



To:

23rd November 2016

Tokyo Stock Exchange

Dear Colleagues

Comment on Increasing Flexibility of Earnings Reports and Quarterly Earnings Reports

PIRC Limited is the largest independent European provider of corporate governance, proxy voting and corporate social responsibility investment research and engagement advisory services. Our clients include pension funds and fund managers with combined assets of over £1.5 trillion. These include public pension funds, corporate pension funds, asset managers, trade unions, wealth management funds and sovereign wealth funds.

We welcome the opportunity to make comment on these proposals.

The actions of the Japanese Government to promote constructive dialogue between companies and investors for mid/long-term corporate value creation and the need for companies to disclose their information to investors quickly and efficiently, is greatly appreciated and we welcome the recent introduction of the Japanese Investor Stewardship Code and the Corporate Governance Code.

However, we wish to respectfully express our concerns over the Working Group proposals which provide for the simplification of disclosure of earning reports (Tanshin), and quarterly earnings reports, as this could result in less information being provided to investors or information made available later than needed i.e. after Annual General Meetings (AGM's) of Companies.

We understand companies are required to issues multiple reports within a short period after the end of the financial year, which can be a burden. These reports include press releasing Earnings Reports as mentioned above, the Business Report attached to the Proxy Statement and the Annual Securities Report. It has been explained that the proposal to reduce information included in the earnings reports (Tanshin) aims to facilitate expedition of the distribution of Proxy Statements.

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).

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.

In particular, we emphasize that the following information should be kept or provided:

- 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.
- 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.

Any reduction in Tanshin disclosure should be compensated with the swift issuance of proxy statements.

In the long term, the burden of companies to provide valuable information in a very limited timeframe could be mitigated by introducing a change in the Law which would allow companies to hold AGMs later than they currently do, taking into consideration that the time between the end of companies' financial year ends and their AGM's is shorter in Japan than in other major markets. This would also facilitate engagement between companies and shareholders ahead of AGM's.

We respectively appreciate the opportunity to present our own views on this matter and we hope our comments will be helpful.

Anita Sangwa

AMEA CG Service Leader

anita.sangwa@pirc.co.uk

Pensions & Investment Research Consultants Ltd

8th Floor, Suite 8.02, Exchange Tower

2 Harbour Exchange Square

London E14 9GE

Telephone +44 (0)20 7247 2323

www.pirc.co.uk

Regulated by the Financial Conduct Authority