

2004 Asia-Pacific Corporate Disclosure Survey
Executive Summary
Japan

The total number invited to participate in the survey was 978, with a response rate of 9.2%, or 90 respondents. The total number of respondents whose professional activities, now or in the past year, include analyzing the financial statements and other financial reports of publicly held companies was 119 (12.17%).

Respondents were asked to consider the companies they usually analyze and use a five-point rating scale (from “1”=lowest to “5”=highest) to rate sources of corporate information for its (a) **importance** to their analysis and its (b) **quality** across the publicly traded companies that they follow. The results can be found in the following tables.

Respondents rated the following sources of corporate information as most important:

Balance Sheet or Statement of Financial Position-66% ranked it “5” (most important).

Income or Profit and Loss Statement-62% ranked it a “5.”

Cash Flow Statement-61% ranked it “5.”

Site Visits, Analyst Meetings or other Face-to-face meetings with company management-55% ranked it a “5.”

Footnote Disclosures to the Financial Statements -49% ranked it “5.”

When considering all the available corporate information sources and disclosure practices that respondents were asked to rank, 1% of respondents rated the overall quality of financial or corporate information disclosed by the publicly traded companies that they follow with a letter grade of “A” (Excellent). 41% responded with Good (grade of “B”), 48% responded with Average (grade of “C”), and 9% responded with Below Average (grade of “D”). No one rated the quality of information as poor (or failing, a grade of “F”).

65% of respondents noted that over the past three years, the overall quality of corporate information disclosed by most of the publicly traded companies that they follow had improved some. 27% said it had improved a lot while 8% thought it had remained about the same. In general, quality of corporate information still needs improvement. No source of information received a “5” in quality by more than 22% of respondents.

When asked to agree or disagree with the following statement: corporate issuance of comprehensive quarterly financial reports is a global best practice that should be emulated by public companies in Asia and the Pacific region, 29% strongly agreed, 41% somewhat agreed, 16% neither agreed nor disagreed, 13% somewhat disagreed, and 1% strongly disagreed.

22% strongly agreed (41% somewhat agreed, 18% neither agreed nor disagreed, 14% somewhat disagreed, and 5% strongly disagreed) that regulators around the world should make it mandatory for the public companies to issue comprehensive quarterly financial reports.

Respondents were then asked to what extent companies’ disclosure practices and quality of their financial statements are a factor in their investment/financial recommendations, decisions, or actions. 25% said they are an extremely important factor, 58% said they are a very important factor, and 16% said they are a somewhat important factor. To the extent that company corporate governance practices is a factor in their investment/financial recommendations, decisions, or actions, 8% of respondents indicated it was extremely important, 55% very important, 30% somewhat important, 4% not very important, and 2% not a factor at all.

Selected written comments from respondents:

- Suddenly a company announces extraordinary losses... in negative net worth... event is window-dressing... should penalize both company and auditor. Corporate management usually adjusting balance sheet or income statement to meet his/her objectives... Need more heavy legal penalty on these actions by corporate management.
- Corporate disclosure has not been a common practice in Japan... Transparency is not valued here like it is in the US. Too many special interest groups here that do not want to change accounting standards.
- More companies are becoming aware of the importance of disclosure and IR information... improving year by year although there is still room for further efforts and there are some quality gaps among companies.
- Disclosure level differs largely... Some companies are good... Some not meeting GAAP (US, IAS, JAPAN) satisfactorily still... disclosing based on minimum GAAP... In general, I gave a grade of "average".