

**Information for Investors on Japanese Companies' Websites**

**Rie Kang**

**Doctoral Course  
Graduate School of International Management  
Aoyama Gakuin University**

## 1. Introduction

In recent years, an active debate involving the state of disclosure of non-financial information has ensued in Japan, in correspondence with changes to business conditions, and changes in the financial environment. This situation follows from large trends in disclosure of non-financial information worldwide<sup>1</sup>. Particularly noteworthy is the trend of the IIRC (International Integrated Reporting Committee). The IIRC issued a discussion paper concerning integrated reporting in September 2011, which made a profound impact on a broad spectrum of related parties involved in corporate disclosure<sup>2</sup>. The paper noted that the proportion of physical and financial assets set forth in market value had declined through changes in the business environment from 83% in 1975 to 19% in 2009<sup>3</sup>. Moreover, the following eight perspectives provided descriptions in differences between existing reports and integrated reports( see Table1).

**Table 1.** “How is integrated reporting different?”

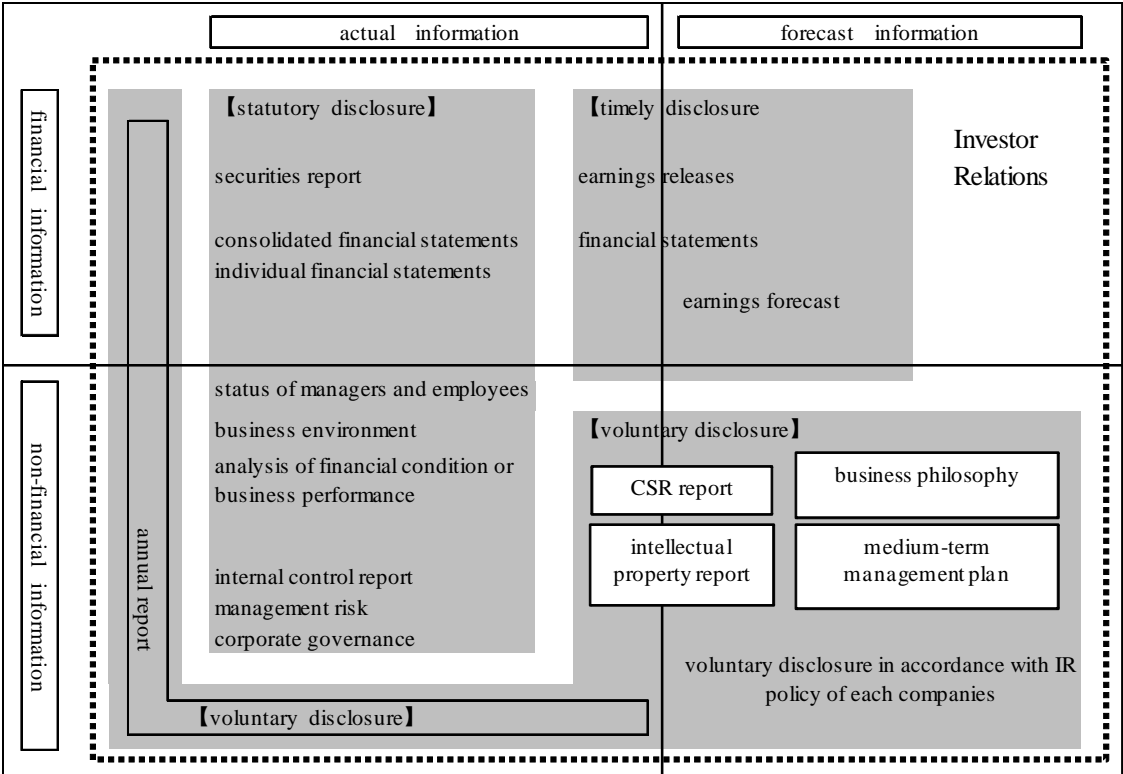
Key differences	Current Report	Integrated Reporting
Thinking	Isolated	Integrated
Stewardship	Financial capital	All forms of capital
Focus	Past, financial	Past and future, connected, strategic
Timeframe	Short term	Short, medium and long-term
Trust	Narrow disclosures	Greater transparency
Adaptive	Rule bound	Responsive to individual circumstances
Concise	Long and complex	Concise and material
Technology enabled	Paper based	Technology enabled

Source: IIRC(2011),“ Towards Integrated Reporting:Communicating Value in the 21<sup>st</sup> Century”. p.9

In response to these international developments, the Ministry of Economy, Trade and Industry (METI) has spearheaded questionnaire surveys to corporate IR personnel, surveys of business cases among Japanese and non-Japanese companies, and opinion surveys of investors to clarify practices in Japan with respect to corporate non-financial information disclosure and communication between companies and investors<sup>4</sup>. In a review of these surveys, the scope of non-financial information was defined as follows (see Figure 1): Financial information was stipulated as quantitative accounting information such as financial statements, fiscal period closing data, and performance forecasts; non-financial information was stipulated as everything else. Classifying the latter category among regulatory lines would result in three classes: statutory disclosures in accordance with Corporation Law and Financial Instruments and Exchange Law, timely disclosures in accordance with TSE rules, and voluntary disclosures in accordance with autonomous fundamental IR policies of respective companies. Information for investors( herein, “ IR(Investor Relations) information”) includes statutory disclosures, timely disclosures and voluntary disclosures. In this paper, the current state analysis is conducted classifying IR information into finance information and non-finance information.

As described above, the IIRC report also touches on the use of technology, taking note that

“While the internet and XBRL are introducing elements of technology innovation, many corporate reports are still presented as if they were entirely paper based. Integrated reporting takes advantage of new and emerging technologies to link information within the primary report and to facilitate access to further detail online where that is appropriate (IIRC,2011, p.9).” Yet the assessments for disclosure practices of non-financial information for Japanese companies currently focus mainly on paper media and conversations with investors. The level of interest with respect to information for investors on the internet is still quite low in Japan, and in research arenas as well, papers whose subjects contemplate the internet are not great in number<sup>5</sup>.



**Figure 1.** Current state of information disclosure among publicly listed companies of Japan

Source: Business Policy Forum,Japan,Inc(2012),“*Kigyo ni Okeru Hizaimu Joho no Kaiji no Arikata ni Kansuru Chosa Kenkyu Hokokusho*”, p.3, Figure 1-1 [translated and partly amended by the author]

On the other hand, in the U.S., as the SEC issued an interpretive release in August 2008, it was accepted that information disclosure on a company website also became a legally effective tool which fulfills the fair disclosure rule when a company cleared three important matters<sup>6</sup>. If it considers even in Japan that use of the Internet in information disclosure is increasing<sup>7</sup>, we can’t disregard this trend in the U.S..

Consequently, focusing on the internet, this paper attempts to clarify the disclosure practices of IR information by companies on their websites, while its companion paper (Kang,2013)

analyzes determinants of investor relations valuation. Under the premise of “technology (internet) activation”, the purpose of this paper is to analyze the state of IR information disclosure by Japanese companies, and to contribute to accumulate information for the next step research that is a verification of the usefulness of IR information on the website.

The paper is arranged in the following manner: Section 2 provides a review of prior research; Section 3 describes research methods and classifies information for investors disclosed on corporate websites. Section 4 classifies information for investors between required disclosures and voluntary disclosures and between financial information and nonfinancial information, and observes general, overall characteristics. This section also provides a comparative analysis among the top 100 companies with high IR evaluations and bottom 100 companies with low IR evaluations and clarifies the differences between both groups in the disclosed contents of the information for investors. Finally, the section also analyzes characteristics of IR information after the information on the website of a company is made to correspond with the disclosure item which analysts and institutional investors evaluate. Section 5 is the conclusion to this paper.

## **2. Review of Prior Research**

Research concerning IR activities conducted with websites of publicly listed companies remains vibrantly active, notably in the U.S. and Europe, since the 1990s.

Selecting 17 industry sectors for U.S. companies, Michael, Richardson and Scholz (2001) surveyed the status of financial information disclosure on corporate websites. They noted that large companies subject to disclosure ratings by the AIMR (now CFA Institute) provided a higher disclosure level, compared to small companies and emerging IT companies that were not subject to disclosure ratings. The same authors Ettredge, Richardson and Scholz (2002) examined the determinant factors for the quality of information for investors that employed the internet among U.S. companies. The authors broadly classified IR information issued by corporate websites between information required by the SEC for submission (required filings, “REQ”) and information voluntarily provided by companies (voluntary disclosures, “VOL”), and examined the determinant factors of quality for information for investors based on quantitative ratings. Regression analysis was conducted with corporate website IR levels as the dependent variable and analyst ratings as the independent variable, and a positive significant correlation was shown. Kelton and Yang (2008) surveyed the relevance for U.S. companies between corporate governance mechanisms and information transparency for financial reports disclosed on websites. The authors concluded that companies with a relatively high proportion of independent board members, active involvement of the audit committee to IR activities, and relatively higher proportion of financial experts on the audit committee were more forthcoming on voluntary financial data disclosures and more replete in such content, despite such companies having weaker shareholder rights and a lower share of

large shareholder blocks.

Cooke(1992, 1993) investigated the indication situation of the annual report of Japanese companies in detail. That research suggested that there was a significant relationship between company size and the extent of the voluntary disclosure. Deller, Stubenrath and Weber(1999) addressed the role of the Internet as an instrument for investor relations activities. The empirical study compares the Internet investor relations activities of US,UK and German corporations. It found that, in the USA, investor relations via the Internet is more common and offers more features than in other two countries. Also, Internet technology offers a variety of possibilities to communicate with investors, the possibilities are only used partially in all three countries. Debreceny, Gay and Rahman (2002) examined 660 large companies across 22 countries to see whether distinct characteristics or circumstances of the particular company had any impact on the quality of Internet financial reporting (IFR) provided at the corporate website. The study revealed that firm size, listing on US stock exchanges and technology were firm specific determinants of IFR. Marston (2003) reported on the results of a survey of reports disclosed on the internet by the top 99 Japanese companies, and noted that the majority of these companies had an English language website with sufficiently detailed annual reports accessible. Bollen, Hassink and Bozic(2006) collected detailed data on IR website for 270 companies located in six countries( Australia, Belgium, France, the Netherlands, South Africa and the UK). The results of the descriptive part of this study show that the IR section of its website is an established element in a company's internet presence as, on average, over half of the 29 IR characteristics were found on the corporate website. The results of the study indicate that studies on the use of the internet for IR activities may benefit from the use of a detailed measure of website quality. Trabelsi, Labelle and Dumonitier (2008) examined the determinant factors of quality concerning financial reports disclosed at corporate websites for companies listed on the Toronto Stock Exchange. Their results showed that voluntary financial data disclosure using the corporate website was influenced by future enterprise value, the rank of competitors within the industry, and the like. They also noted that voluntary financial data disclosure using the website signified beneficial information supply to analysts, with a positive correlation between analysts' forecasting precision and extent of voluntary data disclosure on the corporate website, and a negative correlation with respect to variances in analysts' forecasting. More recently, Koehler and Zerfass (2012) surveyed the state of activation for websites and social media and compared their levels of prevalence in the IR activities of publicly listed companies across five countries—U.S., U.K., Germany, France, and Japan. Their results showed that website and social media activation in IR activities was advanced in U.S. and German companies compared to the group of the remaining countries.

In Japan, Kitora(2006) proved that implementation of generous treatment for stockholders affects the quality of the Internet IR site, focusing on the rapid increase in internet trading by

individual investors. The same author Kitora(2010) focused on corporate websites, and analyzed corporate reputation as the measure of the effect of corporate disclosure. The results revealed that statistically, the respondents with a better assessment of the disclosure on corporate websites significantly showed an improved assessment of corporate reputation. This evidence showed that companies can improve the assessment of their own corporate reputation through better disclosure on corporate websites as long as their corporate websites are only meant to be browsed through. Kang(2013) has attempted to clarify determinants of investor relations valuation, paying attention to companies' disclosure evaluation of Internet IR and Analysts. The result of the analysis indicated that the degree of fullness of corporate governance information has influenced IR evaluation.

With reference to Ettredge *et al.*, (2001) and Ettredge *et al.*, (2002) this paper broadly classifies the information for investors provided by companies on their corporate websites between required disclosures and voluntary disclosures, and between financial information and nonfinancial information, and analyzes the contents of this information. The author also draws attention to research subjects of Ettredge *et al.*, (2002) concerning the levels of IR information disclosed on websites and disclosure ratings by analysts for U.S. companies, and proceeds in this research by also focusing on the relevance between Internet IR Ratings and Analyst Ratings of Japanese companies.

### **3. Research Method**

#### *3.1 Explanation of Data*

This paper employs data of two external institutions that evaluate IR activities of publicly listed companies<sup>8</sup>: “Internet IR Ratings” implemented by Daiwa Investor Relations (“Daiwa IR”), and disclosure ratings (“Analyst Ratings”) made by securities analysts.(See table 2)

Targeting all publicly listed companies, the former focuses on IR information disclosed by companies on websites, and issues a score based on its proprietary rating criteria (perfect score of 100, with weighting among rating items according to an internal standard). The latter consists of ratings (perfect score of 100 also) by analysts (sell-side and buy-side). Although the target universes between the former and latter have differences in their breadths, Internet IR Ratings and Analyst Ratings both allow the assessment of rankings and raw scores of all companies comprising the respective universes. As noteworthy characteristics, the former Internet IR Ratings consider the quality of distributed information, such as reliability, comprehensiveness, and the like, through objective data presented on a website, whereas the latter ratings are established through subjective data—by communications made between analysts and corporate IR representatives of the analysts or management.

This paper uses the individual report data for the 2010 Internet IR Best Company Awards obtained by the author through cooperation of Daiwa IR. As described above, the largest feature of the disclosure ratings prepared by Daiwa IR is the range of targeted companies,

which is, in fact, all publicly listed companies. The ratings are scored with Daiwa IR's proprietary rating criteria on the status of IR activities utilizing the website, for all publicly listed companies. The rated items are adjusted every year in consideration of the market environment, and ask, for instance, whether provided content accommodates for the difference in information access between institutional and individual investors, or whether IFRS and other policies are being addressed. The detailed attention paid to the individual investor's perspective is particularly noteworthy.

For the rating method, judgment is rendered on the rating items established by Daiwa IR with respect to whether they are published on the website or not. The approach employs for the quantitative rating of all industry sectors under one set of criteria. The 2010 data used for this research resulted from a primary screening of the websites of all publicly listed companies as they appeared at the time, and generated a base group of 1,169 companies selected for the scoring process<sup>9</sup>. This section analyzes the data of 1,161 companies for 33 TSE industry types upon exclusion of eight REIT companies.

The data used in comparative analysis with the Analyst Ratings below consists of 2010 data for the "Awards for Excellence in Corporate Disclosure," a program publicly announced by SAAJ.

**Table 2.** Internet IR Ratings and Analyst Ratings

Evaluation organization	Daiwa Investor Relations Co., Ltd. (Daiwa IR)
Award name	Internet IR Best Company Awards
Start year	2000
Target	All Japanese listed companies
Review term	From September to November
Judging committee	Daiwa IR with professors and outside experts
Rating Method	Primary screening: select about 1,200 out of all listed companies to review the company website on the basis of 5T & C Second screening: scores are issued based on rating criteria of Daiwa IR with respect to whether they are published on the website or not.
Criterion for examination	5T&C: Timely, Transparent, Traceable, Trustworthy, Total and Communication
Evaluation organization	The Securities Analysts Association Japan (SAAJ)
Award name	Awards for Excellence in Corporate Disclosure
Start year	1995
Target	Listed Companies as first section market and criteria of market value (FY2010 track record, N = 255) and criteria of analysts' coverage at six emerging markets (FY2010 track record, N = 30)
Review term	From April to September
Judging committee	Sell-side analysts & Buy-side analysts
Rating Method	From the standpoint of security analysts, fair and equitable provision of information, taking into account the quality, quantity and timing. Scores are issued based on the evaluation sheet by analysts.
Criteria for examination	Securities analysts conduct the evaluation and scoring of five topics: Managements' IR attitude, Presentations, Fair Disclosure, Corporate Governance, Other Voluntary Disclosure.

Source: Kang(2013)p.3,Table1 [translated and partly amended by the author]

**Table 3.** Classification of IR Information

Classification	Explanation of Subcategories	Financial / Non-financial information
<b>Category: Required Filings</b>	<b>Statutory publications. Information to be disclosed under Companies Act, Financial Instruments and Exchange Act, Tokyo Stock Exchange's Rule</b>	
Regulatory filings	Securities reports and other statutory publications, Term for statutory publications, Internal control reports Reports,(3 items)	Fin
Management risk	Information of operating risk and risk factors, etc.(2 items)	Non-Fin
Shareholder meeting	Information of stockholders' meeting and shareholders relations, results of the exercise of voting rights,etc. (6 items)	Non-Fin
Major shareholder information	Information of securities, stock registration of ownership, etc. (8 items)	Non-Fin
Corporate Governance	Information of corporate governance, corporate governance report, structure, independent director, officers' salary, etc. (7items)	Non-Fin
REQ: Sum of the scores of the above 5 intermediate categories	The sum of the scores of the above 26 check items	
<b>Category: Voluntary Disclosure</b>	<b>All information for investors except required filings</b>	
IR home page	Entrance of IR web pages in Japanese and English, etc. (4 items)	Non-Fin
Information for individual stockholders	Information for individual stockholders, business model, financial information, etc. (16 items)	Fin& Non-Fin
IR disclosure policy	IR disclosure policy, information of quiet period, etc.(6 items)	Non-Fin
Message from CEO	Message from CEO, photograph (2 items)	Non-Fin
Medium-term management plan	Medium-term management plan, overview, etc. (3 items)	Non-Fin
CSR	Information of CSR, CSR report (2 items)	Non-Fin
Stock price and Bond issues	Information of stock price and bond issues, etc. (5 items)	Non-Fin
Dividend policy	Shareholder return policy, own stock, etc. (6 items)	Non-Fin
IR schedule	IR calendar (3 items)	Non-Fin
Financial data, analyst coverage and rating agency	Long-term financial data, analyst coverage and rating agency, etc. (5 items)	Fin& Non-Fin
IR library	Fact book , data book. Earning releases and annual report in Japanese and English, etc. (5 items)	Non-Fin
Presentation documents	Presentation documents of each briefing except meeting of mid-term management plan, etc. (7 items)	Non-Fin
Notes about using the website	Responsibility solicitation, uncertainty of forward looking, etc. (5 items)	Non-Fin
Contact information	Email address and phone number of IR contact pesonrson / /department, etc. (5 items)	Non-Fin
Usability	Printable form, RSS, etc. (6 items)	Non-Fin
VOL: Sum of the scores of the above 15 intermidiate categories	Sum of the scores of the above 80 check items	
INDEX	Sum of the scores of REQ and VOL	



### *3.2 Classification of Data*

In this paper, IR information disclosed by companies is divided into large classifications, intermediate categories, and subcategories, and the state of disclosure is analyzed. The author broadly classed between required disclosures (“REQ”<sup>10</sup>) and voluntary disclosures (“VOL”<sup>11</sup>), and then sub-classed across 20 intermediate categories, of which 5 are required disclosures and 15 are voluntary disclosures. Within the 20 intermediate categories, the actual 106 items established by Daiwa IR were adopted as further subcategories, 26 for REQ and 80 for VOL. The definitions of these classifications and specific examples of subcategories are presented in Table 3. The author further identified intermediate categories between financial information and non-financial information<sup>12</sup>. Classification of all subcategories consisting of the 106 check items between financial and non-financial information shows that the latter covered 98 subcategories (92.4% of total).

## **4. Data Analysis**

### *4.1. Overall Characteristics*

The information actually provided by companies on their corporate websites according to the classification system of Table 3 is shown in Table 4. Before general observations on overall disclosure status, the following describes the computation method for the Disclosure Rates shown on Table 3. For example, within the intermediate category of Regulatory filings, three check items are provided as subcategories: Securities reports and other statutory publications, Term for statutory publications, and Internal control reports. For each of these check items, the number of companies that disclose such information on their corporate websites is counted. The subcategory disclosure rates (respectively 78%, 75%, and 62%) are calculated by dividing these respective totals by the total number of 1,161 target companies. Finally, the average disclosure rate for the three check items contained in the intermediate category is calculated as the average disclosure rate for this intermediate category (in this case 72%).

With respect to disclosure status of all subject companies (N = 1,161), calculation of average disclosure rates of the respective intermediate categories according to the procedure above for REQ yielded a 72% average, which is a high disclosure rate, for statutory publications submitted to the authorities. The averages for management risk, general shareholder meeting information, and corporate governance-related information were much lower at 18%, 21%, and 26%, respectively. For VOL, disclosure rates for the IR home page, message from CEO, and CSR information exceeded 50%: an indication of active disclosure effort by the companies; however, averages for all companies reveal that the levels of disclosure by item and by company have considerable differences.

#### 4.2 Comparative analysis between top 100 companies and bottom 100 companies

**Table 4.** Frequency of disclosure if items on the website

Intermediate categories	Financial / Non-Financial Information	Percentage of average disclosure rate		
		All (N=1,161)	Top (N =100)	Bottom (N =100)
<b>REQ</b>				
Regulatory filings	Fin	72	95	17
Management risk	Non-Fin	18	73	1
Shareholder meeting	Non-Fin	21	49	2
Major shareholder information	Non-Fin	59	85	19
Corporate Governance	Non-Fin	26	61	3
<b>VOL</b>				
IR home page	Non-Fin	56	80	32
Information for individual stockholders	Fin & Non-Fin	37	65	9
IR disclosure policy	Non-Fin	31	54	17
Message from CEO	Non-Fin	88	100	61
Medium-term management plan	Non-Fin	18	37	8
CSR	Non-Fin	52	85	23
Stock price and Bond issues	Non-Fin	24	52	10
Dividend policy	Non-Fin	39	75	8
IR schedule	Non-Fin	49	77	10
Financial data, analyst coverage and rating agency	Fin & Non-Fin	18	62	4
IR library	Non-Fin	53	84	34
Presentation documents	Non-Fin	24	56	6
Notes about using the website	Non-Fin	64	80	33
Contact information	Non-Fin	37	55	16
Usability	Non-Fin	33	66	12

Next, the top 100 companies with high Internet IR Ratings and the bottom 100 companies with low Internet IR Ratings are compared (see Table 4).

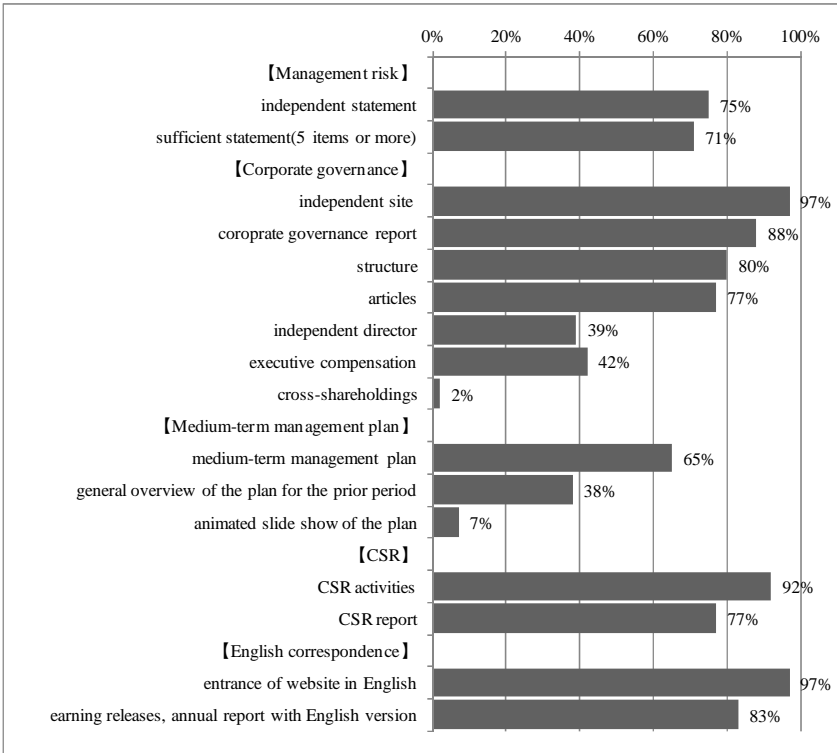
The right-hand columns in Table 4 individually identify the subcategories with disclosure rate differences of 60% or more between the top 100 companies and bottom 100 companies. For REQ, management risk and corporate governance information that had low disclosure rates when averaged across all companies had disclosure rates of 60% or higher for the top companies, which clearly were engaging in active information providing. But the bottom companies managed to attain a disclosure rate of just 17% for the statutory publications already submitted to the authorities. The items with particularly large differences in disclosure rates for VOL were the IR disclosure policy, information for individual investors, dividend policy, IR calendar, and financial data. These results of comparison clearly indicate that top-ranking companies provide REQ and VOL actively to investors, but bottom-ranking companies don't do so. There is a big difference between outstanding IR companies and

sub-par IR companies.

Marston (2003) conducted a survey of the state of IR information disclosure on the internet in 1998 for Japanese companies. The results identified 79% of the 99 companies (large market cap companies representing Japan) with ownership of English language websites. According to individual report data of 2010 by Daiwa IR, the share of companies among the top 100 with entrances to dedicated English language websites was 97%.

Much prior research ( e.g. Craven and Marston,1999; Marston,2003) has identified the relevance between company size and voluntary disclosure. The comparison this time between the top 100 and bottom 100 speaks the same: the market capitalizations of companies between the two groups differ greatly<sup>13</sup>. Moreover, when the disclosure rate of the 33 TSE industry types, twenty-six industries’ ( about 80 percent out of 33 industries) evaluation scores are concentrated around 38.81, which is the median of INDEX, and within the range of 30.00 to 45.00. The sector in which many companies are included has the tendency for average disclosure rate to fall, because evaluations are distributed within the sector.

In particular, the state of disclosure for non-financial information with respect to risks, corporate governance, medium-term business plan, CSR, and English language support (English website, supply of *Tanshin* reports and annual reports) considered the key to sustained creation of enterprise value is shown below for the top 100 companies (subcategories itemized in the graph of Figure 2).



**Figure 2.** Disclosure status of principal non-financial information of top 100 companies

Data Source: the individual report for the 2010 Internet IR Best Company Awaerds by Daiwa IR

### 4.3 Relevance between Internet IR Ratings and Analyst Ratings

The next discussion focuses on the relevance between Internet IR Ratings and Analyst Ratings to investigate how well corporate information on the internet addresses investor expectations.

As described above in Table 1, the “Awards for Excellence in Corporate Disclosure” comprises a program conducted annually by SAAJ since 1995. Analyst Rating results are ultimately provided as numbers in the form of score sheets after scoring the survey sheets, in which the judgment criteria are “substantive criteria” committed to the qualitative assessment of the analyst in charge. Consequently, analysts participating in the ratings handle solely the companies that the analyst him/herself maintains regular contact with. The companies subject to the awards screening for 2010 numbered 285. When an analyst evaluates the disclosure of a company, there are five fields established commonly across respective industry segments (see Table 5). Among the companies subject to evaluation by analysts in 2010, those companies also subject to Internet IR Ratings by Daiwa IR numbered 241.

As described in the prior research section above, a positive significant relationship with analyst ratings as independent variable and corporate website content levels as dependent variable was described by Ettredge et al. (2002), who conducted a survey of U.S. companies. The author similarly investigated the relevance between Analyst Ratings and Internet IR Ratings for the 241 Japanese companies: a significant positive correlation was obtained.

	REQ	VOL	INDEX
VBA	0.287	0.316	0.323

With the alignment of the 20 intermediate categories of the Internet IR Ratings to the 5 Ratings categories of Analyst Ratings, the author analyzed how well information for investors of Japanese companies on the internet addressed the needs of analysts. The results are shown in Table 5. For the alignment of the intermediate categories of the Internet IR Ratings, the author confirmed the contents of individual survey data from Daiwa IR, and made assignments considered closest in nuance to the 5 Ratings categories of the Analyst Ratings. Many distinctive Internet IR Ratings categories unavailable in the Analyst Ratings were aligned to other voluntary disclosures. Intermediate classifications with an asterisk (\*) attached have less than 30% for their disclosure rate. The disclosure rate of corporate governance information is low as an overall trend of the 1,161 companies. Even for the 241 companies with relatively large market capitalization and analyst coverage, the disclosure rates of the medium-term management plan are low. These results show that Japanese companies are negative in disclosing the information relevant to corporate governance, which analysts (and institutional investors) expect from companies.

**Table 5.** Matching Analyst Evaluation Items to Classification of Internet IR

Analysts' Ratings		Internet IR Ratings		
Evaluation item	Contents	Intermediate classification	Percentage of disclosure average rate	
			(N=1,161)	(N=241)
Managers' IR Attitude	Management's IR attitude, function of IR section, basic stance of IR	Management risk	18*	50
		IR disclosure policy	31	34
		Message from CEO	88	92
		Contact information	37	39
		IR schedule	49	61
Briefing session	Indicator data in a briefing session, interview, explanatory materials, etc.	Regulatory filings	72	84
		Shareholder meeting	21*	27*
		Major shareholder information	59	45
Fair Disclosure	The measures for fair disclosure, the information dissemination on a home page	IR top page	56	72
		Information for individual investors	37	45
		Presentation documents <sup>14</sup>	24*	35
		Corporate Governance	26*	67
Corporate Governance	Capitalization strategy & Dividend Policy, Medium & Long-term management plan & management indicator, Management structure & Management resources	Medium-term management plan	18*	27*
		Stock price and Bond issues	24*	37
		Dividend policy	39	51
		CSR	52	84
Other Voluntary Disclosures	Independent information disclosures adapted to the situation of each type of industry	Financial data, analyst coverage and rating agency	18*	39
		IR library	53	73
		Notes about using the website	64	70
		Usability	33	45

## 5. Conclusion

In this paper, the author analyzed the current state of IR information disclosed on the corporate website, referring to IR ratings of two organizations.

As a result of content analysis, it became clear that Japanese companies disclose a considerable quantity of mainly non-financial information for investors, particularly major stockholder information, the message from CEO, and CSR information. However, the content and disclosure rate varied greatly for every company. In particular, between outstanding IR companies and sub-par companies, it became clear that big differences appeared in disclosure rates for subcategories, such as the corporate governance report, IR disclosure policy, and shareholder return policy. Moreover, the tendencies for all subject companies (1,161) were disclosure rates below 30% for seven intermediate categories: management risk, shareholder meeting information, corporate governance, medium-term management plan, stock price and corporate debt, financial data and analyst coverage and rating agency, and presentation documents. A further cross-checking analysis as to how well information on the internet

addressed investor expectations showed that Japanese companies overall are negative in disclosing information relevant to corporate governance.

The value of this paper lies in having clarified the state of IR information disclosure centered on non-financial information provided to investors by Japanese companies on their websites. The originality of this paper pertains to the classification of IR information provided by Japanese companies on their websites between required disclosures and voluntary disclosures and between financial and non-financial information, the clarification of characteristics for the various kinds of information. And also, it is to analyze characteristics of IR information by the cross-check of analysts' evaluation and Internet IR evaluation.

On the other hand, a new question has arisen upon this detailed analysis on the current state of IR information disclosed on websites: "Why are Japanese companies particularly negative in the disclosure of corporate governance information among non-financial information?" The author would like to consider the question as a future subject for further research into the cause.

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## Note

1. The first trend concerns movements within the European Commission. Leading in disclosure of non-financial information, Europe has positioned European CSR strategy as one policy yielding sustainable growth, and policy development of non-financial information disclosure is progressing. Next, the GRI (Global Reporting Initiative) has made progress as an international NGO devising guidelines for sustainability reports through revision work on the conventional guidelines. Thirdly, IASB (International Accounting Standards Board) is promoting the disclosure of information besides financial statements among the information provided in financial reports as set forth in IFRS. Finally, it is the trend of the IIRC. For details, see: Business Policy Forum, Japan, Inc(2012), "*Kigyo ni Okeru Hizaimu Joho no Kaiji no Arikata ni Kansuru Chosa Kenkyu Hokokusho*", available at: [http://www.bpfj.jp/act/download\\_file/8428429/95101661.pdf](http://www.bpfj.jp/act/download_file/8428429/95101661.pdf).
2. IIRC(2011), "Towards Integrated Reporting: Communicating Value in the 21<sup>st</sup> Century", p.4.  
available at: <http://www.theiirc.org/resources-2/discussion-paper/>.  
See also: KPMG(2011), "Integrated Reporting: Performance insight through Better Business Reporting", Issue 1. available at:  
<http://www.kpmg.com/global/en/issuesandinsights/articlespublications/pages/road-to-integrated-reporting.aspx>.
3. IIRC(2011), "Towards Integrated Reporting: Communicating Value in the 21<sup>st</sup> Century", p.4.
4. For details, see METI(2012), "*Jizokuteki na Kigyo Kachi Sozo ni sisuru Hi-Zaimu Jyohou Kaiji no Arikata ni Kansuru Tyousa*", available at:  
[http://www.meti.go.jp/meti\\_lib/report/2012fy/E002177.pdf](http://www.meti.go.jp/meti_lib/report/2012fy/E002177.pdf).  
see also: Business Policy Forum, Japan, Inc (2012), "*Kigyo ni Okeru Hizaimu Joho no Kaiji no Arikata ni Kansuru Chosa Kenkyu Hokokusho*", available at: same above.
5. (Kitora,2006) employed Daiwa IR data and analyzed defining factors of internet IR website quality in the context of relevance of shareholder benefit plans.
6. This release entitled "Commission Guidance on the use of Company Web Sites." This

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release acknowledges the use of a company website to satisfy Regulation FD disclosure requirements if the company has ensured that: 1) the website is a recognized channel of distribution of information to the market; 2) the website is a source of broad dissemination to the market; 3) there has been a reasonable waiting period for investors and the market to react to the posted information. For details, see:

<http://www.sec.gov/rules/interp/2008/34-58288.pdf>.

see also: NIRI(2012), "Standards of practice for Investor Relations. Vol. III -Disclosure, p41. available at: <http://www.niri.org/StandardsofPractice.aspx>.

7. Information for investors published by companies on their corporate websites continues to grow in substance annually. According to *Kaisha Shikiho 2013, 1st Ed., Shinshun Volume*, 100% of publicly listed companies in Japan (3,643 out of 3,643) own a corporate website. Whether the website content is limited to information for investors is uncertain. The Shikiho URL listings are believed to denote websites that may also disclose policy, as well as information related to corporate operations like advertising and shareholder materials.
8. Systems by which an outsider evaluates the IR activity of listed companies are currently established in Japan. There are ratings provided by six institutions at the present time: Annual IR Grand Prix Awards by Japan Investor Relations Association, Nikkei Annual Report Awards by Nikkei, Inc., Listed Company Awards by Tokyo Stock Exchange, Awards for Excellence in Corporate Disclosure by The Securities Analysts Association of Japan, Internet IR Awards by Daiwa Investor Relations, and Website Content Level Rankings [*trans.*] by Nikko Investor Relations. Obtaining external feedback provides company IR personnel with an effective means to objectively review their own company's IR activities.
9. Daiwa IR surveys the existence or absence of the following basic categories to determine the companies that pass the primary screening: status of timely disclosures, information disclosures, and news releases; status of *Tanshin* report of the most recent financial period; status of voluntary publications targeting shareholders; status of other voluntary publications; status of IR events such as presentation material and the like, and display of contact information.
10. Short for required filings, which has been defined in prior research as the set of financial information required for submission by the SEC, but shall mean in this paper the information corresponding to the statutory disclosure and timely disclosure materials listed in Table 1.
11. Short for voluntary disclosure, which meant in prior research the information supplied voluntarily by companies on their corporate websites other than the financial information contained in REQ, but shall mean in this paper all information in general provided through IR activities.
12. Classification between financial information and non-financial information used Figure 1 as reference.
13. Among the top 100 companies, over 69% have market capitalizations of 142,649 million yen or higher; among the bottom 100 companies, 96% have market capitalizations under 142,649 million yen.
14. Presentations include documents, videos, minutes, questions and answers provided at various presentation conferences, but exclude medium-term business plans. The Analyst Ratings FD include check items as to whether fiscal period presentation materials and interim data can be obtained in a timely manner and whether conference webcasts allow viewing by replay. The intermediate category regarding presentations, therefore, was aligned to Analyst Rating item FD.

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