

Feature Articles

This month's focus: Rethinking Corporate Disclosure: How Should the Entire Disclosure System Be Restructured and Integrated Reporting Be Positioned Within It?

Toward Better Corporate Reporting System in Japan: Challenges to Filing of the Annual Securities Report Before the General Shareholders' Meeting

Goro Kumagai, CMA

Contact point: g-kumagai@saa.or.jp

Over the past decade, the demand for narrative information, including sustainability disclosures in corporate reporting, has been rapidly increasing worldwide. In Japan, companies are now required to include more narrative information in their statutory securities reports. This shift aligns with global trends and reflects national policies aimed at fostering constructive engagement between investors and companies.

At the same time, Japanese companies are obligated to issue a business report to shareholders, attached to the notice of the AGM, under the Companies Act. They must also submit an annual securities report as mandated by the Financial Instruments and Exchange Act. These two statutory documents overlap significantly in content, although the annual securities report tends to be more detailed. Preparing both statutory reports within a short timeframe places a heavy burden on companies. There are concerns that the growing requirements for narrative disclosures, particularly on sustainability, could make it even more challenging for companies to provide timely information.

Addressing this issue has become a critical priority for Japan's corporate reporting system. Encouraging companies to file their annual securities reports before the AGM would streamline the process, minimize redundancy, and alleviate the burden on both preparers and auditors.

Reconstructing Japan's Corporate Information Disclosure Framework: Insights from the Ministry of Economy, Trade and Industry's Interim Report

Masayuki Matsuyama, CMA

Contact point: msmatsu@dbj.jp

In this paper, we identify structural problems in Japan's corporate disclosure system based on a report produced by a study group held by the Ministry of Economy, Trade and Industry in 2024, and introduce two proposed frameworks aimed at solving these problems. We further discuss the issues involved in implementing these proposals.

This paper emphasizes that the duplication of information across various reports hinders effective communication between companies and investors. It explains the details of the proposed disclosure frameworks outlined in the report and suggests that these frameworks have the potential to reduce the identified barriers.

Additionally, this paper presents the results of a survey that analyzed the disclosure systems adopted by companies likely to be the first to adopt the "Sustainability Information Disclosure Standards" published by the SSBJ.

Finally, the paper concludes by highlighting important issues and potential solutions that should be considered when restructuring Japan's disclosure system in the future.

Feature Articles

Role and Challenges of Integrated Reports in Corporate Disclosure in Japan

Saori Nara, CMA

This paper describes the development of integrated reports, which are garnering interest as documents for disclosing sustainability information, their status, and their usage in Japan. Furthermore, it discusses the benefits and challenges of integrated reports. In Japan, approximately one-quarter of listed companies have published integrated reports as of 2023. Although integrated reports have been voluntary until now, the trend toward mandatory disclosure of sustainability information could result in integrated reports becoming the principal disclosure documents for sustainability reporting.

Empirical analysis of the impact of earnings announcement date concentration on analyst forecast timeliness

Hiroki Nawata

Contact point: bd221003@g.hit-u.ac.jp

This paper examines the impact of clustering earnings announcement dates for firms covered by sell-side analysts on the timeliness of analysts' forecasts. The results show that the timeliness of analysts' forecasts declines when earnings announcements are concentrated, with this effect being particularly pronounced for smaller firms. These findings suggest that clustering earnings announcement dates may strain analysts' information processing capacity, leading to selective prioritization of focus among covered stocks.
