

# **XBRL23: Enhancing Business Performance**

October 25-27, 2011

Le Centre Sheraton | Montreal Canada | Hosted by XBRL Canada

**Track 5 –**

**Integrated Reporting: Trends in Non-financial Disclosure to Stakeholders**

## **INT9. Expectation for non-finance XBRL from analysts**

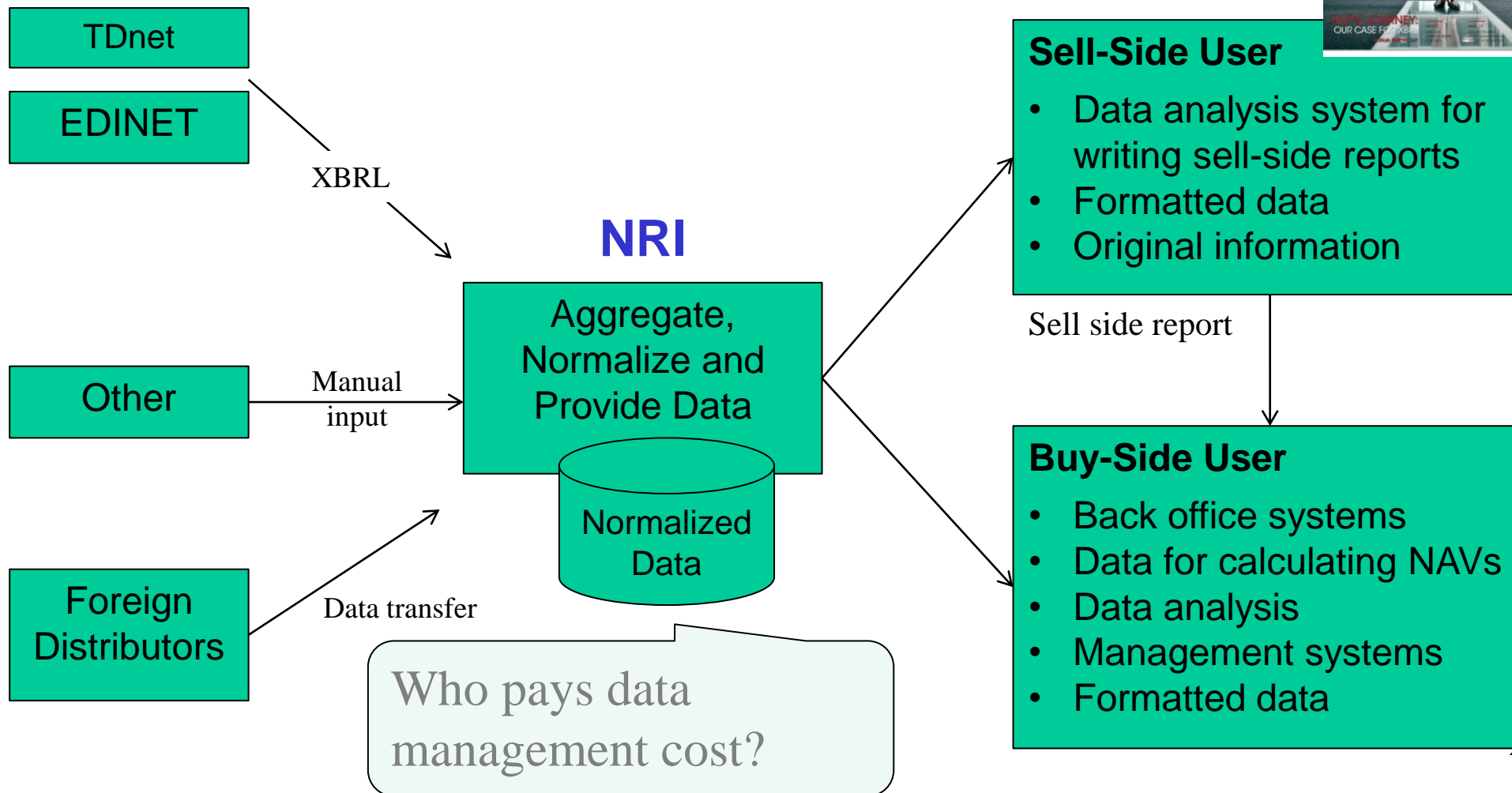
**Chie Mitsui,**

**Data Analyst, Nomura Research Institute**

**October 27<sup>th</sup> 2011**

# 1. Self introduction

- Nomura research Institute is a think-tank, that provides research, consulting and system solution to mainly financial institutions
- Demonstrated our research results for the CFA community workshop at the previous XBRL conference, focused on the use of XBRL in the Analysis of Corporate Governance Reports.



## 2.Back ground

### Usage of financial data by Asset Management Industry

- ✓ Managing portfolios, stocks, fixed incomes, alternatives, etc.
- ✓ Nearly over 4,000 companies are listed on Japanese stock exchanges
  - ✓ Out of these, only several hundred of them can be selected / screened based on the simple filtration process, by looking at Market Cap, ROE, PER, dividend yield etc.
- ✓ Companies are further selected based on the following criteria :
  - ✓ Potential growth, risk tolerance, governance, etc.
  - ✓ Not only sell-side analyst reports, but also buy-side in-house research, which contains key information from the interviews with the managements.
- ✓ Each fund manager has his/her own strategy for generating excellent track record. Long-term investment necessitates more diversified source of information.
- ✓ However, acquiring information is costly. If the company is able to create a reasonable information itself, it helps in retaining relationship between investors.

## 3.Our new challenge

# Too many different kinds of disclosure and IR reports

- For Japanese companies we have:
  - Annual reports / Earnings digests (Quarterly) / Securities reports (Quarterly)
  - Performance Forecast / Revisions (when estimates change by more than 10%)
  - Handouts for analyst meetings / IR Web-site
  - Press Releases (for new products or services)
  - Timely disclosure of ‘important information’ for investors
  - ESG report or CSR reports / Corporate Governance reports
  - Mid-term management plans

## .....But **who can read them all?**

- Buy-Side portfolio managers tend to cover many companies. (100 or 200 etc)
- Sell-Side analysts tend to focus on companies with higher liquidity.
- Data provider sets such data in an easily-readable format, contents has to be changed every year.

## Our New challenge

**Select only essential factors** from these documents using XBRL and transform them into a more easily-readable format for **both locals and foreigners**.

## 4. From our research Difficulties of using non-financial information

- *“When I researched insurance company disclosure documents, they all announced expected losses from the Tohoku earthquake. But one company presented the maximum loss, another the average loss, and another the minimum loss. I had to call all the companies to ask what they were trying to say...”*
  - Insurance company researcher
- Written statements are not normally in themselves distinct and articulate. Sentences are used in context, given both their location within a larger document and the order and narrative flow of the paragraphs.
  - From my previous presentation at Brussels
- When no information apart from the financial statements can be found, investor may have to sell because they can't adequately manage the risk:
  - *“There is a need for greater disclosure in English.”*
  - *“I can't understand what they're making because their explanations are too difficult for non-specialists in the technology.”*

(From an interview of a U.S. hedge fund analyst with long-term holdings of Japanese companies)

Unlike financial statements, no public consensus on how much description is adequate.

# 5. Step 1; plot-type of new types of information

## Mid-term management plan. (90% of the Nikkei index company have already announced this plan)

- Searching for comparable factors (such as Management Indicators) from the various sources and setting the factor value into the spreadsheets consume too much time.
- The same also applies for any other types of disclosures or IR documents.
- Factor selection process could be simplified by taking in the user feedback from fund managers and analysts.

基本情報				
企業コード				
企業名				
東証33業種	食料品	食料品	食品	医薬品
セクター大分類				
セクター小分類				
事業全体 (詳細利用方法は「テーマ成長性」)				
中核ビジネス	調味料・加工食品	酒類(産業は食料品になる)	食品	医薬事業
市場変化	人口縮小、競争激化、原材料高 め、東アジア拡大	国内酒類・飲料市場の成熟化、国内外 食品企業の大型化、低価格志向拡大 IFRS、酒税改正、環境規制の強化、食 の安全規制強化、アルコール規制強化 グローバル企業TOP10目指す(アジア、 オセアニア)	販売競争の激化、食の安全・安 心に対する要求の高まり、原材料 の安定確保競争・価格変動、関 連諸制度の変更 ローコストオペレーションの一 の推進	
変革テーマ1	コスト削減(30億円)			
変革テーマ2	東アジア拡大	海外事業20~30%	事業構造・事業ポートフォリオの 再検証	
変革テーマ3		EBITDA/売上比率12%	グループ全体最適経営の強化	
中期経営計画				
中期経営計画目標年度	2012	2012	2012	2012
計画売上	5250	1兆6000億	3,000億円	
増減要因				
予想営業利益	235		130億円	
増減要因				
営業利益率	115	酒類8%(酒税抜き12%)その他5%以上		
予想純利益	115	650(のれん償却前)750)		
予想ROA	7.50%			
予想ROE		9%		
計画設備投資	450	1000億	冷凍食品 そば製粉 ペットフード 海外事業	
予想営業キャッシュフロー				
計画研究開発費		3600億		
目標EBITDA			200億円	
予想持分法投資損益		15%		
予想配当				
計画配当性向		20%以上		
予想D/Eレシオ		0.7		
目標株価				

各位

2011年5月17日

新中期経営計画『For Tomorrow 2015』策定について

当社グループでは、本年4月より、2015年度を最終目標とする新中期経営計画『For Tomorrow 2015』をスタートさせましたので、お知らせします。

1 / 28 61.6%

2010-2012年 ~~キリンビール~~ 新中期経営計画




事業基盤の強化と、新たな展開への挑戦

2009年7月2日

~~キリンビール~~ 株式会社

## 6. Step 2; Our plot-type and XBRL characteristics

Hard to pick up essential factors from the available sources, such as mid-term management plan, CSR/ESG report, corporate governance reports, etc.

Characteristic	requirement	XBRL
Defined factors	Must be flexible (Change more frequently than accounting standard)	
Describing definitions	Clearly, parent-child relationship for each element (Some information doesn't have a public understanding of definition.)	
Multiple language	Function to switch several language label easily	

- We have challenged to design taxonomies for non-financial information to fund-managers and buy-side analysts.
- We believe that our experience will be a good example when taxonomies for an integrated reporting are done.

## 7.Learning from some real cases

### Theme of Analyzing company value

- **Management analysis**
  - Background analysis of top management (such as educational background)
  - Number of share holdings
- **Growth analysis**
  - Mid-term management plan
  - Industry analysis from the annual reports
- **Finance history**
  - Types of finance
  - Amount, period, and conditions
  - Underwriters
- **Competitive Analysis**
  - Segments, product keywords
  - Market Share
  - Main market
- **Sustainability analysis**
  - Existence of activities or projects related to ESG. Assessment system for those activities.
  - ESG factors in relation to returns.
  - ESG factors in relation to risk.
  - Amount of carbon dioxide emissions
- **Monthly analysis**
  - Monthly net sales by product
  - Monthly net sales by location



## Case 1 – Growth Analysis

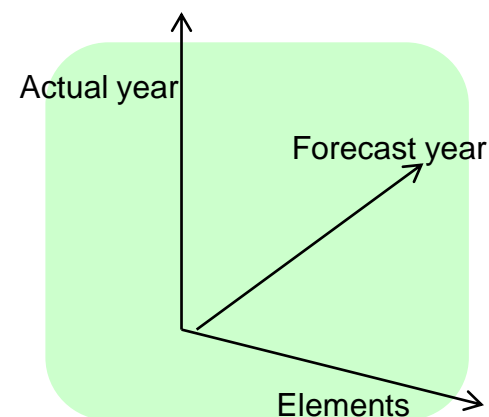
- To evaluate the quality of management, fund managers would like to compare the reported results prior to the forecast or mid-term management plan announcement.
  1. There are some management indicators, but it is unlikely for the users to find out **whether the data is simply not available or is not disclosed intentionally, by looking at XBRL information.**
  2. Comparing past “forecast data”

Company usually releases the revenue forecast every year, so;

    - If the company releases the 2015 revenue forecast at year 2012,
    - The company will forecast 2015, at 2013 too
    - The difference between the two sample data cannot be described in XBRL
- Shall we set different elements, like **‘Planned Sales’ or ‘Forecast Sales’?**

**Or use dimension for the same element “Sales”?**

- When comparing “Results” and “Forecast”, we use the same element such as <NetSales> with the different dimension , or different elements. **How can we distinguish the forecast data that were released in different years systematically?**

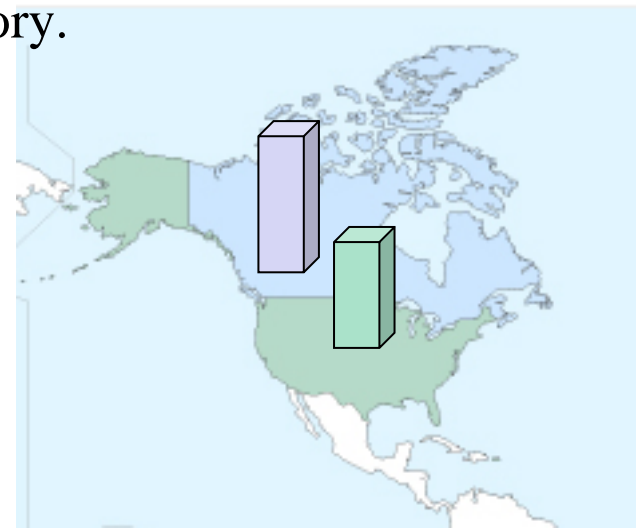
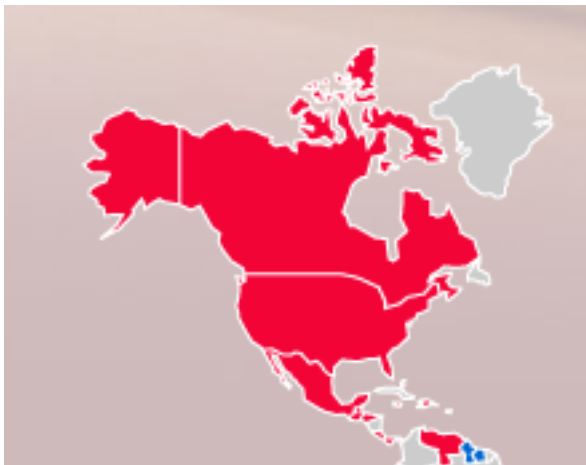


## Case 2 – Sustainability Analysis

- Information from a single source often contains **different time-frames** although the announcement date may be concurrent.
- The time and date used in financial statement is different from it used in ESG reports, besides one document can contain significant amounts of information
  - ESG or CSR reports contain information that may have taken place **at different points of time.**
  - Currently when we input XBRL data **we have to select a context** that has **the same start date and end date**
- It is often difficult, for some information contained in these reports  
Examples:
  - Average length of employment (A proxy for employee satisfaction levels)
  - Contributions of ESG products, service, or CO<sup>2</sup> emissions (How long these activities have been undertaken needs to be known)
- Evidently, **each element needs to have its own ‘time and date’** information, so a new property or new rule for designing taxonomy is required.

## Case 3 – Competitive Analysis

- Analyzing market share , competitive situation, location (region, country) , an industry, or a product information are needed.
- Many analysts rely on factors such as product strength, market forecast... In order to distinguish necessary information, general purpose code are **helpful for a comparability purpose**.
- Segmentation using dimension in IFRS and US GAAP taxonomies.
- In case of annual reports, each company has their own disclosure style as in order to describe their performance, there are many contributing factors, such as strategies, products or service characteristics, etc. (E.g., North America, US, North part of America, etc.)
- First of all, it is better to use global, general purpose area or industrial code, however, the way to categorize is not the same for each case. Company wants to have a couple of selections (When you want to say “North America” you should select Canada and America) or describe relationships in each category.



## Case 4 Monthly analysis

Analyzing retailers or distributors, need to know monthly changing.

Retail and distribution industry usually announce monthly sales reports, which is quite important source of information for the investors.

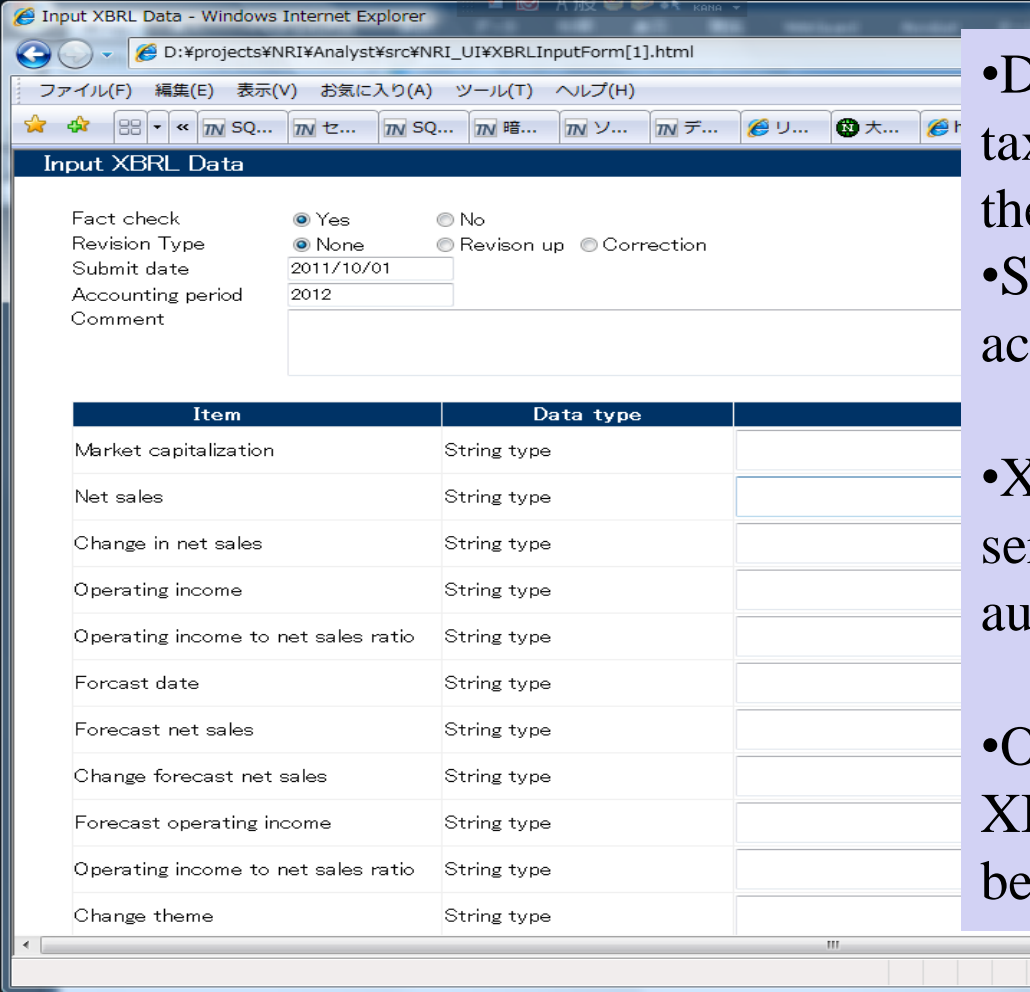
Is this a tuple or a dimension?

Should we refer “products name” as a dimension ?

Merchandise category	Sep-11	Existing stores
Clothing	(2.7)	(0.4)
Personal effects	4.5	6.1
Sundries	(4.6)	(2.2)
Restaurants	(8.2)	(7.0)
Foods	(1.7)	(1.3)
Others	11.7	15.1
<b>Total</b>	<b>(0.4)</b>	<b>1.7</b>

FY2011	Mar.	Apr.	May	Jun.	Jul.	Aug.
Total stores	(18.6)	(2.2)	(5.3)	1.2	(1.0)	1.8
Existing stores(1)	(18.3)	(0.4)	(3.7)	2.9	0.8	3.6
Existing stores(2)	-	2.2	(2.1)	4.4	1.6	4.6
FY2011	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.
Total stores	(0.4)	-	-	-	-	-
Existing stores(1)	1.3	-	-	-	-	-
Existing stores(2)	1.7	-	-	-	-	-

	Sep-11
Sapporo	(2.5)
Sendai	25.8
Utsunomiya	(3.0)
Shin-Tokorozawa	0.1
Urawa	27.5
Ikebukuro	(9.4)
Shibuya	(10.6)
Hibarigaoka *1	(4.8)
Kichijoji	36.9
Chofu	(3.1)
Tsudanuma	1.3
Chiba	(2.1)
Matsumoto	1.7
Shizuoka	3.1
Nagoya	2.2
Otsu	(11.5)
Shinsaibashi	(47.0)
Hiroshima	3.7
Fukuoka	(6.1)
Oita *2	-
Kumamoto	1.2
<b>Total stores</b>	<b>(0.4)</b>
<b>Existing stores(1)</b>	<b>1.3</b>
<b>Existing stores(2)</b>	<b>1.7</b>



•Due to the different reporting timing , taxonomies are designed for each analysis theme.

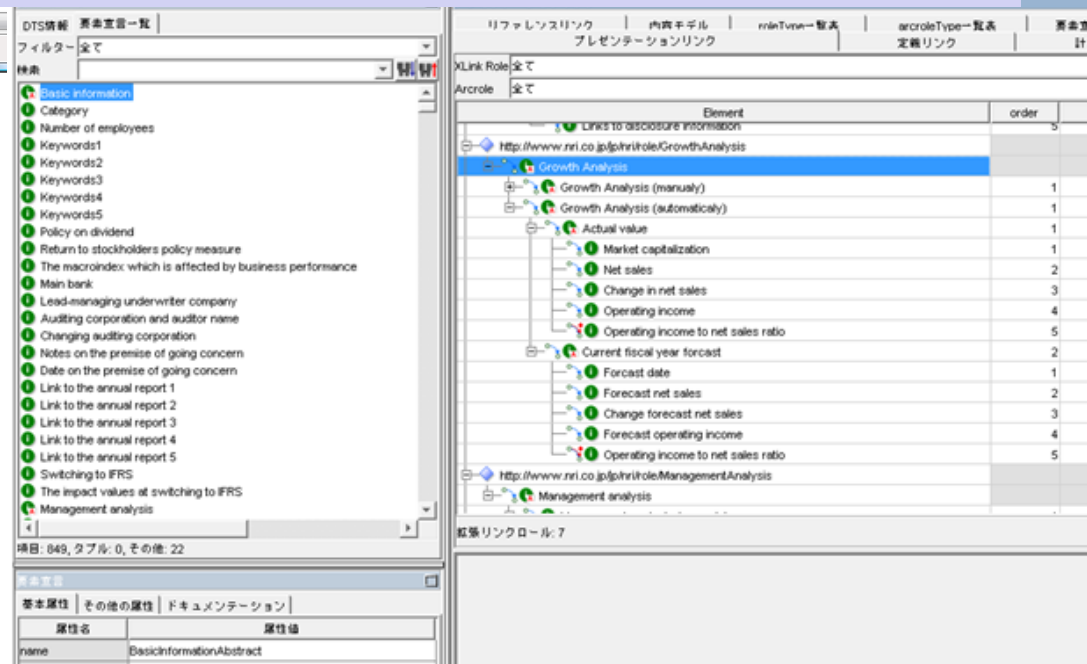
•Storing those XBRL files on server and accessing them through browser.

•Xirute (Hitachi solutions) is running on the server and providing user inputting form, automatically creating instance file.

•Opening these taxonomies by different XBRL software, (Fujitsu Xwand) as shown below.

# XIRUTE

For more global comparability, we hope to have more discussions on designing taxonomies for Global Integrated Reporting as soon as possible.



## 8. For Next step,

### Findings from these cases

1. Forecast information has to be compared with its result later.

**Forecast data** should be the same element name as **actual data**?

-- Even if they are defined differently.

2. In order to distinguish between **non-existent** information or **non-disclosing** information.

-- Need clearer definition or new spec of XBRL?

3. Use **general purpose codes** for area, industry, share holder etc.... But **selecting several factors** because of enable to separating as one fact.

-- Need spec or rules to describe when fact needs merged category.

-- Sales volume sum-up all north America, All Asia as main market etc

4. Best **way to describe product name, people name(position)**

Could be dimension ? Or tuple? Find and create best practice more....

# Conclusion

*Above statements from my previous presentation.*

➤ *Companies should recognize XBRL as a tool to improve communication with investors. XBRL conveys much more meaning of companies' reports and improve the efficiency of communication to investors.*

➤ *If tags are made adequate, it helps analysis of companies when constructing portfolios, however, it won't work if the tags are not designed to meet this purpose.*

➤ *Unfortunately, many companies don't realize the opportunity they gain in reporting with XBRL, because they only see it as increased costs associated with the tagging activity.*

➤ *It is important to investigate the needs for investors and reporting companies in order to find 'How to tag' efficiently.*

Designing XBRL taxonomies by users might be one way to make XBRL more efficient.

XBRL might be a tool to organize IR or disclosure information freely (unlike financial statement )

We need to more discussion how to use and describe non-financial information between users. Then making rule or other necessary specs before people will start to use!

# Thank you !!



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