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**T**Dnet should seek its own role  
in next-generation XBRL earnings digests  
to differentiate itself from EDINET

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## Executive Summary



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*In 2013, the FSA will upgrade its EDINET system and expand the scope of XBRL disclosure. In response, the TSE will upgrade its TDnet system, which discloses the same financial information as EDINET but earlier. TDnet also discloses information not available elsewhere in the aim of revitalizing Japanese securities markets. TDnet and EDINET should ideally evolve in accord with their respective missions.*

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### TDnet has pursued XBRL uniformity with EDINET

In Japan, companies' disclosure documents are available for online perusal on the Financial Services Agency's EDINET and Tokyo Stock Exchange's TDnet. The former is called a statutory disclosure system; the latter, a timely disclosure system. The FSA has been planning to expand the scope of its XBRL disclosure since autumn 2009 (from researching needs through pilot testing). EDINET is scheduled to be upgraded in fiscal 2013<sup>1)</sup>. TDnet provides access to earnings digests, earnings forecast revisions, and other disclosures issued by TSE-listed companies. Before TDnet, companies distributed printed copies of their disclosure documents to the TSE press club for dissemination through the mass media.

Both TDnet and EDINET began releasing disclosure documents in XBRL format in 2008. Companies release financial statements in both their earnings digests (TDnet) and securities reports (EDINET). For primary financial statements TDnet uses the FSA's XBRL taxonomy<sup>2)</sup>. Companies' financial statements prepared in XBRL format are first released through TDnet in the companies' earnings digests. Subsequently, after the financial statements have been audited, they are released through EDINET in companies' securities reports. Because the same taxonomy is used for both, companies have been able to prepare uniform financial statements for both platforms. Additionally, financial information service providers have been able to update XBRL content initially released in earnings digests with XBRL content extracted from subsequent securities reports.

Recently, some observers have noted that the functional delineation between TDnet and the EDINET statutory disclosure system has become blurred. For example, in

#### NOTE

1) Next-generation EDINET: The FSA will upgrade its EDINET electronic disclosure system in fiscal 2013. The upgrade will expand the scope of XBRL disclosure, currently limited to primary financial statements, to encompass securities reports in their entirety, large shareholder reports, extraordinary reports. For more details, see <http://www.nri.co.jp/english/opinion/lakyara/2012/pdf/lkr2012145.pdf>.

2) A taxonomy, one of XBRL's constituent specifications, is a file that defines the meaning of data (in Japanese, English, etc.). It has several functions, including financial statement line items' parent-child hierarchy. It can also define line items' order of presentation to enable preparation of electronic financial statements in conformity with financial statement rules.

recent years some companies have been disclosing their quarterly earnings via TDnet and EDINET simultaneously. This trend toward simultaneous disclosure through both systems may be partly attributable to their use of the same XBRL taxonomy, but it also raises questions about issuing two separate disclosures via TDnet and EDINET in short succession. If the only difference between the two platforms is that one releases documents somewhat earlier than the other, how they functionally differ from each other is unclear.

### TDnet has been endeavoring to release new disclosures

To meet market needs and global standards, TDnet has been always endeavored to introduce new disclosures. For example, it began issuing quarterly and consolidated disclosures ahead of the FSA. It has also expanded disclosures of cash flow statements. Even now, several information disclosures are available only from TDnet, including earnings forecasts and dividend forecasts. All TSE-listed companies are required to submit earnings forecasts in a prescribed format. They also must resubmit forecast revisions if the revision exceeds a predetermined materiality threshold. These disclosure requirements are unique globally. Upon its release, this information is simultaneously disclosed in XBRL, enabling it to be converted into English. Additionally, disclosures are instantly transmitted to a wide variety of information terminals through automatic processing. TDnet is committed to disclosure of information on corporate actions that have the potential to affect stock prices in real time. On the other hand, the TSE has for the past several years been encouraging companies to issue medium-term management plans and it is working on XBRL disclosure of corporate governance reports, which it hopes to make available on the TDnet website in the future.

However, with stock prices in a protracted slump and listed companies decreasing in number, the TSE has also regressed in certain respects in recent years. For example, it has switched to voluntary disclosure of cash flows and lengthened deadlines for quarterly disclosure filings.

### TDnet's new XBRL initiative

Against such a backdrop, the FSA is upgrading EDINET and switching to a new XBRL taxonomy in fiscal 2013. The taxonomy is to be updated annually to conform to revisions of financial statement rules<sup>3)</sup>. Once the EDINET upgrade has been completed, updates in response to revisions of financial statement rules and

<sup>3)</sup> Rules regarding financial statements' format and presentation.

disclosure ordinances will apply to the new taxonomy only. TDnet, which uses the same taxonomy as EDINET, will also have to be brought into conformity with EDINET's new taxonomy and specifications. At the end of January, the TSE explained its TDnet upgrade plans to users.

As part of its presentation, the TSE announced that it plans to adopt new document formats, including inline XBRL<sup>4)</sup>, in response to the FSA'S EDINET upgrade, but it plans to leave the scope of TDnet's XBRL disclosure largely unchanged. Even though the TSE will bring TDnet's taxonomy and file formats into conformity with EDINET's, the scope of XBRL disclosure will be narrower on TDnet than EDINET. For example, financial statements' segment information, which is heavily used for analyst reports and investment analysis, will be available in XBRL on EDINET but not TDnet. This omission is presumably intended to avoid imposing increased costs<sup>5)</sup> on companies that issue earnings digests, but it is a step backwards in terms of making TDnet more user-friendly. The TSE's decision not to provide segment information in XBRL format is apparently also partly attributable to difficulties in quickly switching to the same technology that EDINET will use, but there is a risk that earnings digests' full value will not be accessible to users.

4) XBRL's constituent elements are a taxonomy and files that contain tags and data called instances. New tags displayable even in a web browser are added to these instances. Tags that represent data content and tags that constitute formatting elements (e.g., fonts, tables) are combined in a single file.

5) Financial statement preparers have hitherto been able to reuse the same instances for both TDnet and EDINET disclosures. Inline XBRL, however, involves design tags also. Due to differences in EDINET and TDnet's document layouts, instances are no longer expected to be perfectly sharable between the two platforms using currently available tools.

## Differentiation of TDnet's original value, future expectations

The TSE should use this system upgrade as an opportunity to rethink TDnet's role and focus on providing information that goes beyond EDINET's statutory disclosures.

### Exhibit: Differences between TDnet and EDINET

	TDnet	EDINET
Purpose	Timely disclosure Disclosure pursuant to stock exchange rules requiring listed companies to fairly disclose relevant information whenever an event occurs that could materially influence securities investment decisions	Statutory disclosure Mandatory disclosure by securities issuers that meet certain criteria stipulated in the Financial Instruments and Exchange Act to ensure fairness in securities trading and protect investors
Main content	Earnings/dividend forecasts & revisions thereof, earnings digests (summary/supplementary information), and information on material facts classified as either decisions (e.g., stock splits) or events (e.g., change in shareholders due to effects of disaster, etc.)	Securities notifications, securities reports, (annual and quarterly), large shareholder reports, extraordinary reports, tender offer notices, etc.
Time-series information	Information for most recent 30 days is accessible on the website	Disclosure information for past five years is accessible (excluding certain documents)
Scope of XBRL disclosure	Earnings digests (summary information, primary financial statements), corporate governance reports	Primary financial statements
Scope of upgrade of XBRL disclosure	Disclosures by ETFs and REITs will be added	Whole securities reports will be available in XBRL; use of XBRL will be expanded to other documents (e.g., large shareholder reports, extraordinary reports, tender offer notices, etc.)

Source: NRI, based on information from various sources

6) Flags facilitate systematic decision-making or conversion of qualitative information into English by including information in the form of use of yes-or-no responses (e.g., regarding the types of risks that exist, the metrics on which management places priority) in addition to the document's textual content.

Given its strategy and market conditions, the TSE could focus on encouraging foreign investors to utilize TDnet data. It could also place priority on individual investors' utilization of disclosure information. Inline XBRL is gaining popularity as an integration of XBRL data and HTML display, but TDnet could adopt a data architecture conducive to graphical utilization or utilize flags<sup>6)</sup> while incorporating large quantities of information easily identifiable by foreigners or computer systems, in contrast to securities reports' statutory disclosures. From the standpoint of data preparation and analysts' convenience, it could use the same tags as EDINET but select only key elements that analysts want to factor into their initial assessments immediately after a disclosure has been made.

In light of financial statement preparers and users' needs, the TSE has no choice but to at least minimally upgrade TDnet to conform to EDINET. However, the TSE should continue to engage in dialogue with the market and seek to ascertain the optimal role for its unique disclosure system in the aim of contributing to revitalization of the overall market.

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