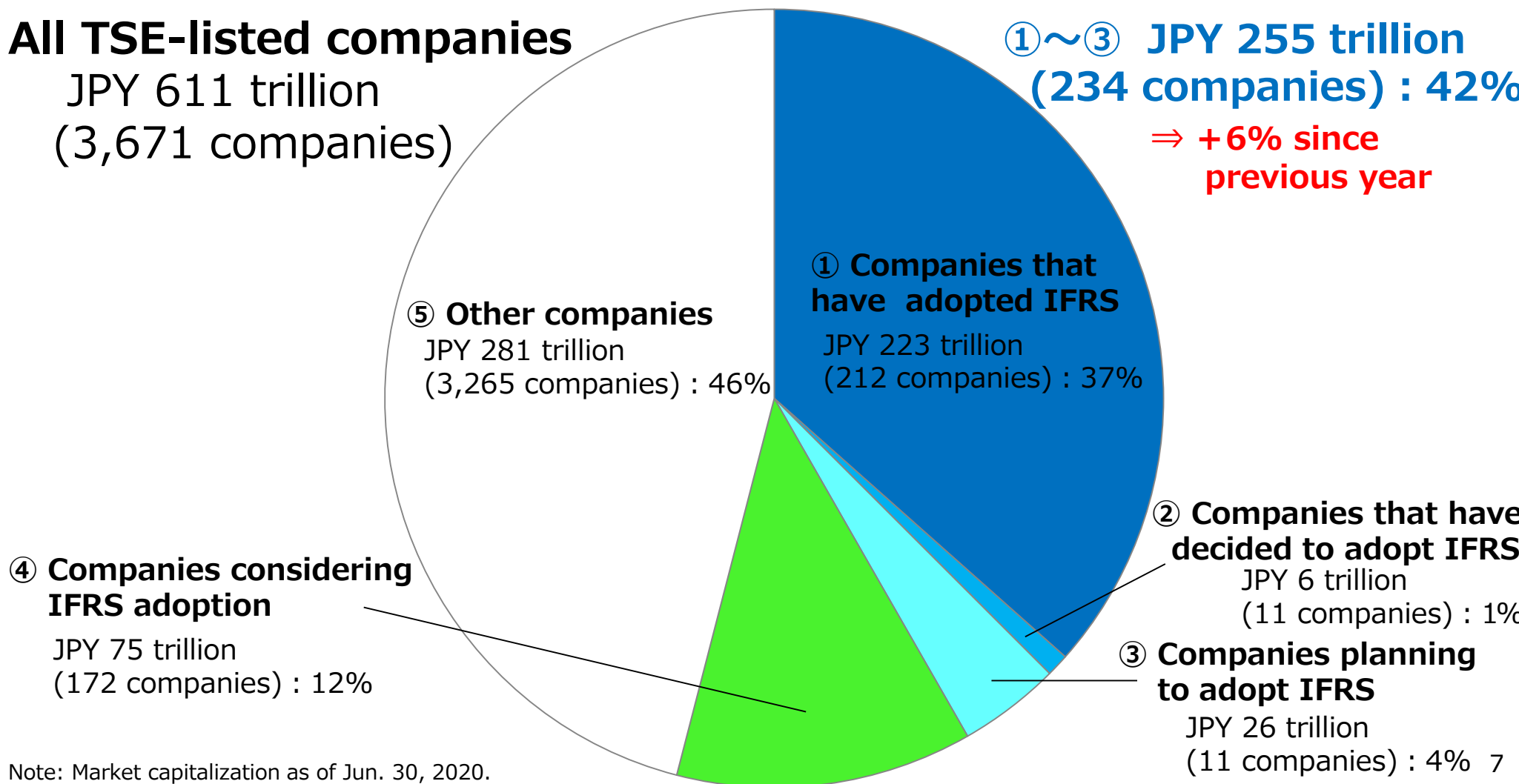


III – 3. Present situation of companies that voluntarily adopt IFRS «All TSE-listed companies»

✓ 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 255 trillion, 42% of the entire listed market capitalization (JPY 611 trillion).

All TSE-listed companies
JPY 611 trillion
(3,671 companies)

**①~③ JPY 255 trillion
(234 companies) : 42%**
⇒ +6% since previous year



Note: Market capitalization as of Jun. 30, 2020.

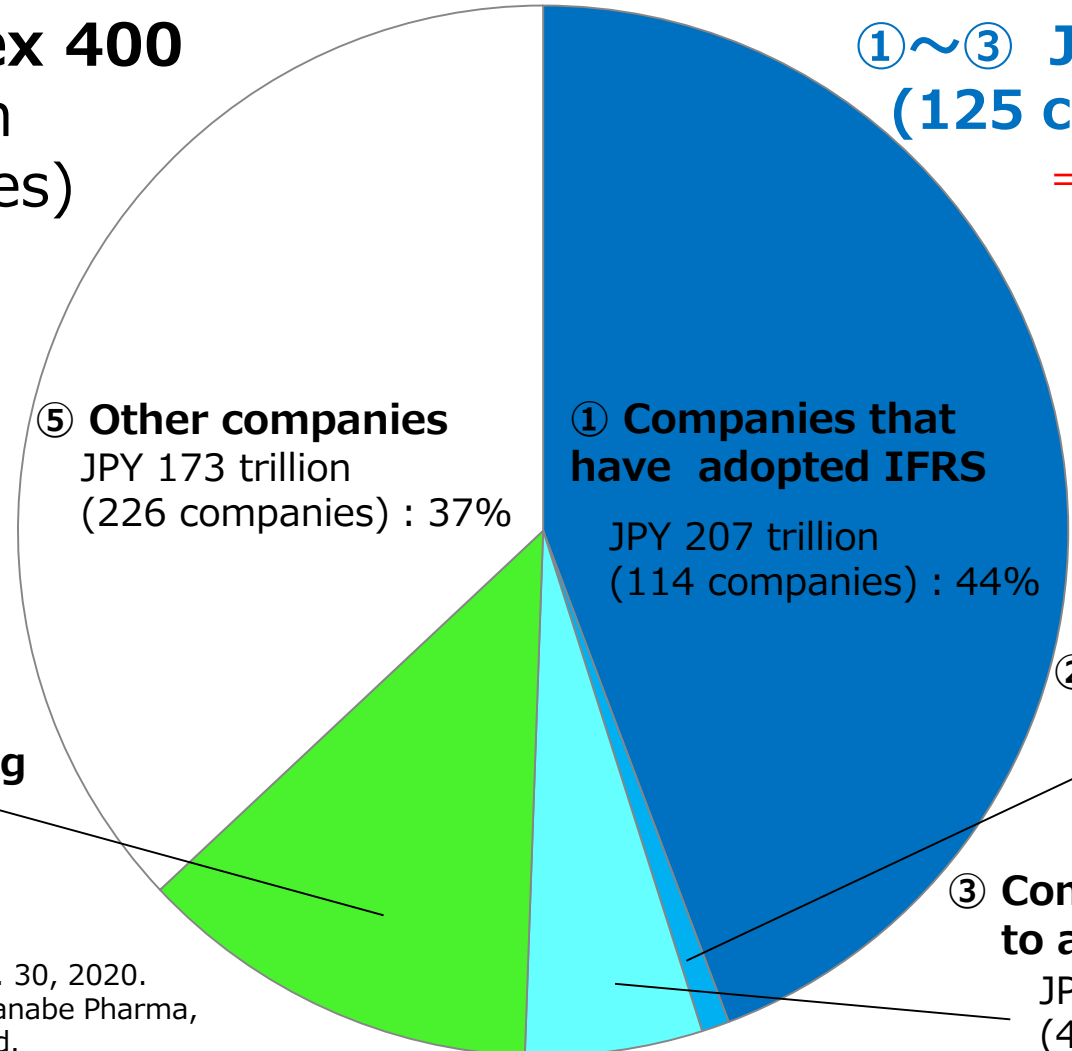
III – 4. Present situation of companies that voluntarily adopt IFRS «JPX-Nikkei 400»



✓ 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 236 trillion, 51% of the market capitalization of JPX-Nikkei 400 (JPY 468 trillion).

JPX-Nikkei Index 400
JPY 468 trillion
(397 companies)

**①~③ JPY 236 trillion
(125 companies) : 51%**
⇒ +7% since
previous year



④ Companies considering IFRS adoption
JPY 58 trillion
(46 companies) : 13%

Note: Market capitalization as of Jun. 30, 2020.
Hitachi Chemical, Mitsubishi Tanabe Pharma, Hitachi High-Tech are excluded.

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 26 of the 33 industrial sectors. ⇒ **- 1 industrial sector since previous year**
- ✓ 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: Information & Communication (30), Services (29), Electric Appliances (26), Transportation Equipment (19), and Pharmaceutical (18).

Note:

(1) Market capitalization as of Jun 30, 2020.

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

	Pharmaceutical (18/67)	Rubber Products (5/19)	Transportation Equipment (19/93)	Precision Instruments (7/52)	Information & Communication (30/467)
① Adopted ② Decided to adopt	(1) CHUGAI PHARMACEUTICAL (2) DAIICHI SANKYO (3) Takeda Pharmaceutical (4) Astellas Pharma (5) Otsuka Holdings (6) Eisai (7) Shionogi (8) ONO PHARMACEUTICAL (9) Kyowa Hakko Kirin (10) SANTEN PHARMACEUTICAL (13) Sumitomo Dainippon Pharma (20) SAWAI PHARMACEUTICAL (25) Sosei Group (30) HEALIOS K.K (32) Nichi-Iko Pharmaceutical (34) GNI Group (46) Solasia Pharma (53) Kubota Pharmaceutical Holdings	(2) Sumitomo Rubber (3) Yokohama Rubber (7) Sumitomo Riko (9) Bando Chemical	(2) HONDA MOTOR (3) DENSO (5) TOYOTA INDUSTRIES (7) SUBARU (9) AISIN SEIKI (15) TOYODA GOSEI (16) TOYOTA BOSHOKU (19) TS TECH (20) KEIHIN (21) SHOWA (24) NISSIN KOGYO (26) F.C.C. (28) EXEDY (29) NIPPON SEIKI (34) KYB (47) YUTAKA GIKEN (57) Yachiyo Industry	(1) HOYA (2) TERUMO (3) OLYMPUS (6) NIKON (14) NIKKISO (18) CYBERDYNE (20) Noritsu Koki	(1) SoftBank Group (2) NTT DOCOMO (3) KDDI (4) NIPPON TELEGRAPH AND TELEPHONE (5) SoftBank (6) Z Holdings (7) NEXON (10) NTT DATA (12) LINE (13) HIKARI TSUSHIN (15) ITOCHU Techno-Solutions (17) GMO Payment Gateway (24) KONAMI HOLDINGS (28) Nihon Unisys (45) Internet Initiative Japan (49) JMDC (51) Digital Garage (72) ARTERIA Networks (107) Broadleaf (132) ZIGExN (161) MACROMILL (258) Scala (278) ASJ (307) ASTERIA (312) SHARINGTECHNOLOGY (320) Hotto Link (400) KnowledgeSuite
③ Planning to adopt		(1) BRIDGESTONE	(1) TOYOTA MOTOR (13) Mazda Motor		(21) SCSK (200) BUSINESS BRAIN SHOWA · OTA (455) Jedat
Market cap (A)	JPY 37.8 trillion	JPY 3.1 trillion	JPY 36.9 trillion	JPY 10.3 trillion	JPY 54.2 trillion
Total market cap of industrial sector (B)	JPY 43.3 trillion	JPY 3.6 trillion	JPY 46.5 trillion	JPY 13.9 trillion	JPY 80.4 trillion
(A/B)	87.3%	85.5%	79.3%	74.2%	67.4%

III – 5. IFRS Adoption by Industrial Sector

	Iron and Steel (3/44)	Oil & Coal Products (1/11)	Wholesale Trade (12/315)	Foods (13/121)	Air Transportation (1/5)
①Adopted ②Decided to adopt	(1) NIPPON STEEL (2) Hitachi Metals (3) JFE Holdings	(1) ENEOS Holdings	(1) ITOCHU (2) Mitsubishi (3) MITSUI (4) SUMITOMO (5) TOYOTA TSUSHO (6) Marubeni (13) Sojitz (32) KANEMATSU (33) ITOCHU ENEX (41) KOMEDA Holdings (67) FTGroup	(1) JAPAN TOBACCO (2) Kirin Holdings (3) Asahi Group Holdings (5) Suntory Beverage & Food (7) NISSIN FOODS HOLDINGS (8) KIKKOMAN (9) Ajinomoto (13) NH Foods (16) Coca-Cola Bottlers Japan (21) KAGOME (29) SAPPORO HOLDINGS (43) Premium Water Holdings (51) Nissin Sugar	(2) Japan Airlines
③Planning to adopt			(60) IDOM		
Market cap (A)	JPY 2.0 trillion	JPY 1.2 trillion	JPY 13.8 trillion	JPY 12.3 trillion	JPY 0.7 trillion
Total market cap of industrial sector (B)	JPY 3.4 trillion	JPY 2.2 trillion	JPY 25.4 trillion	JPY 23.0 trillion	JPY 1.6 trillion
(A/B)	58.5%	55.6%	54.5%	53.5%	42.1%

III – 5. IFRS Adoption by Industrial Sector

	Chemicals (15/208)	Services (29/474)	Electric Appliances (26/242)	Textiles & Apparels (2/53)	Nonferrous Metals (2/34)
①Adopted ②Decided to adopt	(2) Kao (3) UNICHARM (5) NIPPON PAINT HOLDINGS (8) NITTO DENKO (9) Mitsubishi Chemical Holdings (12) TAIYO NIPPON SAN SO (14) Lion (17) SUMITOMO CHEMICAL (19) JSR (20) Mitsui Chemicals (28) AIR WATER (37) NIPPON SHOKUBAI (45) Sumitomo Bakelite (57) KUREHA (179) Ultrafabrics Holdings	(1) Recruit Holdings (3) M3 (6) Rakuten (8) DENTSU GROUP (10) Kakaku.com (19) TechnoPro Holdings (24) DeNA (33) BayCurrent Consulting (49) BELLSYSTEM24 HOLDINGS (56) OUTSOURCING (71) LIFULL (81) Nippon Koei (88) Link and Motivation (108) COOKPAD (109) ITmedia (123) Adventure (126) KeyHolder (129) SEPTENI HOLDINGS (136) GCA (142) QB Net Holdings (148) AirTrip (174) Members (194) WILL GROUP (249) Metaps (279) MRT (340) KIZUNA HOLDINGS (422) MS&Consulting (468) Convano	(3) NIDEC (7) Hitachi (8) Mitsubishi Electric (10) FUJITSU (11) Panasonic (12) KYOCERA (13) SYMEX (14) TOSHIBA (17) NEC (18) ADVANTEST (19) YASKAWA Electric (21) Renesas Electronics (22) MINEBEA MITSUMI (27) RICOH (28) BROTHER INDUSTRIES (29) SEIKO EPSON (32) HIROSE ELECTRIC (38) ANRITSU (44) TOSHIBA TEC (48) KONICA MINOLTA (74) SANYO DENKI (78) IDEC (114) JVC KENWOOD (126) SUMIDA (195) NIHON DEMPA KOGYO (216) TEAC	(1) TORAY (12) WORLD	(2) Sumitomo Metal Mining (8) Asahi Holdings
③Planning to adopt		(85) YUMESHIN HOLDINGS			
Market cap (A)	JPY 15.2 trillion	JPY 13.2 trillion	JPY 29.3 trillion	JPY 0.9 trillion	JPY 1.0 trillion
Total market cap of industrial sector (B)	JPY 42.1 trillion	JPY 36.9 trillion	JPY 82.0 trillion	JPY 2.9 trillion	JPY 3.5 trillion
(A/B)	36.1%	35.9%	35.8%	30.7%	28.3%

III – 5. IFRS Adoption by Industrial Sector

	Other Financing Business (6/34)	Machinery (14/226)	Glass & Ceramics Products (3/56)	Retail Trade (12/349)	Metal Products (4/89)
①Adopted ②Decided to adopt	(2) Japan Exchange Group (6) Hitachi Capital (9) Credit Saison (18) ARUHI (21) J Trust (22) Premium Group	(4) KUBOTA (6) Makita (8) Mitsubishi Heavy Industries (10) Hitachi Construction Machinery (12) MIURA (13) NSK (14) Nabtesco (15) THK (16) Kurita Water Industries (18) AMADA (20) JTEKT (29) DMG MORI SEIKI (65) TSUGAMI (84) TSUBAKI NAKASHIMA	(2) AGC (5) NGK SPARK PLUG (18) Nippon Sheet Glass	(1) FAST RETAILING (7) FamilyMart (19) RYOHIN KEIKAKU (23) SKYLARK HOLDINGS (27) Sushiro Global Holdings (35) J.FRONT RETAILING (52) create restaurants holdings (62) COLOWIDE (66) TORIDOLL Holdings (115) VT HOLDINGS (294) DREAM VISION	(2) LIXIL Group (33) H-ONE (42) Shinwa
③Planning to adopt				(50) OHSO FOOD SERVICE	(15) G-TEKT
Market cap (A)	JPY 2.0 trillion	JPY 7.5 trillion	JPY 1.0 trillion	JPY 9.3 trillion	JPY 0.5 trillion
Total market cap of industrial sector (B)	JPY 7.2 trillion	JPY 29.4 trillion	JPY 4.4 trillion	JPY 40.2 trillion	JPY 3.5 trillion
(A/B)	27.3%	25.6%	23.7%	23.0%	15.5%

III – 5. IFRS Adoption by Industrial Sector

	Securities & Commodity Futures (2/40)	Other Products (3/110)	Real Estate (3/131)	Land Transportation (2/61)	Electric Power & Gas (1/24)
①Adopted ②Decided to adopt	(3) SBI Holdings (9) Monex Group	(3) YAMAHA (22) Nissha (28) PRONEXUS	(5) Iida Group Holdings (26) TOSEI	(19) Hitachi Transport System (45) ZERO	(18) RENOVA
③Planning to adopt			(23) GAtotechnologies		
Market cap (A)	JPY 0.6 trillion	JPY 1.1 trillion	JPY 0.6 trillion	JPY 0.3 trillion	JPY 0.1 trillion
Total market cap of industrial sector (B)	JPY 4.0 trillion	JPY 13.3 trillion	JPY 11.8 trillion	JPY 21.7 trillion	JPY 8.1 trillion
(A/B)	15.0%	8.0%	5.2%	1.6%	0.9%

III – 5. IFRS Adoption by Industrial Sector

	Insurance (1/14)
①Adopted ②Decided to adopt	(10) NFC Holdings
③Planning to adopt	
Market cap (A)	JPY 0.04 trillion
Total market cap of industrial sector (B)	JPY 10.8 trillion
(A/B)	0.4%

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

Mining	Fishery, Agriculture & Forestry	Marine Transportation	Pulp & Paper	Warehousing & Harbor Transportation Services	Banks	Construction
6	11	13	24	37	82	159

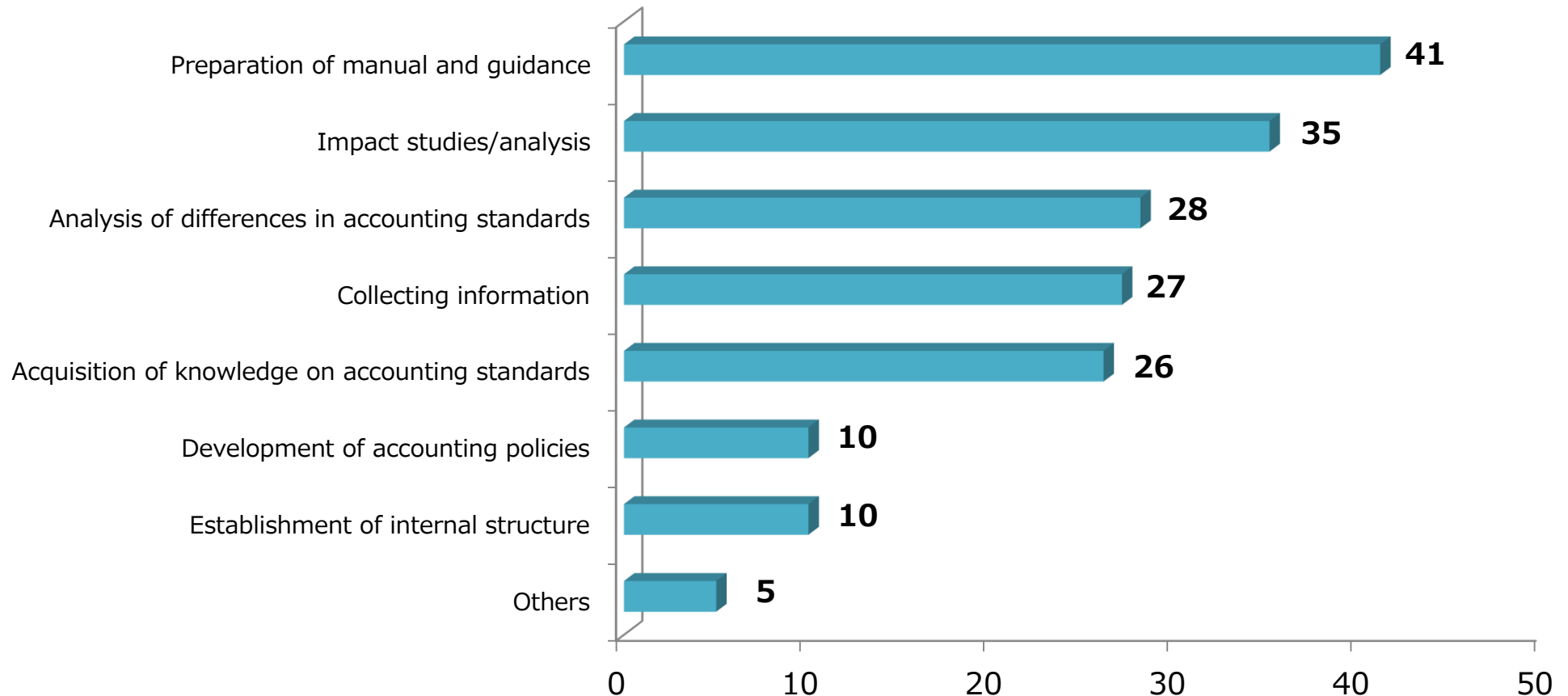
III – 6. IFRS Adoption Date

✓ The scheduled adoption dates (including targeted) that "③ Companies planning to adopt IFRS (11 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 2020	210	–	–	210
April 2020 ~ March 2021	2	5	6	13
April 2021 ~ March 2022	–	3	1	4
TBD	–	3	4	7
Total	212	11	11	234

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

✓ Of the 172 companies that were “considering IFRS adoption”, 117 companies described concrete matters in its Basic Policy. Many described “Preparation of manual and guidance”.



Note: Total exceeds 117 due to descriptions falling under multiple categories.