



Title	The Role of Financial and Non-financial Information in the Capital Market: Evidence from Japan
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Abstract of Thesis

Name (Kuang Wenjun)	
Title	The Role of Financial and Non-financial Information in the Capital Market: Evidence from Japan (日本の資本市場における財務情報と非財務情報の役割)

Abstract of Thesis

This dissertation examines the role of financial and non-financial information in the Japanese capital market. Specifically, I investigate (1) the relationship between real earnings smoothing and one-year-ahead firm-specific crash risk by separating real earnings smoothing into informative and garbling components; (2) the effect of accounting comparability on the accuracy of management earnings forecasts; and (3) how environmental, social, and governance (ESG) performance influences firm values by analyzing the nonlinear effects.

Chapter 2 studies the effects of real earnings smoothing on firm-specific crash risk in the Japanese capital market. Following Dou et al. (2013) and Shuto and Iwasaki (2014), I decompose real earnings smoothing into garbling and informative parts. My results show that the crash risk increases as the garbling real earnings smoothing increases due to the managerial concealment of bad news about firms' prospects. However, there is no significant relationship between the informative real earnings smoothing and crash risk. I further find that the relation between garbling real earnings smoothing and crash risk is constrained by effective external monitoring by stable institutional investors and the implementation of J-SOX. Further evidence indicates that there is a significant and negative relationship between the garbling real earnings smoothing and asymmetric timeliness with respect to bad news. These results suggest that managers undertake the garbling component of real earnings smoothing to withhold the negative private information, resulting in the increase of downside risk of firms' stock price. Overall, this study investigates the role of real earnings smoothing in the negative information transmission by managers in Japanese firms.

Chapter 3 explores how accounting comparability affects the accuracy of management earnings forecasts in Japan. Following Kim et al. (2016) and Zhang et al. (2020), I use the method of De Franco et al. (2011) to construct the measure of accounting comparability. The results indicate a positive relationship between accounting comparability and management earnings forecast accuracy, suggesting that comparable financial information could improve the accuracy of management earnings forecasts. I also provide evidence that the positive relationship between accounting comparability and management earnings forecast accuracy is more pronounced when subject firms have higher institutional ownership and peer firms have higher accounting (i.e., accrual) quality. My results suggest that accounting comparability increases the disclosure quality of management earnings forecasts by enhancing investors' monitoring of managerial behaviors and facilitating managerial learning from peer firms. Additional analyses show that the positive effect of accounting comparability on management forecast accuracy becomes strengthened after the 2008 quarterly reporting regulation in Japan. However, there is no evidence showing that International Financial Reporting Standards (IFRS) adoption increases the positive effect of comparability. Overall, this study enriches the literature on

determinants of the accuracy of management earnings forecasts and highlights the positive consequences of accounting comparability in the Japanese capital market.

Chapter 4 examines the nonlinear effects of ownership structures on ESG performance in Japan and investigates the nonlinear relationship between ESG and corporate financial performance. Following Oh et al. (2017), Sun et al. (2019), and Meier et al. (2021), I employ the quadratic equation in OLS regression with robust standard errors to test the hypotheses. The results suggest an inverted U-shaped relationship between foreign ownership and ESG performance and a U-shaped relationship between managerial ownership and ESG performance. However, the effect of institutional ownership on ESG is positive and linear. The results of the ESG pillars indicate that the above foreign ownership-ESG link is significant only in the social and environmental pillars, while the above managerial ownership-ESG link is significant in the social, governance, and environmental pillars. Further evidence indicates that ESG links to corporate financial performance through an inverted U-shaped pattern, and such relationships mainly result from the social pillar and governance pillar when the dependent variables are firm values (e.g., Tobin's Q) and profitability (e.g., operating income on assets and return on equity), respectively. Overall, this study advances our understanding of the relationships between ownership structures and firms' ESG performance as well as the effects of ESG on financial performance in the Japanese capital market.

論文審査の結果の要旨及び担当者

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論文審査の結果の要旨	
[論文内容の要旨]	
<p>This dissertation examines the role of financial and non-financial information in the Japanese capital market. Chapter 1 discusses the role of financial and non-financial information in capital markets. It also explains the advantages of Japanese setting.</p> <p>Chapter 2 studies the effects of real earnings smoothing on firm-specific crash risk in the Japanese capital market. This study decomposes real earnings smoothing into garbling and informative parts. The results show that the crash risk increases as the garbling real earnings smoothing increases due to the managerial concealment of bad news about firms' prospects. However, there is no significant relationship between the informative real earnings smoothing and crash risk. These results suggest that managers undertake the garbling component of real earnings smoothing to withhold the negative private information, resulting in the increase of downside risk of firms' stock price. Overall, this study investigates the role of real earnings smoothing in the negative information transmission by managers in Japanese firms.</p>	
<p>Chapter 3 explores how accounting comparability affects the accuracy of management earnings forecasts in Japan. The results indicate a positive relationship between accounting comparability and management earnings forecast accuracy, suggesting that comparable financial information could improve the accuracy of management earnings forecasts. It also provides evidence that the positive relationship between accounting comparability and management earnings forecast accuracy is more pronounced when subject firms have higher institutional ownership and peer firms have higher accounting (i.e., accrual) quality. These results suggest that accounting comparability increases the disclosure quality of management earnings forecasts by enhancing investors' monitoring of managerial behaviors and facilitating managerial learning from peer firms.</p>	
<p>Chapter 4 examines the nonlinear effects of ownership structures on ESG performance and investigates the value-relevance of ESG by providing evidence on the nonlinear effects of ESG on corporate financial performance. The results suggest an inverted U-shaped relationship between foreign ownership and ESG performance and a U-shaped relationship between managerial ownership and ESG performance. However, the effect of institutional ownership on ESG is positive and linear. The results of the ESG pillars indicate that the above foreign ownership-ESG link is significant only in the social and environmental pillars, while the above managerial ownership-ESG link is significant in the social, governance, and environmental pillars. Overall, this study advances our understanding of the relationships between ownership structures and firms' ESG performance as well as the effects of ESG on financial performance in the Japanese capital market.</p>	
<p>Finally, Chapter 5 summarizes the findings and discusses future issues.</p>	
[審査結果の要旨]	
<p>本論文は、日本の資本市場を対象に、財務情報と非財務情報の役割を考察した実証的研究である。具体的な発見事項として、(1)経営者はネガティブな私的情報を隠すために実体的利益平準化を行い、その結果、株価のクラッシュリスクを高めること、および(2)会計の比較可能性が高くなると経営者予想の正確度が向上すること、またその関係は会計の質が高いほど顕著であることなどを明らかにしている。このように本論文は資本市場における会計情報の役割について、さまざまな側面について新たな知見を提示するものであり高く評価できる。</p>	
<p>以上より、この論文は博士（経営学）の学位を授与するに値するものであると判断する。</p>	