

IFRS 財団・財務会計基準機構 ステークホルダーイベント

2017年5月24日、IFRS財団と財務会計基準機構（FASF）によるステークホルダーイベントが開催された。

本イベントは、ご来賓として副総理兼財務大臣・金融担当大臣の麻生太郎氏及び内閣府副大臣の越智隆雄氏を始めとして、我が国の関係者を多数お迎えして行われた。

冒頭、本イベントの共同主催者であるIFRS財団評議員会議長のミッシェル・プラダ氏による開会の挨拶があり、続いて、麻生太郎氏よりご挨拶を頂戴した。その後、基調講演とパネル・ディスカッションが行われた。

※本稿における役職名は、2017年5月24日時点の役職を掲載しています。

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基調講演

Disclosure for Constructive Dialogue with investors

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1. Introduction

Thank you for your kind introduction. Good evening, ladies and gentlemen. My name is Takeshi Kunibe from Sumitomo Mitsui Financial Group (SMFG). I also serve as the Vice Chair and Chair of the Committee on Finance

and Accounting of Keidanren. It's a great pleasure to have been invited to this conference. I would like to extend my sincere congratulations on this magnificent IFRS Foundation Trustees meeting in Tokyo. I also would like to thank Mr. Michel Prada and his team for the kind invitation to participate in this conference as a keynote speaker.

The theme of this stakeholders' event held in conjunction with the IFRS Foundation Trustees meeting in Tokyo is a "constructive dialogue between preparers of financial statements and investors." In Japan, three years have passed since the establishment of "the Principles for Responsible Institutional Investors" known as "Japan's Stewardship Code." By the efforts of the Financial Services Agency and the Tokyo Stock Exchange, I think the importance of constructive dialogue is sinking in across institutional investors and investee companies in Japan. As a top management of a listed company, I am constantly exploring ways to communicate more constructively with investors.

Today, as a top management and a preparer

of financial statements, I would like to take this opportunity to deliver my thoughts on how we should engage in initiatives to sustainably increase corporate value through constructive dialogue.

2. My experience with IFRS

Before I start the topic of constructive dialogue, I would first like to touch upon my experience with IFRS.

As many of you are well aware, since listing our shares on the New York Stock Exchange (NYSE) in November 2010, we, SMFG, file our annual reports including consolidated financial statements under IFRS with the US Securities and Exchange Commission (SEC).

In March 2008, two and a half years before our shares were listed on NYSE, we launched a NYSE listing project. I was involved in this project as the director in charge of the planning and accounting departments. This is when I first started working with IFRS.

Companies that plan to list their shares on NYSE are required to file a registration statement including consolidated financial statements with SEC. SEC made revisions to applicable laws and regulations only a few months before we initiated our NYSE listing project. This revision allowed non-US companies, especially whose financial statements are prepared under accounting standards other than US Generally Accepted Accounting Principles (US GAAP) to choose between US GAAP and IFRS. At that time, we spent a great deal

of time mulling over whether to prepare our consolidated financial statements under US GAAP or IFRS. Ultimately, we made the decision to go with IFRS.

There were two reasons for this. First, more and more countries and regions were adopting IFRS and there was a high likelihood that IFRS would become an international standard. In light of this, we believed selecting IFRS would be advantageous to us as we planned to expand our global operations.

In addition, although there were no companies preparing their consolidated financial statements under IFRS in Japan at the time, we believed many companies in Japan would rapidly apply IFRS to their consolidated financial statements. As of the end of April, 2017, the number of companies applying or planning to apply IFRS in Japan totaled 164, and is steadily increasing. The market capitalization of those companies was roughly ¥180 trillion, or approximately 30% of the total market capitalization of listed companies in Japan. The increase shows that our initial analysis was almost correct, although the pace has been slower than we expected.

The second reason is our corporate culture which values an enterprising spirit. Our corporate culture has long valued an enterprising spirit. In line with this corporate culture, I wanted to exploit the spirit of challenge and enthusiasm of our project team.

We selected IFRS for these reasons. However, the project for IFRS-based consolidated finan-

cial statements proved far more difficult than we expected. We encountered two main challenges.

First, IFRS is principle-based accounting. Many of the issues needed our judgment. However, there were no other Japanese companies we could refer to.

Second, back then, there were only a few people working at the accounting firms in Japan that actually had practical experience with IFRS. Accordingly, we had to spend many hours discussing with our auditors. We endured a series of hardships until we successfully listed our shares on NYSE.

Actually, this was our third challenge to list our shares on NYSE. So as the saying goes, the “third time is the charm.” While I was very happy on our accomplishment as the director in charge of this project, I was also relieved and a weight was off my shoulders. I was standing on the bell podium at the opening of the market when our shares first began trading on NYSE. Even today, I can still vividly recall the spectacle of the trading floor and the sound of the bell. It is a fond memory.

This is the background of my experience in IFRS. Now, let me move on to the main topic which discusses three initiatives that I think top management and preparers of financial statements should undertake to sustainably increase corporate value through constructive dialogue.

3. Initiatives for sustainably increasing corporate value through constructive dialogue

(1) Disclosures to promote the understanding of medium and long-term measures to improve corporate value among investors

First, we should, without fail, disclose to our investors our corporate vision and business strategies for improving corporate value.

Short-term earnings performance is naturally important for all top management. However, increasing corporate value in the medium and long-term holds even greater importance for us, and is the responsibility of the top management assuming management’s role on behalf of the shareholders. In light of this, I am managing SMFG not only by addressing upcoming changes in the business environment but also by employing medium and long-term perspectives. For example, in the medium-term management plan we drew up three years ago, we introduced a 10-year vision to become “a global financial group that, by earning the highest trust of our customers, leads the growth of Japan and the Asian region.” We are reiterating this vision in the new three-year management plan launched at the beginning of this fiscal year, and continue to aim to become an Asia-centric global financial group, or a global financial group focusing on business in Japan and Asia.

In addition, I believe it is vital that a top management carefully reads current trends and takes actions to address upcoming changes to increase corporate value over time. Particularly, in recent years, investors have become

more interested in not only the core operations, but what a top management thinks about and the actions they are taking regarding corporate governance and social contribution.

In addition to our long-standing activities on the Environment, Society and Governance (ESG), SMFG was quick to undertake activities that conformed with the Sustainable Development Goals (SDGs), adopted at the United Nations Sustainable Development Summit. In Japan, for example, we provide a product that combines a loan and a service to support our client's initiatives to promote women's roles in the workplace by providing a solution for any issues that hinder the implementation of these initiatives. Overseas, for example, we work with UNICEF to carry out a training program for school teachers in Myanmar with the goal of establishing an infrastructure for sustainable development through education.

I want investors to employ medium and long-term perspectives in their investment decision-making as a top management does so in the managerial decision-making. However, it has long been pointed out that domestic and foreign investors in the Japanese market have a preference for short-termism. The average stock holding period, that is, market capitalization at year end divided by yearly trade volume, was more than three years in the early 1990s on the Tokyo Stock Exchange. Recently, it has been less than one year, which is shorter than that for NYSE and the London Stock Exchange. This data alone cannot prove such investors' preference. Howev-

er, I have experienced this short-termism when I actually talk with investors. I think one reason behind this is that companies do not necessarily communicate well with investors so that they can expect to earn returns that match their longer-term investments.

As a top management, I have been committed to clearly communicate to investors our vision, business strategies, activities, and initiatives to increase corporate value. I think it is more important than ever to provide information that will encourage investors to invest their capital for the medium and long-term.

(2) Multi-dimensional disclosure using non-financial information

Second, Multi-dimensional disclosure using non-financial information is also the key in leading investors to make longer-term investments.

Investors could more easily consider making longer-term investments if there would be information on investee companies to support the future improvement of their corporate value, in addition to financial information, which is prepared based on past facts. One of the areas where investors' interests are growing from the medium and long-term perspectives is corporate governance. We plan to actively explain this to our investors, including our plans to shift to a company with a three committees structure, once our proposal is resolved at our general shareholders meeting next month.

Effectively using non-financial information is crucial for this type of disclosure, and integrated reports are one of the best disclosure tools for this. These days, the number of companies publishing integrated reports is sharply increasing. According to KPMG Japan, 279 companies, including SMFG, issued integrated reports in 2016. This is an increase by 59 companies from 2015.

A particularly important element for encouraging investors to consider longer-term investments is to tell a consistent story using non-financial information on the plan to increase corporate value over time. To earn investors' trust, it is effective to provide, through disclosure including non-financial information, a roadmap drawn by the top management that shows them how the company plans to increase corporate value.

It is also important to show, to the extent practicable, the connection between non-financial and financial information. Definitions for non-financial information tied to financial information based on accounting standards are more clear and reliable. In addition, this would help investors to make comparisons with other companies, and hence make it easier to consider investments. One company in the air transportation industry won the Nikkei annual report awards, sponsored by Nikkei Inc. The key reason for the award is that it is a clear and high quality report that plainly states the correlation between non-financial and financial information.

By researching and referring to the innova-

tive practices to effectively utilize non-financial information from various angles, I think that top management will need to pursue to make disclosures that will encourage investors to make longer-term investments.

(3) Establishment of an organizational structure to support the disclosure of non-financial information

The third is the development of an organizational structure to support the disclosure of non-financial information.

I believe it is essential to build an organizational structure that is suitable for implementing a comprehensive and multi-dimensional disclosure using non-financial information. The disclosure of non-financial information requires the cooperation of departments that previously did not participate in dialogue with investors, such as operating divisions and the CSR department, in addition to the planning and financial accounting departments and investor relations. I also believe it is important to develop a systematic process including the utilization of IT to accurately and quickly gather the needed information.

This will also require the hiring and training of employees with a high level of accounting literacy, so as to connect non-financial to financial information. It will be necessary to assign such individuals across a wide range of departments. In particular, personnel with knowledge of IFRS, for example, will become more and more essential with an expansion in global corporate activities. At the outset of

my speech, I shared with you about our challenging experience in preparing IFRS-based financial statements for our NYSE listing project. Some of the employees that participated in that project are now the core members of our financial accounting team. Others are playing an important role in other departments using the experience they gained on this project elsewhere. I am truly happy that their efforts during that time have been rewarded in this manner.

Enhancing the organizational structure that supports the disclosure of non-financial information will also aid in the reinforcement of a corporate infrastructure for increasing corporate value over time. As a top management, I myself intend to continue to take the initiative.

4. Engaging in the development of IFRS standards

Thus far I have discussed what initiatives top management and preparers of financial statements should take to increase corporate value through constructive dialogue.

Lastly, I would like to touch upon the importance of improving the level of IFRS, which is expected to become the leading global accounting standard as well as an accounting standard that serves as a platform for constructive dialogue.

The expansion of global corporate activities is indispensable to improving corporate value and achieving sustainable growth. Going for-

ward, I think many companies in Japan will continue to expand their overseas business and operations. As a result, the number of overseas subsidiaries and affiliates is expected to increase, and they are likely to include many companies that are required to prepare financial statements under IFRS. For example, in Asia and Oceania, where SMFG is strategically expanding operations, 24 countries and regions, out of a total of 33, require public-listed companies to prepare financial statements under IFRS. An increase in the number of overseas subsidiaries and affiliates preparing IFRS-based financial statements may mean that it would be more efficient and consistent with business practice for their parent company to prepare its consolidated financial statements under IFRS. Actually, many Japanese companies that voluntarily apply IFRS have expanded and been expanding their operations globally. Therefore, for many Japanese companies, including those that have not yet adopted IFRS at this stage, I believe there will be great interests in further improving IFRS.

As such, Keidanren, representing preparers of financial statements in Japan, has presented to the global communities the views of Japan's industries on IFRS as they should be, including accounting for goodwill. Going forward, Keidanren aims to continue to work with related parties in Japan and with preparers of financial statements overseas while continuing to strategically express the views of financial statement preparers and contributing to the development of IASB standards. I hope that the IFRS foundation and IASB will

continue their standard-setting activities to further evolve IFRS as a baseline for establishing accounting standards and to elevate it to a higher quality accounting standard, through active dialogue with stakeholders around the world.

5. Close

Today I discussed my views on disclosure which is the foundation for dialogue with investors. I hope that this will lead to more in-depth talks during the panel discussion to follow.

Lastly, I would like to close by wishing everyone here both good health and success. Thank you for your attention.