

How Data will help more in  
understanding company's value

# Tagging of non-financial information!

## Does it bring about a new stage of digital reporting?

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# What I speak today...

## Part 1

Usage of XBRL is expanding in Japan.

Japan FSA and TSE both have disclosure (filing report) system for investors. These systems adopted XBRL in 2008. We have over 10 years of experience using XBRL.

This year, Japan FSA expanded its detail tagging to more information, mainly corporate governance information.

Introduction of XBRL in Japan is my first part of the presentation.

Search period from 2019/05/13(Mon) up to 2019/06/12(Wed) Search Condition

Total 1074 Announcements

1 2 3 4 5 6 Next >

Date	Code	Name	Sector	Title	XBRL	Notes
			Wholesale Trade	<a href="#">Announcement Regarding the Establishment of the 8th Company</a>		
			Wholesale Trade	<a href="#">Announcement Regarding Repurchase of Own Shares</a>		
		Corporati	REIT	<a href="#">Notice Concerning Issuance of Investment Corporation Bonds (Green Bonds) and Partial Early Repayment of Borrowings</a>		
			Securities & Commodity Futures	<a href="#">Mirai Creation Fund II to Invest in Groove X, the Robotics Start-up Developing LOVOT, the Family Robot</a>		
			Services	<a href="#">Dentsu Enhances its Creative Offering in the UK with the Acquisition of Re:Production</a>		

EDINET Electronic Disclosure for Investors' Network

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Type of document

☒ Annual Securities Report / Semiannual Report

☐ Report of Possession of Large Volume

☐ Other types of documents (Including amended version of each report)

Specify Reporting period / Submission period

Search

## Part 2

Under current situation, Taxonomy and Tagging seems to get in the third stage.

At the First stage, Designing taxonomy, tagging reports were made from regulator and accountant's perspective.

After the initial XBRL started, more and more users' voices were reflected.

Today what we need to consider going forward is taxonomy design and tagging?

I would like to share my thought of the future digital reporting.

# 1. Japanese Corporate reporting regulation

- Japan has a regulatory framework of corporate reporting which includes non-financial information. (mainly related to corporate governance )
  - Under **the Financial Instruments and Exchange Act**, detail provisions by the Cabinet Office ordinance on the disclosure of corporate information.
- In 2013, FSA expanded tagging to all reports, and introduced inline XBRL but most of non-financial sections were left block tagged.
- This year, more detailed tags are introduced for non-financial sections.

**Japanese non-financial information has a fixed format.**

**Some people want more flexibility, but others are in favor of the current format.**

## ▼ Cabinet Office Ordinance On Disclosure Of Corporate Information Etc Form No 3 Annual Securities Report

### **Business results of group (Key index)**

- Information about employees

### **Overview of business**

- Business policy, business environment, issues to address
- Business risks
- Significant events related to going concern risks, etc.
- Management analysis of financial position, operating results and cash flows
- Analysis and responses to significant events related to going concern risks, etc.
- Critical contracts for operation
- Research and development activities

### **Information about facilities**

- Overview of capital expenditures, etc.
- Major facilities
- Planned additions, retirements, etc. of facilities

### **Information about reporting company**

- Employee share option plans
- Rights plans
- Shareholding by shareholder category
- Dividend policy

### **Information about directors (and other officers)**

- Information about corporate governance
- Cross-share holding
- Remuneration, etc. paid by group to each director

### **Details of remuneration to independent auditors**

- Audit fees / Non-audit fees

### **Financial Statements**



## 2. EDINET has made considerable progress

- EDINET expanded detail tagging to many parts of non-financial information of Corporate Governance

Such as

- ✓ Number of Employees, capital expenditures, R&D disclosed by each segment
- ✓ Shareholding by shareholder category
- ✓ Number of female / male directors
- ✓ Information of each board member, (title, position, Name, Date of birth, Career summary, Term, Number of shares held
- ✓ Remuneration
- ✓ Cross-shareholdings (number, name, book value, purpose of holding)
- ✓ Audit fees / Non-audit fees
- Etc...

### Annual Securities Report Called “Yuho” on the EDINET

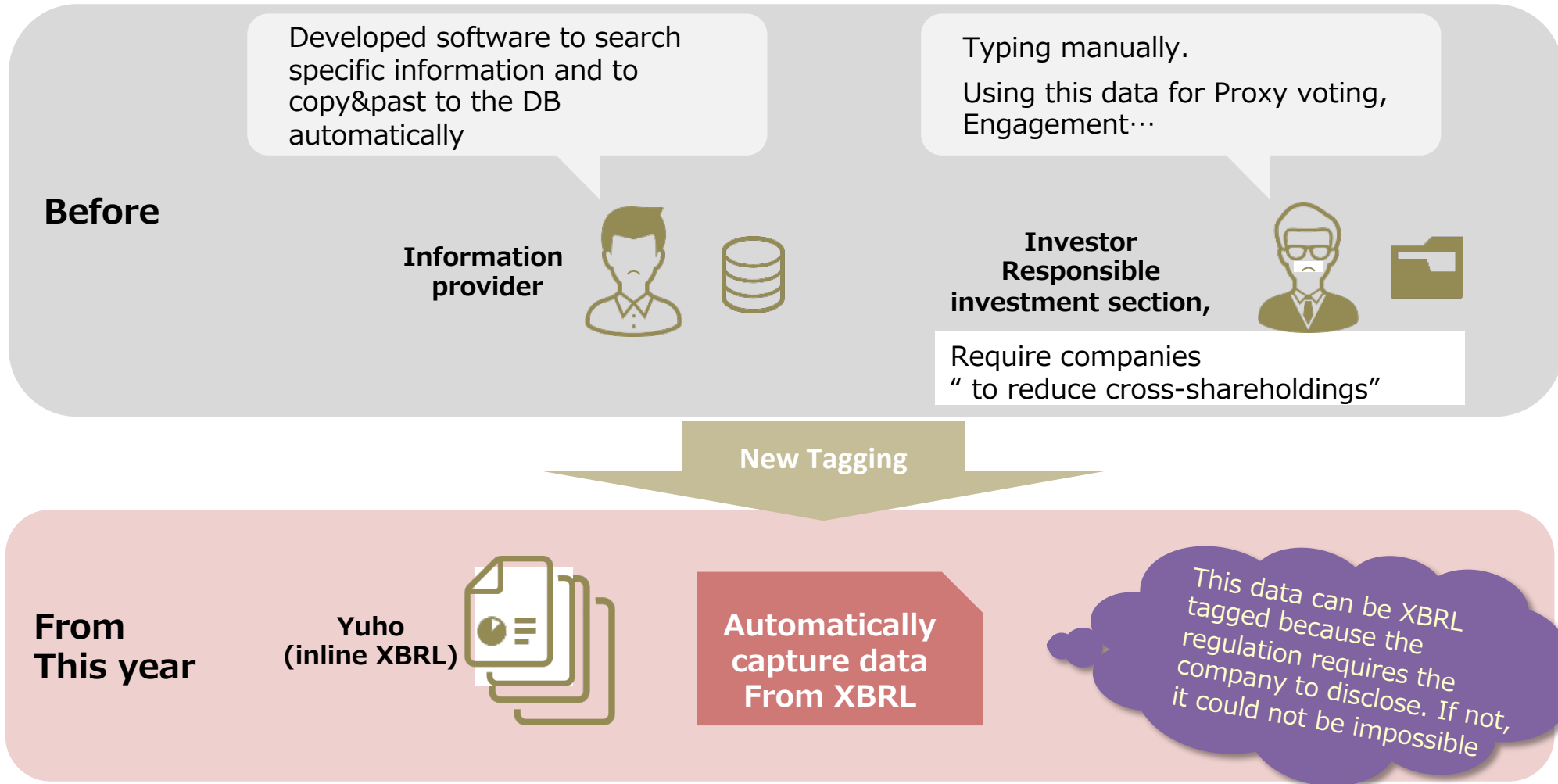
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【提出書類】	有価証券報告書
【根拠条文】	金融商品取引法第24条第1項
【提出先】	関東財務局長
【提出日】	平成30年6月27日
【事業年度】	第53期(自 平成29年4月1日 至 平成30年3月31日)
【会社名】	株式会社野村総合研究所
【英訳名】	Nomura Research Institute, Ltd.
【代表者の役職氏名】	代表取締役社長 此本 臣吾
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【電話番号】	03-5533-2111(代表)
【事務連絡者氏名】	経理財務部長 松井 貞二郎
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【事務連絡者氏名】	経理財務部長 松井 貞二郎
【縦覧に供する場所】	株式会社野村総合研究所 大阪総合センター (大阪府大阪市北区中之島三丁目2番4号) 株式会社東京証券取引所 (東京都中央区日本橋兜町2番1号)

Inline XBRL, tags in the documents

### 3. What can we do for new data?

#### ➤ Case: Cross-holding shares information

number, name, book value, purpose of holding... are tagged from this year



## 4. But normally companies are not in favor

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Fixed format makes the report boilerplate.  
Free format is better for communication...



Company IR, Accounting  
Department people

**Besides, tagging is still difficult to obtain company's understanding.....**

Why should we tag those information?  
If Information providers want it, they can type  
into the database...



**What is the merit of making digital (tagged) report?**



## 5. Cases; Audit / Non-audit fee data

### ➤ Audit / Non-audit fee are disclosed in annual securities report.

- Japanese regulatory report requires companies to disclose them.
- Most analysts and investors do not pay attention to the data, these days.
- Japanese local information providers usually do not store this data.
- One of global information providers stores this data manually.



I haven't used them before...

**Those data are going to be tagged from this year.**

#### (2) Audit Fees

##### 1) Fees to Certified Public Accountants

Category	Fiscal year ended March 31, 2017		Fiscal year ended March 31, 2018	
	Fees for audit services (Millions of yen)	Fees for non-audit services (Millions of yen)	Fees for audit services (Millions of yen)	Fees for non-audit services (Millions of yen)
The Company	485	34	502	58
Consolidated subsidiaries	1,009	118	914	61
Total	1,494	152	1,416	119

##### 2) Other fees

Audit fees paid by the Company and its consolidated subsidiaries to the Company's accounting auditor, Ernst & Young ShinNihon LLC Group (including Ernst & Young and its group firms which belong to the same network as Ernst & Young ShinNihon LLC), were ¥2,993 million for the fiscal year ended March 31, 2017, and ¥3,166 million for the fiscal year ended March 31, 2018, respectively. These fees are mainly paid for audit services to its overseas consolidated subsidiaries.

##### 3) Descriptions of non-audit services to the Company

Non-audit services to the Company in the fiscal year ended March 31, 2017 and the fiscal year ended March 31, 2018 were various consulting services.

##### 4) Policy on determination of audit fees

For determining the amount of audit fees, the Company conducts hearing of the audit plan and verify efficiency of audit services, including the number of days, hours for auditing, the number of subjects to be audited and the scope of audit, etc., and appropriateness of the estimate. The Company also discusses with the accounting auditor taking into consideration the formation of auditors and audit fees for the preceding fiscal year. In addition, the Audit Committee receives the audit plans of the accounting auditors and the results of discussion between the auditors and Executive Officers of the Company and approves the amount of the fees in advance of the Company's decision.

Audit / non-Audit fee disclosed in Yuho  
(March 31, 2018) Hitachi, Ltd.

## 6. What those data tell us ?

### ➤ Using the database of the global provider, we can see that information

- 2141 companies are listed in the first market of Tokyo Stock Exchange.
- For 13 companies, non-audit fee exceeds audit fee in 2018.
  - \* Some companies case, different numbers are stored from disclosed data.
- For over 40 companies, non-audit fee is over 50 % of audit fee. For-almost 2100 companies, non-audit fee is less than 50% of audit fee.



10 of 13 companies' non-audit fee were not over audit fee in 2017. They became large only in 2018. The reasons for the non-audit fee are also disclosed.

- ✓ Financial Due diligence
- ✓ IFRS conversion advisor
- ✓ Advice for internal control,
- ✓ Advice for information systems,

Why that non-audit  
fee increased this  
year?

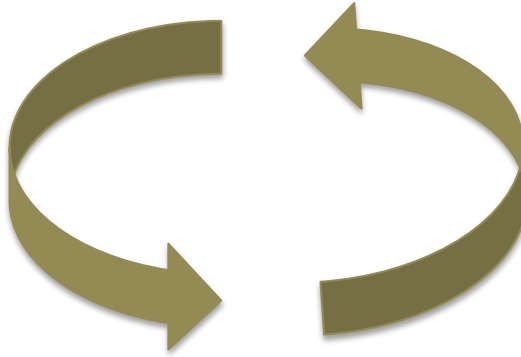
**If you are investing in those shares, why  
you won't pay attention to them?**



## 7. Tag brought us New finding

### ➤ The negative cycle of "not to use data",

Investors cannot afford the cost if they finally didn't make use of the data. ( But they might miss finding risk because they didn't see the data)



If the investor does not pay attention to the data, it might not be recognized as important. So the information provider might not be able to decide to store the data.  
(or becomes expensive)

But if the data were more easily available (or cheaper), investor could use it.

It might make it easy for the company to prove its value (vs cost).

This year, one of information provider said...

We are supposed to consider collecting audit / non-audit fee data from this year because they are going to be tagged...



# 8. Whom we should ask about which data should be tagged?

## ➤ History of XBRL

- First Phase, Before it launched, regulator and accountants were discussing taxonomy.
- Second Phase, After it started to be distributed, investors or analysts were asked about which data are needed.

## ➤ Third Phase?

- Who should be asked about which data should be tagged?

Who will  
really use  
next?

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## 9. CFA 72nd conference in London (May, 2019)

- 8 sessions are related to AI or Big DATA!!

At one of session related to AI for investment...

?



Audience

What is the weak point of the human analyst to evaluate the company, human fund manager to make a decision of investment?



The Human forget.  
The human can not make quicker.  
The human can not work parallel.  
The human becomes emotional.  
The human has a bias.



....



Presentator

## 10. Investment industry is gradually changing...

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AI can make a very tough calculation which we can never do.  
It can search for unusual cases from a huge number of data in one second.


**A quants analysts said...**

It becomes very difficult to win AI for the performance...

**A hedge fund manger said**



**More machine readable information will be needed for better investment**



Even some investors and analyst denied it,

# 11. Still difficult to collect data from non-tagging information.

Data collected by internet needs cleaning and arranging. We need to remove unusual spots and pick-up better data.



An Data consultant..

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Our AI “read” company announcement and automatically “write” article. But after that, we make sure whether numbers are correct using XBR<sup>1</sup> tags

An New provider writing news automatically using AI



We should discuss the quality of machine-readable.

## 12. Message

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Do you wanna tag on your company report, more?

It is Your choice ?

Thank you for listening!



Think and work together !

Questions and comments  
[c-mitsui@nri.co.jp](mailto:c-mitsui@nri.co.jp)

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# Appendix



# Public filing (corporate report) systems in Japan

## ■ Fundamental environment, Regulatory filing system and digital reports (XBRL)

In Japan companies must file their regulatory reports to EDINET, which is operated by the Japan FSA. The public cannot access this information until it is filed and disclosed, so EDINET provides us (users) with the quickest possible access to this information. The regulatory reports are prepared in inline XBRL format, it means regulatory reports and XBRL are made available at the same time.

In Japan, company also disclose preliminary reports, known as “the earning digests”, that are not audited. These documents also must be filed with another disclosure system (TDnet; Timely disclosure network) operated by the Tokyo Stock Exchange.

As with regulatory reports, the public cannot access this information until it is filed and disclosed. To obtain the information immediately after it is filed and disclosed, they must access TDnet.

