

The eighth of the IFRS Digital Reporting (XBRL) Workshop

May 12th 2016

- Date: May 12th Thursday 16:30-17:55
- Topic: The relative valuation for IFRS companies and the supply-chain of the financial data for investment decision

There are two types of common practice items:

- Generally used accounting item name, but not written in the Standards.
- Anticipated common practice, which will be used for new (amendment) standards.

Investors need the relative valuation historically / across industries for their investment decision. Sometimes, it becomes difficult to handle IFRS financial statements, because of so much variations of each company's disclosure.

In addition, each investor has a different investment policy / evaluation method, accordingly, there is a complicated supply-chain for the financial information and data in the market.

(e.g. data aggregators provides investors custom made data set for special purpose etc).

We would like to fully understand this current environment of financial reporting and expectations of various stakeholders on better disclosure. On the basis of that understanding we can consider issues and direction.

- Agenda
 1. Pick up some cases which difficult to handle data in IFRS financial statement.
For example, Net disclosure, in other income and losses. / In case of liquidity order disclosure on the B/S, how to calculate indicator which needs current or non-current figures,
 2. Each user's view, how handle it in its operation?
 - Asset manager
 - Buyside sector analyst
 - Buyside quant analyst / governance manager (proxy voting)
 - Sellside sector analysts
 - Bank / Insurance
 - Information providers (Global, domestic, special)
 3. Comments from preparers
comments from companies or CPAs, ,

4. Discussion

Understand each role in the supply-chain,
What we expect for IASB /IFRS taxonomy?

■ Materials

- Agenda
- Document1 Interview Mr. Mizuno former CIO of Nomura Asset management, FRA
Lakyala issued by Nomura Research Institute.
<https://www.nri.com/global/opinion/lakyara/2013/pdf/lkr2013173.pdf>
- Document 2, 3 Sample Financial statement PL
- Document 4, Rakuten Analyst meeting material
“Impact of IFRS Introduction toward Rakuten Group
http://global.rakuten.com/corp/news/press/pdf/IFRS_with_Notes.pdf
- Document 5, (Japanese Only) “Sample disclosure for IFRS adopters”
<http://www.fsa.go.jp/news/27/sonota/20160331-5.html>
- Document 6, Necessity of disclosures of information about the nature of expenses by segment
SMBC Nikko securities broker Mr.Otaki
- Document 7, Minutes from 7th workshop

1. Current situation of IFRS Adopters in Japan and outline of the supply-chain of financial data

■ Number of IFRS adopters

66 companies December 2015. (Plus 16 companies as March 2016)

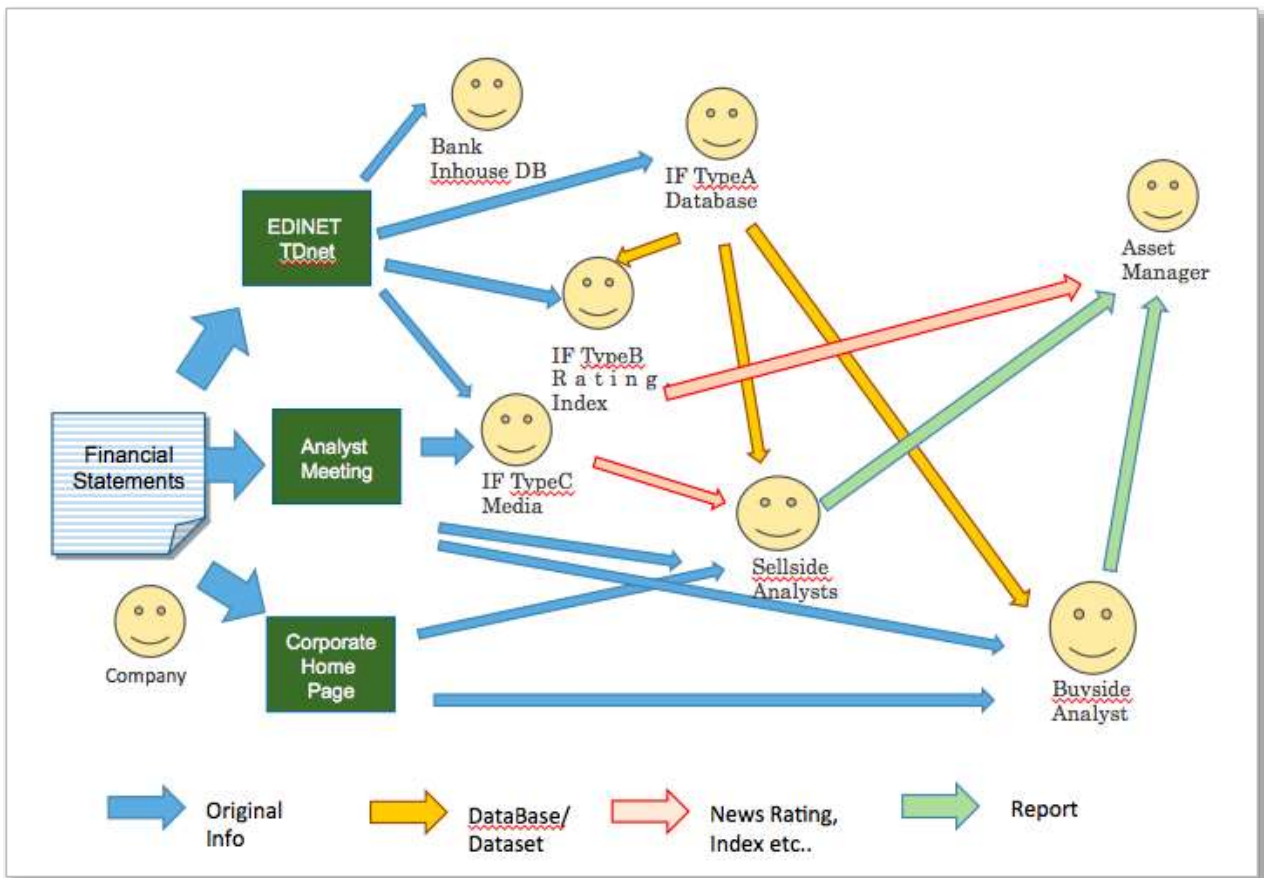
Those 82 companies are across 19 sectors (defined by Tokyo stock exchange) In the "Pharmaceuticals" sector, 4 adopters are in the top 5 companies regarding the market capital. In the "wholesale", all top 5 companies have already adopt IFRS, In the "information and communications industry" sector, there are 3 companies adopt IFRS in the top 5 companies. Those 3 sectors are galling leadership in IFRS. Next, "petroleum and coal products" "metal products", companies in those 3 sectors will join, so the total will be 22 sectors.

On the other hand, companies in 10 sectors ("Air Transportation", "the shipping industry", "Insurance", "Electric Power & Gas", "banking" etc.) do not have any plan to adopt IFRS.

(One of the banks is making IFRS financial statements for SEC filing because it is listed on NYSE.)

At the same time there are another issue how to urge to switch IFRS 16 companies that still adopt US GAAP.

■ The supply – chain of financial data



IP = Information providers .

2. Sharing various practical issues for operation and views in various types of users.

Typical usages of financial data of Analysts or Investors are...

- Making estimation of the company's performance
- Evaluation of the company's present value.
- Relative evaluation in the sector, or universe.
- Historical comparison to find if there is any abnormal.
-

There is the DCF method as one of the evaluation company's performance, (see Document1)

CFA institute has been educating this method as one of important method. (So the SAAJ dose)

In this method, (1) Estimate revenue of next several years referring to 10-20 years past financial statements. Next (2) make estimation of cost. So we need to know ratio of Variable costs and fixed cost, the part which will be effected by amount of revenue. Next analyzing In addition, in order to calculate the free cash flow that remains every year to anticipate the movement of the current assets and liabilities of each year. Calculating FCF of next 5~10 years, finding appropriate discount-rate, and calculating current value. If this value is higher than the current stock price, it means that the market doesn't aware the value, so you should buy.

This types of analysis are used by M&A, investment bankers, not only analyst or investors.

However DCF method is taking time and difficult. So in many cases, they takes easy version or modified those models for the characteristic of their own sectors, for estimating future performance. But any types model might need the ratio of the variable costs and fixed cost, for making estimation next few years .¥¥..as same as current asset and current liability for calculating working capital.

■ Typical calculation of DCF method.

Free Cash Flow Table

	1 years after	2 years after	3 years after	4 years after	5 years after
Net Sales					
(-) Cost Variable (Net Sales x ratio)					
(-) Cost Fixed					
(+) Depreciation Amotization					
(-) Tax (Net Sales x nn%)					
(-) Increasing Working Capital					
(-) Investment PPT etc					
FCF					

* Increasing Working Capital(WC) = ending balance of WCI - beginning balace of WC
 WC = Current Asset - (Current liability - shortterm bolwing)

DCF Method

Current Company Value =

$$\frac{FCF \text{ 1 years after}}{1+WACC} + \frac{FCF \text{ 2 years after}}{1+WACC} + \frac{FCF \text{ 3 years after}}{1+WACC} + \frac{FCF \text{ 4 years after}}{1+WACC} + \frac{FCF \text{ 5 years after}}{1+WACC} + \frac{Cont}{1+WACC}$$

*WACC =

Finding ratio of various cost and fixed cost or current and non-current asset /liability, sometimes those simple actions become difficult in IFRS financial statement.

Today we shared some different types of users' difficulties, to make understanding the long supply-chain of financial data. Then find the issues for understanding user and analysts through the IFRS financial statements.

2-1 From PL of IFRS Financial statements, how to know the structure of profit?

■ Opinion from sell side Analysts.

SMBC Securities Broker Mr.Otaki

For estimating company's future performance, Analysts want to know how much profit created by continuously operating business, or occurring in a transient.

What I'm suffering from IFRS financial statements is that company can chose what should be disclosed or not to be disclosed. Especially the elements which became negative figures or related with risk information, I understand that company do not want to disclose them. But users need them.

For example, extraordinary items which we used to use are easy known "Transient" as the characteristics of item. This is what we want to know when we focus on the ordinary income. Especially if those profits are net with losses, we cannot know what happened on the company. The important items for users should not be choice of company. We desire to regulate to disclose them for all companies.

By the way, IFRS do not request company to disclose ordinary income, I believe that it effects on the issue of recycling. The people who prefer non-recycling believe that recycling profit-loss is noise. And they do not wish it to join as a part of Net income. It means, they pursue characteristic of "ordinary" for net income, I guess.

And I believe that the ordinary profit-loss and the non-recurring gains-losses must be categorized and disclosed above the net income. It is not the discussion that it should be included in or excluded from net income.

■ Opinion from data analysts for in-house database of the Bank

Development Bank of Japan Research Institute of Capital Formation Mr. Matsuyama

In case of bank, we do not change our evaluation model even companies take other GAAP. So once company adopt IFRS, we are mapping the disclosed data on the traditionally items, such as operating income / losses, non-operating income / expense, extraordinary income / losses, as same as J-GAAP through discussion with CPAs.

Therefore, the item "other income-losses" makes us confuse. Besides if company discloses only net of other incomes and losses, we cannot make mapping to extraordinary income and extraordinary losses. If there were category, it would be written in notes. But if not from the beginning, we can see only net figure in the notes, we cannot compare them correctly.

Our basic operation flow is...

(1) Mapping disclosed data on the normalized items from our database.

- (2) We make rule to judge for this mapping to make data from items which can be categorized clearly.

When mapping PL items from statements of comprehensive income of IFRS.

Basic rule: If there is “net” item, positive figure goes to the income or gain items, negative figure goes to loss or expense items.

1. When company chose “nature expense”, even this company chose J-GAAP, still could not disclose some subtotal... Such as operating income, ordinary income, we just input some details items from notes.
 2. Next, if they are able to categorize that was from operational activities, or that was from extraordinary matter, we aggregate those figures to appropriate items.
 3. In case that we cannot judge from disclosed information, we stop to input data. Then we judge our own view, continuously, traditional way... then input them.
- (1) We are mapping from those inputted IFRS items to J-GAAP standard items, using our own manual.
- (2) We discussed with CPA those 3 points, standardizing, categorizing, and switching to J-GAAP. What is important is, not finding correct answer, explaining our view, our thought and using Consistent rule.

2-2 From PL of IFRS Financial statements, how to know the structure of cost for FCF calculation? Buyside former Asset manager Mr.Kawakita

We input of past earnings numbers used in the internal model of corporate valuation, has been basically outsourcing. Because for disclosure in every company is different, it is difficult to keep integrity and quality management, if individual analysts to decide what number should be input into the model. I believe it depends on philosophy of investment and research. If the asset management company using enterprise value evaluation model was unified as an organization, it is critical using the same input policy. But if they don't use the same model and analyst use different model, they don't have to standardize the policy of input number.

Of course, when analysts to the analysis of individual companies, they will need to verify the integrity of the numerical value, which discloses the different numbers from the corporate disclosure. Analysts will need to be re-verified by comparison with the numbers again input value has been announced whether it was a fair company at this stage. But I felt the error of such way is smaller than the way to input the number by analyst. In the case of IFRS, it is not easy to classify fixed cost and variable costs. And this is critical to do the sensitivity analysis such as short-term performance and macro factors.

When I was a fund manager, there are small number of IFRS companies. And I felt it is not a big difference, because we basically considered in the cash flow-based. And this is my investment style, but I try to focus on big trend of the company and not care segment summation, so we use a relatively rough model. Still, the number to input the model we were estimate more than 50 items for each accounting period.

<Related comment> Issue for “operating expense” (nature expense) Toyo Keizai Mr.Hirota.

Document2 (4) Rauten has taken disclosed “operating expense”, but it didn't disclose “Cost of sales” and “Cost of SG&A” separately on their PL. On it’s footnote, it disclosed detail as “nature expense”, “Employee benefit costs”, “Commission expenses and subcontracting costs” might belong both of the cost of sales and cost of SG&A. So it is difficult to re-calculate them from this notes. Besides, Quarter reports tend to make it short, so this note won't appear on the quarter report. So we can know “Cost of sales” and “Cost of SG&A” from only annual report.

Breakdown of Operating Expenses

	(Millions of Yen)	
	Fiscal year ended December 31, 2014 (January 1 to December 31, 2014)	Fiscal year ended December 31, 2015 (January 1 to December 31, 2015)
Advertising and promotion expenditures	83,884	100,554
Employee benefits expenses	106,898	133,919
Depreciation and amortization	30,140	40,122
Communication and maintenance expenses	19,055	19,327
Consignment and subcontract expenses	31,343	35,099
Allowance for doubtful accounts charged to expenses	16,964	22,119
Cost of sales of merchandise and service revenue	101,367	134,166
Interest expense for finance business	5,590	6,289
Commission expense for finance business	6,399	7,653
Insurance claims and other payments, and provision of policy reserves and others for insurance business	15,963	16,601
Others	71,676	85,152
Total	491,279	601,001

■ **Opinion from a leading Media as financial information**

Toyo Keizai Mr. Hirota

In case of Japanese IFRS adopter, almost of them disclose “cost of sales”, “cost of SG&A”, and “Other income” “Other expense” separately on their PL. However, Document2 (1) Sumitomo Co disclosed “Other income and expense” classified that included “cost of SG&A”, (usually it is disclosed separately from other expense) As detail of “Other income and expense”, “other income and loss” is disclosed again, as net, so the parent item “Other income and expenses” seems not comparable with other companies’ same name items.

Our database has our-own standard items and subtotals. If we cannot find the figures in primary financial statements or footnotes, we calculate them. (See the following table, subtotal item) In case of Sumitomo Co. we input cost of SG&A separately from others, and calculated as Other income and

Other expenses, those data are different from disclosed figures. So end-user (analysts etc) is difficult to find which was original disclosed data. (As same as “finance income” and “finance cost”)

Next case, Hitachi “Other income and expenses” is disclosed in Notes, the detail doesn’t categorize income and expense(loss), so the business restructuring gains and losses was disclosed as net.

We do not provide this data because it is not useful for user this types of disclosure (sometimes plus, sometimes minus). So does same Financial income of expenses, Gains and losses on financial assets of FVTPL”.

On the other hand, Hitachi disclosed “Earnings before income tax after interest income and expense adjustment= EBIT” on its PL. but those data will not be used if other companies do not use it. So now we ignore it for our database.

SUMITOMO CORPORATION Yuho Report 2015-03-31 Consolidated IFRS-Std. PL		
<i>itemLabelE</i>	<i>million yen</i>	<i>Source</i>
Total Revenue SEC General Trading	3,762,236	PL
Cost of Sales SEC General Trading	2,809,295	PL
Gross Profit	952,941	PL
Total Selling General And Administrative Expenses	755,190	PL
Advertising Expenses	31,069	NOTE
Personnel Expenses	388,860	NOTE
Transportation And Communication Expenses	29,008	NOTE
Bad Debts Expenses And Provision Of Allowance For Doubtful Accounts	8,765	subtotal
Provision Of Allowance For Doubtful Accounts	8,765	NOTE
Depreciation	20,542	NOTE
Other Selling General And Administrative Expenses	276,946	NOTE
Other Income	9,450	subtotal
Gains On Disposal Of Fixed Assets OI	9,450	PL
Other Expense	291,575	subtotal
Losses On Valuation Of Fixed Assets OE	278,620	PL
Others OE	12,955	PL
Income From Operating Activities	-84,374	PL
Total Non Operating Income	50,401	subtotal
Interest And Dividends Income	37,960	subtotal
Interest Income	20,718	PL
Dividends Income	17,242	PL
Other Operating Income	12,441	subtotal
Gains On Sales Of Securities	12,441	PL
Total Non Operating Expenses	33,680	subtotal
Interest And Discounts Expenses	33,680	subtotal
Interest Expenses	33,680	PL
Adjustments Before Income Taxes	49,092	subtotal
Equity In Earnings Of Affiliated Companies Before Income Taxes	49,092	PL
Income Before Income Taxes	-18,561	PL
Total Income Taxes	52,256	PL
Income Taxes Current	31,251	NOTE
Income Taxes Deferred	21,005	NOTE
Income Before Minority Interests	-70,817	PL
Adjustments After Income Taxes	-2,353	subtotal
Minority Interests In Income	-2,353	PL
Net Income	-73,170	PL

Source: TRENDPOT, TOYOKEIZAI Inc.

■ **Opinion from the global information provider.**

Bloomberg Ms.Ando

We are providing same data from disclosed one as much as possible. So when company disclosed “net profit and loss” (see, Document2 (1)), we do not have choice....if the result is negative, just input the data as expense. If the result is plus, just input as income.

IAS1 do not allow “net” disclosure, between income and expense, so usually there are some details on the notes. In that case we take those data from notes and input the database.

The followings are example of foreign companies

Germany Siemens

B.1 Consolidated Statements of Income

(In millions of €, per share amounts in €)	Note	2015	Fiscal year 2014
Revenue		75,636	71,227
Cost of sales		(53,789)	(50,869)
Gross profit		21,847	20,357
Research and development expenses		(4,483)	(4,020)
Selling and general administrative expenses		(11,409)	(10,190)
Other operating income	5	476	654
Other operating expenses	6	(389)	(194)
Income from investments accounted for using the equity method, net	4	1,235	582
Interest income		1,260	1,058
Interest expenses		(818)	(764)
Other financial income (expenses), net		(500)	(177)
Income from continuing operations before income taxes		7,218	7,306
Income tax expenses	7	(1,869)	(2,014)
Income from continuing operations		5,349	5,292
Income from discontinued operations, net of income taxes	3	2,031	215
Net income		7,380	5,507
Attributable to:			
Non-controlling interests		98	134
Shareholders of Siemens AG		7,282	5,373
Basic earnings per share	27		
Income from continuing operations		6.38	6.12
Income from discontinued operations		2.47	0.25
Net income		8.84	6.37
Diluted earnings per share	27		
Income from continuing operations		6.30	6.06
Income from discontinued operations		2.44	0.25
Net income		8.74	6.31

Air France-KLM Group

CONSOLIDATED INCOME STATEMENT

<i>In € millions</i>			
Period from January 1 to December 31	<i>Notes</i>	2015	2014 Restated ⁽¹⁾
Sales	6	26,059	24,912
Other revenues		3	18
Revenues		26,062	24,930
External expenses	7	(15,682)	(15,171)
Salaries and related costs	8	(7,852)	(7,636)
Taxes other than income taxes		(167)	(169)
Other income and expenses	10	1,113	508
EBITDAR	2	3,474	2,462
Aircraft operating lease costs		(1,027)	(873)
EBITDA	2	2,447	1,589
Amortization, depreciation and provisions	9	(1,631)	(1,718)
Income from current operations		816	(129)
Sales of aircraft equipment	11	(6)	-
Other non-current income and expenses	11	305	880
Income from operating activities		1,115	751
Cost of financial debt	12	(373)	(446)
Income from cash and cash equivalents		63	76
<i>Net cost of financial debt</i>		<i>(310)</i>	<i>(370)</i>
Other financial income and expenses	12	(605)	(359)

7. EXTERNAL EXPENSES

<i>In € millions</i>		
Period from January 1 to December 31	2015	2014 Restated
Aircraft fuel	6,183	6,629
Chartering costs	430	438
Landing fees and air route charges	1,947	1,840
Catering	655	591
Handling charges and other operating costs	1,536	1,476
Aircraft maintenance costs	2,372	1,729
Commercial and distribution costs	896	870
Other external expenses	1,663	1,598
Total	15,682	15,171
<i>Excluding aircraft fuel</i>	<i>9,499</i>	<i>8,542</i>

10. OTHER INCOME AND EXPENSES

<i>In € millions</i>		
Period from January 1 to December 31	2015	2014 Restated
Capitalized production	875	573
Joint operation of routes	(87)	(88)
Operations-related currency hedges	310	42
Other	15	(19)
Other income and expenses	1,113	508

As from January 1, 2015, the Group opted to isolate the items relating to capitalized production in a line of the income statement ("Other income and expenses") whereas they had previously been allocated by type of expenditure. To facilitate comparison the consolidated financial statements 2014 have been restated, as mentioned in note 2.

11. OTHER NON-CURRENT INCOME AND EXPENSES

<i>In € millions</i>	2015	2014
Period from January 1 to December 31		
Modification on pension plans	20	824
Depreciation of CGU Cargo	-	(113)
Depreciation of assets available for sale	(4)	(11)
Restructuring costs	(159)	2
Disposal of slots	230	-
Disposal of shares available for sale	221	187
Disposals of subsidiaries and affiliates	3	(3)
Other	(6)	(6)
Other non-current income and expenses	305	880

- Year ended December 31, 2015

Change in pension plans

Further to a renegotiation of pilots pension plans in KLM and Transavia Airlines C.V., the Group booked, as of December 31, 2015, a net income of €20 million in "Other non-current income and expenses", as described in note 31.3.

Restructuring costs

As of December 31, 2015, this line mainly includes provisions, amounting to:

- €56 million relating to the new voluntary departure plans announced by Air France in February 2015;
- €40 million relating to the voluntary departure plan for Martinair pilots;
- €31 million relating to the new voluntary departure plan announced by KLM in June 2015.

These voluntary departure plans are presented in note 3.1.

	Disclosed Basis	Adjusted	Reconciliation
Revenue	26,062.00	26,062.00	0.00
+ Sales & Services Revenue	26,059.00	26,059.00	0.00
+ Other Revenue	3	3	0.00
+ Other Operating Income	0	0	0.00
- Operating Expenses	24,947.00	25,246.00	-299.00 *1
+ Selling, General & Admin	896	896	0.00
+ Selling & Marketing	896	896	0.00
+ Research & Development	0	0	0.00
+ Depreciation & Amortization	1,595.00	1,595.00	0.00
+ Prov For Doubtful Accts	36	36	0.00
+ Other Operating Expense	22,420.00	22,719.00	-299.00
Operating Income (Loss)	1,115.00	816	299.00

*1

	Example: Adjustment as Operating Expense	299
11	Modification on pension plans	20
11	Depreciation of assets available for sale	-4
11	Restructuring Charges	-159
11	Disposals of slots	230
11	Disposal of shares available for sale	221
11	Disposals of subsidiaries and affiliates	3
11	Other - non current and Income and expenses	-6
PL	Sales of aircraft equipment	-6

■ **Opinion from Sell side strategist**
Nomura Security Broker Mr.Nomura

Comment for the financial statement of foreign companies above.

Some Analysts and investors who are analyzing Japanese companies, comparing with foreign companies, welcome to unify accounting standard globally.

Ms. Ando from Bloomberg referred the financial statements of Siemens and Air France-KLM, Company in those industries are usually compared with foreign companies. Siemens P/L seems fine for us, it disclosed clearly.

There is no “operating income” which is popular in Japanese analysts and investors. Japanese version “operating income” excluded “extraordinary profit and losses”. When “operating income” on the PL, if it includes extraordinary income and losses, the value of information would be degraded. We should check the footnote.

Air France-KLM P/L seems unique because of Air transportation sector. It emphasized EBITD before deduct operating lease expense. It would be changed new amendment lease accounting. But EBITDA is one of important KPI for investors.

Details of External Expenses are enough disclosed. In addition, there are “Other non-current income and expenses”, similar items with extraordinary income and losses. Japanese analysts and investors might prefer it.

Daiwa Research Institute Mr.Yoshii

If analyst had a his own database which can be inputted adjusted data for each company, he could make comparison in the same industry.

However, for strategists and institutional investors, it might become more difficult to have such a database currently. Almost of all thinktank (subsidiary of the security brokers) in Japan have their own database, usually the person in charge of maintaining database is not analyst and rarely has enough experience. Therefore, if the IFRS, such as highly flexibility financial statement, becomes more major, we can not continue to perform sophisticated analysis on our own inhouse-database, and the reliability to our analysis could be degraded. We might be getting to relay on information provider more and more.

IFRS might provide more business chance to information provider which has highly skill to understand IFRS financial statements.

However, even information providers, if IFRS financial statements doesn't have any form and rules of relation between items on the face financial statement and footnotes clearly, it must be difficult to make high quality comparable data-set. For example current IAS 1, I believe that more detailed descriptions are needed, not only for primary financial statements but also for footnotes.

Last month, Japan FSA issued "Sample disclosure for IFRS adopters" (see document 5). It was included "operating income" that should be praised.

Regarding disclosure of profit and expense, major items must be disclosed as a gross.

For example, in order to cover loss of sluggish business (credit losses and impairment), company might sell some profitable assets for taking "net". We can not evaluate it positively. However if company disclose only "Net", not "Gross". We don't know what happened on the company.

In addition, the breakdown of the selling, general and administrative expenses Cost of sales (or production cost) must be disclosed separately. For example, even though same labor costs, the related with manufacturing cost has highly variable cost aspects, on the other hands, the cost of sales management has strong fixed cost aspects. In my observation, Air France is likely to be a disclosure of useful items in the comparative analysis. If I can say, in the future, I want the data to be able to use for analysis of break-even point for each segment separately.

If such disclosure is made, we might be able to avoid improper accounting.

2-3 From BS of IFRS Financial statements, how to know current and non-current portion?

Opinion from sell side Analysts.

SMBC Securities Broker Mr.Otaki

IAS1-54 indicates minimum requirement for disclosure of BS. But I think that there are some points to be improved.

First, company can aggregates to disclose some items on BS, it decrease information which can be understood.

For example, regarding PPT, company disclose only total PPT on IFRS BS, but they have to disclose detail such as building, machine, land, etc. in J-GAAP BS. So we can understand core important information (what company made investment) from BS.

In addition, We cannot obtain information about the breakdown of AOCI only by BS, even though we can see the statement of comprehensive income.

I believe that it is an important for investors that how the CI or the change of AOCI impact to BPS, so to disclose the breakdown of AOCI on BS improves the relevancy of users.

Second, the way to aggregate items that is allowed in IFRS does not meet user needs, sometimes. For example, "trade and other receivable", "trade and other payable" are not useful for analysts. When we analyze cash management which is related from main business, such as CCC (Cash-Conversion-Cycle) , we wish the separated disclosure such as "Trade receivable", "Trade payable", "other" .

■ Opinion from a leading Media as financial information

Toyo Keizai Mr. Hirota

Some IFRS adopter chose liquidity order for their BS so there is no current / non-current disclosure. There are similar disclosure format in J-GAAP, such as Bank / Insurance companies' has this format for their BS. However, in case of IFRS, other companies can choose this format. So we need to figure out which items belong to current or non-current asset / liability.

Document3 (2) Hitachi capital, a lease company chose liquidity order for their BS. Still their items on BS seems to be able to categorize current or non-current. But compared with their old BS which was reported in J-GAAP, there are some items not to be able to categorized such as "other financial asset", "Loans and bonds, etc." etc.

However, Hitachi capital disclosed duration table of "Recovery or settlement of financial assets and financial liabilities" and detail of "loans and bonds etc." in their footnote, so we can find out how we categorize them in case of annual report. They are not disclosed in quarterly report, also in the

earning digest, so we cannot get the detail data except annual report. So in that case we do not provides data from footnote because it is not be able to be used for historically.

7. Components of financial assets and liabilities by period up to collection or settlement

The Components of financial assets and liabilities by period up to collection or settlement are as follows.

(Millions of yen) (Thousands of U.S. dollars)

	Transition date (April 1, 2013)		March 31, 2014			March 31, 2015			March 31, 2015			
	Period up to collection or settlement		Total	Period up to collection or settlement		Total	Period up to collection or settlement		Total	Period up to collection or settlement		Total
	Within 12 months	Over 12 months		Within 12 months	Over 12 months		Within 12 months	Over 12 months		Within 12 months	Over 12 months	
Financial assets												
Cash and cash equivalents	¥ 139,792	¥ —	¥ 139,792	¥ 150,480	¥ —	¥ 150,480	¥ 119,314	¥ —	¥ 119,314	\$ 994,283	\$ —	\$ 994,283
Trade and other receivables	486,624	394,530	881,155	605,416	548,476	1,153,893	678,153	689,733	1,367,886	5,651,275	5,747,775	11,399,050
Other financial assets	27,622	22,764	50,387	32,206	23,105	55,312	31,925	22,904	54,830	266,041	190,866	456,916
Total financial assets	654,040	417,295	1,071,335	788,103	571,581	1,359,685	829,393	712,637	1,542,031	6,911,608	5,938,641	12,850,258
Financial liabilities												
Trade and other payables	232,010	24,211	256,221	247,434	28,910	276,345	238,771	34,264	273,036	1,989,758	285,533	2,275,300
Other payables	37,892	3,402	41,294	22,629	3,132	25,762	25,303	2,608	27,912	210,858	21,733	232,600
Other financial liabilities	31,382	39,178	70,561	30,951	48,290	79,242	49,797	40,047	89,844	414,975	333,725	748,700
Total financial liabilities	301,285	66,792	368,078	301,016	80,333	381,349	313,873	76,919	390,792	2,615,608	640,991	3,256,600

See Note 8 “Leases” for components of *Finance lease receivables* by period up to collection.

See Note 18 “Financial instruments” for components of *Borrowings and bonds* by period up to settlement.

(5) Borrowings and bonds

(i) Details of borrowings and bonds

The details of borrowings are as follows:

(Thousands of
Millions of yen) U.S. dollars)

	Maturity	Average interest rate (%)	Transition date (April 1, 2013)	March 31, 2014	March 31, 2015	March 31, 2015
Short-term borrowings (mainly bank loans)	—	1.58%	¥ 137,776	¥ 150,577	¥ 257,711	\$ 2,147,591
Commercial paper	—	0.42%	138,626	171,220	166,529	1,387,741
Long-term borrowings (mainly bank loans)	Apr. 17, 2015 – Mar. 25, 2030	1.28%	523,932	701,554	769,292	6,410,766
Borrowings associated with consolidation of structured entity for securitization	Apr. 10, 2015 – Mar. 10, 2042	0.97%	124,126	198,825	209,064	1,742,200
Borrowings associated with securitization of receivables	Apr. 20, 2015 – Apr. 30, 2019	0.55%	71,520	196,974	176,217	1,468,475
Finance lease obligations	Apr. 30, 2015 – Feb. 28, 2020	—	2,691	2,701	1,951	16,258
Total		1.12%	998,674	1,421,853	1,580,766	13,173,050

(Notes)

1 “Maturity” represents the repayment date for the balance of each borrowing at March 31, 2015.

2 “Average interest rate” represents the weighted average interest rate applicable to the balance of each borrowing at March 31, 2015.

■ Opinion from data analysts for in-house database of the Bank

Development Bank of Japan Research Institute of Capital Formation Mr. Matsuyama

We are categorizing current or noncurrent items under following rules.

When company disclosed data are not clear regarding current or non-current categories, we are categorizing following rules.

- (1) Check footnotes if there are any information to categorize current or non-current items?
- (2) If there is no information, we use our own rules.
 1. Choose some detail items, and make our assumption as current or non-current.
 2. When their total is smaller than total from BS, the difference is categorized as “Other”.
 3. When their total larger than total from BS, we back to process 1 and remake our estimation.

We are continuously doing those 3 process.

※ the explanation of current/ non-current on IFRS

http://www.ifrs.org/Current-Projects/IASB-Projects/IAS-1-classification-liabilities/Exposure-Draft-February-2015/Documents/ED_Classification-of-Liabilities_Prop-Amdments-to-IAS-1.pdf

Current liabilities

69 An entity shall classify a liability as current when:

- (a) it expects to settle the liability in its normal operating cycle;
- (b) it holds the liability primarily for the purpose of trading;
- (c) the liability is due to be settled within twelve months after the reporting period; or
- (d) it does not have an unconditional a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period (see paragraph 73 72R). Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

An entity shall classify all other liabilities as non-current. For the purposes of classification as current or non-current, settlement of a liability refers to the transfer to the counterparty of cash, equity instruments, other assets or services that results in the extinguishment of the liability.

■ Comment from CPA

I understand the underlying idea of IFRS is “Each entity should exercise its own discretion and initiative to disclose more relevant financial information. However, as the result, because high degree of flexibility is given, there is a risk that there will be gaps between reporting entities and financial information users when the users cannot know why certain way of presentation or disclosure is chosen. I hope it will be easier to know why and how the way of presentation or disclosure the entity chose is more useful to provide more relevant information.

■ **Opinion from the global information provider.**

Bloomberg Ms.Ando

When company chose “liquidity order” for their BS, in case that they are banks or insurance company, etc. we input as same as their disclosed data. But other cases, we look footnote disclosure and input the data for our standardized items. We try to avoid aggregation as much as possible. We do not prioritize data from the BS, we prioritize the data from footnote, if it is necessary.

There are many foreign companies, even they choose liquidity order, they disclosed current/non current on their footnotes.

BNP Paribas SA

TOTAL ASSETS		1,994,193	2,077,758
LIABILITIES			
Due to central banks		2,385	1,680
Financial instruments at fair value through profit or loss			
Trading securities	5.a	82,544	78,912
Borrowings and repurchase agreements	5.a	156,771	196,733
Instruments designated as at fair value through profit or loss	5.a	53,118	57,632
Derivative financial instruments	5.a	325,828	410,250
Derivatives used for hedging purposes	5.b	21,068	22,993
Due to credit institutions	5.f	84,146	90,352
Due to customers	5.g	700,309	641,549
Debt securities	5.i	159,447	187,074
Remeasurement adjustment on interest-rate risk hedged portfolios		3,946	4,785
Current and deferred tax liabilities	5.k	2,993	2,920
Accrued expenses and other liabilities	5.l	88,629	87,722
Technical reserves of insurance companies	5.p	185,043	175,214
Provisions for contingencies and charges	5.q	11,345	12,337
Subordinated debt	5.i	16,544	13,936
TOTAL LIABILITIES		1,894,116	1,984,069
CONSOLIDATED EQUITY			
Share capital, additional paid-in capital and retained earnings		82,839	83,210
Net income for the period attributable to shareholders		6,694	157
Total capital, retained earnings and net income for the period attributable to shareholders		89,533	83,367
Changes in assets and liabilities recognised directly in equity		6,736	6,091
Shareholders' equity		96,269	89,458
Retained earnings and net income for the period attributable to minority interests		3,691	4,098
Changes in assets and liabilities recognised directly in equity		117	133
Total minority interests		3,808	4,231
TOTAL CONSOLIDATED EQUITY		100,077	93,689
TOTAL LIABILITIES AND EQUITY		1,994,193	2,077,758

(1) Restated according to the IFRIC 21 interpretation (see notes 1a and 2).

5.f INTERBANK AND MONEY-MARKET ITEMS

► LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS

In millions of euros	31 December 2015	31 December 2014
On demand accounts	9,346	7,924
Loans ⁽¹⁾	31,780	33,010
Repurchase agreements	2,542	2,671
TOTAL LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS, BEFORE IMPAIRMENT	43,668	43,605
<i>of which doubtful loans</i>	355	439
Impairment of loans and receivables due from credit institutions <i>(note 3.f)</i>	(241)	(257)
specific impairment	(203)	(230)
collective provisions	(38)	(27)
TOTAL LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS, NET OF IMPAIRMENT	43,427	43,348

(1) Loans and receivables due from credit institutions include term deposits made with central banks, which amounted to EUR 1,665 million as at 31 December 2015 (EUR 1,973 million as at 31 December 2014).

► DUE TO CREDIT INSTITUTIONS

In millions of euros	31 December 2015	31 December 2014
On demand accounts	8,527	11,618
Borrowings	70,109	72,956
Repurchase agreements	5,510	5,778
TOTAL DUE TO CREDIT INSTITUTIONS	84,146	90,352

Liabilities

	+ ST Borrowings	81,021.00
PFS	Due to central banks	2385
PFS	Due to credit institutions	84146
5.f	Repurchase agreement	-) 5510
	+ LT Borrowings	175,991.00
PFS	Debt securities	159447
PFS	Subordinated debt	16544

PFS=Primary financial statements.

■ Opinion from Sell side strategist Daiwa Research Institute Mr.Yoshii

Balance sheet of the bank are different from the general business companies, so much influenced by IFRS 7, and IFRS 9. In general, it is divided into trading division and banking division. There is no classification between current and non-current. Trading is treated with FVTPL. Liabilities has also classification that are tailored thereto. Information on the management of procurement and operational mismatch has been supplemented by other description on footnotes. For such a special industry, the basic case for practical disclosure with major footnotes are expected.

* When I was in charge of data analysts for financial database of our company, I remember that cost of operation (above operating income) and current asset tend to be various each company, had to work hard to mapping for standardized items. (Nomura Research Institute, Mitsui Moderator)

The followings are BS current asset from companies that today's attendees belong.

資産の部	Asset
流動資産	Current Asset
現金及び預金	Cash and deposit
受取手形及び売掛金	Notes and accounts receivable
繰延税金資産	Deferred tax assets
その他	Others
貸倒引当金	Allowance for bad debts
流動資産合計	Total of current asset

資産の部	Asset
流動資産	Current Asset
現金及び預金	Cash and deposit
受取手形及び売掛金	Notes and accounts receivable
仕掛品	Work in progress
原材料及び貯蔵品	Raw materials and supplies
繰延税金資産	Deferred tax assets
その他	Others
貸倒引当金	Allowance for bad debts
流動資産合計	Total of current asset

資産の部	Asset
流動資産	Current Asset
現金及び預金	Cash and deposit
受取手形及び売掛金	Notes and accounts receivable
有価証券	Securities
仕掛品	Work in progress
原材料及び貯蔵品	Raw materials and supplies
繰延税金資産	Deferred tax assets
その他	Others
貸倒引当金	Allowance for bad debts
流動資産合計	Total of current asset

資産の部	Asset
流動資産	Current Asset
現金及び預金	Cash and deposit
受取手形及び売掛金	Notes and accounts receivable
商品及び製品	Merchandise and finished goods
仕掛品	Work in progress
原材料及び貯蔵品	Raw materials and supplies
繰延税金資産	Deferred tax assets
その他	Others
貸倒引当金	Allowance for bad debts
流動資産合計	Total of current asset

資産の部	Asset
流動資産	Current Asset
現金及び預金	Cash and deposit
売掛金	Accounts receivable
開発等未収収益	Development, etc. accrued income
有価証券	Securities
営業貸付金	Loans
信用取引資産	Credit trading assets
商品	Merchandise
仕掛品	Work in progress
前払費用	Prepaid expense
繰延税金資産	Deferred tax assets
短期差入保証金	Short-term pledged deposit
その他	Others
貸倒引当金	Allowance for bad debts
流動資産合計	Total of current asset

流動資産	Current Asset
現金及び現金同等物 (注記2)	Cash and Cash equivalent
営業債権及びその他の債権 (注記2、4、8、9、10、17及び23)	Trade and other receivables
その他の金融資産 (注記2、9及び27)	Other Financial asset
棚卸資産 (注記2、9、11及び27)	Inventory
前渡金	Advance payment
その他の流動資産	Other current asset
流動資産合計	Total of current asset

資産の部	Asset
流動資産	Current Asset
現金及び預金	Cash and deposit
売掛金	Accounts receivable
製品	Finished goods
原材料	Raw materials
仕掛品	Work in progress
前払費用	Prepaid expense
繰延税金資産	Deferred tax assets
前払金	Prepayments
その他	Others
貸倒引当金	Allowance for bad debts
流動資産合計	Total of current asset

■ **Opinion from Buy side, others**

Mitsui Sumitomo Asset Management Mr.Saito

- One of the purposes as a fundamental-based investor to analyze financial data is finding any change on a company, both in competition range and historical range as well. Usually when such the analysis is held, the items expressed "Other..."on the B/S, P/L, and C/F are extremely minded, because those items would include the core information for analysis. In case of that, we usually ask the company IR staff for understanding and they mostly answer the proper information with the knowledge for accounting practice along our intention for analysis, so far. Based on that, the company and we are able to have the effective dialogue.
- However, when accounting items in IFRS are not defined so properly, including the cases of mistranslation or misunderstanding of concept, the skill and knowledge from the past standard/experience would have gone. In other words, the items expressed "Other..."should be a black box, and also the IFRS standard might have the lack of confidence in some investors. At least, an appropriate system is needed, for which company IR staff can well understand and explain externally in detail.
- It is quite better for understanding that the guide was issued by FSA this April (a sample disclosure for IFRS adopters, Document 5). In addition, a standard of disclosure should not be produced only by company side. It should reflect investors' opinion.

3. Situation from company side

■ Opinion from Company IR

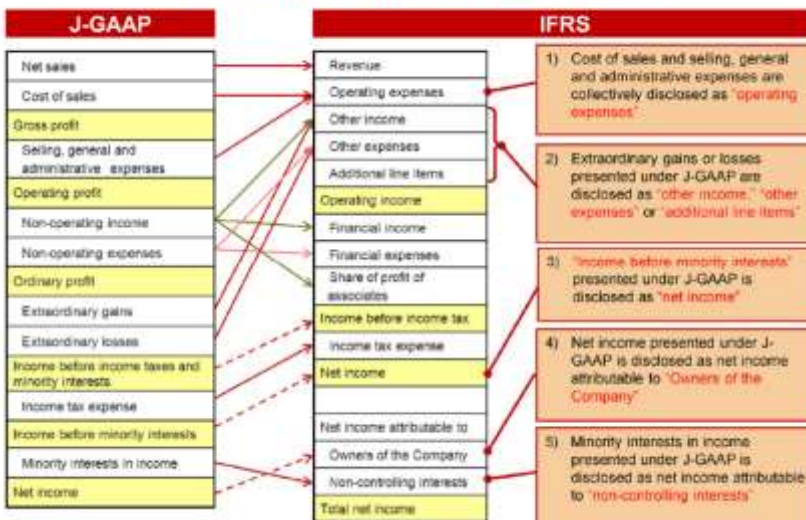
Rakuten Co. (From interview)

Rakuten has adopt IFRS since 2013.

Since Rakuten has financial business, (basically internet shopping site) they had to change the view of their financial statement, when they switched from J-GAAP to IFRS. So they provided Analyst's meeting twice for explanation how to read IFRS financial statements. (See Document 4) Document showed the difference between J-GAAP to IFRS in detail, but it wasn't easy for attendees to understand this documents. Rakuten felt that 70% attendees could understand in first time, 50 % second time...

Rakuten has Credit-card business, securities brokers, banks as subsidiaries, and it own "point system" for shopping. So its IFRS financial statements seems like a financial group's one. Especially BS seems different from previous J-GAAP one. If Analysts are covering Net business or advertisement business, it should be difficult to understand IFRS financial statements without

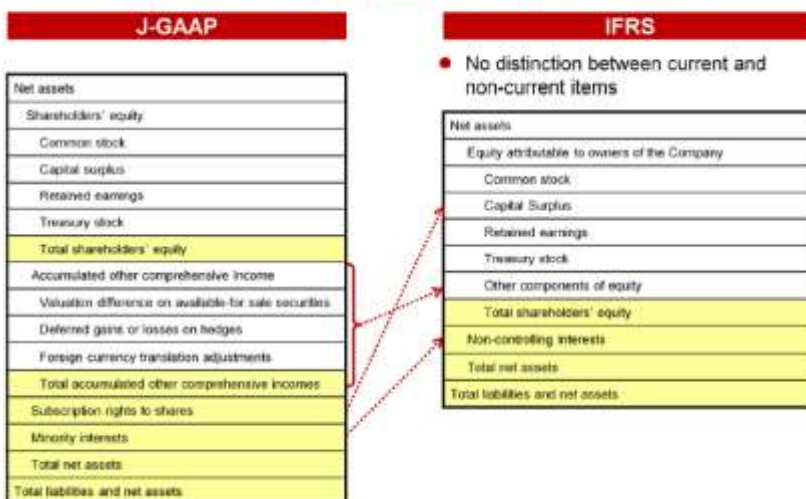
Structure of Income Statement



knowledge of business logic related with finance.

Rakuten provide those mapping table, but Analysts could not give up to get certain items which they use from J-GAAP financial statements. They often got analysts requirement for detail of Allowance, or Accounts Payable. Rauten also took questionnaire for Analysts and investors. They are so positive about IFRS adoption.

Structure of Balance Sheet (Net Assets)



After several years of career as analysts or investors, if there were no education opportunity to catch-up new accounting standards, when covered companies would change to IFRS, it must be a hurdle for communication with the company.



4. Discussion

There are many types of usage of financial statements. So not only IFRS, generally the financial statements must be reorganized or aggregated for some models which have specific purpose of analysis. This process is not so easy, so division of labor or specialization became to be needed. So now there is long supply-chain is existing. (See page 3)

Financial data are provided through several processes; this supply-chain. But sometimes end-user (such as buy-side) need to look back what was original (disclosed) data. At that time, if the relation between original data and standardized data can be shared, it must support end-users understanding. Originally taxonomy tried to provide those information. It also help to all related parties tasks which maintain current analysis, providing consistent data when standards have amendments or company changes the disclosure style because main business or company structure has been changed. Considering to all those related parties, taxonomy must describe as exactly same as disclosed, however if original data is not meet specific calculation, taxonomy also cannot used for specific calculation.

However if from the original financial statements, there are no important information because of company choice, user cannot use their model correctly. They have to prepare the data from assumption. In that case, the result would be inappropriate evaluation. Of course taxonomy cannot help.

What is important data is known when you understand all this supply-chain. How user use data, practically.. This is most information for both side understanding. And must contribute the improve discussion.

■ **Comment from CPA**

When people talk about expectations for financial reporting, I think it is necessary to consider what roles of people we should expect to address those expectations. Broadly speaking, I think there are at least following four roles regarding financial reporting:

Setting of principles of financial reporting (standard setter)

Practices of financial reporting (preparer/regulator)

Electronic disclosure (digital reporting)

Practice of financial analysis (financial information user)

The role of the IFRS Foundation is "setting of principles of financial reporting". However, I am afraid that expectations for IFRS taxonomy are being talked about in a picture by far bigger than that role. In the Public Consultation regarding IFRS Taxonomy Due Process, I noted a comment letter which pointed out the fact that "neither the Trustees nor the IASB has formally set out what they see as the

purpose or role of the taxonomy." I understand the purpose, role and scope of the IFRS taxonomy must be consistent with the role of the IFRS Foundation, which is "setting of principles of financial reporting." When the purpose, role and scope of IFRS taxonomy are clarified, I hope it will be easier for those who are involved in the other roles to play their roles more effectively.