

Corporate Cautionary Statement: A Genre of Professional Communication

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Abstract—Cautionary statements or disclaimers in corporate annual reports need to be carefully designed because clear cautionary statements may protect a company in the case of legal disputes and may undermine positive impressions. This study compares the language of cautionary statements using two corpora, Sony's cautionary statement corpus (S-corpus) and Panasonic's cautionary statement corpus (P-corpus), illustrating the differences and similarities in relation to the use of meaningful cautionary statements and critically analyzing why practitioners use the way. The findings describe the distinct differences between the two companies in the presentation of the risk factors and the way how they make the statements. The word ability is used more for legal protection in S-corpus whereas the word possibility is used more to convey a better impression in P-corpus. The main similarities are identified in the use of lexical words and pronouns, and almost the same wordings for eight years. The findings show how they make the statements unique to the company in the presentation of risk factors, and the characteristics of specific genre of professional communication. Important implications of this study are that more comprehensive approach can be applied in other contexts, and be used by companies to reflect upon their cautionary statements.

Keywords—Cautionary statements, corporate annual reports, corpus, risk factors.

I. INTRODUCTION

AFTER some legal disputes in the early 1990s, corporate management has been more reluctant to make forward-looking statements for their business and financial projections in the US. The term *forward-looking statement* is defined here as the statements containing a projection of revenues, income, dividends, financial structure, management objectives and any other plans related to future economic performances [29]. It was concerned that they may fail to achieve the target and might be liable for misleading presentation. The US Congress, therefore, reported that “abusive litigation severely affects the willingness of corporate managers to disclose information to the marketplace” [16, p. 42] and enacted the Private Securities Litigation Reform Act (PSLRA) in 1995, which includes “safe harbor for forward-looking statements” [29: III.A]. According to the Act, the safe harbor protects companies from liability resulting from lawsuits caused by forward-looking statements when they were “accompanied by meaningful cautionary statements” [29: III.A]. Therefore, it places a great importance on the interpretation of *meaningful* cautionary statements. Although *meaningful* cautionary statements are defined as the statements “identifying important factors that could cause

actual results to differ materially from the projected ones” [29: III.A] and the Conference Committee has also commented that “boilerplate warnings will not suffice” [16, p. 43], they have not specified “how courts should determine whether a cautionary statement meets the criteria” [21, p. 301] and what are the important factors to make the statement *meaningful*. The task of analyzing the language of a cautionary statement has been brought to the court since then. In 2005, the US Securities and Exchange Commission (SEC) added the clause of Item 1A to the annual reports (Form 10K) and made risk disclosure mandate to “provide any discussion of risk factors in plain English” [36, p. 8]. Risk factors refer to some potential or present risks which prevent from materializing their prospects such as volatility in demand, currency rate fluctuations and product defects. Therefore, these company's risk factors must be “clearly written in everyday language investors can read and understand” [25, p. 270]. In this sense, cautionary statements, including clear and substantive risk factors, are currently one of the most important texts to meet the legal requirement in the US and to investigate to gain an understanding of the company for the sake of investors. Despite of the fact that there have been many judicial cases and practical tips for qualifying cautionary statements for legal requirements, little attention has been paid to linguistic analysis of cautionary statements. This study examines the language of cautionary statements using two corpora, Sony's cautionary statement corpus (S-corpus) and Panasonic's cautionary statement corpus (P-corpus) to describe what constitutes *meaningful* cautionary statements and to understand the reason for practitioners' use of language in presenting *meaningful* cautionary statements.

II. BACKGROUND

Both Sony and Panasonic have their headquarters in Japan and are listed on the Tokyo Stock Exchange (TSE). Sony has also been listed on the New York Stock Exchange (NYSE) since 1970 and Panasonic was listed on the NYSE between 1971- 2013. Panasonic withdrew from the NYSE in April 2013, and the OTC (Over the Counter) transactions are still available through ADR (American Depositary Receipt) in the US. Therefore, they basically needed to comply with the regulations in both the US and Japan and it is necessary to understand the requirements of cautionary statements in both countries for this study.

According to the American Express case in the United States Court of Appeals in 2010, the second circuit issued an important interpretation of the PSLRA 1995 regarding meaningful cautionary statements. They state, “We determine that the defendants are not entitled to safe harbor protection

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under the meaningful cautionary language prong of the safe harbor at this stage of the litigation because their cautionary language is vague” [3, p. 15]. The following cautionary statement was written with the forward-looking statement of American Express’s report.

This report contains forward-looking statements, which are subject to risks and uncertainties. The words ‘believe’, ‘expect’, ‘anticipate’, ‘optimistic’, ‘intend’, ‘aim’, ‘will’, ‘should’ and similar expressions are intended to identify such forward-looking statements. Factors that could cause actual results to differ materially from these forward-looking statements include . . . potential deterioration in the high yield sector, which could result in further losses in AEFA’s investment portfolio [3, p. 15].

The court agreed with the defendants that American Express had a forward-looking statement, identifying linguistic cues like *we expect* or *we believe*. To be protected under the prong of safe harbor, however, a forward-looking statement must be accompanied by meaningful cautionary statements. The court referred to the US Congress Report 1995 that “[t]he cautionary statements must convey substantive information about factors that realistically could cause results to differ materially from those projected in the forward-looking statement, such as, for example, information about the issuer’s business” [3, p. 19]. The court found that their cautionary statement did not warn potential readers of the specific risk that rising defaults on the bonds would cause the deterioration in their portfolio, even though they are aware of the risk [3, p. 18]. Therefore, the court concluded that the defendant’s cautionary statement was too broad and vague. The court also pointed out that the defendant used the same cautionary statements repeatedly “despite the additional knowledge gained by the defendants” [3, p. 17].

In the Humana case at the US District Court in Kentucky in 2009, the court found the defendant’s cautionary statement was sufficiently meaningful to fall under safe harbor’s protection [12]. The defendant, Humana, is a benefits solutions company offering health and supplemental benefit plans to employer groups and individuals. The company made a forward-looking statement accompanied by the following cautionary statement.

Our business depends significantly on effective information systems and integrity and timeliness of the data we use to run our business. . . . Our ability to adequately price our products and services . . . depend significantly on the integrity of the data in our information systems. . . . If the information we rely upon to run our business was found to be inaccurate or unreliable or if we fail to maintain effectively our information systems and data integrity, we could have operational disruptions, have problems in determining medical cost estimates and establishing appropriate pricing, have customer and physician and other health care provider disputes, have regulatory or other legal problems, have increases in operating expenses, lose existing customers, have difficulty attracting new customers, or suffer other adverse consequences [12, p. 21].

The court referred to the Congress Report that “boilerplate warnings will not suffice” [16, p. 43]. However, the court also

stated that companies are not required to warn people of “the particular factor that ultimately causes the forward-looking statement not to come true” [12, p. 44]. In short, “when an investor has been warned of risks of a significance similar to that actually realized, she is sufficiently on notice of the danger of the investment to make an intelligent decision about it according to her own preferences for risk and reward” [12, p. 20]. Therefore, the court concluded that their cautionary language was “extensive and specific, and accordingly, meaningful” [12, p. 20].

Despite the importance of the language in cautionary statements, “the statute never explicitly defines the term ‘meaningful cautionary statement’, nor did the US Congress ever purport to agree on its accepted meaning” [28, p. 950]. Accumulation of judicial cases over 20 years has not satisfactorily arrived at the borderline between the cautionary statements with ‘specific risk’ (American Express case) and ‘similar to the risk’ (Humana case), since the courts “have not been consistent in their interpretations” [4, p. 2]. However, past cases could suggest some practical guidelines for well-drafted meaningful cautionary statements. According to Chivers and Quinn [14, p. 9-11], there are four important tips for companies to more likely benefit from the safe harbor: (1) “specifically identify examples of forward-looking statements” in the annual reports, (2) “provide a bullet-point list of factors that are specifically tailored to the company and the relevant forward-looking statements”, (3) update the risk factors, and (4) “do not simply reply on the risk factors” stated in the separate document. In addition, Ripken [28, p. 980] claims that corporations should seek to identify all potential risk factors “[r]ather than mentioning only some of the significant factors”. He also suggests not using only broad language such as “there is uncertainty as to the Company’s future profitability” and “the company may face the difficulty . . .” [28, p. 981]. These statements are “simply boilerplate and likely to be ignored by investors” [28, p. 981]. The US SEC also presented the risk factor guidance in 1999 and suggested the use of “plain English” [35] as it is easy to read and uses “everyday words, short sentences, active voice, regular print, and personal pronouns that speak directly to the reader” [34, p. 18].

Regarding the regulation of annual reports in Japan, the Financial Instrument and Exchange Act (FIEA) mandates the annual securities reports for the listed companies in the TSE [17]. Reflecting the events in the US courts and US SEC, Cabinet Office Ordinance of Japan has requested risk information disclosure in the annual securities reports to TSE from April 2003 [10]. However, it simply requests to list *Business and Other risks*. Therefore, companies can decide how to write their risk factors and can select the risk factors to be written. Although there is no regulation equivalent to the safe harbor in the US [19], [20], the presence of cautionary statements or disclaimers has become normal in Japan as well, influenced by the safe harbor rule in the US [38]. However, the language of cautionary statements has never been a juridical issue in the courts of Japan [37]. Companies are liable for the contents of the statements and shall be punished for providing explanations “that contain false statement with regard to

important matters” [15, Article 964 Item 1]. The crucial issue seems to be whether the statement was made with the actual knowledge that the statement was false, regardless of the presence of a cautionary statement in Japan. Under the existing conditions, there are no specific frameworks for the wording of cautionary statements in Japan and cautionary statements are mostly written based on the US standards. Indeed, Panasonic refers to the definition of the forward-looking statement in line with the US Act of 1934. Therefore, the practical guidelines for writing cautionary statements in Chivers and Quinn [14] and Ripken [28], along with the Securities and Exchange Act in the US [29], [30], are used as the frameworks for writing meaningful cautionary statements in the reports analyzed here.

III. LITERATURE REVIEW

Recently, quite extensive empirical studies have been conducted on risk factor disclosures. Campbell et al [11], for example, investigated the effect of risk disclosure mandate 2005 on companies’ risk factor information by collecting 34,491 filings from 2005 to 2008 in the US, and found that it made their disclosure more informative and useful for investors. Nelson and Pritchard [25] supported this by examining the filings of 293 firms from 1996 to 2010, concluding that the companies at high risk of litigation disclose more risk factors than the companies with lower risk litigation after risk factor disclosure mandate. In the industry of mutual funds that are often used for retirement system, however, Mercer et al [24] concluded that presenting only risk disclosure mandate is not effective because current risk statements are too weak to reduce investors’ propensity for the investment. They suggested a stronger cautionary statement “that warns that high past returns usually do not persist” [24, p. 430] as it effectively reduced the participants’ willingness to invest by 12-23%. In terms of the number of risk sentences, Al-Shammari [2] investigated the risk disclosure of 109 Kuwaiti listed non-financial companies. The examination of 1,461 risk sentences (a mean of 19.87) shows the positive association between the number of risk sentences and company size, liquidity, complexity, auditor type, and insignificant association between the number of risk sentences and profitability/leverage. Also, through the quantitative analysis of 28,111 risk sentences, Kravet and Muslu [22] argued that the increase of risk sentences is associated with the increase of volatilities of stock returns and trade volume. Regarding the effects to the investors, Asay and Hales [4] conducted experiments of readers’ reactions to forward-looking statements and cautionary statements. They recruited 121 participants from Amazon Mechanical Turk platform and examined the reliability of forward-looking statements with and without cautionary statements. They concluded that the investors tended to lower the reliability of forward-looking statements when the specific risk factors were discussed at the end of the disclosure documents.

The linguistic analysis of cautionary statements was made by Cheng and Ching [13]. They examined 101 disclaimers in the annual reports listed in Hong Kong stock market, and analyzed linguistic characteristics using the extended concept of local

grammar demonstrated by Hunston and Sinclair [18]. They identified the canonical pattern “describing the prototype of the linguistic elements of disclaimers” and some lexico-grammatical features [13, p. 35]. McLaren-Hankin [23] also examined lexico-grammatical forms in the forward-looking statements of corporate press release, and found a range of forms that function as hedging. She concluded that a corporate press release provides “expressions which are used to signal forward-looking statements and alert the reader to the fact that these statements should not be viewed as reliable”, which substantially means a “paring” of claimer and disclaimer [23, p. 651]. In Bhatia’s [6] genre study, he found that the corporate annual report is designed to present a positive picture and the disclaimer makes it complete to remedy any misleading positive picture. He pointed out that the writers of annual reports provide general information to the readers who do not know so much about the companies’ past performance, which he describes as a “one way unequal interaction” [6, p. 17]. He concludes that this “specific genre is deliberately and consciously bent to achieve something more than just a socially accepted and shared professional objective” [6, p. 17]. In another study, Bhatia [7, p. 39] examined the annual reports of 15 Hong Kong companies and identified four different kinds of discourses, namely, *Accounting discourse*, *Discourse of economies*, *Public relations discourse* and *Legal discourse*. In his analysis, cautionary statements are positioned as *Legal discourse*. Bhatia [7, p. 45] emphasizes the importance of understanding professional practice regarding “how corporate leaders strategically meet the statutory requirements of periodical disclosures of corporate performance without undermining investor confidence at difficult times”. In this way, he advocates critical genre analysis which is defined as “a way of ‘demystifying’ professional practice” to understand how practitioners use the language to achieve their objectives [9, p. 14]. While Bhatia [6]-[8] has successfully provided a critical genre analysis of annual reports, including cautionary statements, the language of specific cautionary statements has not been fully analyzed yet.

IV. RESEARCH QUESTION

This study explores the texts of cautionary statements in the annual reports of two companies, Sony and Panasonic, to describe what constitutes *meaningful* cautionary statements and to understand the reason for practitioners’ use of language in presenting *meaningful* cautionary statements. Based on these objectives, the present study addresses the research question: What are the differences and similarities in the language of cautionary statements in the annual reports of Sony and Panasonic? Specifically, the cautionary statements are compared in word choices, word frequencies and semantic categories.

V. RESEARCH METHOD

Eight cautionary statements in the corporate annual reports of Sony and Panasonic from 2008 to 2015 were collected from corporate websites. Sony and Panasonic were chosen as they

are well-known multinational enterprises and share some important similarities. They currently have a lot of product lines in common such as TVs, audios, videos, cameras, mobile phones and semiconductors. In addition to these common products, Sony has games, medical equipment, ATV music entertainment and financial services. Panasonic has many product lines of household appliances as well as residence system, automobile equipment and solar panels. Sony has 8.2 trillion Japanese Yen of consolidated sales and 40 billion Japanese Yen of consolidated net income before tax in 2015 (US\$80.5 billion and US\$0.4 billion, respectively, under the exchange rate of US\$1=102 yen). Although a consolidated net income before tax was recorded in 2013, 2014 and 2015, a consolidated net loss was recorded in 2009, 2011 and 2012. Sony decided to separate the *Vaio* computer section from the Sony group in 2014, which substantially means the withdrawal from the computer market. Panasonic has 7.7 trillion Japanese Yen of consolidated sales and 182 billion Japanese Yen of consolidated net income before tax in 2015 (US\$75.6 billion and US\$1.8 billion, respectively, under the exchange rate of US\$1=102 yen). Reflecting a repeated record of net loss in 2009, 2010, 2012 and 2013, Panasonic announced a change from its business structure relying on consumer products to the corporate transaction business (BtoB business) mainly in the field of home networks, mobility systems and eco business solutions. The annual reports of eight years were chosen because the business surroundings and economic situation were different for Japanese companies before and after the economic damage caused by the Lehman Shock of 2008 and the East Japan Tsunami of 2011. The analysis of the eight years mirrors the recent status of the two companies and can illustrate the professional practices during times of economic restructuring.

Cautionary statements in Sony's reports are placed at the bottom of the last page as *Cautionary statement* [32] and those in Panasonic's reports on the right-hand side of the table of contents as *Disclaimer regarding forward-looking statements* [26]. Sony's cautionary statements 2014/2015 were taken from Form 20F (annual reports by foreign private issuers in the US) [33], as they did not make the previous types of the annual report separately for the website. Sony's cautionary statements in Form 20F in 2014/2015 were basically the same as those on the annual report of 2013 for the website except for three items (*volatility on financial market*, *cybersecurity risk* and summary of the risk). Sony's cautionary statement corpus (S-corpus) contained 4,398 tokens and 353 types and Panasonic's cautionary statement corpus (P-corpus) contained 4,118 tokens and 317 types. The two corpora were interrogated using Wmatrix [27], which is a web-based corpus linguistics software and automatically provides a "semantic field tag" [27, p. 538] for each word and phrase such as *T* for time, *E* for emotions or *K* for entertainment and sports/games. First, the most frequent 30 words were analyzed. In the analysis of the differences, both S-corpus and P-corpus were used as the study corpora. Therefore, key semantic tags lists were created by switching the study corpus. The words in the most frequent 20 key semantic tags in Wmatrix were analyzed. In the analysis of the similarities, both S-corpus and P-corpus were compared with a

general reference corpus, the BNC written sampler (built in Wmatrix: 968,267 words, hereafter BNC/S), and their shared key semantic tags were analysed. The BNC/S was chosen as the reference corpus because general written English is more appropriate to compare it with corporate annual reports and it is the largest among other written samplers in Wmatrix. The similarities were investigated by using key semantic tags lists of S-corpus vs. BNC/S and P-corpus vs. BNC/S. The two companies' cautionary statements are discussed in accordance with its legal requirements as well as the guidelines for best practice.

VI. RESEARCH FINDINGS AND DISCUSSION

In relation to the research question, regarding the differences and similarities found in the cautionary statement discourses of Sony and Panasonic, Figs. 1 and 2 show the top 30 words in both corpora.

| Word | Frequency | Relative Frequency |
|--------------------|-----------|--------------------|
| and | 270 | 6.14 |
| the | 180 | 4.09 |
| Sony | 160 | 3.64 |
| to | 157 | 3.57 |
| in | 118 | 2.68 |
| s | 116 | 2.64 |
| of | 103 | 2.34 |
| statements | 74 | 1.68 |
| or | 71 | 1.61 |
| ability | 64 | 1.46 |
| are | 56 | 1.27 |
| not | 43 | 0.98 |
| forward-looking | 38 | 0.86 |
| future | 35 | 0.80 |
| any | 32 | 0.73 |
| which | 32 | 0.73 |
| risks | 31 | 0.70 |
| for | 30 | 0.68 |
| and other | 29 | 0.66 |
| conditions | 29 | 0.66 |
| financial services | 29 | 0.66 |
| information | 28 | 0.64 |
| events | 27 | 0.61 |
| segment | 27 | 0.61 |
| also | 26 | 0.59 |
| uncertainties | 26 | 0.59 |
| on | 26 | 0.59 |
| successful | 25 | 0.57 |
| strategies | 24 | 0.55 |
| that | 24 | 0.55 |

Fig. 1 Top 30 words most frequently used in S-corpus

Among the 30 most frequent words, there are 14 lexical words for S-corpus and 13 lexical words for P-corpus. Unlike Ahmad's [1] finding that the top 50 words in a general corpus (BNC) were all grammatical words, both S-corpus and P-corpus have extremely high proportion (47% and 43%) of lexical words. Sinclair [31, p. 16] stated with regard to a specialized corpus that "the characteristic vocabulary of the special area prominently featured in the frequency lists" and these tables confirm this.

Among the lexical words within the top 30 words, three words (company name, *statement* and *forward-looking*) are shared in both S-corpus and P-corpus. They are used for the forward-looking statements and repeatedly appear in the cautionary statements. For example, the first line of Sony's

cautionary statement reads, *Sony's current plans, estimates, strategies and beliefs and other statements that are not historical facts are forward-looking statements about the future performance of Sony*. Panasonic's headline is a *Disclaimer regarding forward-looking statements*. Most of the instances of the word *statements* (80%) are used with *forward-looking* in P-corpus while the half of them (51%) collocate with *forward-looking* in S-corpus. This is because the word *statements* are often used with other pronouns such as *these, those* and *other* in S-corpus.

| Word | Frequency | Relative Frequency |
|-----------------|-----------|--------------------|
| the | 309 | 7.50 |
| and | 196 | 4.76 |
| of | 183 | 4.44 |
| in | 111 | 2.70 |
| to | 103 | 2.50 |
| or | 78 | 1.89 |
| Panasonic_group | 75 | 1.82 |
| and_other | 67 | 1.63 |
| statements | 56 | 1.36 |
| are | 52 | 1.26 |
| forward-looking | 45 | 1.09 |
| securities | 39 | 0.95 |
| any | 36 | 0.87 |
| that | 35 | 0.85 |
| by | 33 | 0.80 |
| U.S. | 32 | 0.78 |
| not | 32 | 0.78 |
| factors | 32 | 0.78 |
| which | 32 | 0.78 |
| possibility | 32 | 0.78 |
| Panasonic | 31 | 0.75 |
| assets | 31 | 0.75 |
| its | 30 | 0.73 |
| changes | 30 | 0.73 |
| business | 28 | 0.68 |
| from | 27 | 0.66 |
| annual_report | 26 | 0.63 |
| exchange | 26 | 0.63 |
| with | 26 | 0.63 |
| may | 25 | 0.61 |

Fig. 2 Top 30 words most frequently used in P-corpus

The word *ability* is ranked 10th in the top 30 words and 3rd in the top lexical words in the S-corpus. Sony uses the word *ability* 64 times in eight years (1.46%). However, it is not listed in the top 30 words in the P-corpus. The reason for this difference could be identified in the risk factors contained in cautionary statements. Examination of Sony's risk factors shows that half (seven) of them (N=14) in 2013 contains the phrase *Sony's ability* such as (iii) *Sony's ability to continue to design and develop and win the acceptance in a price competitive market* and (v) *Sony's ability to implement successful restructuring* [32, p.63]. P-corpus also has 0.51% of *ability*, compared to 1.46% in S-corpus. Three risk factors make use of *ability* in Panasonic's cautionary statement 2008-2014. However, Panasonic seems to prefer the word *possibility* rather than *ability*, as there are four risk factors using *possibility*. For example, both companies refer to a risk factor regarding product quality, whereas Panasonic's reads *the possibility of incurring expenses resulting from any defects in products or services of the Panasonic Group*, Sony's states, *Sony's ability to maintain product quality*. Similarly, Sony has *Sony's ability to forecast demands, manage timely procurement*

and *control inventories*, whereas Panasonic describes the risk as *volatility in demand for electronic equipment and components*. Although the two companies imply a similar impact of unexpected losses caused by demand reduction, excess inventories and the decline of sales, the language used is different. In addition, no instance of the word *ability* can be found in Panasonic's cautionary statement in 2015, as the word has been completely replaced by *possibility* in their risk factors. Panasonic prefers to use *possibility* or *volatility* and so creates the impression that there are external factors that are beyond their control and, therefore, not their responsibility. In line with Bhatia's [7, p.45] analysis, the company strategically discloses the risk factors "without undermining investor confidence". Sony, on the other hand, describes the risk factors using *ability*, which creates the impression that these are internal factors that make it difficult for external parties to disprove in any kind of legal claim. The word choices used in detailing the risk factors show the prioritized strategy for each company. Sony prioritizes legal protection by using the phrase *Sony's ability* though it creates a possibly unfavorable impression by implying a potential lack of ability, whereas Panasonic uses the words *possibility* or *volatility* more than *ability* to convey a possibly better impression to their stakeholders. The language of listing risk factors shows Sony's legal strategy and Panasonic's strategy for investor relations.

Other differences of two corpora have been analyzed by comparing the key semantic tags using Wmatrix. Fig. 3 shows the top 20 key semantic tags for S-corpus.

In Fig. 3, S-corpus was compared with P-corpus. There are 13 key semantic tags for S-corpus with + mark such as *Numbers, Important, In power* and *Giving*. For seven of the key semantic tags of S-corpus, P-corpus has no entries. Therefore, P-corpus' key semantic tags are different from that of S-corpus. Fig. 4 shows the top 20 key semantic tags when the study corpus was changed to P-corpus.

| Tag | (+ key for Sony; — key for Panasonic) | | | | | | Semantic Category |
|--------|---------------------------------------|-------|----------|-------|-------------------|-------------------------|------------------------------|
| | S-corpus | | P-corpus | | Semantic Category | | |
| | Q'ty | Rel.% | Q'ty | Rel.% | LLvalue | | |
| N1 | 102 | 2.32 | 18 | 0.44 | 59.51 | 430.59 | Numbers |
| M6 | 14 | 0.32 | 83 | 2.02 | 59.04 | -84.21 | Location and direction |
| A11.1+ | 30 | 0.68 | 0 | 0.00 | 39.85 | 682128149059731456.00 | Important |
| S7.1+ | 28 | 0.64 | 0 | 0.00 | 37.00 | 636653035329883456.00 | In power |
| A9- | 26 | 0.59 | 0 | 0.00 | 34.36 | 59117778416081984.00 | Giving names |
| Z2 | 18 | 0.41 | 66 | 1.60 | 32.41 | -74.46 | Geographical names |
| T2++ | 24 | 0.55 | 0 | 0.00 | 31.72 | 545702567351418880.00 | Time: Beginning |
| G2.1 | 10 | 0.23 | 47 | 1.14 | 28.57 | -80.08 | Law and order |
| X7+ | 79 | 1.80 | 25 | 0.61 | 26.02 | 195.88 | Wanted |
| X2.4 | 17 | 0.39 | 0 | 0.00 | 22.47 | 38853932567351418880.00 | Investigate, examine |
| M7 | 3 | 0.07 | 26 | 0.63 | 22.46 | -89.20 | Places |
| X8 | 16 | 0.36 | 0 | 0.00 | 21.15 | 363801700114366464.00 | Deciding |
| X9.1+ | 64 | 1.46 | 22 | 0.53 | 18.75 | 172.39 | Able/intelligent |
| S2 | 29 | 0.66 | 67 | 1.63 | 18.06 | -59.47 | People |
| Z99 | 16 | 0.36 | 47 | 1.14 | 18.05 | -68.12 | Unmatched |
| A1.7- | 18 | 0.41 | 1 | 0.02 | 17.41 | 1585.40 | No constraint |
| I1.3 | 18 | 0.41 | 49 | 1.19 | 17.02 | -65.60 | Money: Cost and price |
| X9.2+ | 50 | 1.14 | 16 | 0.39 | 16.22 | 192.60 | Success |
| A5.1 | 12 | 0.27 | 0 | 0.00 | 15.86 | 272851263675709440.00 | Evaluation: Good/bad |
| G3 | 16 | 0.36 | 1 | 0.02 | 14.99 | 1398.14 | Language, speech and grammar |
| K5.1 | 11 | 0.25 | 0 | 0.00 | 14.54 | 250113692450947072.00 | Sports |

Remarks: a) Rel.% is the relative frequency in the text.
b) LL value is the log-likelihood value, which comes from the calculation with word frequency and corpus size [5, p.109-110].

Fig. 3 Top 20 Key Semantic Tags for S-corpus

TABLE I
MAIN DIFFERENCES IN USE OF WORDS PER SEMANTIC TAGS

| Semantic Category | Words of Major differences | Relative % in S-corpus | Relative % in P-corpus |
|--|----------------------------|------------------------|------------------------|
| Numbers (Tag: N1) | i - xvi | 1.99 | 0 |
| | 1933/4 | 0 | 0.44 |
| Location and direction (Tag: M6) | this | 0.23 | 0.58 |
| | position/s | 0 | 0.58 |
| | above | 0 | 0.39 |
| | face | 0 | 0.19 |
| | direct | 0 | 0.19 |
| Important (Tag: A11.1+) | important | 0.23 | 0 |
| | significant | 0.23 | 0 |
| | prioritize | 0.18 | 0 |
| In power (Tag: S7.1+) | manage/ment | 0.52 | 0 |
| Giving (Tag: A9-) | offered | 0.18 | 0 |
| | distribution | 0.18 | 0 |
| | devote | 0.18 | 0 |
| Geographical names (Tag: Z2) | Asia/n | 0 | 0.36 |
| | China/ese | 0 | 0.38 |
| | Euro/pe | 0.18 | 0.38 |
| | United States | 0 | 0.19 |
| Time:beginning (T2++) | continue/d/al | 0.55 | 0 |
| Law and order (Tag: G2.1) | Securities | 0 | 0.95 |
| | rules | 0 | 0.19 |
| | legal | 0.23 | 0 |
| Wanted (Tag: X7+) | strategy/ies/ic | 0.91 | 0 |
| | plans | 0.36 | 0 |
| | in demand | 0 | 0.22 |
| | objectives | 0 | 0.19 |
| | policies | 0 | 0.19 |
| | aim | 0.18 | 0 |
| | required | 0.18 | 0 |
| Investigate (Tag: X2.4) | research | 0.18 | 0 |
| Places (Tag: M7) | countries | 0 | 0.39 |
| | areas | 0 | 0.22 |
| Deciding (Tag: X6) | estimate/s | 0.36 | 0 |
| Able/Intelligent (Tag: N5.1+) | ability | 1.46 | 0.51 |
| People (Tag: S2) | and other | 0.66 | 1.63 |
| Unmatched (Tag: Z99) | 27A/21E | 0 | 0.31 |
| | Matsushita | 0 | 0.19 |
| No constraint (Tag: A1.7-) | Release/d | 0.23 | 0 |
| | regulatory | 0.18 | 0 |
| Money: cost and price (Tag: I1.3) | cost/s | 0.35 | 0.17 |
| | price/s | 0.07 | 0.44 |
| | expenses | 0 | 0.20 |
| | valuation | 0 | 0.19 |
| Success (Tag: X9.2+) | success/ful/fully | 0.89 | 0 |
| | achievements | 0 | 0.39 |
| | win | 0.18 | 0 |
| Evaluate Good/Bad (A5.1) | quality | 0.18 | 0 |
| Language (Tag: Q3) | words | 0.36 | 0 |
| Sports (Tag: K5.1) | game | 0.25 | 0 |
| Getting (Tag: A9) | Exchange | 0 | 0.63 |
| Participating | collaborative | 0 | 0.19 |
| (S1.1.3+) | parties | 0 | 0.19 |
| Linguistic actions, states and processes | expressed | 0 | 0.19 |
| (Tag: Q1.1) | implied | 0 | 0.19 |
| Open: Showing (Tag: A10) | publicly | 0 | 0.27 |
| Industry (Tab: I4) | industrial | 0 | 0.19 |
| Frequent (Tag: N6) | annual report | 0.18 | 0.63 |
| Linear order (Tag: N4) | subsequent | 0 | 0.19 |
| | third | 0 | 0.19 |
| Token (words) | | 4,398 | 4,118 |
| Types (words) (%) | | 353 (8.0%) | 317 (7.7%) |

*The main difference is defined here as that the difference of the two frequencies is more than 0.18%. It helps to establish the key words that have statistically significant differences between the two corpora.

| (+ key for Panasonic; — key for Sony) | | | | | | | | |
|--|----------|-------|----------|-------|-------------------|-------|-----------------------|------------------------------|
| Tag# | P-corpus | | S-corpus | | Semantic Category | | | |
| | Q'ty | Rel.% | Q'ty | Rel.% | LLvalue | | | |
| N1 | 18 | 0.44 | 102 | 2.32 | - | 59.51 | -81.15 | Numbers |
| M6 | 83 | 2.02 | 14 | 0.32 | + | 59.04 | 593.17 | Location and direction |
| A9 | 26 | 0.63 | 0 | 0.00 | + | 37.78 | 631374417443684352.00 | Getting and giving; |
| Z2 | 66 | 1.60 | 18 | 0.41 | + | 32.41 | 291.60 | Geographical names |
| G2.1 | 47 | 1.14 | 10 | 0.23 | + | 28.57 | 401.96 | Law and order |
| X7+ | 25 | 0.61 | 79 | 1.80 | - | 28.02 | -66.20 | Wanted |
| S1.1-3+ | 16 | 0.39 | 0 | 0.00 | + | 23.25 | 386538100399210496.00 | Participating |
| Q1.1 | 16 | 0.39 | 0 | 0.00 | + | 23.25 | 386538100399210496.00 | Linguistic Actions, |
| M7 | 26 | 0.63 | 3 | 0.07 | + | 22.46 | 825.59 | Places |
| X8.1+ | 22 | 0.53 | 64 | 1.46 | - | 18.75 | -63.29 | Able/Intelligent |
| S2 | 67 | 1.63 | 29 | 0.66 | + | 18.08 | 146.74 | People |
| Z99 | 47 | 1.14 | 16 | 0.36 | + | 18.05 | 213.72 | Unmatched |
| A10+ | 12 | 0.29 | 0 | 0.00 | + | 17.44 | 291403566709473280.00 | Open; Finding; Show |
| A1-7- | 1 | 0.02 | 18 | 0.41 | - | 17.41 | -94.07 | No constraint |
| I1-3 | 49 | 1.19 | 18 | 0.41 | + | 17.02 | 190.73 | Money: Cost and price |
| X9.2+ | 16 | 0.39 | 50 | 1.14 | - | 16.22 | -95.82 | Success |
| I4 | 11 | 0.27 | 0 | 0.00 | + | 15.98 | 267119359056842752.00 | Industry |
| G3 | 1 | 0.02 | 16 | 0.36 | - | 14.99 | -93.33 | Language, speech and grammar |
| N6+ | 29 | 0.70 | 8 | 0.18 | + | 14.08 | 287.15 | Frequent |
| N4 | 16 | 0.39 | 2 | 0.05 | + | 13.34 | 754.40 | Linear order |

Fig. 4 Top 20 Key Semantic Tags for P-corpus

Comparison shows that seven semantic tags in Fig. 4 are not listed in Fig. 3. This means that 35% of the top 20 key semantic tags are not shared and are unique to each corpus. They are *Getting and giving*, *Participating*, *Linguistic actions*, *Open: Finding and showing*, *Industry*, *Frequent* and *Linear order*. These tags are included in the analyses of the words and the main differences in the choice of words per semantic tag in S-corpus and P-corpus are summarized in Table I.

In the semantic category *Numbers* in Table I, Sony has 1.99% small Roman numbers such as (ii), (v) or (xiv). These numbers are used to list out the risk factors, which satisfies the practical tip for well-drafted cautionary statements of including “a bullet-point list of factors” [14, p.9]. Sony listed 13 risk factors in 2008. Four risk factors have been added over eight years (+1 in 2009; +1 in 2011; +2 in 2015). Therefore, a total 17 risk factors were listed in Sony’s cautionary statements in 2014/2015. They were the risks of *global economic environment*, *foreign exchange rates*, *a price competitive market*, *large-scale investments*, *restructuring*, *design and development*, *research*, *product quality*, *joint venture*, *global financial market*, *forecast*, *legal proceedings*, *demand in financial services*, *market volatility*, *cybersecurity risk*, *material adverse impacts* and *catastrophic disasters*.

Panasonic, on the other hand, does not number its risk factors, but lists them using a punctuation mark (;). Panasonic had 12 risk factors in 2008. Because of some minor revisions over four years (+2 in 2009; -1 in 2010; +2 in 2011; -1 in 2012), Panasonic presented 14 risk factors during in 2014. They were *economic conditions*, *volatility in demand*, *currency rate fluctuations*, *fund raising environment*, *technology changes*, *joint ventures*, *product competitiveness*, *product defects*, *intellectual property*, *restrictions by other countries*, *market prices of securities*, *future changes to accounting policies*, *results on SANYO Electric* and *natural disasters*. More revisions were made in 2015. The risk factor related to *SANYO Electric* has been replaced by *a leakage of confidential information from the system*. Although the contents of other 13 risks remain the same, the use of words has been revised from the word *ability* to *possibility* in 2015. According to Al-Shammari [2], the mean number of risk sentences was 19.87

as the result of the examination of 109 Kuwaiti companies. Therefore, the number of risk sentences of both Sony (17 sentences) and Panasonic (14 sentences) in 2015 are found below the Kuwaiti mean score.

Within the same *Numbers* semantic tag, Panasonic has 1933 and 1934 which make up 0.44% of the total. These are used in the context of the 1933 US Securities Act and the 1934 US Securities Exchange Act [30] since Panasonic defines forward-looking statements in line with these US Acts. Conversely, Sony provides their own definition of forward-looking statements as statements using words such as *believe*, *expect*, *plans*, *strategy*, *prospects*, *forecast*, *estimate*, *project*, *anticipate*, *aim*, *may* and *might* in 2008 and added *intend*, *seek*, *could* and *should* in 2009. These words are mostly shared with the keywords of hedging found in the forward-looking statements of UK-based companies by McLaren-Hankin [23]. Ten words out of 16 are shared with her list and six words (*strategy*, *prospects*, *project*, *forecast*, *estimate* and *seek*) are unique for Sony. As Chivers and Quinn [14] suggested as a practical guideline, Sony specifically presents some examples of forward-looking statements contained in their annual reports.

The words of *strategy/ies/ic* and *plans* in the *Wanted* semantic tag, *words* in the *Language* tag and *estimate/s* in the *Deciding* tag are all used to explain forward-looking statements in S-corpus. However, P-corpus does not have these words. Instead, P-corpus has a high frequency of the words *securities* in the *Law* tag, *exchange* in the *Getting and giving* tag and the 27A/21E in the *Unmatched* tag since Panasonic often refers to *section 27A of the U.S. Securities Act of 1933* and *section 21E of the U.S. Securities Exchange Act of 1934* to explain the meaning of their forward-looking statements.

Sony frequently uses the words *continue/d/al* in the *Time* tag, *manage/ment* in the *In power* tag, *ability* in the *Able/Intelligent* tag and *game* in the *sports* tag for the description of risk factors. The word *game* is used to exemplify the potential risks of being involved in this specific business. The words *Game segment*, *Game and Picture segments*, *game platforms* and *game business* occur in the risk factors as examples of the price competitive market, hardware/software strategies and product quality. These cautionary statements explicitly state the risk factors “that are specifically tailored to the company and the relevant forward-looking statements” [14, p.9] and so conform to well-drafted cautionary statements. One of the factors cautionary statements should include is “substantive information about factors” [16, p. 43] that are “tailored to the specific future projection” [28, p. 943].

P-corpus has the key semantic tags of *Location/direction*, *Geographical names* and *Places*. The words *Asia/n*, *China/ese*, *Europe* and *United States* along with *countries* and *areas* illustrate the diversified sources of Panasonic’s risk factors as well as the risks of exchange rate volatility in each regional currency. P-corpus also has some money-related words and expressions in the key semantic tag *Money: cost and price*. They are used in relation to the risk factors such as *highly competitive in terms of both price and technology* and *incurring expenses resulting from any defects*. Panasonic’s risk factors

cover many other sales regions and money-related words which may partially fit the cautionary statement requirement to be “substantive and tailored to the specific future projection” [28, p. 943]. According to Asay and Hales [4, p. 5], investors would view positive forward-looking statement “as less reliable” when cautionary statements discuss specific risks. Panasonic makes their risk factors specific by using the words of geographical names and regional currencies.

| Tag# | S-corpus | BNC/S | Semantic Category |
|---------|----------|-------|--|
| | Q'ty | Rel.% | Q'ty Rel. % LLvalue |
| Z3 | 160 | 3.64 | 4809 0.50 + 356.98 632.50 Other proper names |
| A2.1+ | 110 | 2.50 | 3939 0.41 + 213.21 514.82 Change |
| X2.6+ | 56 | 1.27 | 714 0.07 + 209.77 1626.75 Expected |
| X9.1+ | 64 | 1.46 | 1060 0.11 + 209.56 1229.27 Able/intelligent |
| A2.2 | 110 | 2.50 | 4362 0.45 + 194.90 455.20 Cause&Effect/Connection |
| A1.8+ | 67 | 1.52 | 1824 0.17 + 174.26 808.30 Inclusion |
| Z8 | 122 | 2.77 | 72023 7.44 - 169.02 -62.71 Pronouns |
| A15- | 39 | 0.89 | 370 0.04 + 167.00 2220.61 Danger |
| I2.2 | 77 | 1.75 | 2738 0.28 + 150.14 519.15 Business: Selling |
| I1.1 | 70 | 1.59 | 2654 0.27 + 129.12 480.68 Money and pay |
| X9.2+ | 50 | 1.14 | 1382 0.14 + 118.70 696.53 Success |
| Z99 | 16 | 0.36 | 22165 2.29 - 110.17 -84.11 Unmatched |
| X6 | 16 | 0.36 | 37 0.00 + 108.18 9420.46 Deciding |
| A1.5.2- | 16 | 0.36 | 71 0.01 + 90.36 4861.37 Useless |
| Q2.1 | 98 | 2.23 | 7024 0.73 + 87.15 207.17 Speech: Communicative |
| I1 | 64 | 1.46 | 3515 0.36 + 81.00 300.86 Money generally |
| A7- | 26 | 0.59 | 474 0.05 + 80.68 1107.63 Unlikely |
| X7+ | 79 | 1.80 | 5233 0.54 + 78.73 232.37 Wanted |
| M1 | 2 | 0.05 | 10157 1.05 - 75.52 -95.66 Moving, coming and going |
| I2.1 | 51 | 1.16 | 2634 0.27 + 69.25 326.28 Business: Generally |

Fig. 5 S-corpus vs. BNC/S

In relation to the research question, regarding the similarities found across the discourses in cautionary statements of Sony and Panasonic, Figs. 5 and 6 contain the top 20 key semantic tags compared with a general corpus, BNC/S,

each for S-corpus and P-corpus, respectively. The key semantic tags lists illustrate the differences between the cautionary statement discourse corpora and a general corpus.

| Tag# | S-corpus | BNC/S | Semantic Category |
|-------|----------|-------|--|
| | Q'ty | Rel.% | Q'ty Rel. % LLvalue |
| Z3 | 134 | 3.25 | 4809 0.50 + 274.03 555.18 Other proper names |
| A2.2 | 125 | 3.04 | 4362 0.45 + 261.48 573.80 Cause&Effect/Connection |
| A9 | 26 | 0.63 | 11 0.00 + 239.21 55476.28 Getting and giving; possession |
| X2.6+ | 51 | 1.24 | 714 0.07 + 188.68 1578.50 Expected |
| I1.1 | 73 | 1.77 | 2854 0.27 + 147.71 546.74 Money and pay |
| Z8 | 120 | 2.91 | 72023 7.44 - 147.24 -60.82 Pronouns |
| I2.2 | 70 | 1.70 | 2738 0.28 + 133.17 501.14 Business: Selling |
| I1.3 | 49 | 1.19 | 1254 0.13 + 128.52 818.77 Money: Cost and price |
| A1.8+ | 54 | 1.31 | 1824 0.17 + 126.57 681.84 Inclusion |
| I1 | 75 | 1.82 | 3515 0.36 + 120.81 401.70 Money generally |
| S2 | 67 | 1.63 | 2896 0.30 + 116.57 443.98 People |
| A7- | 32 | 0.78 | 474 0.05 + 115.12 1487.38 Unlikely |
| Z1 | 3 | 0.07 | 16434 1.70 - 114.63 -95.71 Personal names |
| I2.1 | 58 | 1.41 | 2634 0.27 + 96.32 417.75 Business: Generally |
| A15- | 24 | 0.58 | 370 0.04 + 84.61 1425.17 Danger |
| A2.1+ | 66 | 1.60 | 3939 0.41 + 81.88 293.97 Change |
| M1 | 1 | 0.02 | 10157 1.05 - 76.69 -97.89 Moving, coming and going |
| Q2.1 | 47 | 1.14 | 2418 0.25 + 68.86 357.04 Law and order |
| S7.3+ | 16 | 0.39 | 206 0.02 + 61.63 1726.26 Competitive |
| N1 | 18 | 0.44 | 15806 1.61 - 49.62 -72.88 Numbers |

Fig. 6 P-corpus vs BNC/S

Figs. 5 and 6 show the top 20 key semantic tags of S-corpus and P-corpus when compared with BNC/S. The top three key semantic tags of S-corpus are *Other proper names*, *Change* and *Expected*. These three semantic tags are also listed in the P-corpus's top 20 key semantic tags list. In this way, the shared semantic tags listed both in Figs. 5 and 6 are compiled to show the similarities across S-corpus and P-corpus in Table II.

TABLE II
SHARED SEMANTIC TAGS

| Semantic Category | Frequent words examples in both corpora | S-corpus % | P-corpus % | BNC/S % |
|-------------------------------------|--|------------|------------|---------|
| More words in S & P corpora (+mark) | | | | |
| Other proper names | Sony, Panasonic group | 3.64 | 3.25 | 0.50 |
| Change | develop/ment/ments, changes/ing, volatility | 2.50 | 1.60 | 0.41 |
| Cause effect and connection | result/s, factors, impact/s | 2.50 | 3.04 | 0.45 |
| Money and pay | investors/ments, income, capital, tax | 1.59 | 1.77 | 0.27 |
| Inclusion | Include/s/d/ing, integration | 1.52 | 1.31 | 0.17 |
| Business: selling | market/s, consumer, sales, customer | 1.75 | 1.70 | 0.28 |
| Expected | Forward-looking, expect/ed, anticipate | 1.27 | 1.24 | 0.07 |
| Money: generally | finance/cial, dollar, yen, currencies, exchange rate | 1.46 | 1.82 | 0.36 |
| Business: generally | financial services, business/es, companies | 1.16 | 1.41 | 0.27 |
| Danger | risk/s | 0.89 | 0.58 | 0.04 |
| Unlikely | uncertain/ties | 0.59 | 0.78 | 0.05 |
| More words in BNC/S (-mark) | | | | |
| Pronouns | which, you, its, that, it, they, those, them | 2.77 | 2.91 | 7.44 |
| Moving, Coming & Going | access | 0.05 | 0.02 | 1.05 |

Both S-corpus and P-corpus have high frequencies of the words in the semantic tags *Expected* and *Danger* and are more than 18 times higher than in the general corpus. This is mainly because the words *forward-looking* and *risks* are frequently used in the cautionary statements. The word *forward-looking* is ranked 13th and 11th in the S-corpus and P-corpus, respectively. *Change* and *Cause effect* semantic tags are also prominent in both corpora, confirming that management risks are often caused by changes in business circumstances and/or management directions. The words in the *Inclusion* tag are essential for cautionary statements since the risk factors need to contain many potential cases. The words *include/s/d/ing* often

collocate with *other* and *but are not limited to*. The phrase *and other* is the 8th most frequent key word in the P-corpus and 19th in the S-corpus. In line with the characteristics of cautionary statements, the words related to accounting and business descriptions have higher frequencies than in the general corpus, such as *investors*, *income*, *tax*, *financial*, *exchange*, *markets* and *business* found in the money and business related semantic tags.

There are two semantic tags, *Pronouns* and *Moving, Coming & Going*, in which the general corpus has more words than the S-corpus and P-corpus. The frequencies of *pronouns* (S-corpus 2.77% and P-corpus 2.91%) are less than half of that in the

general corpus (7.44%). Examination of the breakdown of the pronouns shows that the top three are *which*, *you* and *its* in S-corpus, and *its*, *which* and *that* in P-corpus. Compared with the BNC, the words *which* and *its* are more frequent in both S-corpus (0.73% and 0.36%) and P-corpus (0.58% and 0.73%) than in the BNC (0.38% and 0.17%). However, *that* is more frequent in the BNC (1.09%) than in the cautionary statement corpora (0.36% in S-corpus and 0.44% in P-corpus). The second personal pronoun *you* is used only in Sony's cautionary statement in 2008-2012, as in *Sony cautions you that a number of important risks and uncertainties* and *You also should not rely on any obligation on Sony to update*. US SEC guidelines [34, p. 18] recommend the use of "personal pronouns that speak directly to the reader", and Cheng and Ching [13] also identified the use of *you* in the disclaimers in company annual reports in Hong Kong. However, Sony's use of the pronoun *you* has been replaced by *investors* since 2013. Panasonic has consistently used *investors* rather than *you* for eight years. The second person pronoun *you* has a higher frequency in the BNC (0.61%) than in S-corpus (0.34%). Concerning the use of other personal pronouns, S-corpus has three instances of *their* and P-corpus has eight instances of *they*, but both corpora do not have *I*, *he*, *we* and *she*. In summary, all the uses of the pronouns show the unique characteristics of the two corpora: using fewer personal pronouns and more of the pronouns *which* and *its*. The frequencies of the semantic tag *Moving, Coming & Going* (0.05% for S-corpus and 0.02% for P-corpus) are much less, comparing to the BNC (1.05%). This is because both cautionary statement corpora have only the word *access* in this tag and does not contain the common words related to moving such as *go* and *come*.

Regarding the contents of the risk factors, Sony's wordings of 13 items of risk factors have basically remained the same throughout the eight years. Four risk factors have been added over eight years. They are the factors related to their *forecast*, *catastrophic disaster*, *financial market* and *cybersecurity*. As suggested by Mercer et al. [24, p. 456], the cautionary statement that "provides no new information for investors" is weak and might have little effect on investors' behavior. They found that new and stronger cautions could affect the participants' "willingness" of the investment [24, p. 457]. Panasonic's cautionary statement 2008 had 12 risk factors. As the result of some minor revisions over four years, Panasonic presented 14 risk factors during 2012-2014. In 2015, a remarkable change was made by Panasonic and the five risk factors (out of 14) were revised to add the risk of *a leakage of confidential information from their systems*, to include the risk of *BtoB business areas* (business to business, not to consumers) and to replace the words *ability* to *possibility*. According to the practical advice from Chivers and Quinn [14], it is necessary to update the risk factors in line with economic and business environments. Panasonic may have been in the process of updating the risk factors to catch up with current business and economic circumstances.

VII. CONCLUSION

The characteristics of cautionary statement discourse are

explored by comparing the relevant texts in the annual reports of Sony and Panasonic (2008-2015). Sony has provided 17 risk factors in 2015. Almost half of the risk factors (eight out of 17) contain the phrase *Sony's ability*. Some specific business segments have been exemplified in the risk factors in Sony's reports. Sony has given its own definition of forward-looking statements, with 16 related high frequency words, such as *estimate*, *plans* and *strategy*. Panasonic lists 14 risk factors in 2014/2015. The word *possibility* is used more in the description of the risk factors than *ability* to avoid expressing their inability. Some specific countries and currencies have been exemplified in the risk factors. Panasonic defines forward-looking statements in the same way as the US Acts of 1933/1934 without presenting their own interpretation. When the findings are interpreted with reference to some practical guidelines for well-drafted cautionary statements in the US, the study concludes that the two companies' cautionary statements may have satisfied one of the guidelines; and that is, to provide specific risk factors "tailored to the company" [14, p. 10], regarding specific business segments in Sony's reports and specific countries/currencies in Panasonic's reports. However, Ripken [28, p. 980-1] argues that companies should seek to identify all the potential risk factors "[r]ather than mentioning only some of the significant factors" and explain "how these risk factors relate to the Company itself". If this benchmark is adopted, the 17 and 14 risk factors listed by the two companies may not be regarded as "substantive information about factors" [16, p. 43]. In addition, the contents of the risk factors are basically the same for the eight years investigated, except for the four additions for Sony and the five revisions in 2015 for Panasonic. Therefore, there may be a case that the cautionary statements are judged as "boilerplate warnings" [16, p. 43] and are "likely to be ignored by investors" [28, p. 981]. Cautionary statements need to be strategically designed, considering the potential legal protection "without undermining investor confidence" [7, p. 45], since they may work as a double-edged sword for a company. Clear and exemplified cautionary statements work as the protective tool in the legal dispute and reveal the management weakness. The language of cautionary statements is deeply related to their corporate strategies and can be regarded as the deliberate "discursive activities of professional cultures" [7, p. 48]. Important implications of this study are that this comprehensive approach can be applied in other contexts, and be used by companies to critically reflect upon their cautionary statements.

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