



Survey of Corporate Reports in Japan 2021

KPMG Sustainable Value Services Japan

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Foreword of the “Survey of Corporate Reports in Japan 2021”

In issuing this survey report, we received messages from thought leaders on corporate reporting.



The announcement of the formation of the International Sustainability Standards Board (ISSB) by the IFRS Foundation at COP26 in November 2021 was a major step forward in responding to stakeholder demands for the disclosure of comparable non-financial information.

Japan leads the world in the number of companies issuing integrated reports, but each company has gone through a process of trial and error in determining the structure and content of these reports. The ISSB's standards, to be released this summer, include existing frameworks and initiatives, but do not simply aim to standardize the information disclosed. Rather, it is expected that each company report its future vision and its present state in a multiple dimension lens, where it is clearly articulated how the use of the company's non-financial assets contribute to its value creation, through consistency in the materiality analysis, medium-long term strategies, as well as reporting on the progress of the companies strategies. In this survey of corporate reporting, these points are also fully analyzed, and this report presents important insights on the matters that should be debated by the board.

Even in Japan, the methods for legally-mandated disclosure and voluntary disclosure of corporate information, as well as the disclosure and quality assurance of non-financial information, are being debated. I expect that the prospect of the ISSB's standards will lead to new frameworks and the identification of disclosure items.

I am confident that this report will help companies to address today's major shifts in the practice of disclosing corporate information.

Izumi Kobayashi
Board Member,
Value Reporting Foundation

Over last eight years KPMG in Japan has tracked the adoption of integrated reporting. The increasing pace of adoption revealed by the surveys has coincided with a series of major corporate governance reforms which have had a positive impact, not just on business practices and investor decision-making, but on Japan's reputation as a destination for long-term capital and a centre of business innovation.

The progress tracked by the surveys is remarkable in revealing how management teams have used the Integrated Reporting Framework as a tool to enhance the quality of corporate governance and engagement with investors, consistent with the stewardship code's principles. In doing so, they have articulated medium and long-term plans for value creation, increasingly using the discipline of the 'capitals' to explain the virtuous link between the value created for the business and value created for others.

Each year the survey has brought a different focus. In the 2021 survey we see a much greater emphasis on understanding how management engages in the materiality determination process, a way of understanding the needs and expectations of different stakeholders. Three different reporting formats were examined and the conclusions point to the need both for increased management engagement in the materiality determination process and a need to connect meaningful and comparable metrics to the narrative in an integrated report. In this way, the business would present a more cohesive narrative and decision-useful information.

At a global level the Value Reporting Foundation (VRF) supports these efforts to improve the quality of integrated reporting in Japan. Over the last year, by bringing together the Integrated Reporting Framework and the industry-specific SASB Standards sustainability metrics under one organization, we have been able to demonstrate the compatibility the framework and standards – a welcome simplification to the corporate reporting landscape. The integrated thinking principles provide additional guidance to management, which are already being used to help break down internal silos and link the purpose of the business to its long-term financial performance.

As 2022 unfolds, and the VRF's consolidation with the IFRS Foundation takes effect – coinciding with the establishment for the International Sustainability Standards Board – the impact of our framework and standards will be amplified at a time when the need for high quality corporate governance and reporting has never been stronger. We continue to value KPMG in Japan's work in highlighting, not only the tremendous progress of the past, but the tremendous opportunity for quality improvements in the future.

Jonathan Labrey
Chief Connectivity and Integrated Reporting Officer;
Senior Market Co-Leader, APAC, Value Reporting Foundation



Preface

This report has been issued every year since the *Survey of Integrated Reports in Japan* was first published in 2014. Our goal has been to share updates on progress made in Japan with integrated reporting and the issues involved. This report is our eighth annual survey. It is deeply gratifying that so many readers both in and outside of Japan are interested in using this report.

In 2021, there were significant developments in global frameworks for corporate reporting, in particular reporting of information on sustainability, which can affect enterprise value on a medium- to long-term perspective. In June, the International Integrated Reporting Council (IIRC) and the Sustainability Accounting Standards Board (SASB) merged to form the Value Reporting Foundation (VRF). This was followed in November by the announcement of the formation of the International Sustainability Standards Board (ISSB), under the umbrella of the IFRS Foundation, to set standards for financially relevant sustainability reporting. It was also announced that the VRF, which is expected to drive the development of standards by the ISSB, would consolidate with the IFRS Foundation, together with the Climate Disclosure Standards Board (CDSB).

The many frameworks and standards for the reporting of sustainability information is confusing, at best, for the companies issuing these reports. Moreover, since there were no frameworks and standards with broad global consensus, users of this information have pointed out the lack of comparability and reliability. We expect these issues to be resolved in the future. This is something to welcome both in terms of improving the usefulness and convenience of corporate reports and also in terms of providing a more comprehensive report that lay out the full picture of enterprise value.

The consolidation of reporting frameworks should make companies more aware of the role that reports should play. Many companies issue not only securities reports but also integrated reports, and many report sustainability information. Given this situation, companies need to consider issues they need to convey in a comprehensive way and clarify the focus of their communication in each report. Companies must clearly lay out what factors impact them, how they impact the environment and society, and how they carry out their businesses.

With these points in mind, in addition to the integrated reports we have surveyed since this survey began eight years ago and the securities reports since 2019, from this year, we have also surveyed and analyzed sustainability reporting. We also changed the title of this report to *Survey on Japan's Corporate Reporting*.

Going forward, corporate reports will need to clearly reflect the decisions of the board of directors, who are responsible for keeping the organization navigating toward its purpose, and the decisions of management, who are responsible for executing business operations. They will, at the same time, need to convey the trajectory of the organization as it works to improve and achieve enterprise value in the medium to long term. In this time of unpredictability, readers are looking more for highly reliable and transparent information. We believe that providing faithful reports encourages high-quality communication between companies and stakeholders, increases enterprise value, and leads to improved social well-being.

At KPMG, we hope to fulfill our purpose, "Inspire Confidence. Empower Change." by providing insights based on this survey, as well as in various other forms of support. I hope that this report will be helpful to many people.

Yoshihide Takehisa

Head
KPMG Sustainable Value Services Japan



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The content of this report is based on information publicly available in and outside Japan as of February 18, 2022. We recommend that readers check the websites of policymakers and organizations involved in corporate reports for content released by organizations since then.

About the survey



Purpose and background

KPMG Sustainable Value Services Japan (SVSJ) believes that the companies’ efforts to enhance corporate reporting help increase enterprise value by encouraging dialogue between companies and investors, ever since the Integrated Report Advisory Group, KPMG SVSJ’s predecessor, was formed in 2012. This is why we have continued to survey trends in integrated reporting by Japanese companies since 2014 as part of our survey and research program.

The partial revisions to the Japanese Cabinet Office Ordinance on the Disclosure of Corporate Affairs in 2019, the release of the Financial Service Agency’s *Principles for the Disclosure of Narrative Information*, and other changes have augmented information disclosure in securities reports. We have responded to this trend by continuing to survey and analyze integrated reports, in addition to the survey of the narrative information provided in securities reports since 2019.

In light of efforts to consolidate standards for sustainability reporting through the formation of the ISSB by the IFRS Foundation, we have now again expanded the scope of corporate reports that we survey. In addition, with the hope that clarifying the results and issues will be helpful in improving the competitiveness of Japanese companies, we have added sustainability reports and pages related to sustainability on corporate websites (hereafter, “sustainability reporting”) to the scope of the survey.

Percentages (%) in the survey results may not add up to 100 due to rounding to the nearest whole number.



Scope

The survey covers all 225 companies making up the Nikkei 225 Index* (hereafter, “Nikkei 225 companies;” see page 72).

To ensure continuity with the surveys of the past seven years, the “Basic Information” section on integrated reports (pages 65–71) covers the reports not only of the Nikkei 225 Index, but also all the other companies (716 companies in total; see pages 73–76) included in the List of Japanese Companies Issuing Self-Declared Integrated Reports in 2021, which is issued by the Corporate Value Reporting Lab.

* The Nikkei 225 Index (Nikkei 225) is a registered trademark or trademark of Nikkei Inc.



Methodology

Survey items were selected in consideration of the content that are expected to appear in corporate reports and their significance for investors, who are the primary readers, taking into consideration the standards, reports, and other publications shown below.

All the members of the survey team have determined the report evaluation criteria together. A single person was assigned to conduct the research of each company and thoroughly read that company’s integrated report, securities report and sustainability reporting to confirm the content.

Standards, reports and other used as references

- International Integrated Reporting Council (2021), [International Integrated Reporting Framework](#)
- Financial Services Agency (2019), [Principles Regarding the Disclosure of Narrative Information](#)
- Financial Services Agency (2021), [Reference Casebook of Good Practices on the Disclosure of Narrative Information](#) (Japanese only)
- Financial Services Agency (2021), [Guidelines for Investor and Company Engagement](#)
- Tokyo Stock Exchange (2021), [Corporate Governance Code](#)
- Financial Services Agency (2020), [Stewardship Code](#)
- Ministry of Economy, Trade and Industry (2017), [Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation](#)
- Financial System Council (2018), [Report of the Working Group on Corporate Disclosure](#)
- Financial Services Agency (2019), [Cabinet Office Ordinance on partially revising the Cabinet Office Ordinance on the Disclosure of Corporate Affairs](#) (Japanese only)
- Task Force on Climate-related Financial Disclosures (2017), [Recommendations of the Task Force on Climate-related Financial Disclosures](#) (Final Report)
- Robert G. Eccles, Michael P. Krzus, Carlos Solano (2019), [A Comparative Analysis of Integrated Reporting in Ten Countries](#)
- ACCA (2020), [Insights into integrated reporting 4.0: The story so far](#)



Key Recommendations

Materiality Explain the basis of management decision-making

The number of companies presenting materiality in securities reports and integrated reports has increased for the third consecutive year, and including sustainability reporting, which we added to the scope of our survey this year, over 80% of companies made a reference to materiality.

However, only few reports indicated that the materiality described had been discussed by the board of directors or that it formed the core of management decision-making.

Materiality is analyzed in a process in which the important matters and issues that should be addressed to realize the corporate purpose are considered and then agreed upon. The results then form the foundation for all management decisions.

The board of directors is responsible for laying out the general guidelines that form the basis for decision-making in management, monitoring management and at the same time navigating the company toward its corporate purpose. The board must analyze the company's materiality based on integrated thinking from a medium- to long-term perspective that transcends the current CEO's term, and it must identify the impact of related matters both internally and externally.

Material matters and issues differ depending on the timeframe of the analysis, the way in which changes in the business environment are interpreted, and business strategies, among other factors. Accordingly, even if the material issues identified through analysis may be similar to those of other companies, the substance of the analysis on why, when and where these issues have an impact should be unique to each company.

Integrated reports and securities reports should describe the matters and issues that have a material impact on the company's enterprise value, and should fulfill the responsibility for accountability to relevant stakeholders. Sustainability reporting should cover matters that have a material impact on the environment and society as a result of corporate activity even if there is no regulatory demand for it. Companies should sincerely face up to their social responsibilities and strive to fulfill their own roles.



2

Metrics**Describe the performance and progress made toward achieving the value creation story**

We feel that more and more companies every year are trying to refine their explanations of their value creation story in their integrated reports and securities reports as they continue to work on integrated reporting. However, performance and progress made on the value creation story, which begins with the materiality essential to achieving the corporate purpose, should be assessed using metrics,¹ and few reports provide this level of analysis.

In order to deliver better reporting, it is effective to connect the future vision of the company, the anticipated risks and opportunities, strategies, and performance and analysis of current performance based on the company's value creation story. If issues related to sustainability are integrated in a strategy from a medium- to long-term perspective, appropriate metrics can be selected and targets for them can be set. By monitoring these over the years and then describing management's analysis and understanding in the company's reports, the progress made in achieving the value creation story can be conveyed more specifically and objectively. Moreover, it is effective to give the reason the metrics were selected to facilitate readers' understanding of the ongoing achievements, which can be grasped by monitoring the results (values) and fluctuations in the selected metrics.

Reports that focus on enterprise value, as integrated reports do, consider different timeframes depending on the characteristics of the business, and metrics revealing progress and results from initiatives must be selected and reported on. Sustainability reporting focuses on the impact that companies have on the economy, environment and society, and based on the assumption that this affects enterprise value over a longer time span than business strategies, metrics suitable for such monitoring should be adopted.

¹ Metrics are measures of performance or progress made on activities and processes. They can be shown as quantitative figures or qualitative notes.

3

Reconsider the purpose of each report

In comparing the content of securities reports, integrated reports and sustainability reporting issued by a single company, we found that there were some companies which have a clear view about the different targeted reader of each report and change the main content of each reports while some companies have failed to do so.

It is presumed that the main users of the securities reports and integrated reports are investors and thus these reports tend to focus on materiality related to enterprise value, and describe the future direction, initiatives aimed at achieving the corporate purpose, and their performance. In contrast, it is presumed that sustainability reporting is targeted to multiple stakeholder groups with an interest in the achievement of the company's purpose, and thus primarily report on the company's impact on the economy, environment and society.

Corporate management which practices integrated thinking, focuses not only on the company itself, but also focuses on long-term value creation for the society and major stakeholders. Business models, which are mechanisms for creating value, are built, and various considerations and measures are taken.

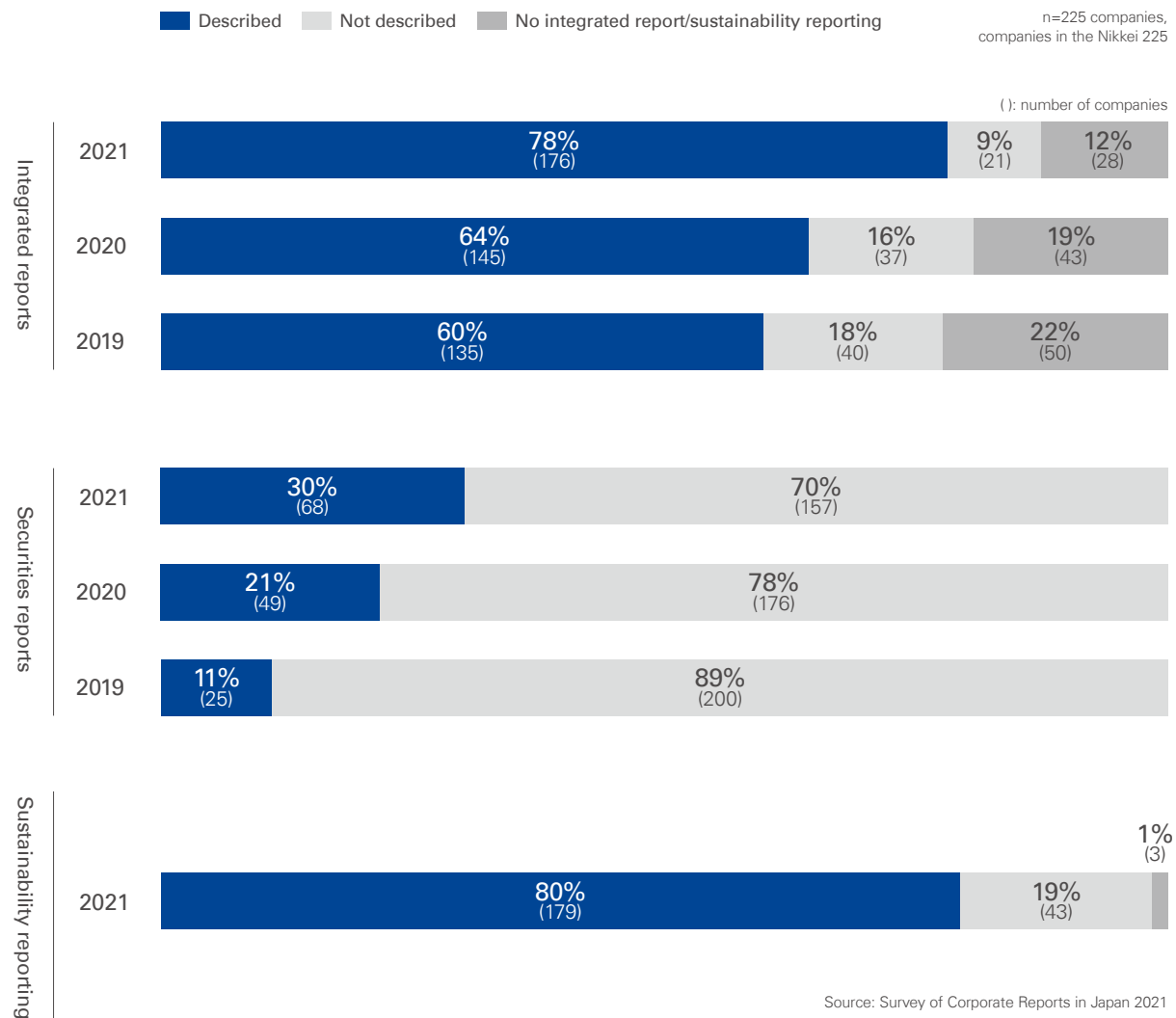
The impact that business activity has on the economy, environment and society could affect the company's business model and thus its enterprise value, on a long-term basis. However, assumptions concerning the extent of the impact on enterprise value and the timing with which that impact would become material differ for each company.

Based on this understanding of materiality, report content should be organized in accordance with the objective and the interests of the targeted audience of each report. Conveying the company's direction and how it manages the company will earn better understanding from the user of the information and lead to higher quality dialogue with stakeholders.

To what extent do boards of directors discuss materiality?

The number of companies describing materiality in their integrated reports and securities reports has increased for the third consecutive year, with 78% of companies making a reference to materiality in integrated reports and 30% in securities reports. In sustainability reporting, which we added to the scope of our survey this year, 80% of the companies makes a reference to materiality (Figure 1-1).

Figure 1-1 Materiality



Source: Survey of Corporate Reports in Japan 2021



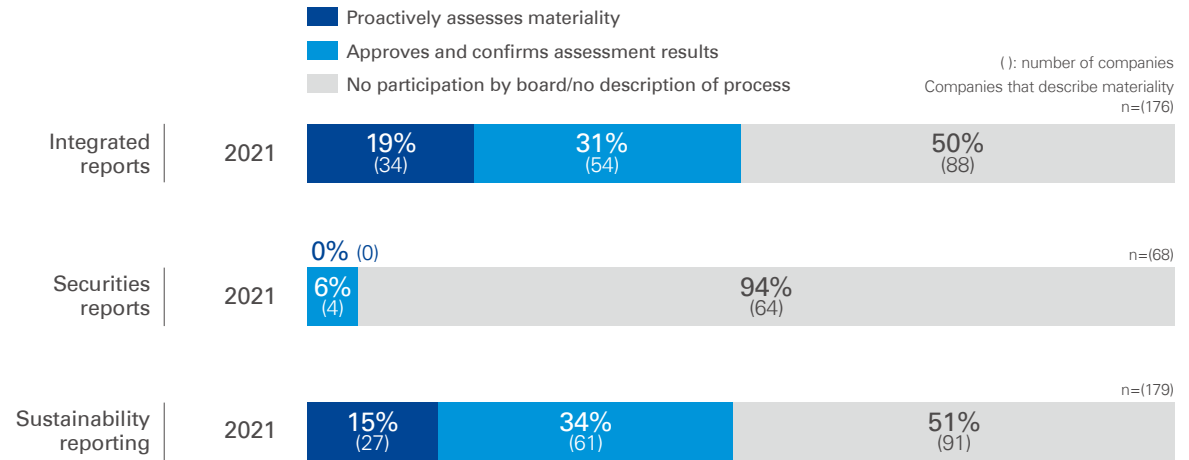
To what extent do boards of directors discuss materiality?

While the number of companies mentioning materiality has increased, not many described the materiality assessment process, including the criteria for determining materiality. Few companies explained the involvement of the board of directors in identifying materiality. Of companies that mentioned materiality, 19% of integrated reports included an explanation of the proactive involvement of the board, while 0% of securities reports and 15% of sustainability reporting did so, which is quite limited (Figure 1-2).

Identifying materiality is a process by which corporate management considers and then agrees upon the important factors and issues that must be addressed to increase enterprise value, and the results then form the foundation for management decisions. The board lays out the broad guidelines that are the basis for a wide range of decision-making at the execution level, and it is responsible for monitoring management as well as navigating the company toward its purpose.

After forecasting the medium- and long-term business environment based on the understanding and assessment of the current business conditions, the board should fully discuss and build a shared understanding of how to perceive the factors that could affect the sustainability of the company's business model and whether the related management issues are material or not. This process encourages the creation of a foundation that leads to sustainable value creation. Moreover, appropriately explaining the results of the board's discussions will

Figure 1-2 Board's involvement in the materiality assessment process



Source: Survey of Corporate Reports in Japan 2021

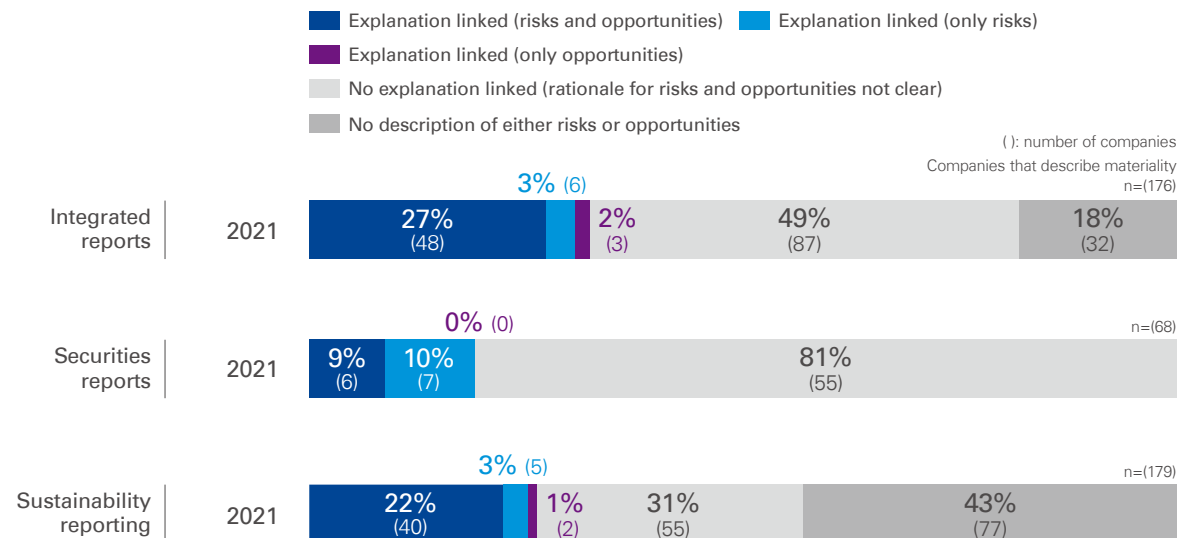
convey effectively to stakeholders, the board's evaluation criteria and rationale for making assessments on complex and diverse management issues, which is not limited to only environmental and social issues. This in turn facilitates an accurate understanding of the sustainable value creation story.

Consistently explain the path to achieving the company's purpose

In order to grasp whether the path to achieving the company's purpose was explained in a consistent manner based on its materiality assessment, we examined whether explanations of risks, opportunities and strategies were linked to the results of the company's materiality assessment. We also looked at whether metrics related to material matters and issues were presented.

The percentage of reports which the explanation of risks and opportunities showed linkage to the results of materiality analysis was only 27%, even for integrated reports, which had the highest percentage. This was followed by 22% for sustainability reporting and 9% for securities reports (Figure 1-3).

Figure 1-3 Risks and opportunities linked to results of materiality analysis



Source: Survey of Corporate Reports in Japan 2021



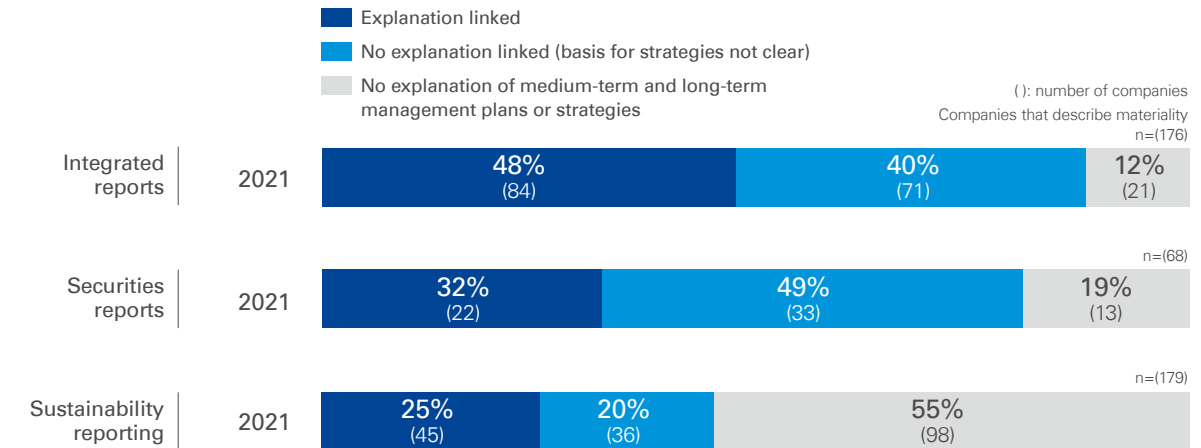
Consistently explain the path to achieving the company's purpose

Less than half of the reports showed linkage between materiality and strategy. The percentage was highest for integrated reports, at 48%, followed by 32% for securities reports and 25% for sustainability reporting (Figure 1-4).

The percentage of companies that used target and performance metrics which are connected to material matters and issues was 56% for integrated reports and 58% for sustainability reporting, exceeding half the reports, but was only 9% for securities reports (Figure 1-5).

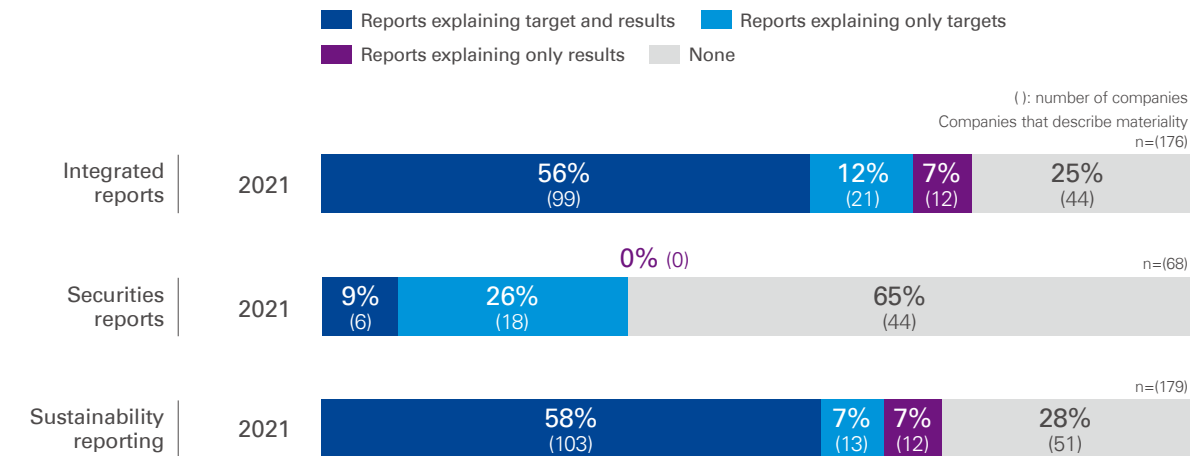
These survey results show that even if material matters are identified by management and the board of directors, the way in which they are reflected in corporate management, including the consideration of risks and opportunities, the establishment and monitoring of medium- and long-term strategies, is not conveyed clearly to readers.

Figure 1-4 Descriptions of how medium- and long-term management plans and strategies are determined in light of results of materiality analysis



Source: Survey of Corporate Reports in Japan 2021

Figure 1-5 Metrics related to material factors



Source: Survey of Corporate Reports in Japan 2021

Share background information that demonstrates why a matter is deemed material

We carried out the survey from the following three perspectives in order to grasp whether information that is useful and helpful in decision-making was provided to information users.

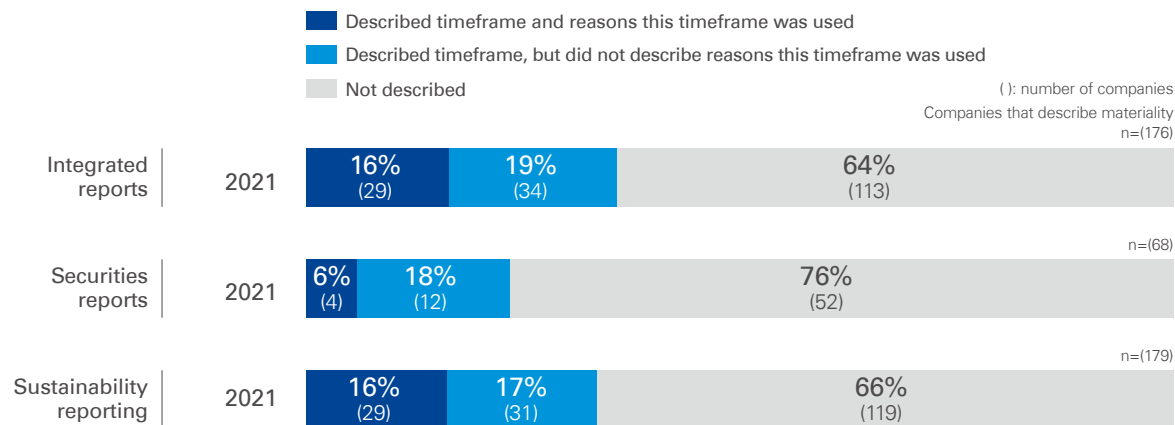
• Timeframe of materiality assessment

The percentage of companies which specified a timeframe for its materiality assessment and explained the reasons for using this timeframe was 16% for integrated reports and sustainability reporting and 6% for securities reports (Figure 1-6).

• Identifying key stakeholders

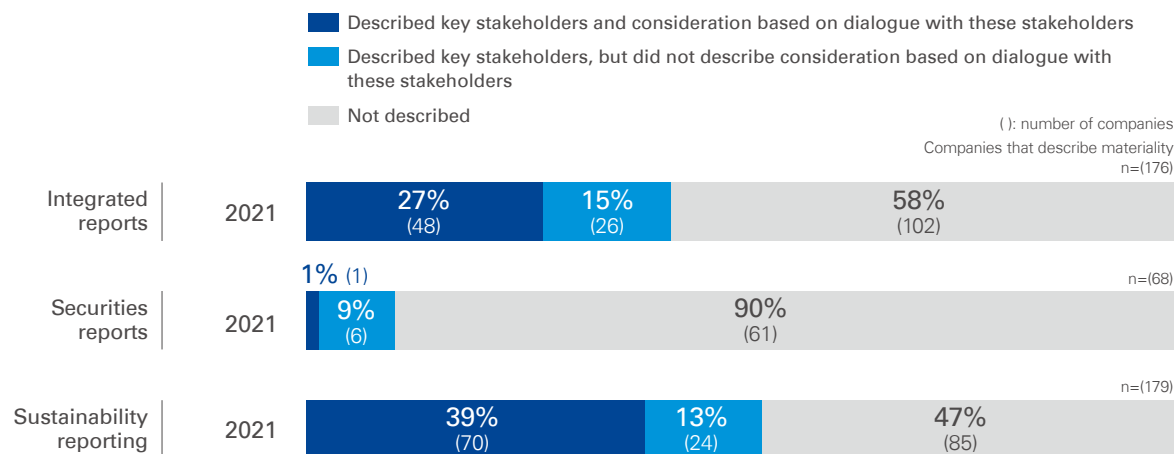
The percentage of companies that identified the key stakeholders which have a major effect on increasing enterprise value and indicated that they reflect the results of engagement with such stakeholders in their materiality assessment was the highest for sustainability reporting, at 39%, followed by 27% for integrated reports and 1% for securities reports (Figure 1-7).

Figure 1-6 Identifying timeframe for materiality analysis



Source: Survey of Corporate Reports in Japan 2021

Figure 1-7 Consideration of materiality based on dialogue with specific key stakeholders



Source: Survey of Corporate Reports in Japan 2021



Share background information that demonstrates why a matter is deemed material

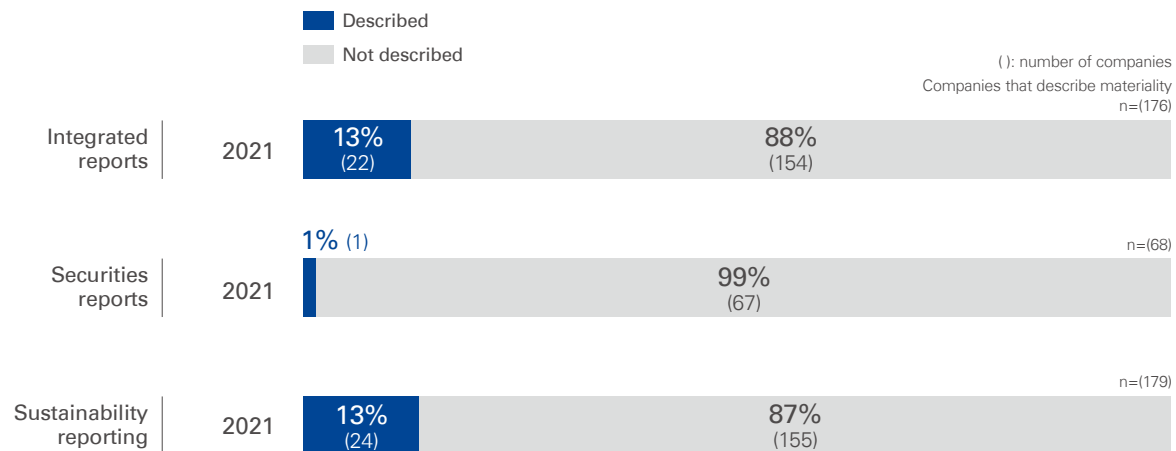
• Explanation of rationale for identifying a matter as material and anticipated impact

The percentage of companies explaining this was 13% for integrated reports and sustainability reporting, and 1% for securities reports (Figure 1-8).

These survey results indicate that explanations to provide background information for the timeframe used for materiality assessment and each material matter identified were inadequate in almost all the reports.

In fact, in identifying materiality, companies should set timeframes taking into consideration the characteristics of their own business and product cycles. Companies should consider the results of engagement with its stakeholders who have a major effect on increasing enterprise value in their discussions and assessments. Having done so, explaining the background for determining whether a matter is material would be an effective way for reports to conveying a company's perceptions accurately in a management environment that is changing rapidly and in complex ways.

Figure 1-8 Explanation of rationale for identifying a matter as material and anticipated impact



Source: Survey of Corporate Reports in Japan 2021

Good practice

Presenting materiality that is consistent with the value creation story

In one integrated report, the CEO explained how materiality was identified through back casting the environmental and social issues projected for 2030, based on the company's purpose and management philosophy. The CEO then discussed how to increase the enterprise value in the medium and long term by positioning these material matters at the core of its business activities.

Based on the company's vision for 2030 and the anticipated external environment, the report explains the impact on both opportunities and risks for each material issue that it had identified, and explains these clearly with links to the medium-term plan and KPIs. The targets and results were laid out for the KPIs tied to material issues, making it clear that the company monitors the progress of its medium-term plan. Moreover, in regard to the implementation status for measures connected to each material issue, the report explained that the head of the audit committee, who is an outside director, follows up by considering whether the initiatives taken are effective in increasing medium- and long-term enterprise value. This indicates that management and the board of directors take a central role in considering strategies, risks and opportunities, with materiality assessment as the starting point.

S POTLIGHT

Encouraging integrated thinking by top management: Prototype Integrated Thinking Principles Released

On December 7, 2021, VRF released its [prototype Integrated Thinking Principles](#).

The Integrated Thinking Principles describe the management philosophy that puts the focus on creating long-term value for the company and key stakeholders. This document is intended to be used as a reference by the board of directors, management and senior leadership.

The business model, which is the company's unique mechanism for explaining its methods for executing strategies and creating long-term value, is the central element of these principles, with purpose, strategies, risks and opportunities, culture, governance and performance as the surrounding elements. These are summarized as the six principles.

VRF believes that through using the prototype Integrated Thinking Principles it will allow the user to once again understand the elements that are indispensable to creating value for the long term, executing strategies, strengthening corporate governance, and building corporate culture — and therefore to achieving the company's purpose — and that this understanding will in turn lead to necessary actions. This will ensure that an organization's decision-making is more closely linked to value creation. In addition, VRF notes that integrated thinking can be embedded in an organization throughout the year by adopting an approach coupled with the annual integrated reporting process.

The prototype Integrated Thinking Principles help encourage understanding of what integrated thinking — as described in the integrated reporting framework thus far — really is. They also emphasize once again that the board of directors and management should play the leading role in putting integrated thinking into practice. Accordingly, these principles will be a helpful reference in encouraging the proactive involvement of the board and management in the integrated reporting process, thereby leading to more concrete actions.

VRF plans to finalize the Integrated Thinking Principles in the second quarter of 2022.

In addition to the finalization of the Integrated Thinking Principles, VRF also plans to provide guidance. We expect this to encourage companies to put these principles into practice, and the resulting positive cycle of integrated thinking and integrated reporting will lead to increased value for companies and stakeholders.

Sumika Hashimoto



S POTLIGHT

Discussion on sustainability disclosure rules in Japan

With the establishment of reporting standards for global sustainability information and related disclosure rules in countries all over the world proceeding rapidly, the Financial System Council's Working Group on Corporate Disclosure (DWG) established in Japan's Financial Services Agency is considering steps to augment the disclosure of sustainability information in securities reports. In the review by DWG, themes such as materiality, methods for disclosure, and submission of comments on international standards are being discussed.

Different approaches to understanding materiality are shown internationally. In DWG's discussions, "the view that consistency with the double materiality concept in the EU and elsewhere should be considered" was shared, but another view held that, "with reference to the significance of the securities report, decisions should be made from the perspective of the impact on enterprise value, based on whether the information is important for investor decisions or not."

The DWG also touched on disclosure methods, and stated that, given that a relatively large number of companies are voluntarily reporting sustainability information, "a framework that could be accepted as voluntary disclosure utilizing the ingenuity of some listed companies (for example, ensuring the comprehensive nature by making a reference to voluntary disclosure in securities reports) is preferable."

The DWG also stated that "it is essential that a system for conveying opinions about the establishment of international standards and considering individual items for sustainability disclosure in Japan be established," in light of international trends on the disclosure of sustainability information. Accordingly, the Financial Accounting Standards Foundation decided to establish [the Sustainability Standards Board of Japan \(SSBJ\)](#).

Up until now, experience with sustainability reporting has primarily been built up through voluntary reports, but with such rapid progress in considering the systematization of reporting on sustainability information underway in Japan as well, we believe that companies will need to take initiatives to develop more comprehensive corporate reporting that organically links sustainability reporting to financial reports.

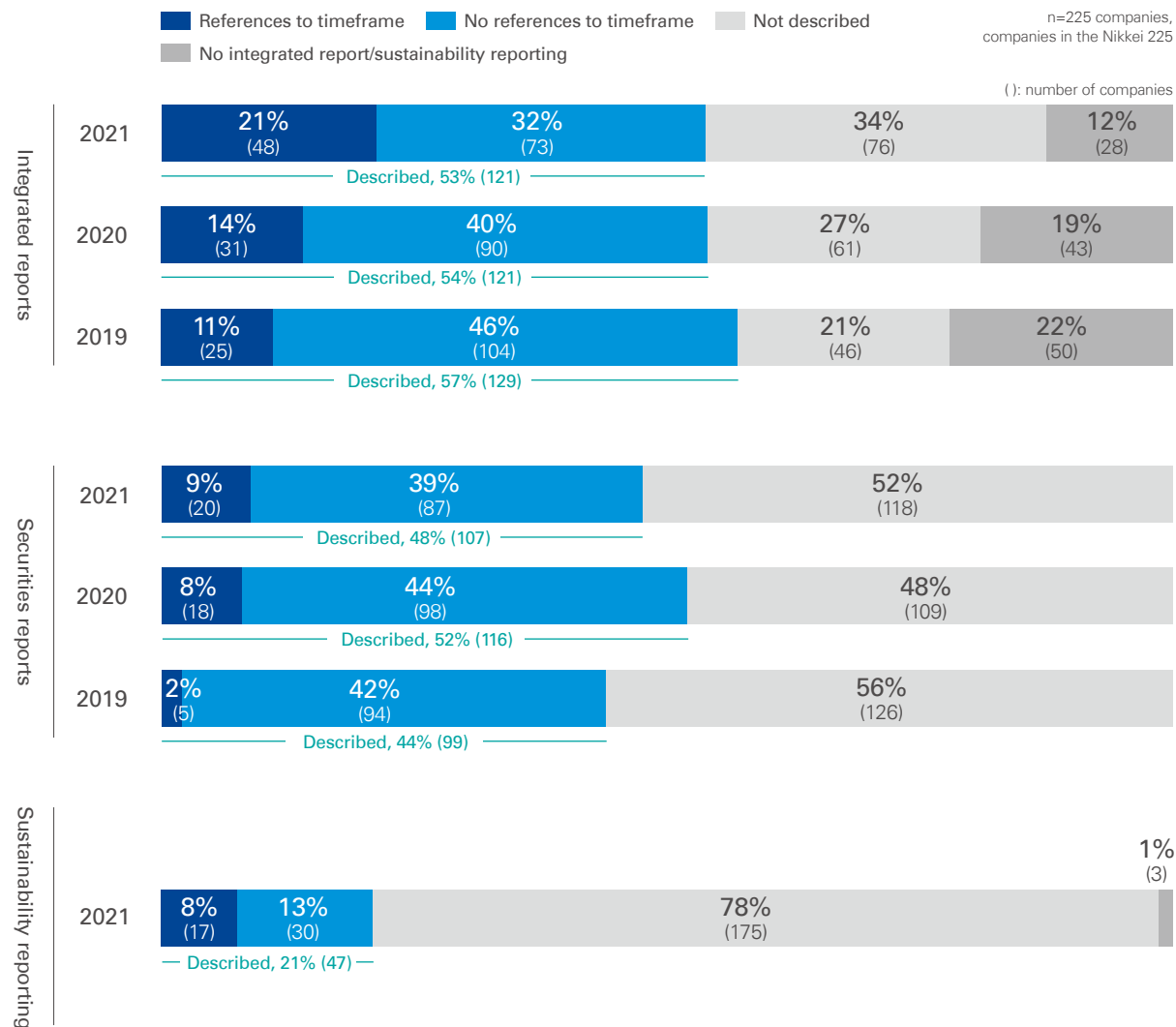
Masahiro Hara

Only a few companies are reporting outlook, but increased disclosure on timeframe

The percentage of companies that describe the future outlook has not increased significantly over the past three years in either integrated reports or securities reports, with only about half of the reports describing their outlook. Only 21% of sustainability reporting refers to future outlook.

However, the percentage of companies that explain their future outlook while specifying the timeframe increased by 7 points over the previous year to 21% for integrated reports and increased 1 point to 9% for securities reports. The percentages remain low, but they have increased for three years in a row (Figure 2-1).

Figure 2-1 Outlook



Source: Survey of Corporate Reports in Japan 2021

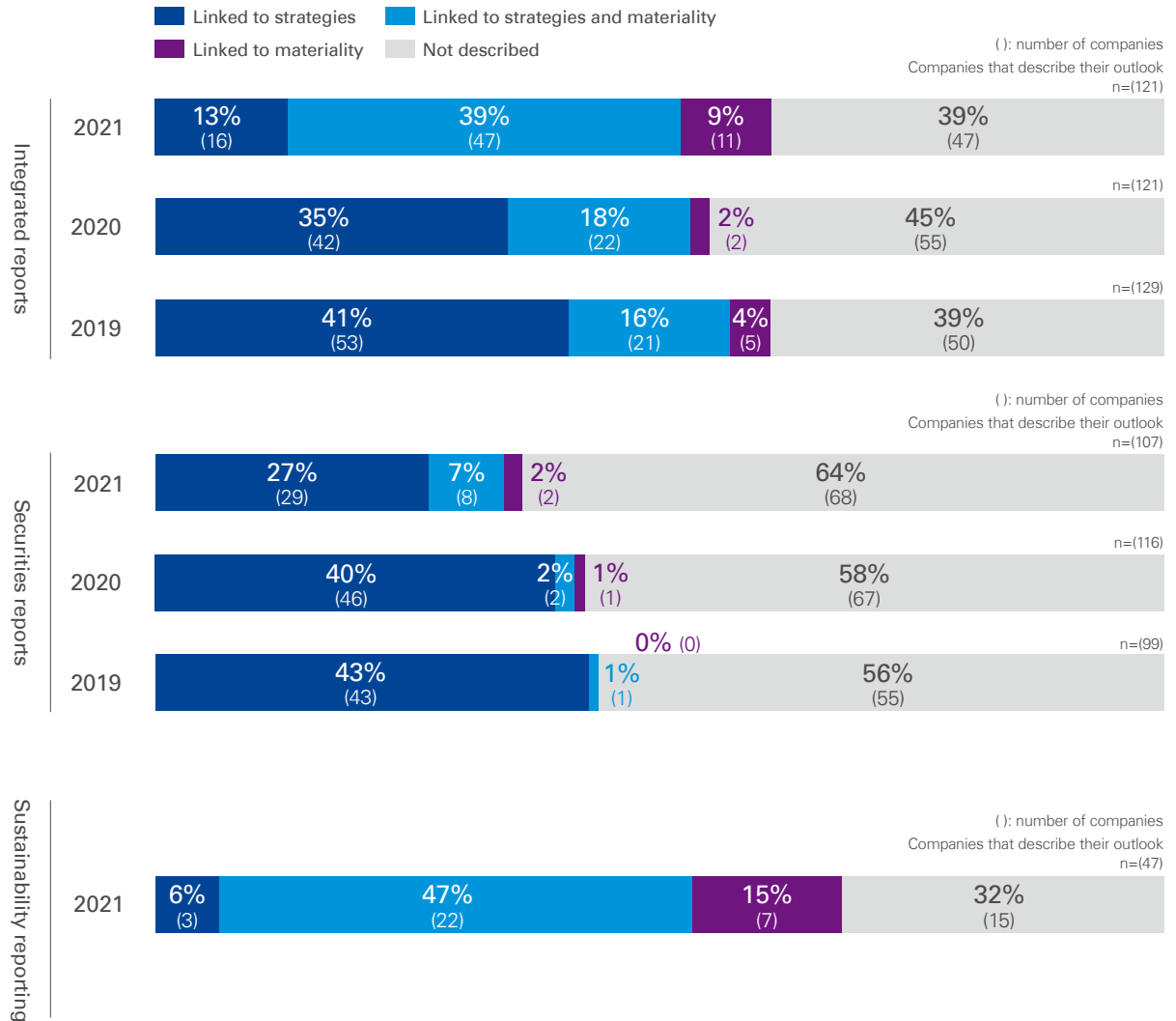


Only a few companies are reporting outlook, but increased disclosure on timeframe

Of those companies that describe their future outlook, the percentage of companies that explain this in the context of both strategies and materiality increased 21 points over the previous year to 39% for integrated reports, and increased 5 points to 7% for securities reports, showing an upward trend for both types of reports (Figure 2-2).

In this survey, although the number of companies describing their outlook did not increase greatly, there was an increase in the number of companies explaining the timeframe with which they project the future and how they identified materiality and established strategies, which is a favorable trend. The highly uncertain nature of society makes it very important that companies discuss their future outlook. We also hope that companies will discuss the assumptions behind their sustainable value creation story.

Figure 2-2 Outlook linked to materiality and strategies



Source: Survey of Corporate Reports in Japan 2021

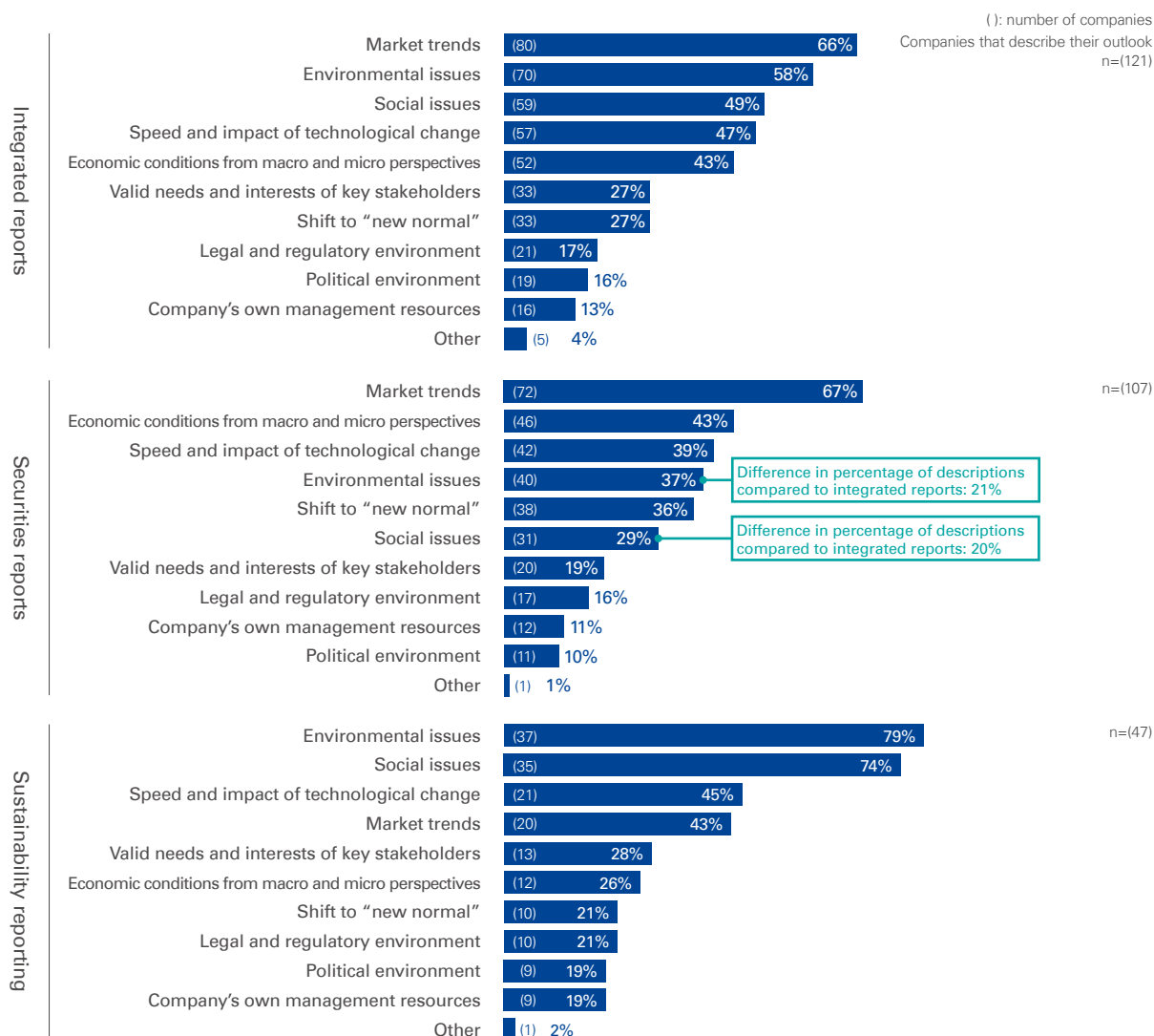
Inconsistencies between companies' reports obstruct understanding of the future outlook

A survey of the perspectives used in describing the company's future outlook showed that descriptions of market trends were the most commonly used perspective in integrated reports and securities reports, at 66% and 67%, respectively (Figure 2-3). It makes sense that most companies would predict market trends in these two types of reports, both of which aim to report on enterprise value to investors.

In sustainability reporting, descriptions of the outlook for environmental issues accounted for the highest percentage, at 79% (Figure 2-3). Sustainability reporting is expected to report on the material impact that the company has on the economy, environment and society, and for this reason a broader scope of change in environmental issues is captured.

However, there was a lack of consistency in some cases, so that even when the outlook was described in integrated reports, it was not always referred in securities reports. This trend was particularly strong for environmental issues and social issues, with gaps of 21% and 20%, respectively, in the percentage of descriptions in securities reports compared to integrated reports (Figure 2-3). A lack of consistency in explanations of the future outlook could prevent an accurate understanding of the value creation story.

Figure 2-3 Explanation of outlook



Source: Survey of Corporate Reports in Japan 2021



Describe future outlook shared by management and board of directors to internal and external stakeholders and ensure consistency of reported content

Corporate reports are expected to provide an explanation of management's expectations on changes in the management environment in the short, medium and long term. This is true not only for integrated reports and securities reports, which report on enterprise value, but also sustainability reporting. This is because the users of this information want to be able to look at the medium- and long-term value creation story upon which a company's sustainability depends and understand management's views on changes in the management environment and the direction.

It is not enough to simply list the outlook for the management environment in reports. Companies can only provide useful information if they report their views on the business environment by describing management's decision-making process, whereby they consider short-term, medium-term and long-term changes in the management environment, and then identify material issues and incorporate them in their strategies. Moreover, descriptions should be based on a timeframe that is useful for understanding the business in order to encourage understanding of the validity of the policies and strategies.

Companies are able to ensure the consistency of the content of the various reports they issue, through discussions by management and board of directors, on the outlook of the business environment, which form the basis of identifying materiality and establishing strategies taking into consideration the timeframe. This should also be shared internally within the company.

Good practice

Describing outlook of business environment by each customer category as a basis of its business strategies

One company that runs multiple businesses described the outlook of the business environment by each customer category (which amounted to more than 10) and the resulting risks and opportunities as well as the related segments upon describing its business strategy in its integrated report. Even in its securities report, this company explained the customer categories and the corresponding segments, and then explained in detail the business environment for each customer category. Both the integrated report and securities reporting fully explained the company's future outlook.

*Principles for the Disclosure of Narrative Information*², released by the FSA states that companies should explain management's thoughts on the management environment for each segment so that investors can accurately understand management policies and management strategies for each one. Providing useful information that contributes to the understanding of the management environment in each segment will facilitate an accurate understanding of the value creation story.

² Financial Services Agency (2019), Principles Regarding the Disclosure of Narrative Information <https://www.fsa.go.jp/en/news/2019/20190606-3/01.pdf>

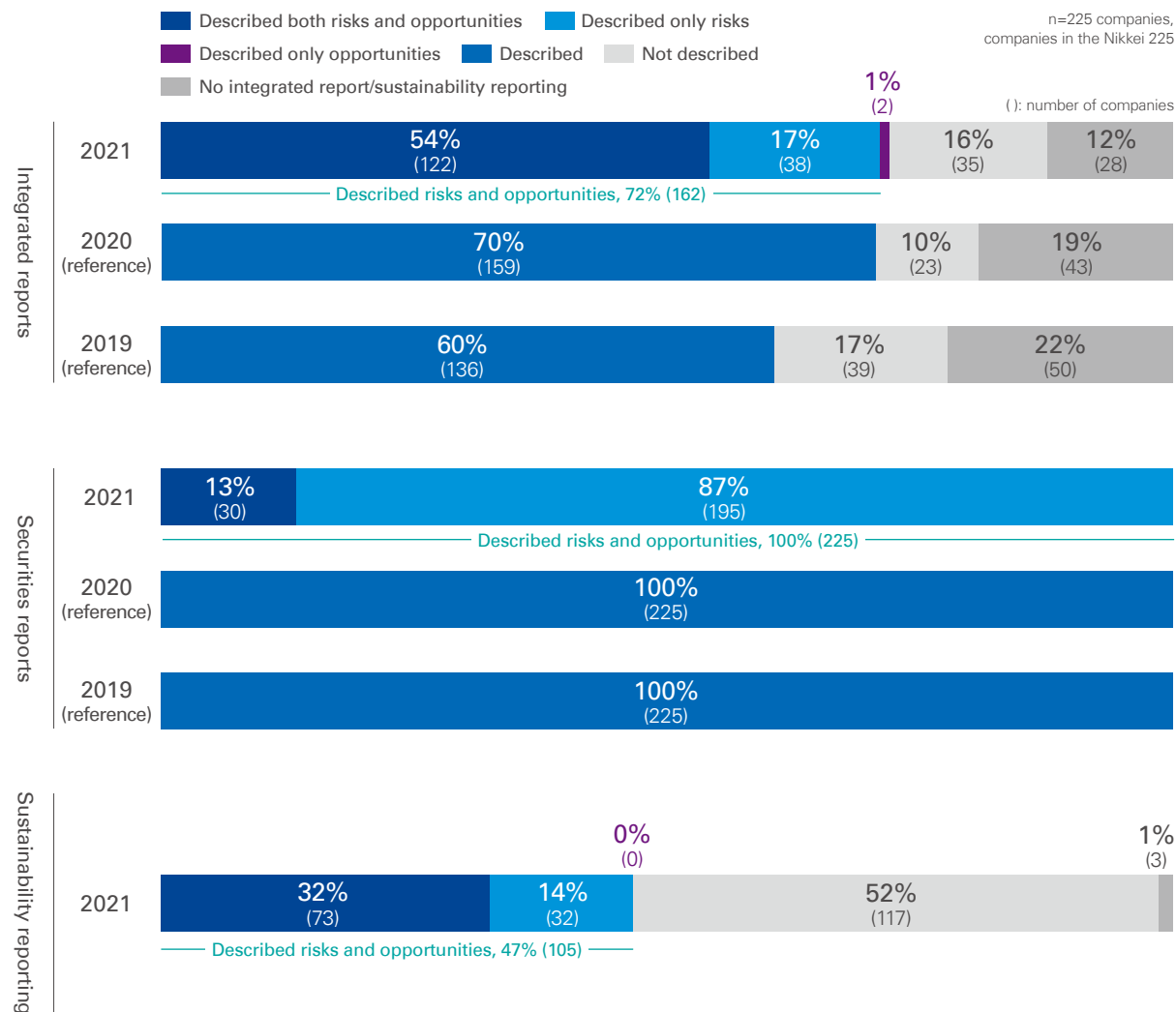
Use medium- and long-term perspectives to augment explanations of risks and opportunities

A survey of descriptions of risks and opportunities showed that the percentage of companies that explain both risks and opportunities was highest for integrated reports, at 54% (Figure 3-1). It was lowest for securities reports, at 13%, and was lower than expected in sustainability reporting, at 32%.

Risks and opportunities identified with a focus on a company's value creation are derived from factors that are material to the company's sustainability, based on the outlook on the management environment. This means that in the medium to long term, these risks and opportunities are inextricably linked. By providing not only information on risks, but also on the possibility that they could become opportunities, a company can communicate the feasibility of its value creation story to the reader.

In addition, the impact that a company may have on the environment and society temporarily or in the short term can spill over into companies' business risks and opportunities in the long term, which could affect the company's chances of survival. A strategy that integrates a sustainability perspective with business strategy considers not only the correlation with the process of value creation, but also the impact on the ecosystem — i.e., the environment, society and external economy. Companies should explain their business risks and opportunities from a more all-encompassing perspective.

Figure 3-1 Risks and opportunities (including only risks or opportunities)



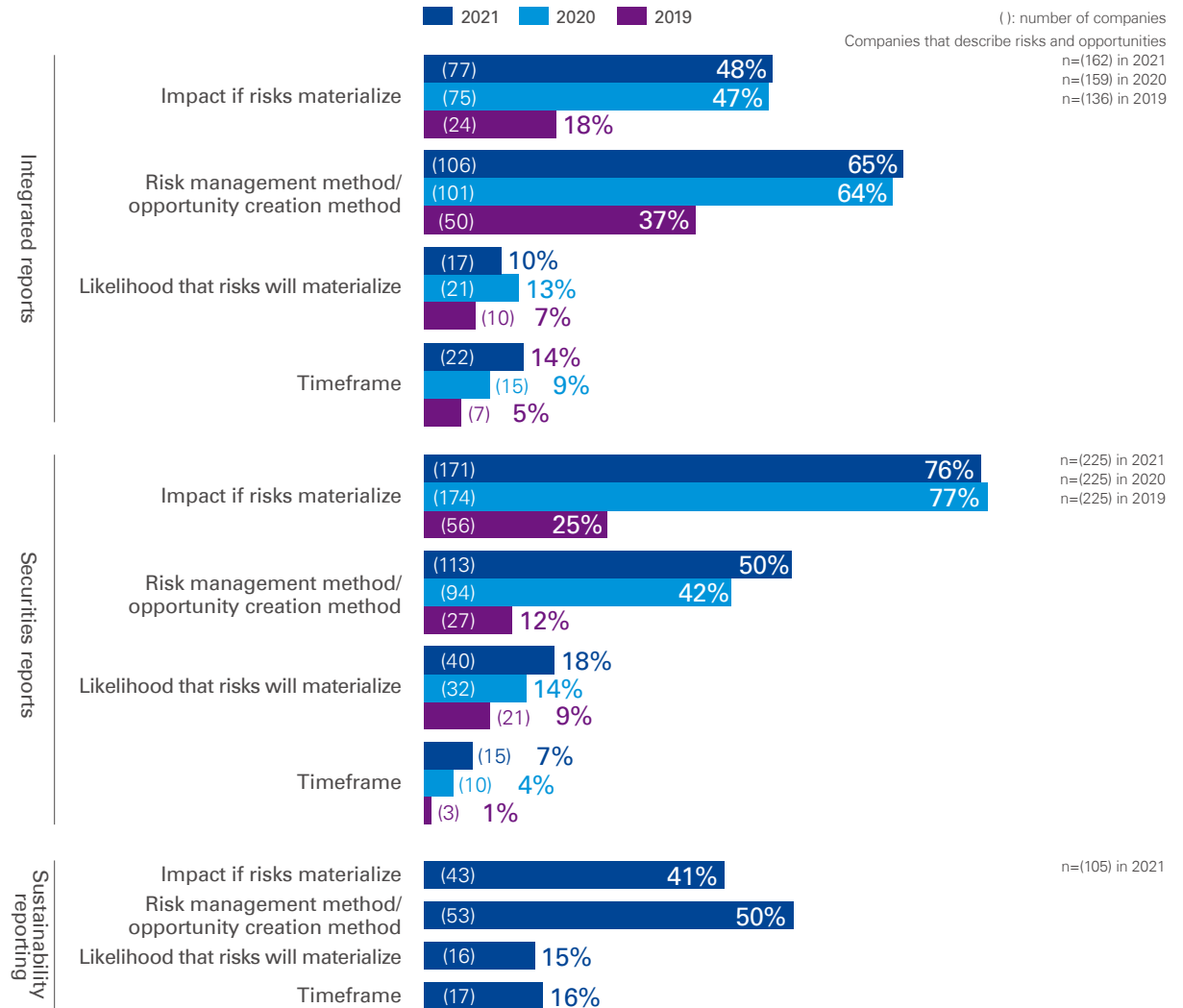
Source: Survey of Corporate Reports in Japan 2021



Add information such as anticipated impacts to facilitate understanding of the business

More companies are providing information on their risk management methods and methods for creating opportunities, along with the impacts that have materialized or could, together with the timeframe, in both integrated reports and securities reports (Figure 3-2). Companies that link risks and opportunities to their impact on business segments and can reflect this in their strategies while remaining aware of the time until they materialize will be able to better convey a sustainable value creation process. Information on the policies to manage the identified risks and opportunities and reporting on how the company considers and implements ways to effectively create and utilize opportunities are helpful in fostering understanding of the future businesses that will make the company sustainable.

Figure 3-2 Details of risks and opportunities



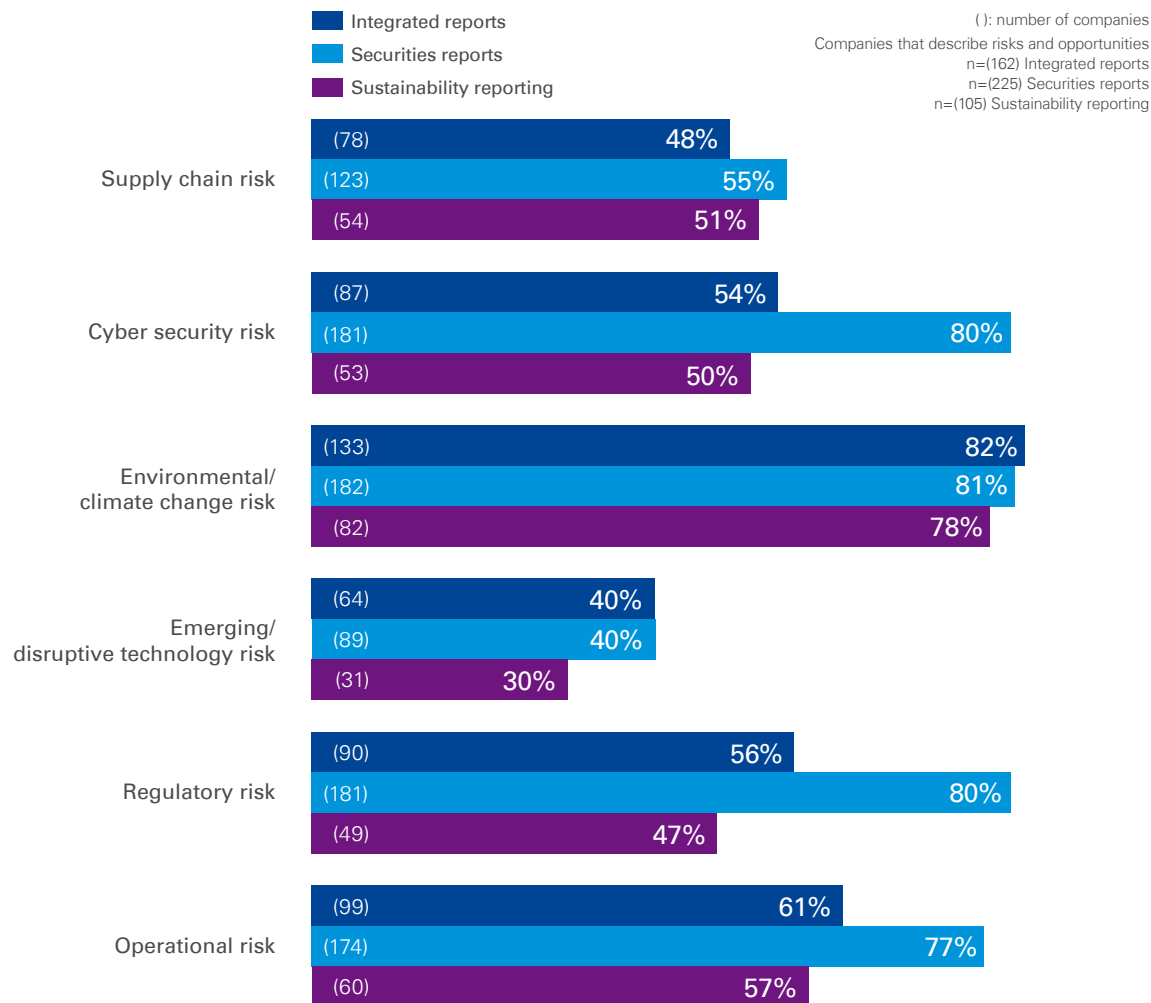
Source: Survey of Corporate Reports in Japan 2021



Explain the risks and opportunities that management has identified

The risks and opportunities related to sustainability that companies are facing are topics that information users are most interested in at the moment. We compared the top five risks (there are six items since two risks had the same percentage) as perceived by CEOs around the world and reported in [KPMG 2021 CEO Outlook](#), to the risks described in integrated reports and securities reports. The comparison showed that, as in past years, risks listed in securities reports are not necessarily mentioned in integrated reports as material risks (Figure 3-3). When there are inconsistencies in the items that companies identify as key risks, it can lead to confusion among the information users and a loss of faith in the information reported by companies and thus in their management. In order to provide a persuasive picture of the company's efforts to create sustainable value in a way that fosters an accurate understanding, reports must show that the entire company shares a common understanding of the business risks and opportunities identified by management and takes initiatives consistent with that understanding.

Figure 3-3 Analysis of risk trends (Top five risks in 2021 CEO Outlook)



Source: Survey of Corporate Reports in Japan 2021



Good practice

Separately presenting different types of risks and opportunities to convey the organization's thoughts in an easy-to-understand way

One company that explained its thoughts on the future in its integrated report did so by explaining that it identifies risks and opportunities based on the results of a materiality analysis and considers these when establishing strategies, and then separately discussed risks and opportunities seen as uncertainties that could occur in the process of pursuing business. The risks and opportunities considered in devising strategies were summarized in the CEO's message, and the correlation with materiality and the medium-term management plan were reported in detail separately. On risks and opportunities seen as uncertainties in the course of business, the company explained the possibility of occurrence, its projections about when they might occur, as well as the extent of their impact and measures to respond. The processes for identification and monitoring of these risks and opportunities were also explained. Risks and opportunities seen as business uncertainties were similarly explained as "business risks" in the securities report.

S POTLIGHT**Time to prepare for the IFRS Sustainability Disclosure Standards**

In November 2021, the IFRS Foundation announced that it had set up the ISSB, and also announced that the Value Reporting Foundation, which was formed with the merger of IIRC and SASB, would merge with the Climate Disclosure Standards Board by June 2022. This consolidates the key organizations for setting reporting standards for sustainability-related information under the IFRS Foundation. Going forward, the ISSB will proceed to establish sustainability disclosure standards that can serve as a global baseline.

At the same time, the IFRS Foundation announced that the International Accounting Standards Board, which develops IFRS standards (IASB), would collaborate with ISSB, which devises the IFRS sustainability disclosure standards, and that it wanted to ensure that these two sets of standards were related and complementary. This is based on the conviction that financial information reported in line with accounting standards and sustainability information reported in line with the IFRS Sustainability Disclosure Standards should be reported in a complementary way to provide useful corporate information to users.

In addition, after the ISSB was established, a [technical readiness working group](#) formed to support the immediate start of work on standards released the "[Climate-Related Disclosure Prototype](#)" and "[General Requirements for Disclosure of Sustainability-Related Financial Information Prototype](#)." Based on these prototypes, the public draft for the IFRS Sustainability Disclosure Standards is planned for release in spring 2022. In the future, keeping in mind that these standards will have broad application, companies will have to not only collect the necessary data for reporting in an accurate and timely way, but will also have to seriously consider the impact of sustainability issues on their own enterprise value and consider the advantages and disadvantages of their own strategies and business model reforms. In light of these points, companies should refer to the aforementioned prototypes and begin preparations soon, such as creating a system for reliable reporting of sustainability-related matters.

Yuri Kasahara

Gain long-term competitive superiority with a sustainable value creation strategy

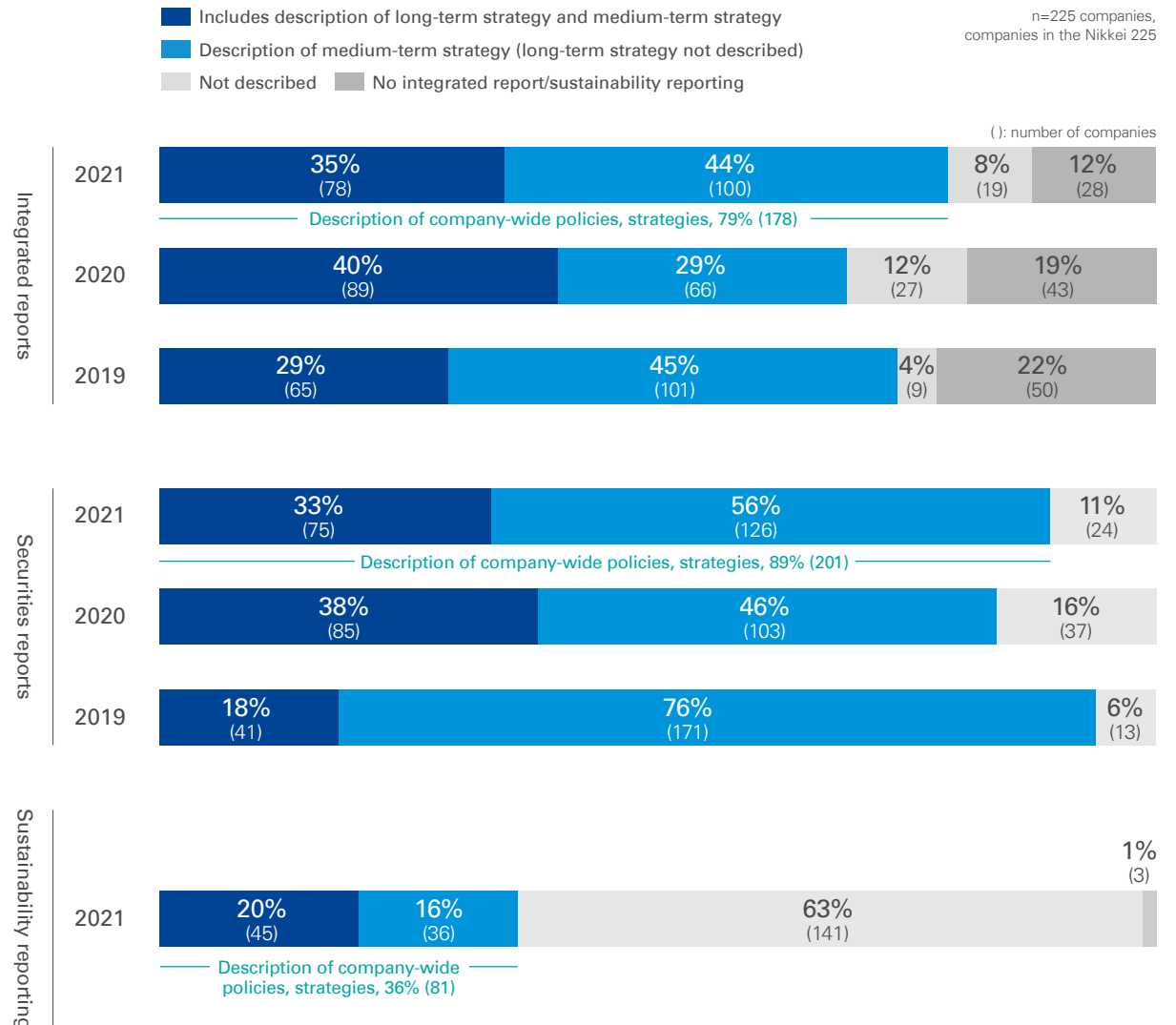
While 79% of companies explain their medium- and long-term strategies in integrated reports and 89% in securities reports, only 36% of companies mentioned these strategies in sustainability reporting (Figure 4-1).

Profits that are generated at the expense of the environment and society are not sustainable. In order to maximize enterprise value in the medium and long term, companies must aim to balance their work to help solve environmental and social issues and their profits resulting from these efforts. A sustainable value creation strategy that integrates factors leading to sustainability and utilizes the company's own areas of expertise, developed from a perspective that takes in the entire ecosystem in a company's business strategy, supports long-term profitability and ensures that enterprise value can be maintained in the medium and long term.

The 36% of companies that explained their medium- and long-term strategies in their sustainability reporting did not separate their business strategies from the strategies leading to social sustainability, demonstrating that they are striving to achieve sustainable value creation from a long-term perspective.

Deepening understanding of how the sustainability issues facing society are related to the value creation of the company itself, and organizing these ideas, contributes to an analysis that will lead to long-term competitive advantages. Sustainability reporting that rests on an analysis of the relationship between the two is distinct from reporting that emphasize compliance and the response of rating agencies.

Figure 4-1 Management policies, management strategies and other (company-wide policies, strategies) that specify how business objectives will be achieved



Source: Survey of Corporate Reports in Japan 2021



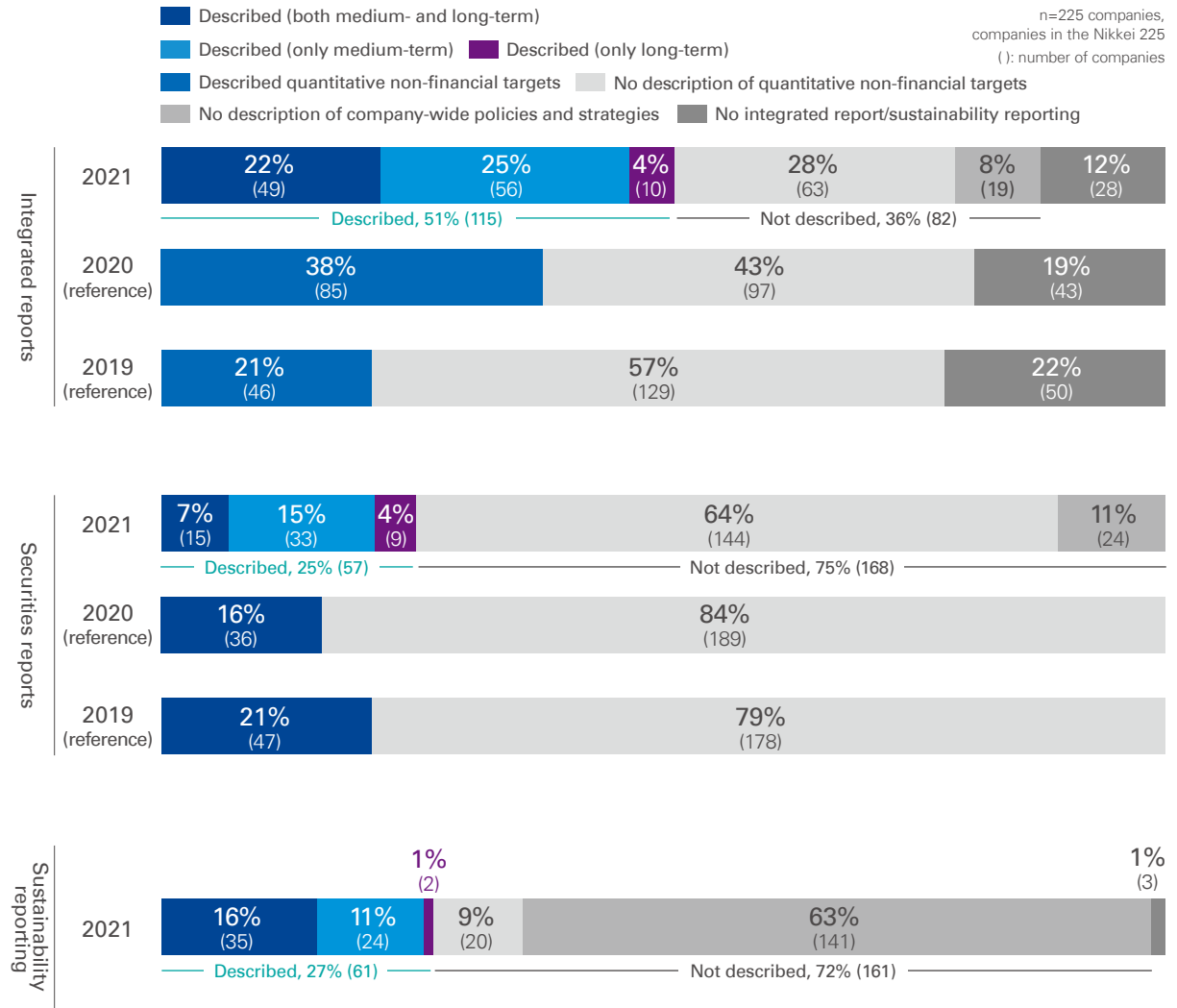
Ensure performance in the area of sustainability is measured

Metrics — particularly quantitative metrics — that can be used as gauges for progress made in achieving strategies are useful in providing objective and convincing explanations. However, 75% of companies failed to provide non-financial quantitative targets in their securities reports, and 72% had none in their sustainability reporting (Figure 4-2).

It is not easy to choose metrics for measuring performance in areas related to sustainability. This is an issue that companies working on integrated reports confront when they articulate the value creation story and then try to extend it into a report on actual conditions. However, in integrated reports, 51% of companies presented non-financial quantitative targets, so companies that had continued to consider this issue over a long period are beginning to find solutions.

There are also signs of great progress in developing international standards for financial-related sustainability reporting. In November 2021, the IFRS Foundation announced the establishment of the ISSB, which plans to announce its first standards around the middle of 2022 (refer to the spotlight on page 22). The standards to be released by the ISSB are expected to propose sustainability topics that could provide focal points for each industry and related quantitative metrics that should be reported. It will not necessarily be easy to adopt these standards, but in terms of strategies, we expect more companies to write objective and persuasive reports using quantitative metrics for their response to material sustainability issues.

Figure 4-2 Quantitative non-financial targets in company-wide policies and strategies



Source: Survey of Corporate Reports in Japan 2021

Ensure adequate accountability for corporate strategies

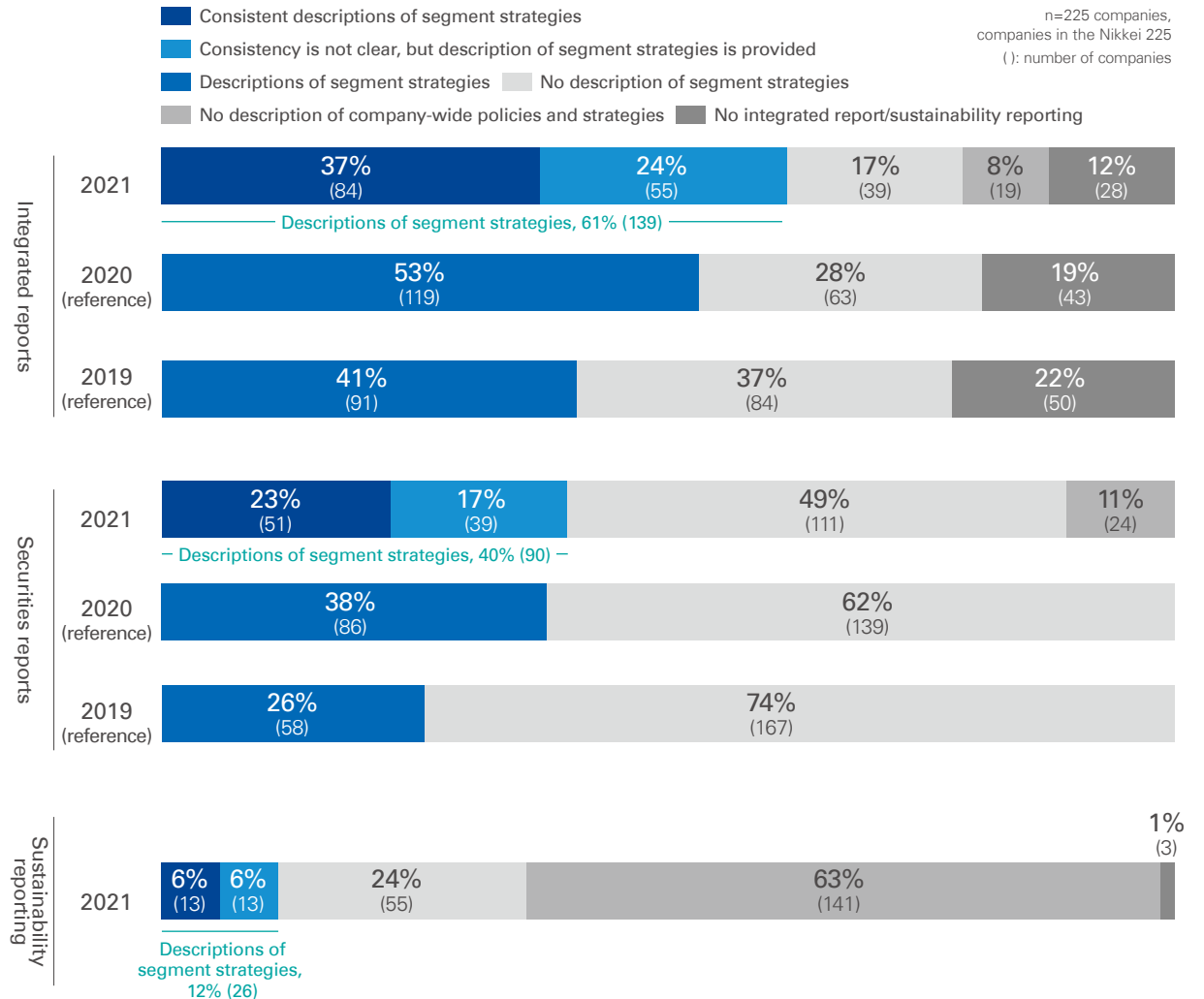
In integrated reports, 61% of companies explained strategies for each segment. However, only 40% of companies described their strategies for each segment in securities reporting, and there was a marked gap in terms of the amount of information (Figure 4-3).

Principle 2-1 of the *Principles for the Disclosure of Narrative Information*³ released by the Financial Services Agency states that “narrative information should reflect the discussions at the board of directors and the Executive Committee, in order to enable investors to understand the company through the eyes of management.” The Principles also state that, in terms of business policies and strategy, companies should explain how they “intend to achieve their business goals, and how they intend to create value in the mid-to long term.” They also state that, in the management discussion and analysis, they should provide “a review of how business performed in the latest term as a result of operating the company according to the business policies and strategy, etc., and an analysis of the causes from the management’s point of view.”

In management meetings at successful companies, participants likely discuss everything from the formulation of strategies to results for that fiscal year by segment, as they review their business. In particular, in securities reporting, they do not use the content of the previous year’s report, a template, or the examples of other companies as their standards, but revise their reported content in terms of how they would respond if asked for an explanation in a board of directors meeting, and provide breakdowns for each segment as necessary.

³ Financial Services Agency (2019), Principles Regarding the Disclosure of Narrative Information <https://www.fsa.go.jp/en/news/2019/20190606-3/01.pdf>

Figure 4-3 Segment strategies consistent with company-wide policies and strategies



Source: Survey of Corporate Reports in Japan 2021

Good practice

Ensuring metrics are effective in assessing progress on management strategy and including MD&A to explain how

One company described how it had made establishing a profit base in priority regions for its overseas business a key issue in its medium-term management plan, discussing this in its securities report within the section explaining management policies, the management environment and issues that must be addressed. The company then provided overseas sales as an effective metric for assessing progress on management strategies.

In addition, in the management discussion and analysis (MD&A), data on overseas sales by region was provided, with year-on-year growth, and results for that fiscal period were explained, with figures from the financial statements as the basis, to show which products drove growth in each region.

This is a good example of how non-financial information can complement financial information and audited financial statements can corroborate explanations of non-financial information.

S POTLIGHT**Release of proposal for CSRD by European Commission**

In April 2021, the European Commission (EC) released [the proposal for a Corporate Sustainability Reporting Directive \(CSRD\)](#). The existing Non-Financial Reporting Directive (NFRD) regulated the content of sustainability reports through guidelines with no binding force, so it had been pointed out that information that was material for investors and stakeholders was being abbreviated and that there were problems with comparability and reliability. The EC likely decided to require sustainability reporting based on the CSRD, a law with binding force, to address these problems.

The proposal for CSRD requires that companies report on (1) business model and strategy, (2) targets and progress, (3) the roles of the board of directors, (4) the response to issues related to sustainability, (5) principal risks and their metrics, (6) intangible assets, and (7) materiality analysis. They must address these topics not only in terms of the impact that corporate activity has on the environment and society, but also in terms of the impact that sustainability issues have on the company's growth, earnings and financial conditions (double materiality).

The EC plans to adopt the main standards in 2022 and the standards for additional information and sector-specific standards in 2023 as the sustainability reporting standards stipulating specific report content. All ESG issues are to be included in the sustainability reporting standards. For example, "E" will include climate change, circular economies and biodiversity, "S" will include gender equality, the workplace environment and human rights, and "G" will include the roles of management and corporate culture.

The proposal for CSRD also requests third-party assurance to ensure the reliability of the sustainability information. In the near term, the CSRD would include limited assurance, but the EC has indicated that it could ask for reasonable assurance in the future.

The proposal for CSRD significantly increases the number of companies to which these standards will be applied, and the EU branches of Japanese companies can expect to be included. The target companies urgently need to consider reporting in line with CSRD, including their applicability.

Katsuya Kitano

Set metrics consistent with vision and strategic goals

In integrated reports and securities reports, companies are asked to explain to investors (the main information users) the financial impact that climate change and other sustainability issues will have on their operations.

A survey of strategies and resource allocation examined the status of results relative to targets reported by companies that had described their company-wide policies and strategies. The study found that 56% of companies explained their results relative to both their financial and non-financial targets in their integrated reports and only 8% did so in securities reports (Figure 5-1). This indicates that few companies link information on sustainability issues to financial information. This is consistent with the findings in [the CFO Survey 2021](#), carried out by KPMG in Japan, that many CFOs view “the selection of sustainability-related metrics that should be monitored and goal setting” and “links to increases in enterprise value” as outstanding challenges.

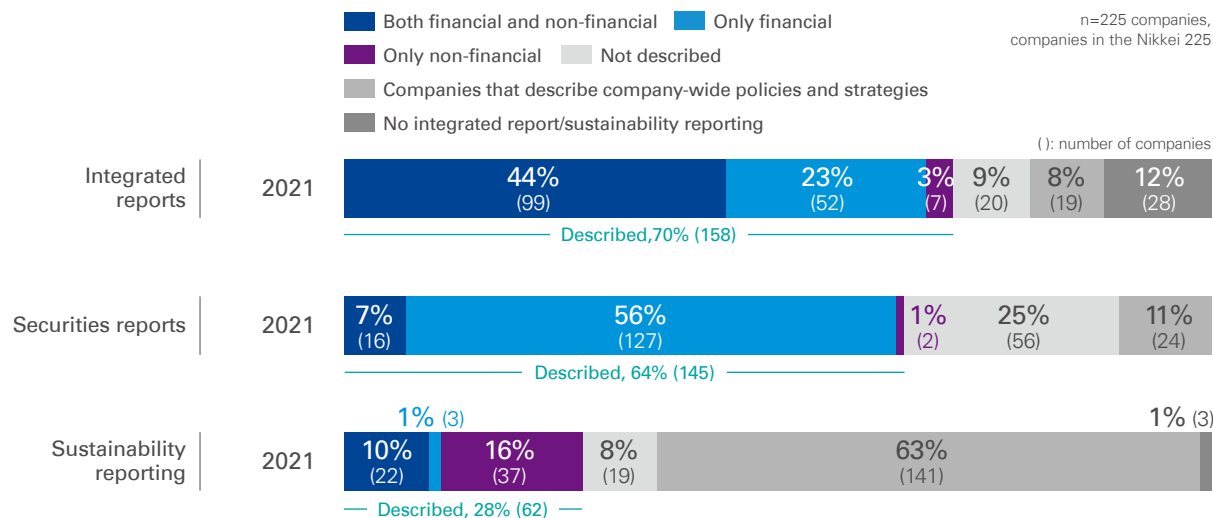
It is important that management sets sustainability-related metrics that are consistent with future vision and strategic goals so that they can integrate the company’s management strategies and sustainability strategies and guide the company in the right direction while monitoring conditions. In addition, they need to remain accountable through their integrated reports and securities reports.

Companies should explain their impact on the environment and society in their sustainability reporting, which is used by ESG rating agencies and many stakeholders, including

customers and business partners. If the impact is negative, they should explain the corporate activities they carry out to mitigate the impact, and if it is positive, they should explain the strategies and measures they take to augment this impact.

Sustainability issues are wide-ranging and always changing, which means that companies are expected to regularly revise their materiality, issues and strategies and report on them.

Figure 5-1 Performance metrics used to explain extent of achievement of strategic goals



Source: Survey of Corporate Reports in Japan 2021



Use metrics to monitor how strategic targets are achieved

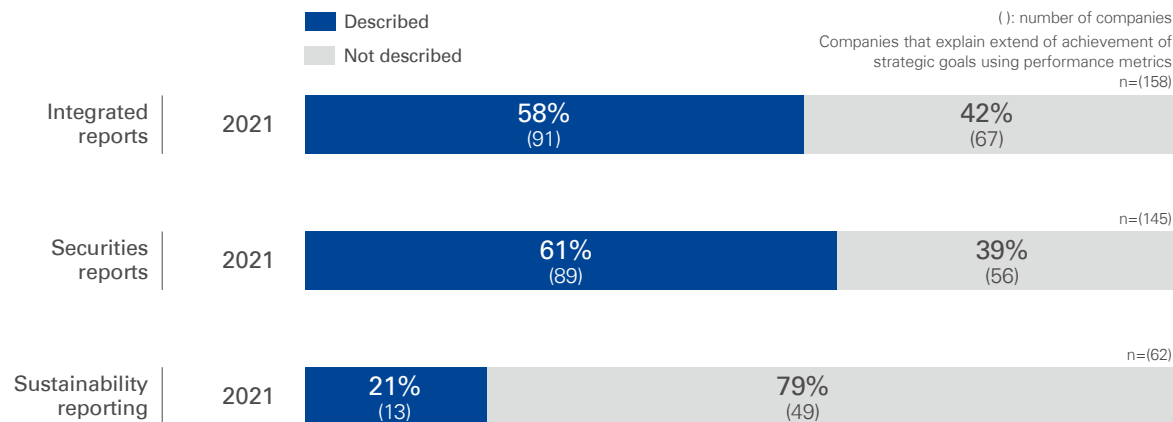
About 50% of companies explain changes in results in both integrated reports and securities reports (Figure 5-2). In addition, 37% of integrated reports and only 18% of securities reports analyze and explain how current results impact the prospects for achieving medium- and long-term strategic targets (Figure 5-3).

In order to monitor progress on achieving the future vision and medium- and long-term strategic targets, companies need to set targets for the selected metrics and quantitatively assess the gaps between the targets and current performance.

There has been progress globally in devising reporting standards for the disclosure of climate-related information. In October 2021, TCFD released [guidance for the disclosure of metrics and targets related to climate change-related risks and opportunities and transition plans](#). We expect this to result in more explanations in integrated reports and securities reports that use metrics and targets to show the financial impact of climate-related issues and how the company will achieve growth while contributing to a low-carbon economy.

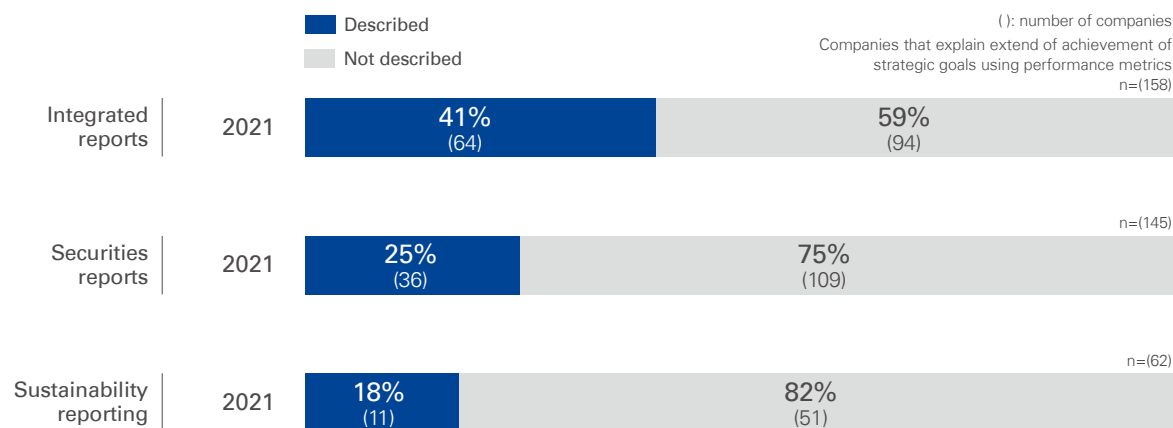
However, this should not stop at climate-related information. In order to continuously raise enterprise value, management should devise and implement sustainability strategies by backcasting from their future vision for the company, but they also need to use metrics and targets to constantly monitor performance and report on it.

Figure 5-2 Explanation of reasons for ups and downs in results



Source: Survey of Corporate Reports in Japan 2021

Figure 5-3 Impact of current results on achievement of strategic targets



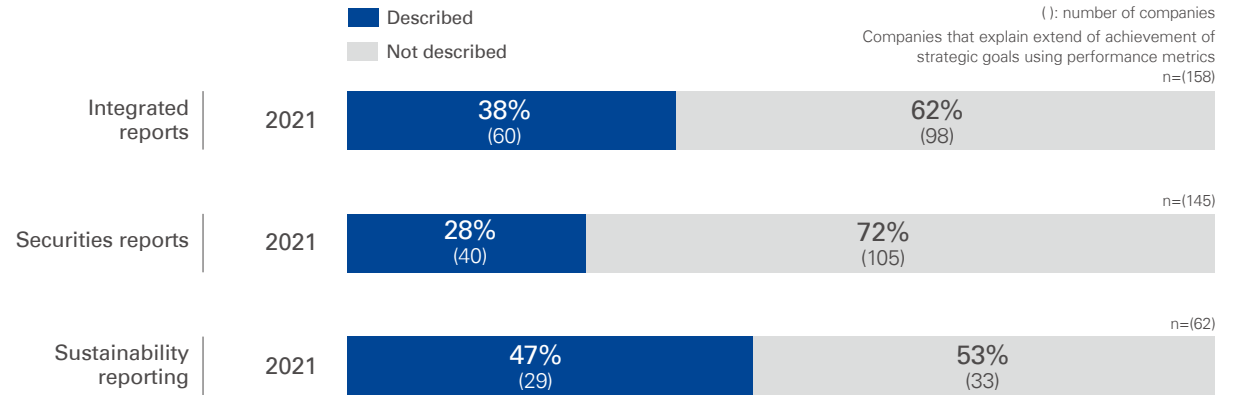
Source: Survey of Corporate Reports in Japan 2021

Provide sufficient information on why certain metrics are used to facilitate understanding of performance

Financial metrics are used for measuring management results from the financial point of view. In addition, in order to assess enterprise value in a more comprehensive way, it is essential to assess performance based on non-financial metrics. In addition to financial metrics, even if results are shown for some non-financial metrics for which there has been progress in establishing reporting standards, there are few examples of companies explaining why they used certain metrics in their integrated reports, securities reports and sustainability reporting (Figure 5-4).

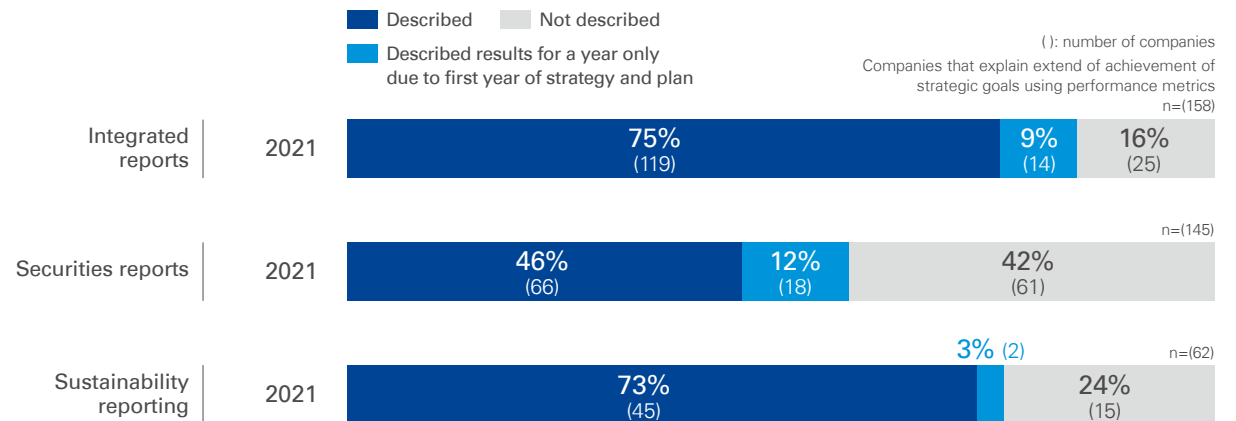
It is not enough to simply state the metric. When metrics are shown over a period of years, information users such as investors can analyze trends, and can also make comparisons to other companies (Figure 5-5). However, it can be difficult to compare some non-financial metrics, such as human capital, between companies. For example, metrics like employee satisfaction and workplace safety cannot be easily compared since companies have different survey methods and assumptions. Instead, companies can assist understanding by augmenting their reporting with qualitative information. Moreover, by adding information such as the business model, characteristics of the industry, averages, and growth rates, companies can help readers better understand their progress on and prospects for achieving their medium- and long-term strategies.

Figure 5-4 Reasons for choosing performance metrics



Source: Survey of Corporate Reports in Japan 2021

Figure 5-5 Results for financial and non-financial targets over a period of years



Source: Survey of Corporate Reports in Japan 2021



Good practice

Reflecting performance on non-financial metrics in performance-linked compensation

One company set targets for management metrics, including non-financial metrics, to achieve their long-term vision, and added performance on non-financial metrics, in addition to financial metrics, to the factors determining directors' performance-linked compensation. Non-financial metrics included not only the environment, but also metrics related to human resources. Furthermore, the company explained why they selected these particular metrics.

This type of explanation is a good example of how reports can be written so that three points can be understood: (1) strategic targets and metrics are consistent, (2) the targets that should be achieved are clear, and (3) management understands the progress of business activities in terms of both financial and non-financial indicators, and the board of directors is overseeing this.

S POTLIGHT

Sustainability reporting takes off in the US

In the US, after the Biden administration took office in January 2021, the Securities and Exchange Commission (SEC) adopted a policy focusing on the reporting of sustainability information.

In June 2021, [the SEC announced](#) that it intended to revise its requirements for the disclosure of climate change risks, the management of human capital, and the governance of cybersecurity risks. Especially, the SEC asked for [public input on climate change disclosures in March 2021](#), and released 15 questions for consideration. According to [a speech by Chairman Garry Gensler in July 2021](#), the SEC does not currently plan to adopt international frameworks without modification, including the TCFD recommendations, but they does expect to revise disclosure requirements based on these frameworks.

In addition, in September 2021, the SEC's Division of Corporation Finance released [a sample letter](#) it would send to companies registered with the SEC. It shows the kinds of questions and requests on climate change it may issue. In fact, SEC sent comment letters based on it to a company with substantial emissions of greenhouse gas. The comment letter includes the statement, "We note that you provided more expansive disclosure in your corporate social responsibility report (CSR report) than you provided in your SEC filings. Please advise us what consideration you gave to providing the same type of climate-related disclosure in your SEC filings as you provided in your CSR report."

Currently, the US's efforts to address sustainability are seen as behind Europe's, but we expect developments to accelerate in 2022. As the US, a large country, makes more progress on the reporting of sustainability information, we expect to see moves to augment sustainability-related disclosures to take off globally, as well.

Mizuho Watanabe

Demonstrate awareness of consistency with materiality

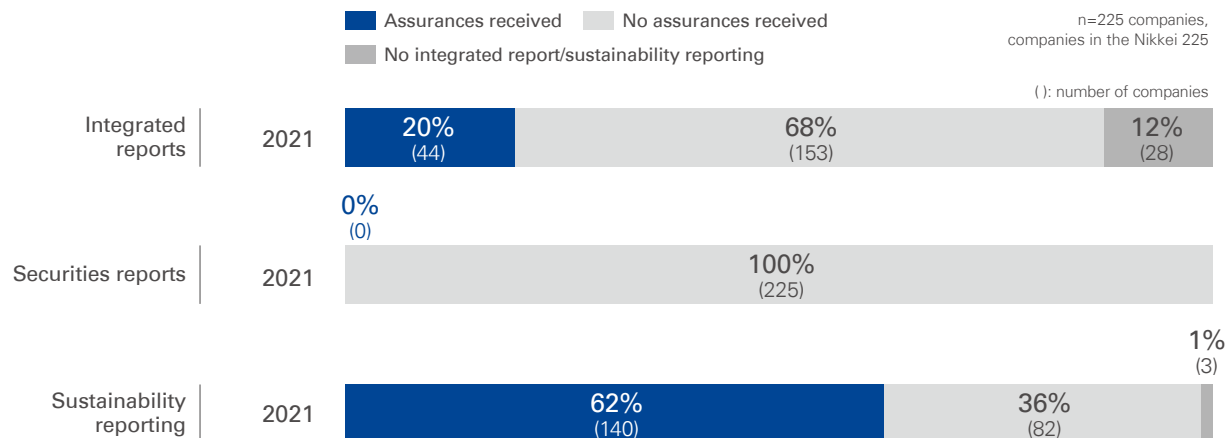
More companies are providing metrics verified by a third party, in particular in integrated reports and sustainability reporting. The fiscal 2021 survey found that 62% of companies received third-party assurance services for one or more sustainability metrics in their sustainability reporting (Figure 6-1).

Companies voluntarily decide whether to have their sustainability-related metrics verified or not. Recently, however, the number of companies pursuing such assurance has been on the rise, in response to the expectations of investors and other stakeholders that information is highly reliable. We welcome this trend since it can help to effectively marshal the functions of capital markets.

There are also other merits to receiving third parties assurance services on sustainability-related metrics. Sustainability-related metrics have not been used for long, and systems for reporting on governance on data collection and compilation, work flow, and internal control are not as well established as they are in the financial reporting field. By receiving third-party assurances, issues such as those related to the internal processes are clarified, and this can be expected to help the company make ongoing improvements.

There is also a chance that a third party assurance services could be mandated in the future. Improving the organization's internal work system for sustainability reporting could be a first step in this direction.

Figure 6-1 Reports with third-party assurance



Source: Survey of Corporate Reports in Japan 2021

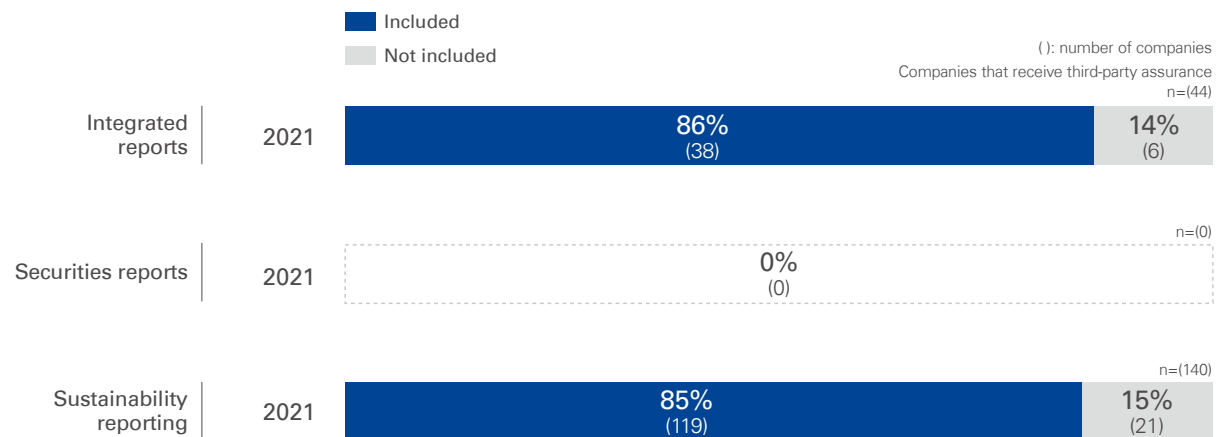


Demonstrate awareness of consistency with materiality

A breakdown of the metrics that were verified by third parties in this survey shows that greenhouse gas (or CO₂) emissions were the most common metrics to be verified, and in almost all cases, it was consistent with the materiality area identified by the company. At the same time, there was no consistency with the materiality areas identified by the company in the case of metrics other than the emission of greenhouse gases, and there were also indicators whose relationship was not clear.

The results of materiality assessment and their relationship to strategies and objectives should be appropriately laid out, and similarly, describing the close relationship between the verified metrics and the company's materiality areas is also effective in terms of conveying a consistent message to the information users. Selecting the metrics to be verified by a third party is important not only because adding such assurance is strongly expected by society. The use of third-party assurance becomes more significant when the report appropriately conveys consistency with the company's materiality.

Figure 6-2 Third-party assurance of metrics related to material matters



Source: Survey of Corporate Reports in Japan 2021

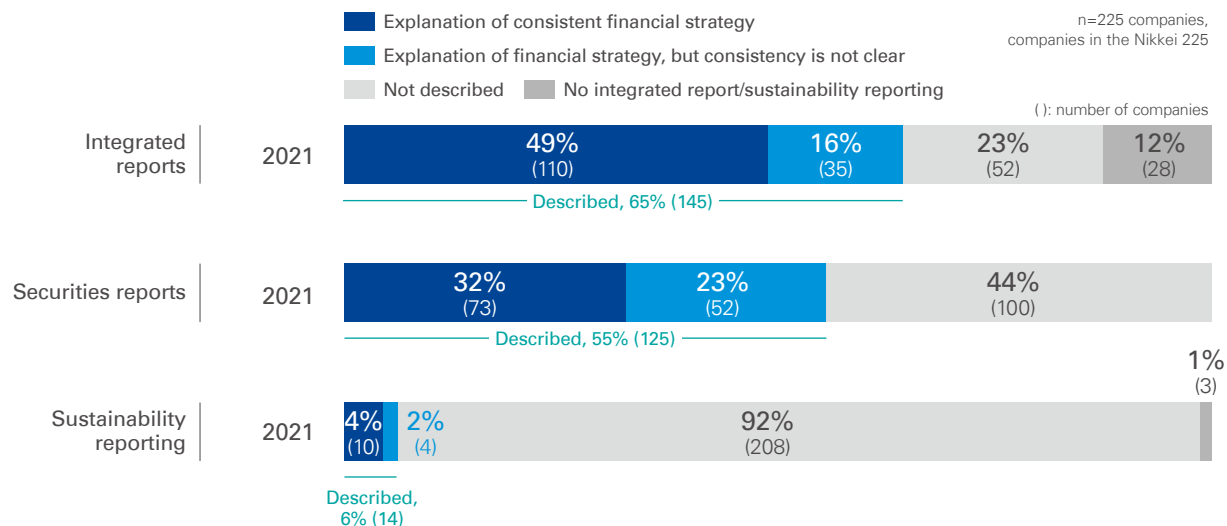
Present financial strategy consistent with the medium- and long-term business strategies and explain the feasibility of the strategy

Steady implementation of medium- and long-term strategies requires strategies for the fund-raising and fund allocation supporting these strategies. This kind of financial strategy must take into account the lifecycle of the businesses that the company currently operates and those it hopes to create in the future. Then, these strategies must be drafted and implemented based on the timing of investments and when they can be recouped, as well as policies on the use of equity finance and interest-bearing liabilities that consider the capital structure. Financial strategies should be devised as integral part of the business strategy, and the timeframe should be consistent.

The results of this survey found that 65% of companies in integrated reports and 55% in securities reports explained financial strategies, and of this, 49% and 32%, respectively, had timeframes that were consistent between their medium-term business strategies and financial strategies. However, 16% and 23%, respectively, had explanations that were not necessarily consistent. In addition, 23% of integrated reports and 44% of securities reports had no explanations of financial strategies (Figure 7-1).

Presenting financial strategies that are balanced with business strategies along with their timeframe enables companies to persuasively explain their potential to create value in a sustainable way.

Figure 7-1 Explanation of financial strategies consistent with timeframes of company-wide policies and strategies



Source: Survey of Corporate Reports in Japan 2021

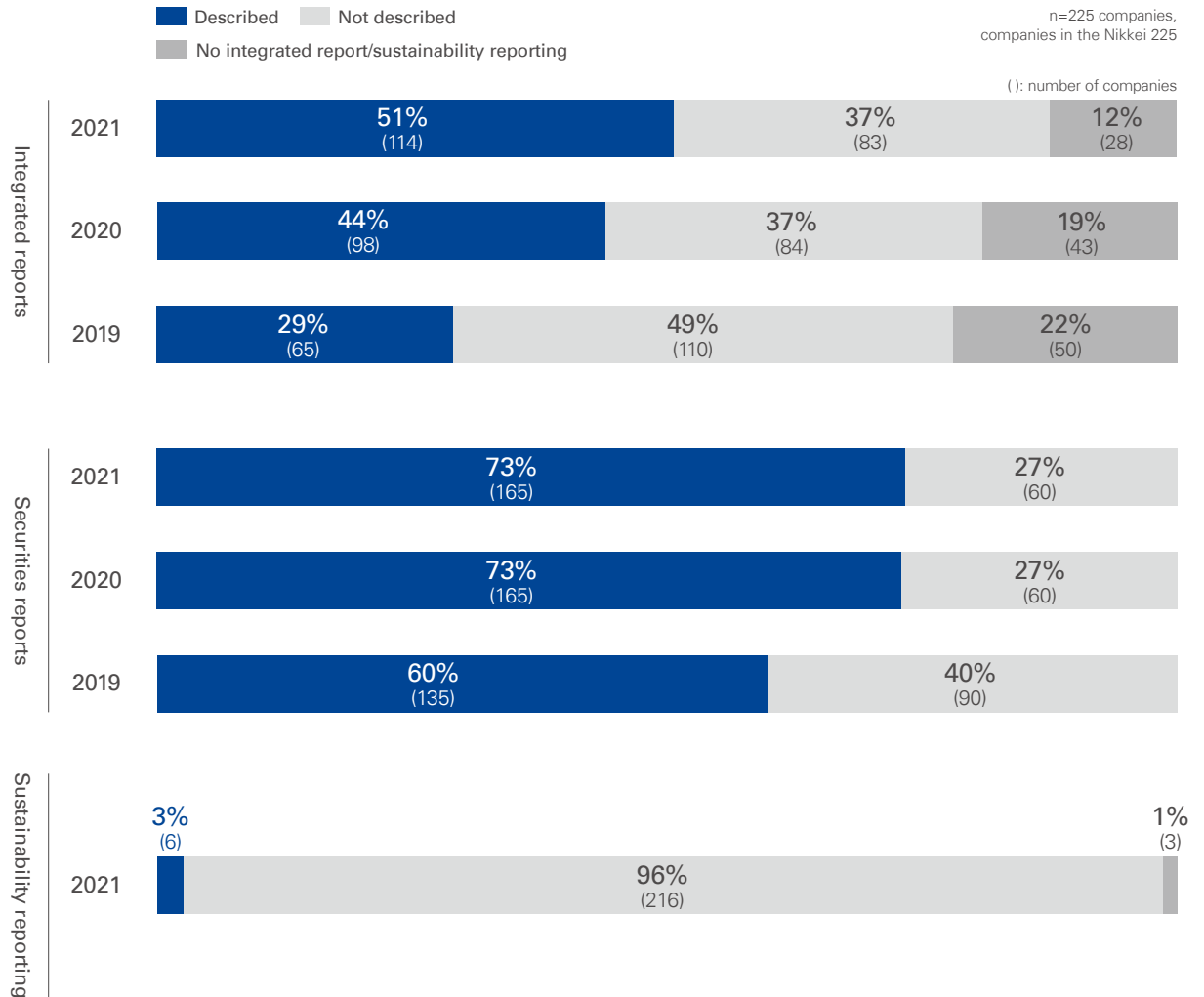


Explain scenario for acquiring and distributing cash by laying out overall vision for financial strategy

The ways in which companies raise funds and distribute returns to stakeholders or reinvest the cash generated in investments is a major point of interest for investors who expect ongoing returns from companies.

Fifty-one percent of companies explained the policies and methods for raising (securing) funds, a key element of financial strategy, in their integrated report. This figure has been increasing year by year. The percentage of companies that provided this explanation in their securities report, however, was flat year on year, at 73% (Figure 7-2).

Figure 7-2 Explanation of methods of raising (securing) funds



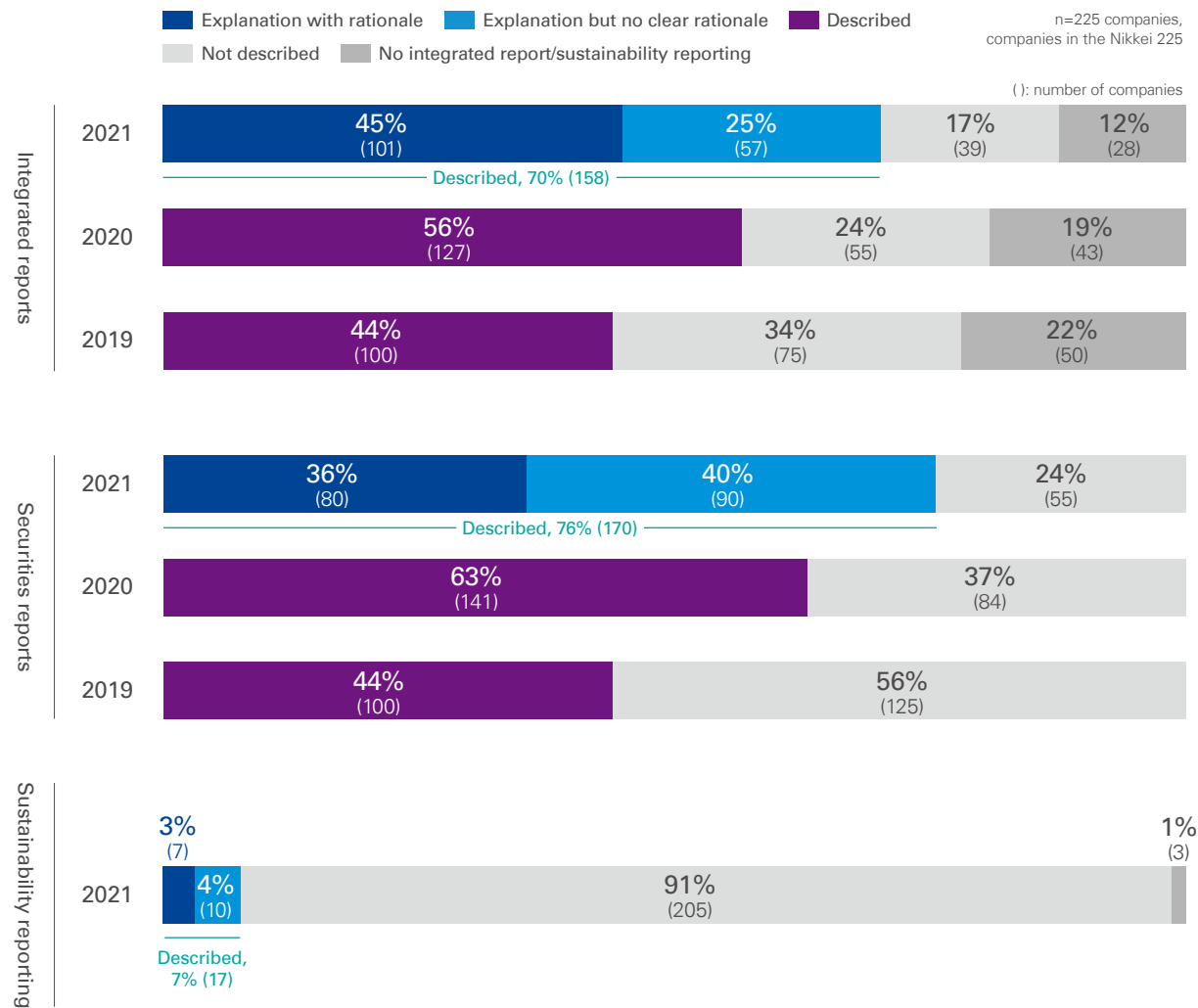
Source: Survey of Corporate Reports in Japan 2021

Explain scenario for acquiring and distributing cash by laying out overall vision for financial strategy

Seventy percent of integrated reports and 76% of securities reports explained the company’s policy for allocating the funds raised. This figure has been increasing since 2019 (Figure 7-3).

Meanwhile, only about 40% of integrated reports and 40% of securities reports explained the rationale for the company’s fund allocation policy (Figure 7-3).

Figure 7-3 Explanation of policy on fund allocation



Source: Survey of Corporate Reports in Japan 2021

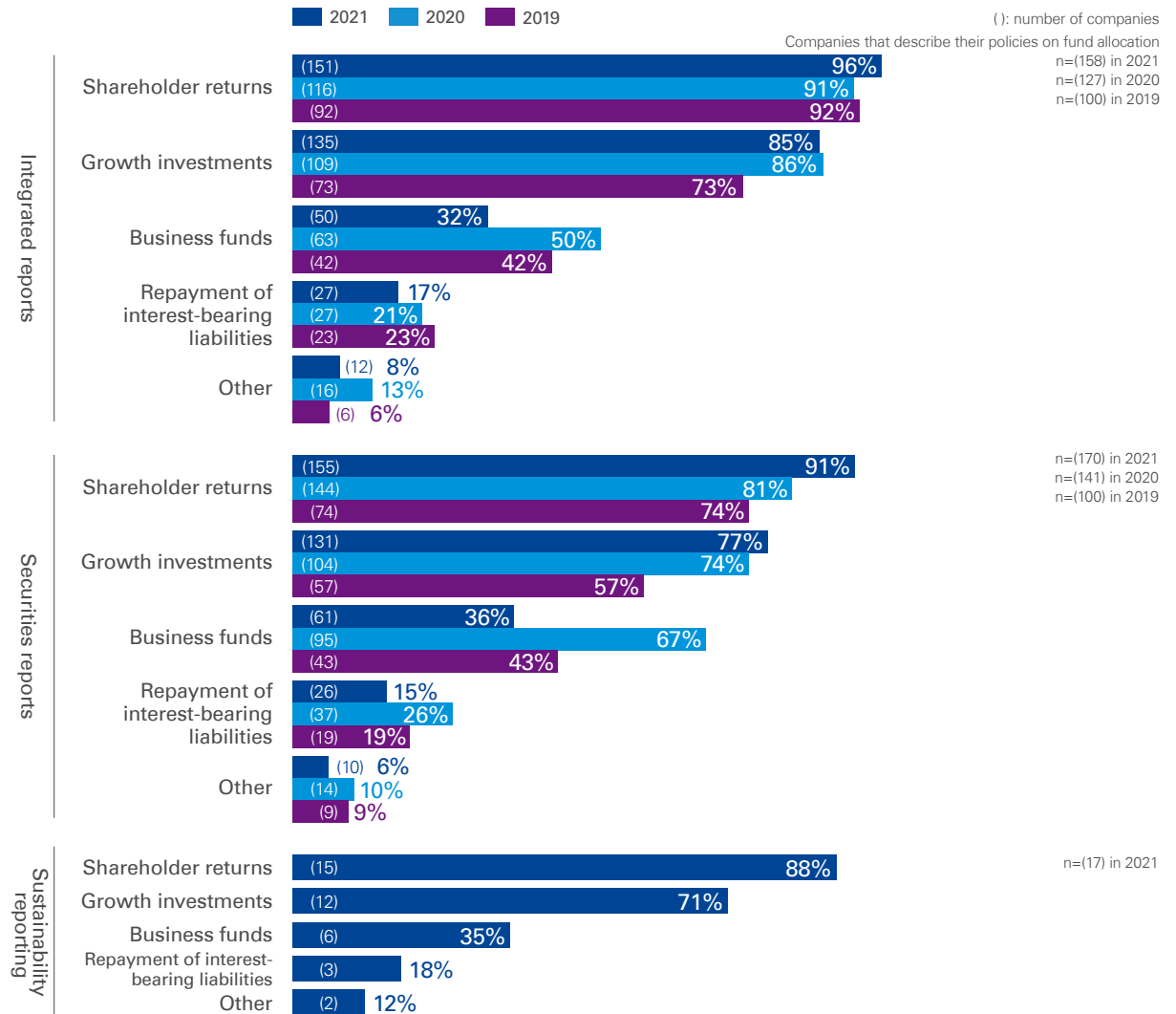


Explain scenario for acquiring and distributing cash by laying out overall vision for financial strategy

References to shareholder returns and growth investments accounted for much of the explanation of how funds are allocated, and there were no major changes in trends (Figure 7-4).

Individual explanations of investment plans and shareholder returns accounted for the majority of the explanation of policies for fund allocation. There were few references to the relationship with business strategies and, in particular, little overall picture of how fund allocation took into account the timing of the strategy's execution. It is highly advisable for to explain the overall picture of the financial strategy and the cash flow scenario that the company anticipates, since this information is useful for investors in assessing the feasibility of the strategies and the financial returns they may generate.

Figure 7-4 Explanation of how funds are allocated



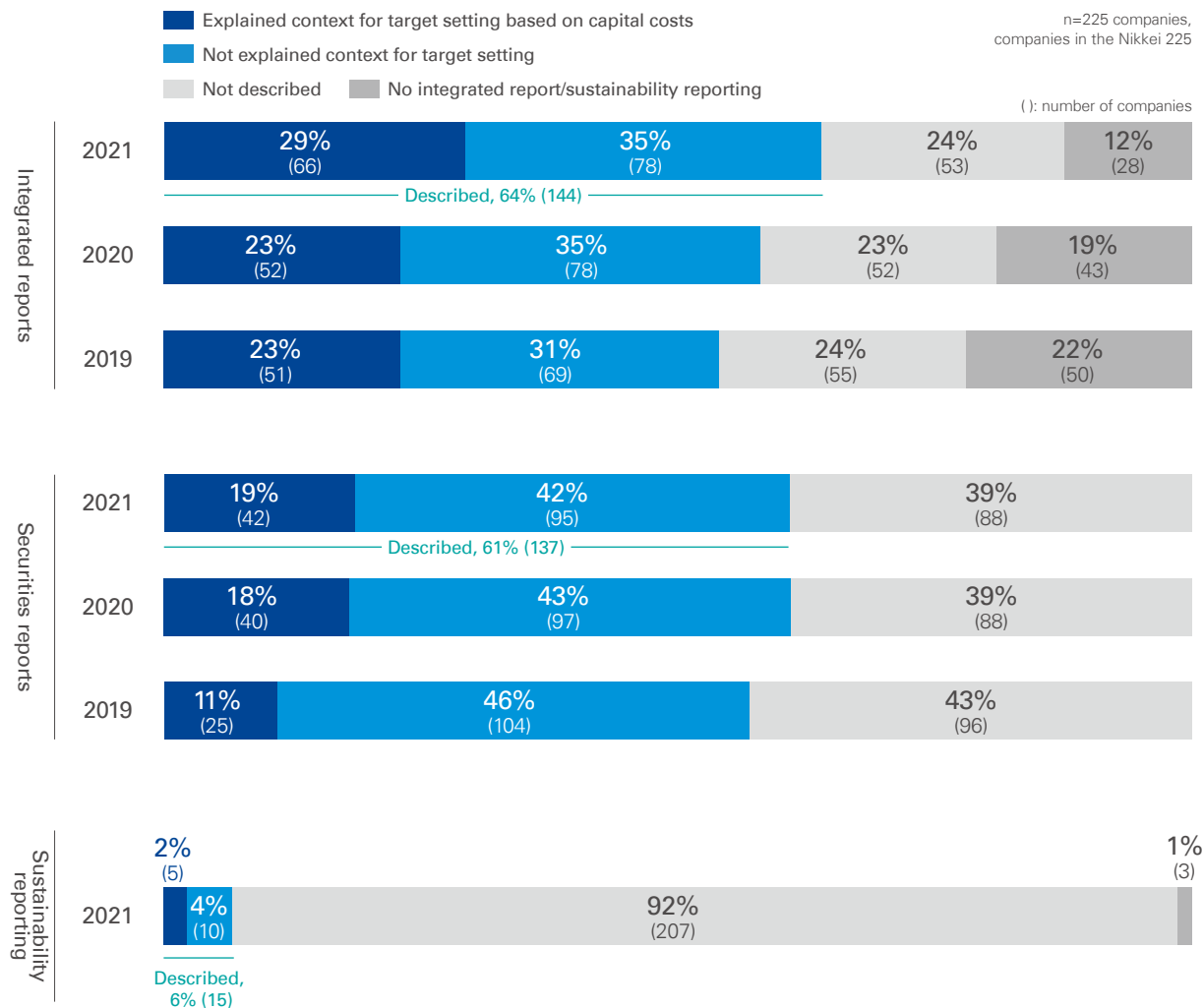
Clearly explain rationale for targets set in financial strategies

When it comes to financial strategies needed to pursue business strategies, 64% of integrated reports and 61% of securities reports explained the company's targets for profitability and capital efficiency (Figure 7-5). This percentage increased from the previous year particularly for integrated reports, which shows that more companies are becoming aware of the need to explain these targets.

However, the percentage of companies using capital costs and other data to explain the rationale for the financial strategy targets they set was still low (Figure 7-5).

The current management environment requires that companies make more contributions to help solve various environmental and social issues. Immediately addressing climate change is a particularly urgent issue. Given this, companies need to devise and pursue strategies with clear timeframes intended to achieve medium- and long-term goals, not just short-term goals. Financial targets in this case may differ significantly depending on the business portfolio and business segment. Companies should provide adequate explanations of the rationale, including recognition of capital costs, for the targets in their financial strategy, which support their business strategies. Doing so allows investors to make decisions based on an appropriate assessment of the feasibility of the company's strategies and the potential for returns to exceed capital costs.

Figure 7-5 Targets for profitability, capital efficiency and other



Source: Survey of Corporate Reports in Japan 2021



Good practice

Comprehensively explaining financial strategy targets with specific references to medium-term management plan

One report explained the company's financial strategy in a comprehensive way while describing its relationship to the measures in the medium-term management plan in a concrete way.

In addition to referring to strategic targets for each business, the company laid out the related investment strategies and the financing strategies to support them. The company also broadly described the overall financial strategy, including the prospects for collecting on the money invested during the term of the previous medium-term management plan, policies on shareholder returns, and the use of the proceeds from the sale of cross-shareholdings.

In addition, the company explained the specific assumptions for WACC and shareholder capital costs when considering business investments in new fields, while presenting the target ROE and explaining financial issues. The relationship between business strategies and financial strategies and the rationale for financial strategy targets were also clearly presented.

S POTLIGHT

Disclosure of human capital

When considering ESG elements, there has been a tendency until now to focus on the "E" (environment), including the response to the risk of climate change. However, when deciding on market value, since it is clear that the value of intangible assets has a greater impact than that of tangible assets, more attention is now being given to human capital, one of the key types of intangible asset, based on the "S" (society) perspective. There are no universally agreed definitions for "human capital," but the International Integrated Reporting Council (IIRC)'s [International Integrated Reporting Framework](#) defines human capital as "people's competencies, capabilities and experience, and their motivations to innovate."

At this point, there are no regulatory requirement for individual disclosures related to human capital in securities reports and other statutory reports in Japan. However, the revised [2021 Corporate Governance Code](#) presents the idea that "companies should provide information on investments in human capital in an understandable and specific manner, while being conscious of the consistency with their own management strategies and issues" (Supplementary Principle 3.1.1). Given this, companies are being asked to clarify how they are utilizing human resources to achieve their medium- and long-term management strategies, as well as to articulate their hiring strategies, report on their investments in their people, which are often viewed as costs, as an intangible asset with a major impact on enterprise value. The Research Committee on Making Non-financial Information Visible, convened by the Cabinet Secretariat from February 2022, has begun to consider ways to assess the value of human capital.

While COVID-19 spread, corporate initiatives addressing employee health and safety attracted more attention. Heightened interest in corporate reporting on ESG in recent years also indicates that initiatives on human capital are attracting more attention as an element with a major impact on enterprise value. It will become increasingly important for boards of directors to discuss human capital programs and for continuous improvements to be made to initiatives through dialogue with internal and external stakeholders.

Keisuke Inoue

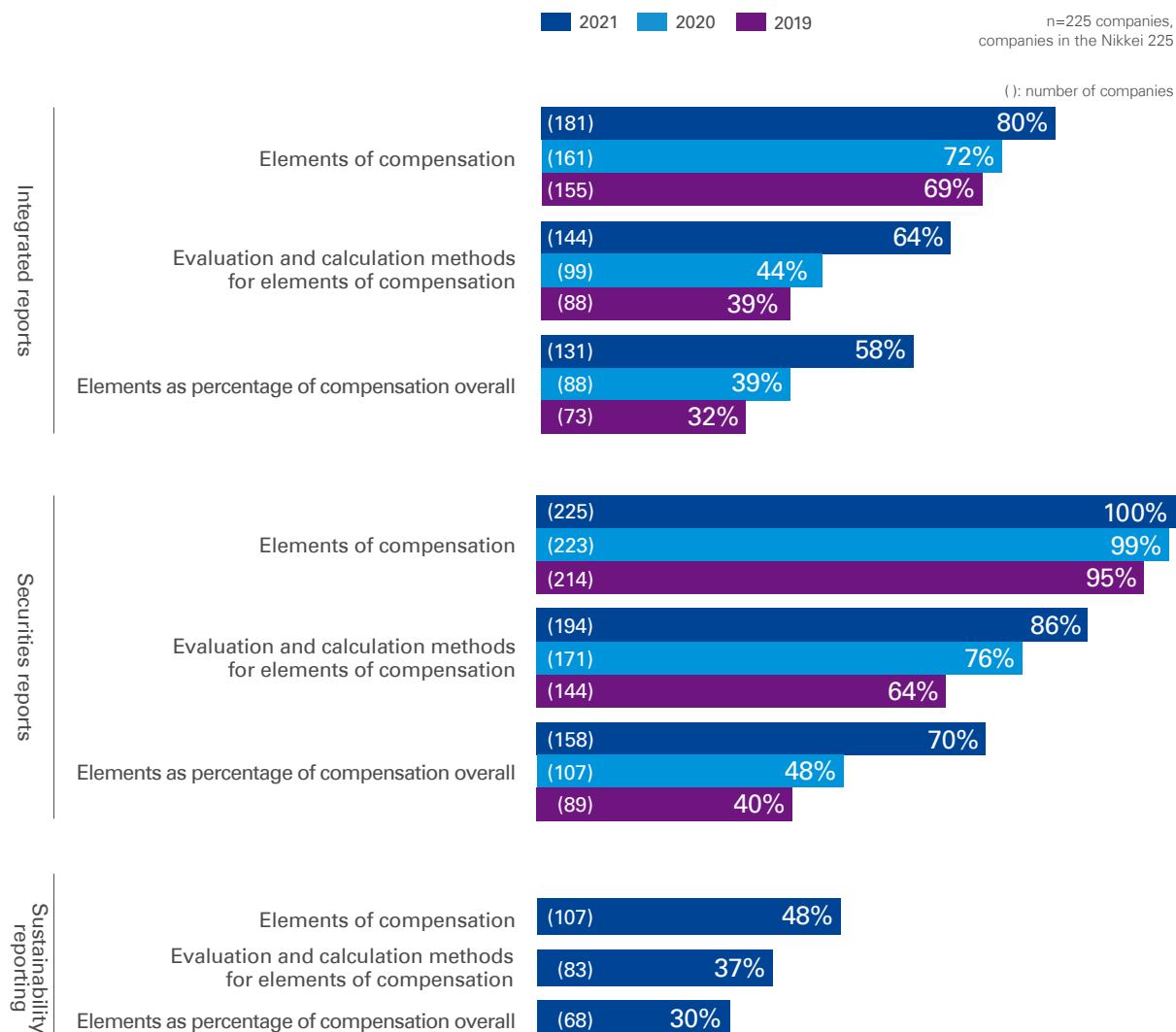
Explanations of director compensation significantly augmented

Mechanisms that incentivize directors play an important role, in that corporate governance underpins the execution of strategies to achieve the company's purpose.

The Japanese Cabinet Office Ordinance on the Disclosure of Corporate Affairs, partially revised in 2019 (hereafter, "revised Cabinet Ordinance"), called for more information on director compensation to be included in securities reports. As a result, there was an increase in the percentage of companies who provided explanations in securities reports on all of the related survey matters (Figure 8-1).

If we look at all three types of reports, we find that the percentage of integrated reports explaining director compensation was high, not far below the percentage of securities reports, but most sustainability reporting had no explanation of governance or director compensation.

Figure 8-1 Content of explanation of director compensation



Source: Survey of Corporate Reports in Japan 2021



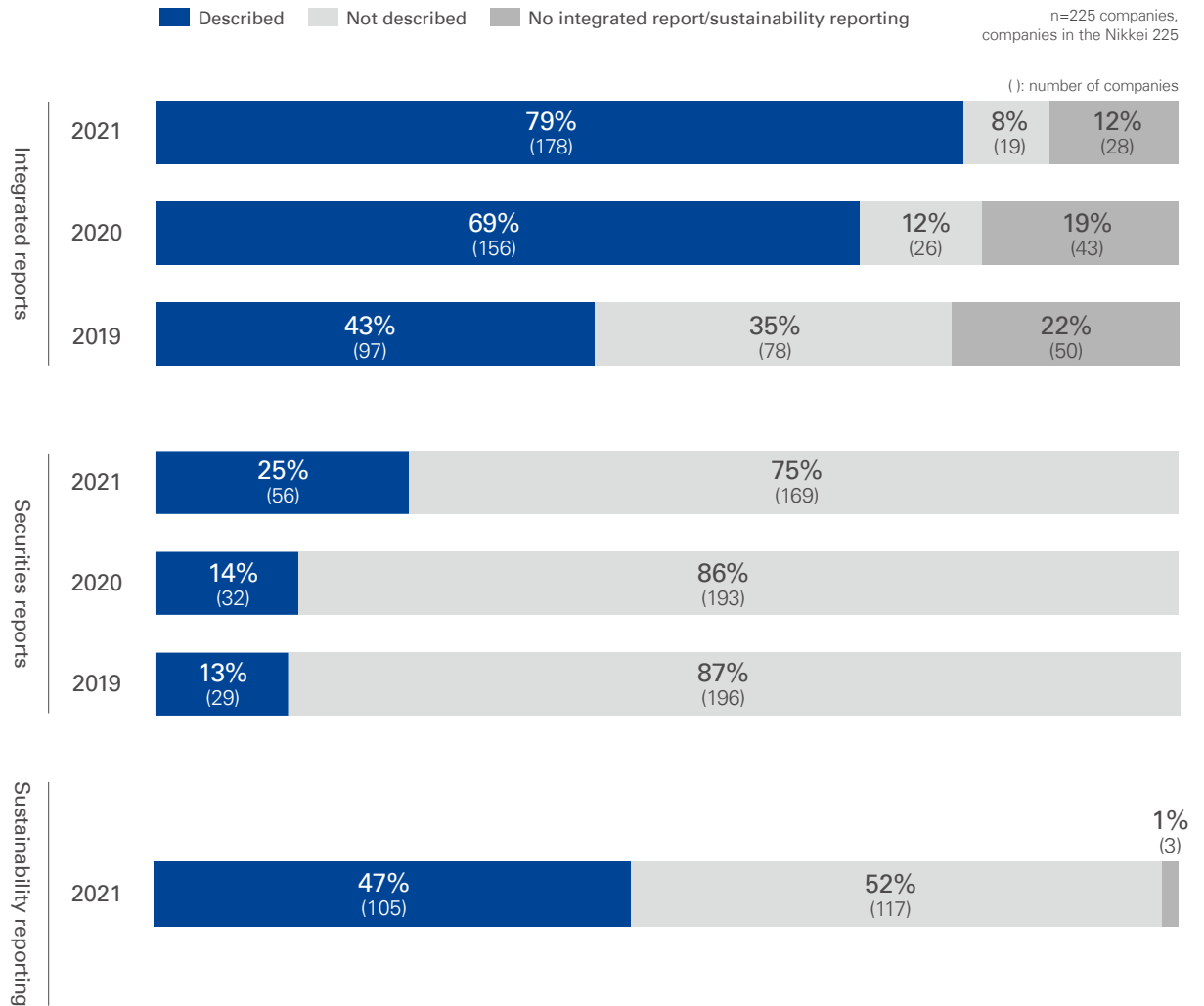
Few references to evaluation of board effectiveness in securities reports

An evaluation of the board effectiveness has been incorporated in principle in Japan's Corporate Governance Code since it was established in 2015, and in integrated reports, 79% of companies provided information on the implementation of effectiveness evaluations (Figure 8-2). This shows that many of the companies covered by this survey are carrying out evaluations of the board effectiveness in some way.

At the same time, the percentage of companies that do not explain their board effectiveness in securities reports increased to 75% (Figure 8-2). This indicates that, whether or not they are carrying out evaluations, many companies do not mention it in their reports.

The disclosure of board evaluations in securities reports is not required. However, when companies are aware of the need to ensure the effectiveness of their corporate governance and show how they are improving the functions of their boards, this reinforces the explanations of their capacity to pursue the strategies and management plans described in their report. It is worth considering incorporating the status of board effectiveness into the securities report as a matter that is related to the company's efforts to create value.

Figure 8-2 Explanation of evaluation of board effectiveness



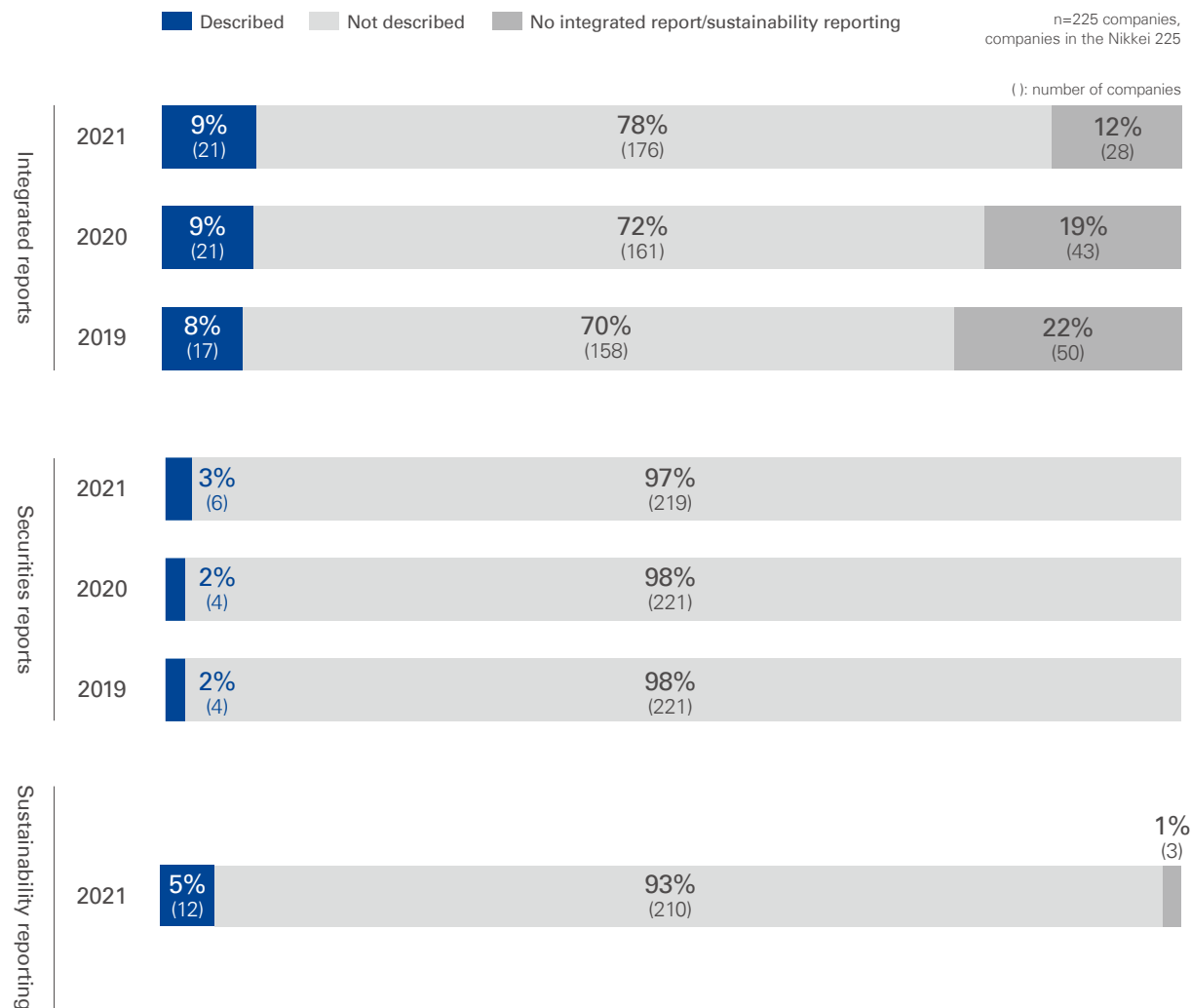
Source: Survey of Corporate Reports in Japan 2021

Convey effectiveness of monitoring business execution

There was no significant increase in the reports that included explanations of the qualities required of CEOs (Figure 8-3), who are responsible for business execution, and the procedure for dismissing CEOs (Figure 8-4, page 42) over the previous year. The percentage of companies providing such explanations was low in all three types of reports.

Moreover, even in reports that attempted to explain these matters, the description was not necessarily made with an eye to the transparency and accountability required in corporate governance. For example, there were cases in which a company simply stated under the title “policy for selecting and dismissing CEO” that it had such a policy. Yet, if the makeup of the body that discusses this decision and the policies guiding it are not clarified, the reader cannot determine whether this process is highly transparent and independent. Clearly and specifically laying out the qualities required of a CEO and the policy for selection and dismissal conveys the effectiveness of business execution and oversight and the company’s sincerity about these initiatives.

Figure 8-3 Qualities required of CEO



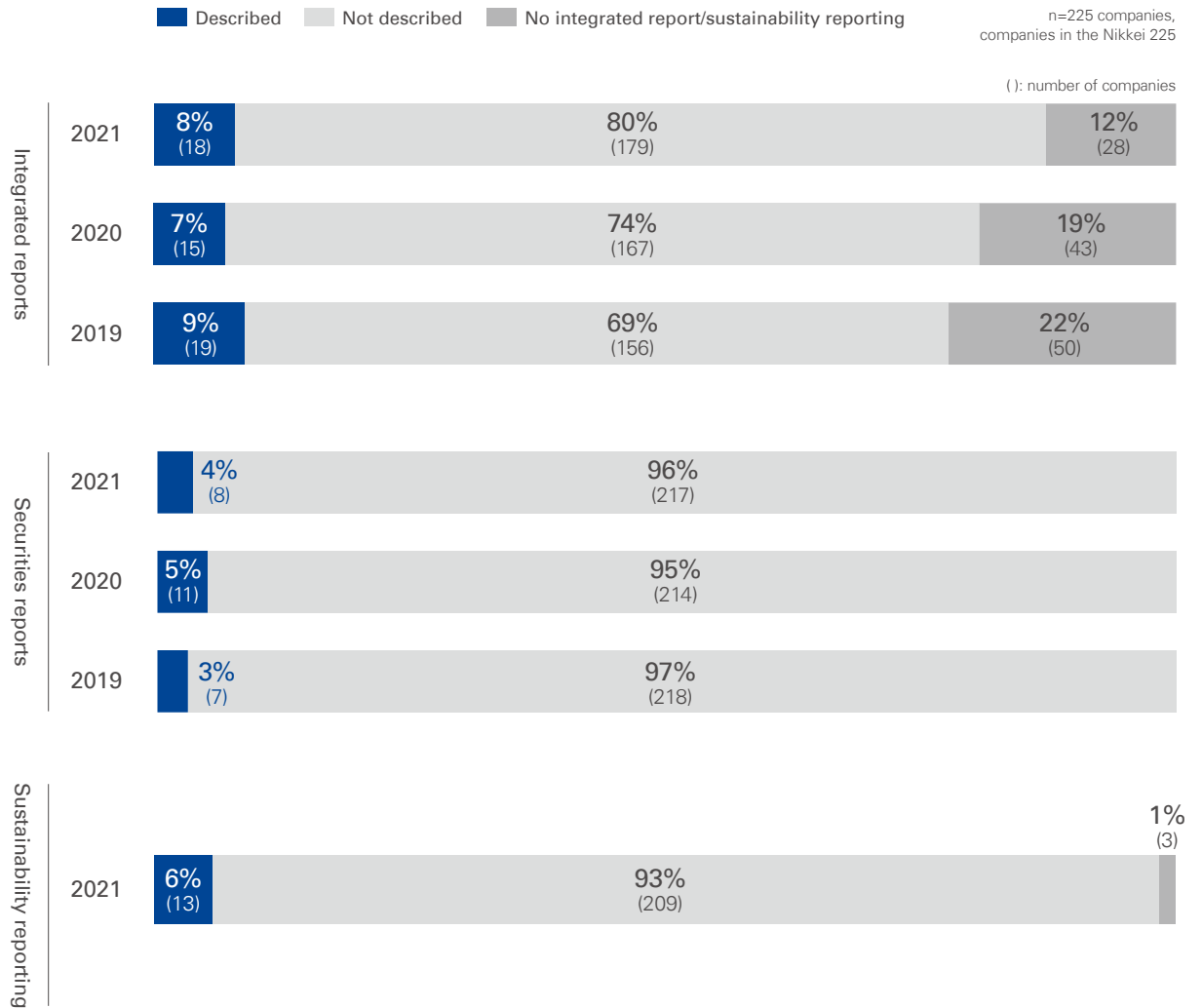
Source: Survey of Corporate Reports in Japan 2021



Make governance reporting consistent with value creation story

In recent years, the revised Cabinet Ordinance, revised Companies Act and two revisions to the Corporate Governance Code have all sought enhancements to reporting on governance. Given this background, this survey has shown an increase in the amount of information on corporate governance in integrated reports and securities reports. However, simply referring to the matters for which reporting is expected does not mean that the reporting requirements are being met. Companies should provide explanations that are consistent with their value creation story. They need to convey that corporate governance is functioning as a mechanism supporting the achievement of their vision and strategies. By doing so, they can ensure their report meets readers' needs.

Figure 8-4 Procedure for dismissing CEO



Source: Survey of Corporate Reports in Japan 2021



Good practice

Showing why the skill matrix includes the items it does

Many integrated reports described skill matrices, which had been mentioned in the supplementary principle on ensuring board effectiveness in the [Corporate Governance Code revised in 2021](#). This is a list of the skills that the board of directors should have in light of corporate strategy, and it is expected to demonstrate consistency with strategies as well as the relationship with the policy and procedure for selecting directors.

In line with this intent, one company explained the reasons they selected the particular skills listed in the skill matrix. As the report explained reasons that were consistent with strategies and management plans, it clearly presented the system of directors, which oversee and support the execution of strategies, and the roles of each director.

S POTLIGHT

Evaluation of governance information from Japanese companies

In May 2021, the Asian Corporate Governance Association (ACGA) released the most recent results of [CG Watch](#), its survey of corporate governance in 12 markets in the Asia Pacific region carried out every other year.

This survey is especially interesting in that it covers not only the governance practices of listed companies, but also seven broad categories, including initiatives related to governance by the governments in the country or region that supervises each market, the related legislation and scope of the legislation, and the maturity of the investors, auditors, related private-sector organizations and media. The results are shown as a score, and ranks are also given.

Japan was ranked seventh in the previous survey released in 2018, but improved its rank to fifth in the most recent survey. This higher rank can be attributed to better scores in five of the seven categories. Japan's score dropped only for "listed companies," which shows that the results of the survey based on information compiled from companies' publicly available materials. When limiting the scores to the "listed companies" category, Japan would be ranked eleventh of the twelve markets.

This is not because the level of governance information provided by Japan's listed companies has declined, but because the level of the disclosure of governance information by listed companies in other markets has improved. The degree of improvement in Japan did not keep pace with that in other markets.

Various ranks are released to visualize the differences between the initiatives in countries and regions, but it is never a good feeling to see that one's own country has not received a favorable ranking. However, given that many investors — particularly institutional investors — who invest in listed companies take a global perspective on markets when making investment decisions, Japan's assessment in the "listed companies" category in [CG Watch 2020](#) should serve as a wake-up call.

In recent years, there have been more initiatives to assess and recognize impressive corporate reports in Japan, and the diversification of opportunities to obtain external assessments is a welcome development. In addition, findings resulting from a comparison with other markets can be utilized to incentivize companies to provide even better corporate reporting, going forward.

Sumika Hashimoto

**S** POTLIGHT

Roadmap for next decade of business and human rights

In recent years, initiatives to address human rights issues are having a rapid, massive impact on companies.

In April 2021, ten years after the approval of the United Nations' Human Rights Council's [Guiding Principles for Business and Human Rights](#) (hereafter, "Guiding Principles"), the Business and Human Rights Working Group released [the Guiding Principles on Business and Human Rights at 10: Taking Stock of the First Decade](#). From November to December of that year, the UN's 10th Business and Human Rights Forum was held online, and wide-ranging discussions were held on how to accelerate efforts to ensure "corporate responsibility to respect human rights," which is required in the Guiding Principles. The [UNGP's 10+ — A Roadmap for the Next Decade of Business and Human Rights](#), released at this forum, points out that issues remain, such as a lack of initiatives that are consistent with the policies sought in the Guiding Principles, including due diligence on human rights and access to remedies. The report also lays out objectives for each of the eight action areas that should be pursued in the next decade through the target year for the SDGs.

Of these, action area 1 is "UNGPs as a compass for meeting global challenges." This asks for consistency with the Guiding Principles in establishing reporting standards related to sustainability, including the ISSB standards.

Due to the announcement of this roadmap, it is expected that governments will take measures encouraging companies to respond to human rights issues. Moreover, regardless of whether legislation mandates a response, companies could be required by their customers to conduct due diligence on human rights.

However, addressing human rights issues is not just about risk mitigation. *Response to Business and Human Rights Now Required of Companies*, released by the Ministry of Justice, lists positive impacts such as attracting new customers and raising recruiting appeal and the employee retention rate. Indeed, fostering a diverse and inclusive corporate culture can raise enterprise value. Rather than simply complying with legal requirements, I believe it is important for companies to identify the human rights issues they face as well as those in their supply chain, move forward with a response, and report to the public in a timely manner.

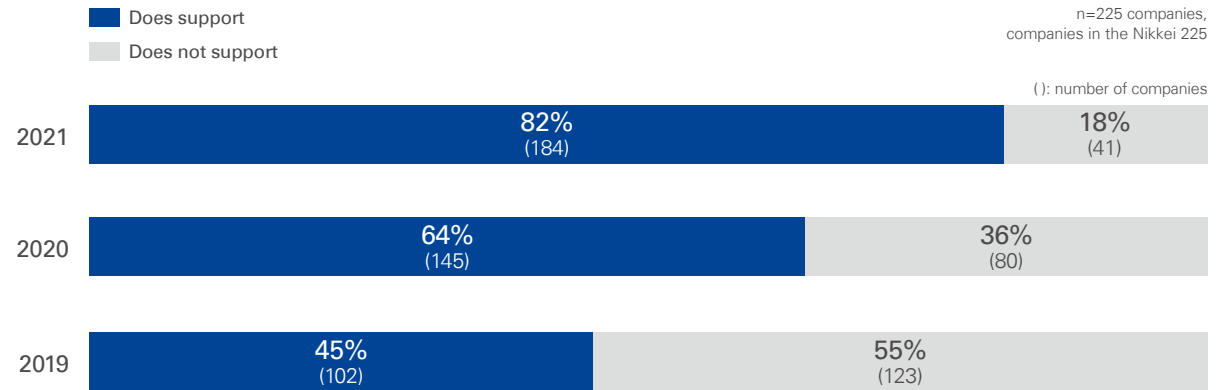
Yuki Chihara

Disclosure based on TCFD recommendations

82% of Nikkei 225 companies support TCFD

More Japanese companies have become supporters of the Task Force on Climate Change-Related Financial Disclosures (TCFD). By the end of 2021, 184 of the companies in the Nikkei 225 were supporters of TCFD, or 82% of the total (Figure 9-1).

Figure 9-1 Companies in the Nikkei 225 that are supporters of TCFD



Source: Survey of Corporate Reports in Japan 2021



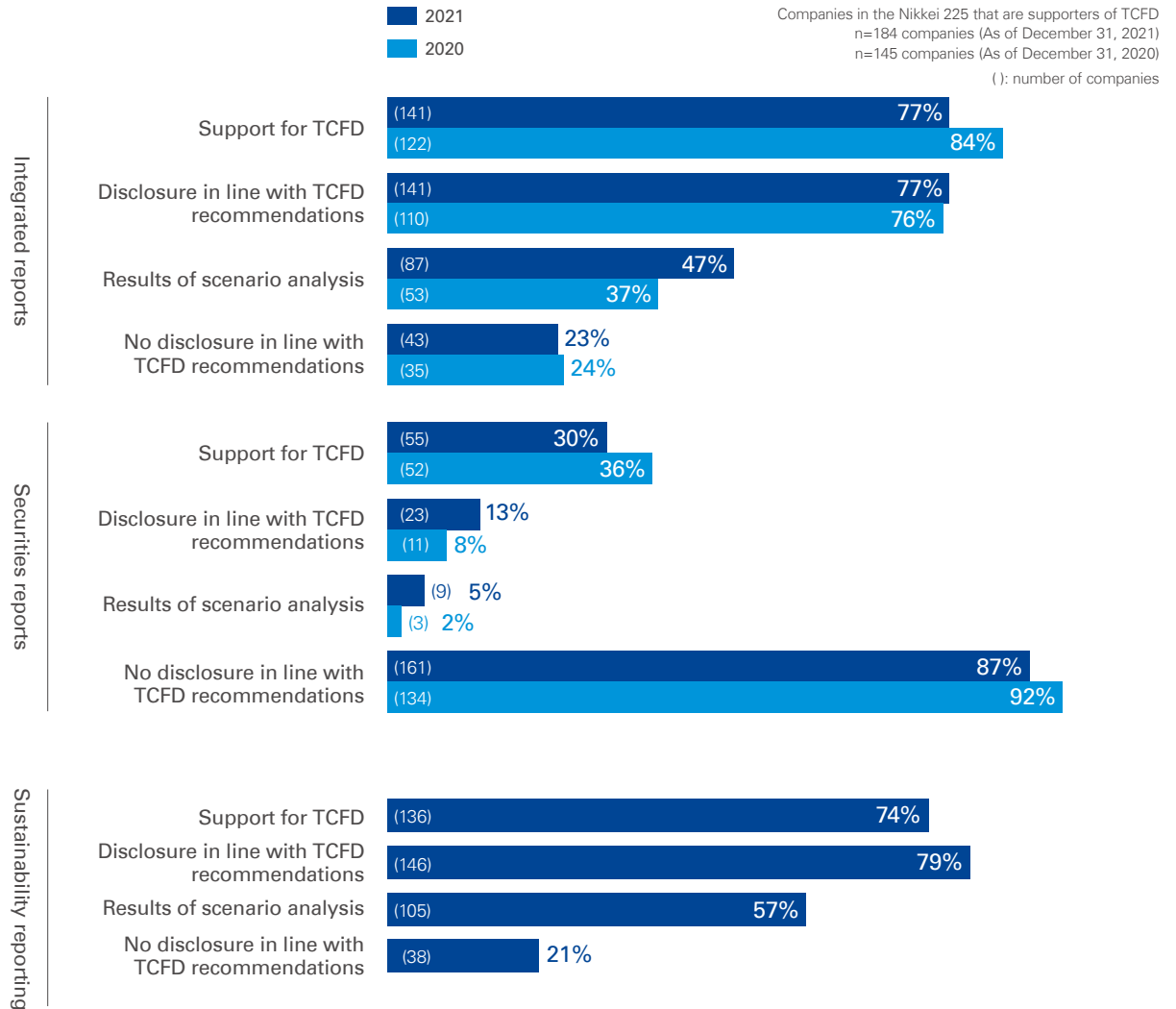
Despite increase in number of companies that support TCFD, few companies mention it in securities reports

A survey of climate-related information in the integrated reports, securities reports, and sustainability reporting of the 184 companies that are supporters of TCFD found that, while many companies disclose such information in their integrated reports and sustainability reporting, 87% did not touch on any of the climate-related information advocated by TCFD in their securities reports, although a certain number of companies mentioned their support of TCFD or climate change risks.

TCFD advocates the presentation of climate-related information in statutory disclosure materials to help assess financial impact. At present, however, voluntary integrated reports and sustainability reporting remain the primary reporting medium for climate-related information.

In the U.K., legislation is underway to make disclosures based on the TCFD recommendations mandatory for listed companies and large unlisted companies. In Japan, there are also moves to consider whether or not statutory disclosure is required, and the disclosure of climate-related information is likely to be strengthened. Companies should further pursue efforts such as addressing the risks and opportunities of climate change.

Figure 9-2 Disclosure in line with TCFD recommendations



Source: Survey of Corporate Reports in Japan 2021

Disclosure based on TCFD recommendations

Progress in analyzing impact of climate change but assessment of strategy resilience remains to be seen

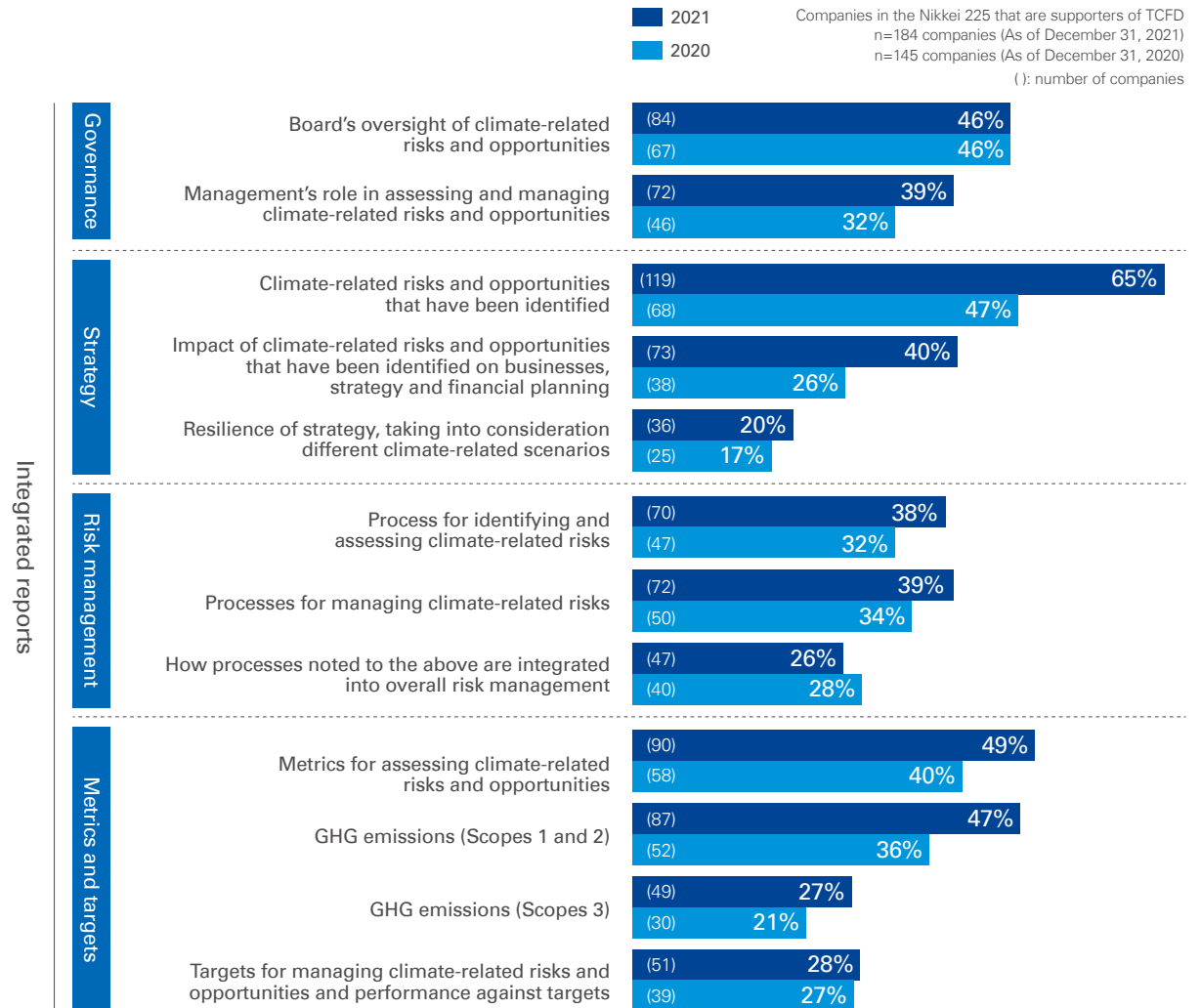
We reviewed the status of itemized disclosures in line with TCFD recommendations at the 184 companies that support TCFD.

Integrated reports mentioned 11 out of the 12 items we reviewed, an increase over the previous year when we first surveyed this topic. In particular, the number of companies presenting information on risks and opportunities and greenhouse gas emissions increased, showing progress in the trend toward analyzing the impact of climate change. On the other hand, the least frequently mentioned item was strategy resilience (Figure 9-3).

The “strategy” element provides specific information on the impact of climate change and explains management’s future plans, and such information is highly prized by investors. However, a certain amount of cost and time is required to collect and analyze such information, which does not necessarily facilitate disclosure.

In particular, the short-, medium-, and long-term risks and opportunities associated with climate change and the scale of their financial impact, as well as the resilience of strategies based on scenario analysis, all represent highly uncertain hypotheses that are difficult to explain with quantitative data only. However, in order to fulfill accountability in light of the needs of investors and others, companies need to establish an integrated process that covers everything from data collection and analysis to the aggregation of information for disclosure.

Figure 9-3 Disclosure based on TCFD recommendations (by content in integrated reports)



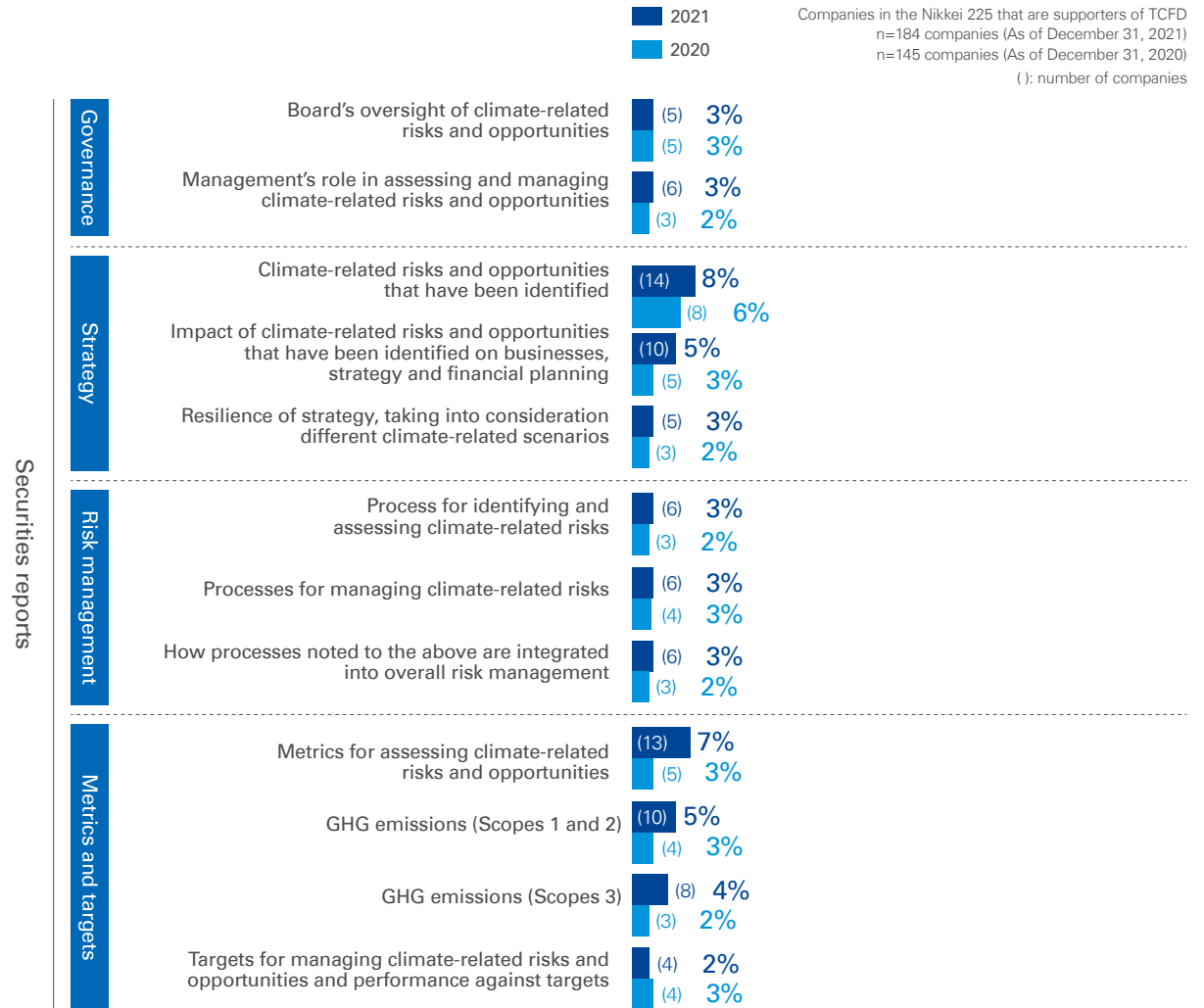
Source: Survey of Corporate Reports in Japan 2021



No significant increase in volume of information in securities reports

As shown in Figure 9-2 (page 46), there is little climate-related information in securities reports, and only 13% of the reports refer to disclosure items in line with TCFD recommendations. A content analysis shows that the information has not yet been presented to the extent that any noteworthy trends can be identified.

Figure 9-4 Disclosure in line with TCFD recommendations (by content in securities reports)



Source: Survey of Corporate Reports in Japan 2021

Disclosure based on TCFD recommendations

Provide more metrics and targets other than greenhouse gas emission reductions

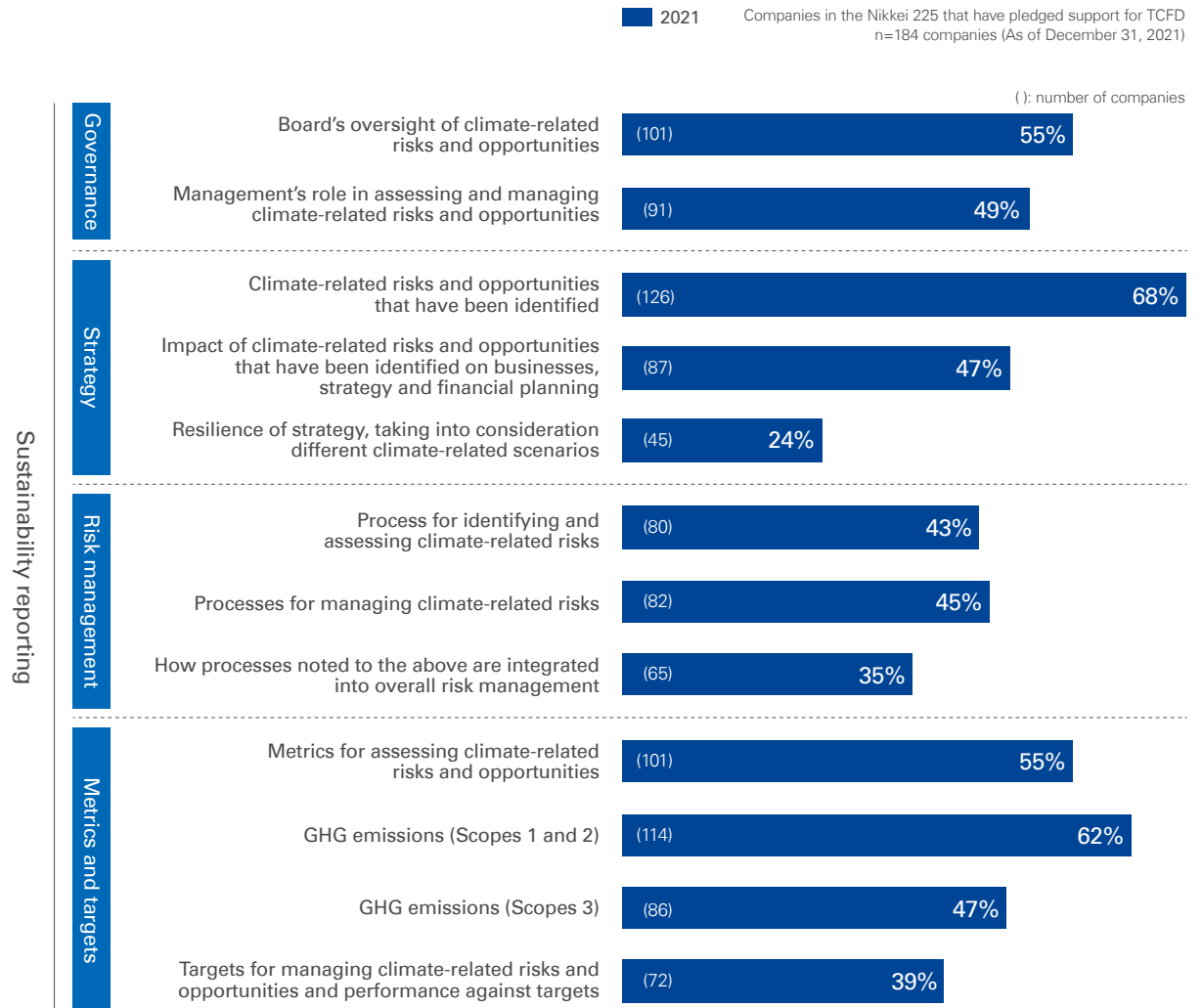
Sustainability reporting presented more targets and performance information related to climate change than other report formats, with 39% of companies including these. (Figure 9-5). Specifically, in many cases, the reporting communicated targets in line with government goals for carbon offsets in 2050, presented together with actual CO₂ emissions.

The TCFD recommendations envisaged that metrics and targets would be set in order to assess and manage risks and opportunities. Setting targets to reduce total CO₂ emissions is undoubtedly an important commitment. However, just those targets are not necessarily sufficient to allow for an analysis of climate-related risks and opportunities.

In 2021, TCFD revised its guidance on disclosures regarding metrics and targets. This was done primarily with comparability in mind. The revised guidance requests disclosure of seven cross-industry metrics, including not only greenhouse gas emissions, but also risks and opportunities, executive compensation, and others, where appropriate.

Going forward, companies who wish to meet the expectations of information users will need to present more concrete strategies and quantitative targets for their efforts to contribute to a world of net-zero emissions, while also providing information that demonstrates their achievements.

Figure 9-5 Disclosure in line with TCFD recommendations (by content in sustainability reporting)



Source: Survey of Corporate Reports in Japan 2021



Good practice

Presenting and communicating more clearly the future quantitative financial impact in scenario analysis

In describing the impact of climate-related risks and opportunities on its business, one company presented the financial impact in monetary terms for each scenario assumed. Specifically, the increase in procurement costs under the 2°C and 4°C scenarios was considered a risk, and the amount of impact in specific segments was shown, along with measures to deal with it.

Estimating financial impact is a complex process, and many companies may be hesitant to publicly disclose the potential impact, especially if it is a long-term potential impact, as they consider data reliability and other factors. However, doing so can be termed a good practice in which proactive presentation of potential financial impact can be expected to facilitate the understanding of and communication with investors and other information users.

S POTLIGHT

Expectations for enhanced reporting of climate-related financial information

At 26th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP26) in November 2021, the IFRS Foundation announced that it had set up the International Sustainability Standards Board (ISSB). It also released [a climate-related disclosures prototype](#) and [a prototype for the General Requirements for Disclosure of Sustainability-related Financial Information](#) from its [Technical Readiness Working Group \(TRWG\)](#).

The TRWG was established by the IFRS Foundation to conduct preparatory work so that standards development could proceed immediately upon the establishment of the ISSB. The prototypes released at COP26 were positioned as proposals for a draft that the ISSB plans to publish in the first quarter of 2022.

The climate-related disclosure prototype framework is consistent with the four categories recommended by the Task Force on Climate-related Financial Disclosure (TCFD): (1) Governance, (2) Strategy, (3) Risk Management, and (4) Metrics and Targets. However, looking at specific items, more detailed disclosure is required. For example, the metrics and targets category requires industry-specific metrics, and among the industry-specific metrics developed by the Sustainability Accounting Standards Board (SASB), metrics relevant to climate change were presented.

A draft will be developed based on the prototypes, and the final standards will be published by the ISSB by the end of 2022. The adoption of the ISSB's standards is at the discretion of each country or region. However, if a company were to apply the ISSB's standards and make disclosures in accordance with those standards, it would need to consider whether or not to disclose all items that are required. In addition, when estimates of the amount of impact, etc., are presented based on certain assumptions, they will have to be consistent with the assumptions used in the company's financial disclosures.

It is assumed that the TCFD recommendations and the ISSB's disclosure standards will be organized consistently in the future. Companies that deepen and enhance their response to the TCFD recommendations will find that doing so paves the way for applying the disclosure standards from the ISSB.

Toshikazu Takeuchi

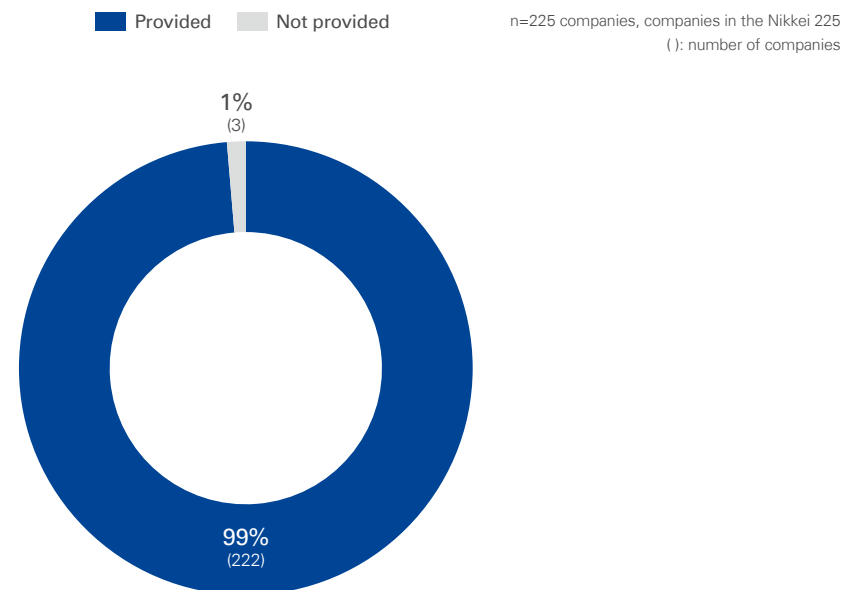
Overview of sustainability reporting

This section was compiled based on the information provided on each company's website under the title of "Sustainability" or similar.

99% of the companies in the Nikkei 225 surveyed operate separate pages on their websites that summarize sustainability information under such titles as sustainability, ESG, CSR, environment, and society (Figure 10-1).

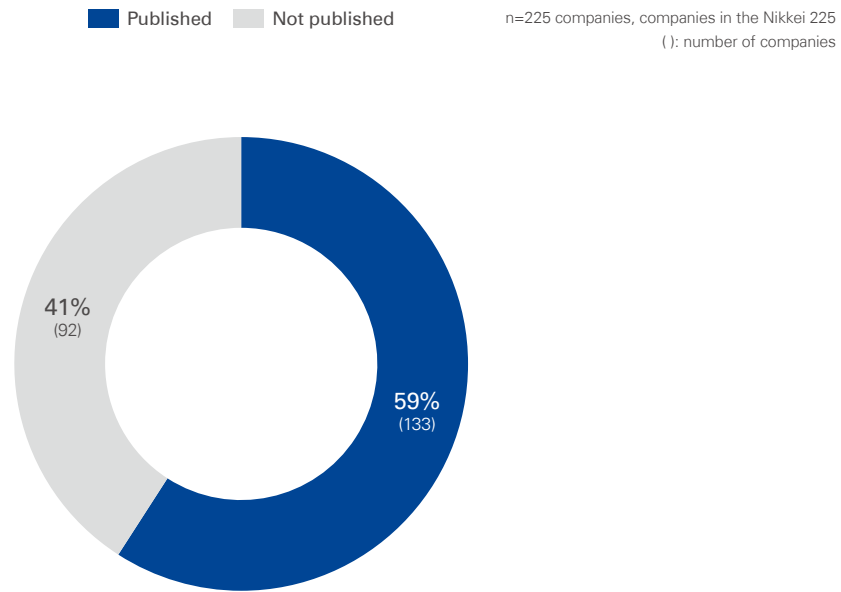
Of these, 59% published separate sustainability reports (not counting reports we considered to be integrated reports for this survey) (Figure 10-2). It is assumed there are various reasons for this. Some companies report the same sustainability information as they included in their integrated report, while others limit what should be included in the integrated report to reflect integrated thinking, and then report sustainability information separately, taking into account the evaluation of ESG rating agencies, etc.

Figure 10-1 Companies providing sustainability information on their websites



Source: Survey of Corporate Reports in Japan 2021

Figure 10-2 Companies publishing a separate sustainability report

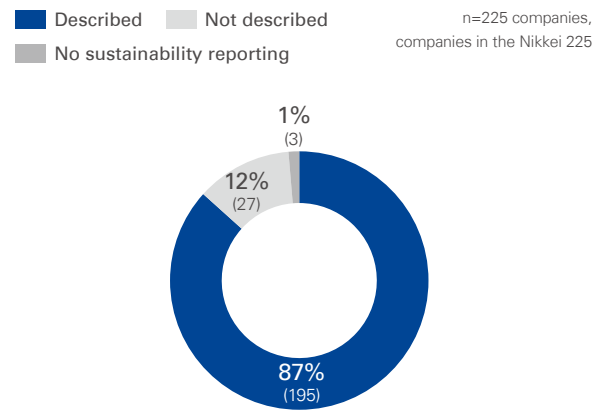


Source: Survey of Corporate Reports in Japan 2021

Reduction targets for greenhouse gas emissions

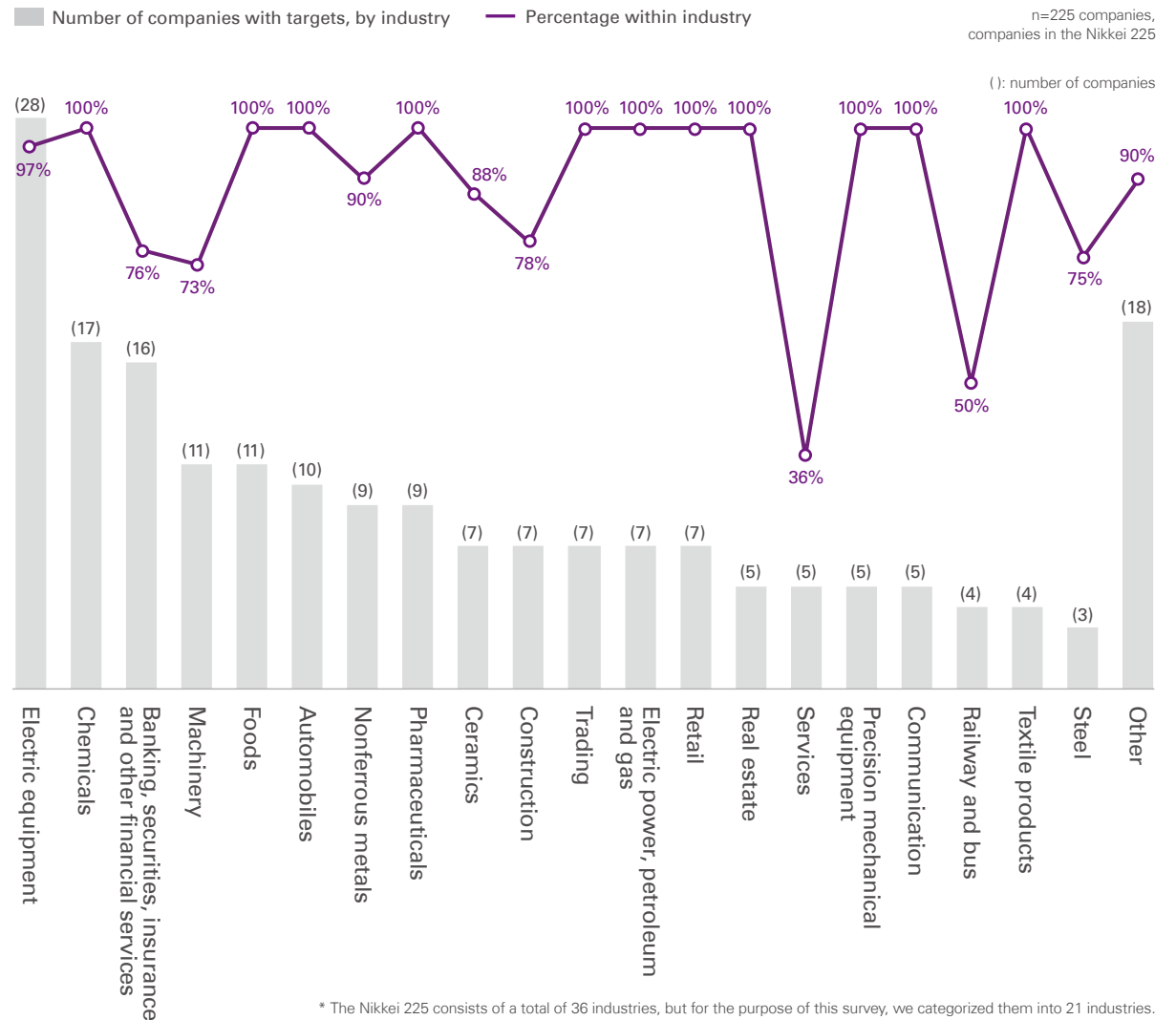
The percentage of companies that reported reduction targets for greenhouse gas (GHG) emissions stood at 87%. All companies surveyed in each of the following 11 industries reported reduction targets: chemicals, foods, automobiles, pharmaceuticals, trading, electric power, petroleum and gas, retail, real estate, precision mechanical equipment, communication, and textile products (Figures 10-3 and 10-4).

Figure 10-3 Reduction targets for GHG emissions



Source: Survey of Corporate Reports in Japan 2021

Figure 10-4 Reduction targets for GHG emissions by industry*



* The Nikkei 225 consists of a total of 36 industries, but for the purpose of this survey, we categorized them into 21 industries.

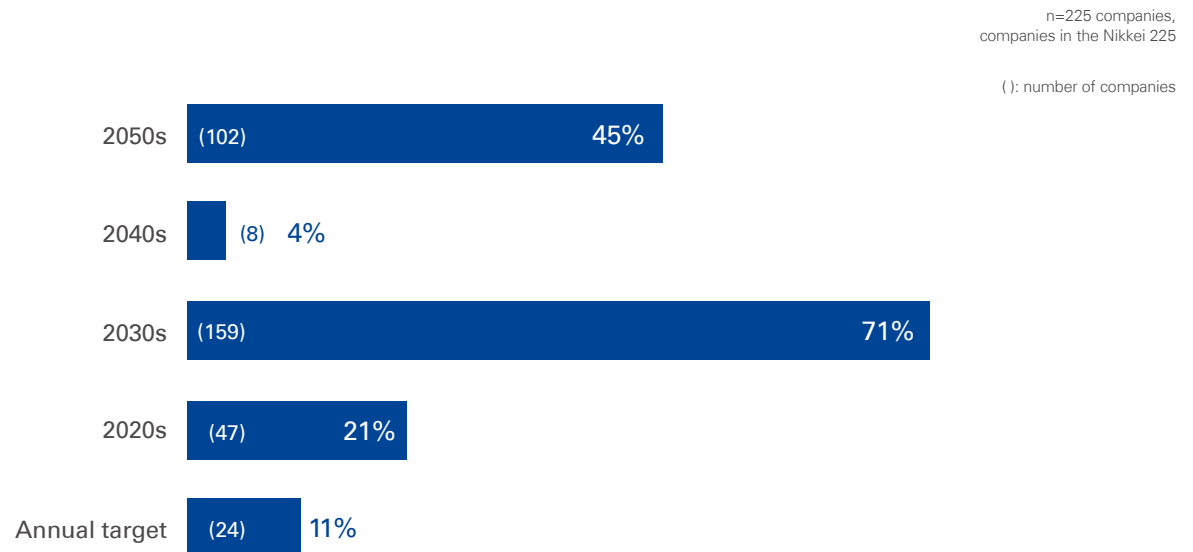
Source: Survey of Corporate Reports in Japan 2021

Reduction targets for greenhouse gas emissions

The most common target year was in the 2030s (the target year for the SDGs is 2030), followed by the 2050s, when most companies have set net-zero emissions targets (Figure 10-5).

With the partial revision of the TCFD recommendations, it is expected that interim targets for the process of reaching the long-term goals will be reported in the future, and at the same time, accountability for the achievement/non-achievement of the goals will be demanded.

Figure 10-5 Target year for reduction of GHG emissions



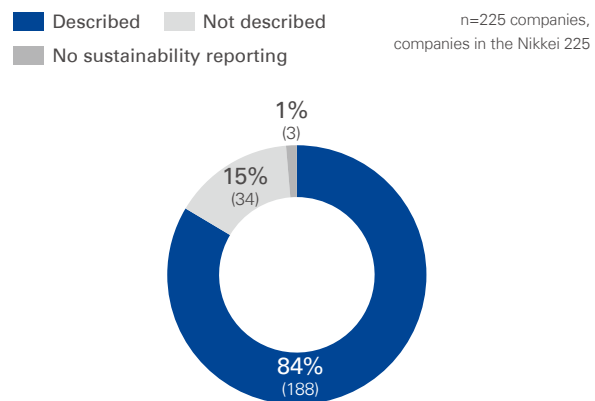
Source: Survey of Corporate Reports in Japan 2021

Water resources

The amount of water resources available to the human race is limited, but demand for water is increasing. In Japan, water resources are relatively inexpensive and plentiful. However, it is expected that water stress will become more serious in an increasing number of regions around the world due to changes in rainfall patterns resulting from the advance of climate change. The issue of water resources is also attracting increasing attention from investors as one of the risk factors that will increase with the progression of climate change.

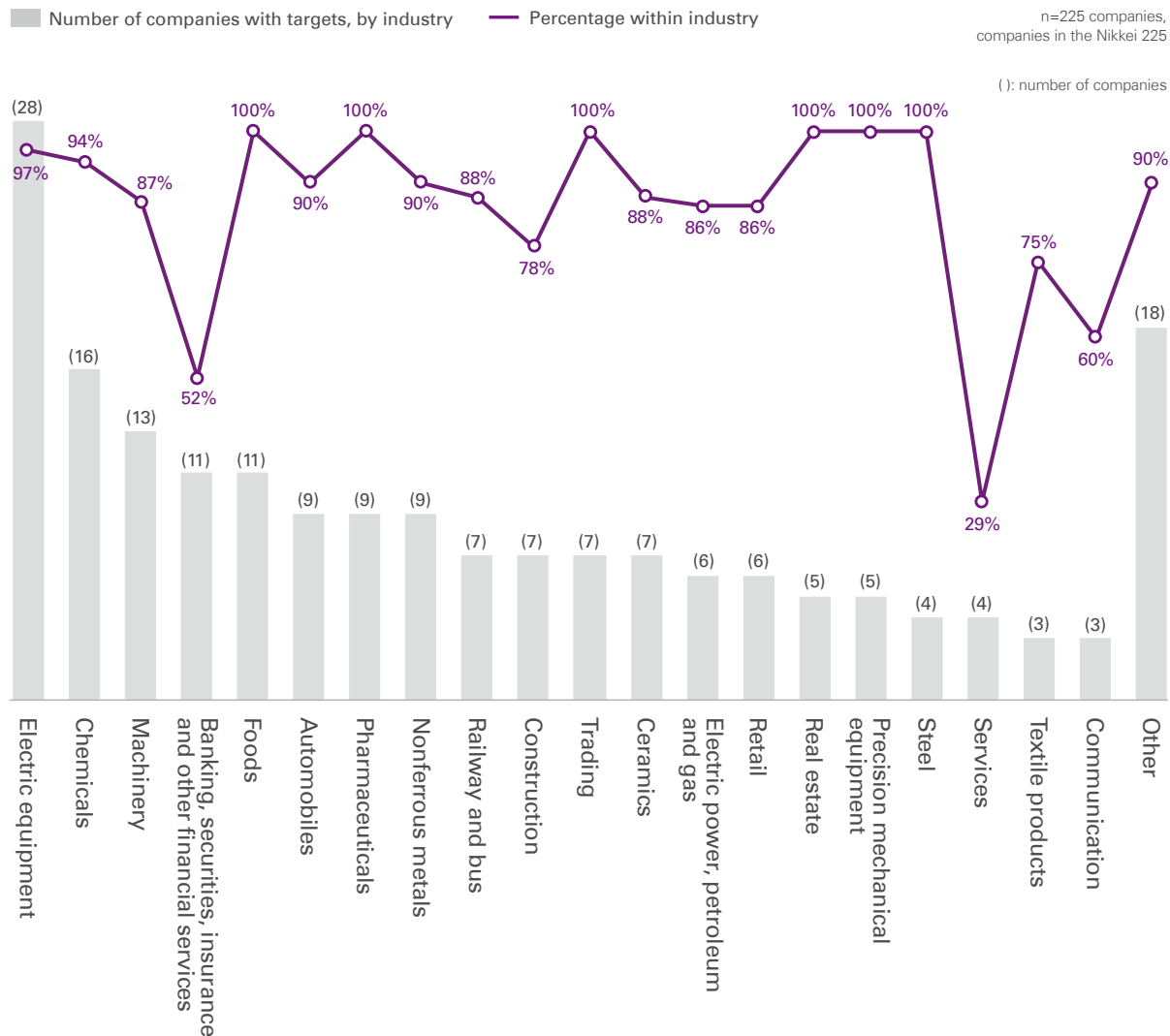
The percentage of companies that reported their water consumption (absolute volume) was 84%, and by industry, all companies in the six industries of foods, pharmaceuticals, trading, real estate, precision mechanical equipment, and steel reported water consumption (Figures 10-6 and 10-7).

Figure 10-6 Water consumption (absolute)



Source: Survey of Corporate Reports in Japan 2021

Figure 10-7 Water consumption (absolute volume) by industry



Source: Survey of Corporate Reports in Japan 2021

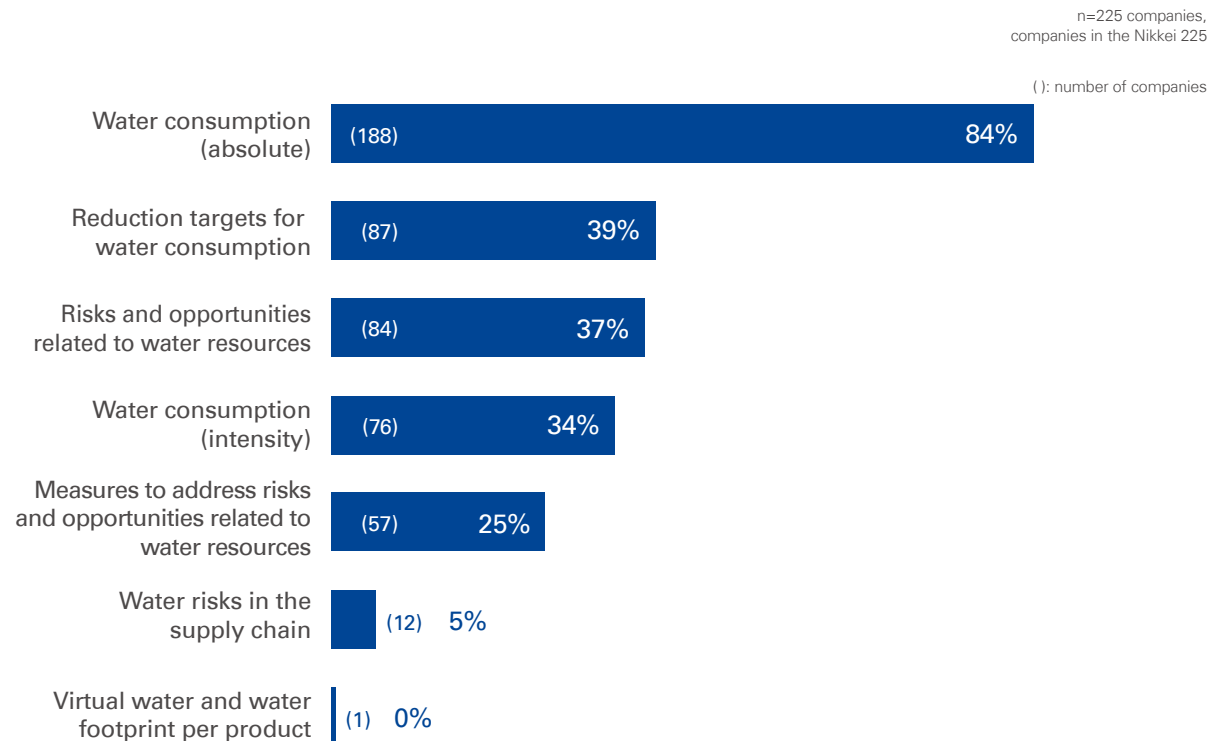


Water resources

Thirty-four percent of the companies reported water consumption in terms of intensity, significantly lower than the 84% that reported an absolute volume. Only 39% of companies reported reduction targets for consumption (Figure 10-8). Compared to GHG emissions (Figure 10-3, page 52), fewer companies indicated reduction targets for water consumption.

Only 37% reported risks and opportunities related to water resources, and only 25% reported measures to address risks and opportunities (Figure 10-8). As the content of reporting based on the TCFD recommendations is being investigated, it is expected that the analysis of the impact of increased water risks associated with the progression of climate change on business will advance, and such reporting will be expanded, especially for industries where material impacts have been detected.

Figure 10-8 Descriptions related to water resources

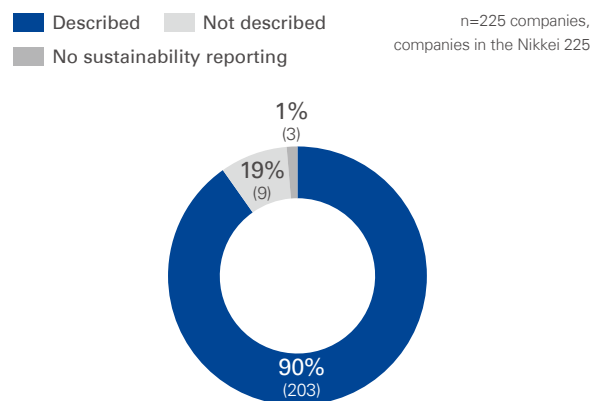


Source: Survey of Corporate Reports in Japan 2021

Human rights

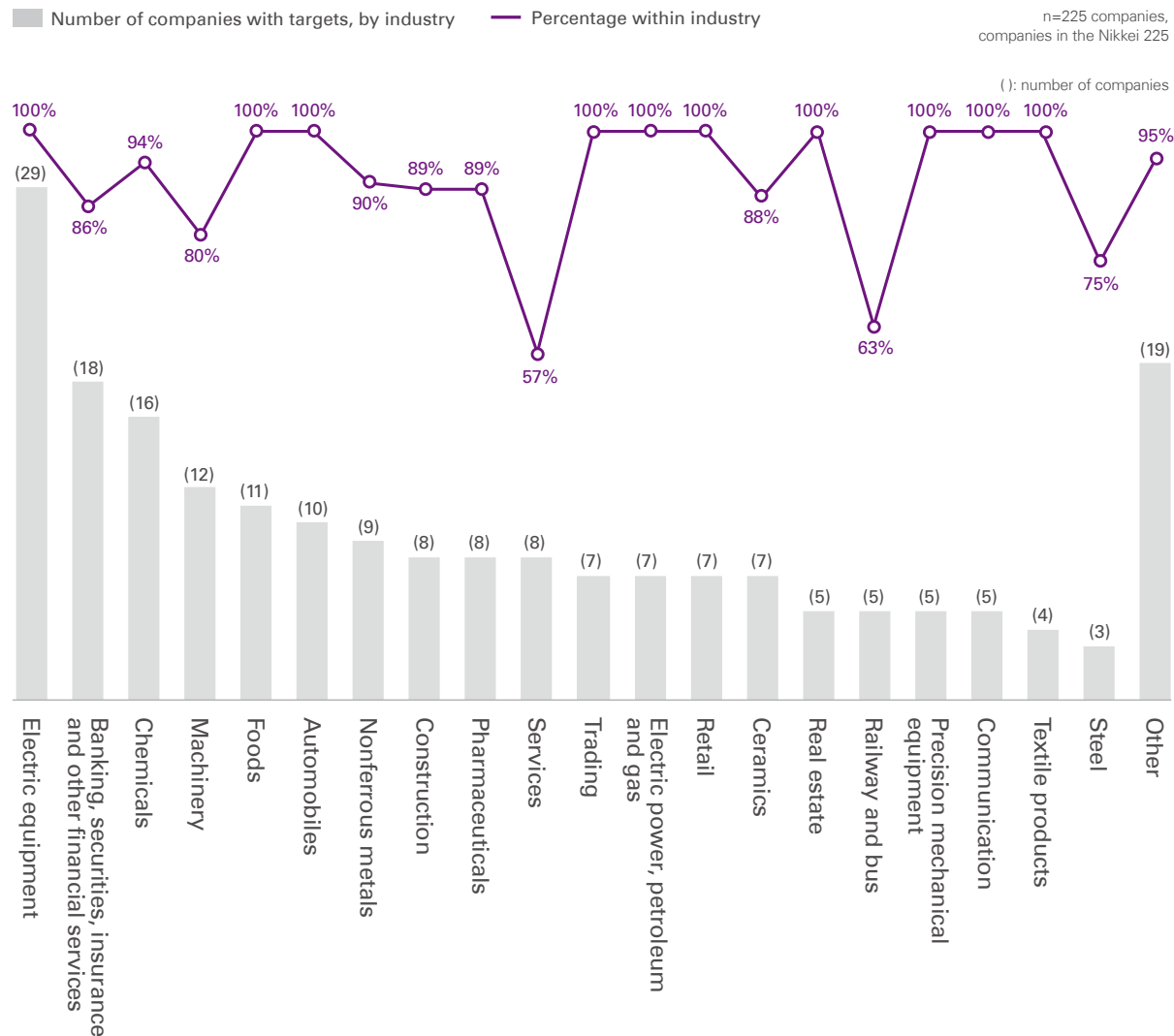
The percentage of companies expressing a basic policy or a statement of commitment to respect and protect human rights in their operations was high, at 90%. By industry, all companies in the following 10 industries reported such a policy: electric equipment, foods, automobiles, trading, electric power, petroleum and gas, retail, real estate, precision mechanical equipment, communication, and textile products (Figures 10-9 and 10-10). Considering that all companies in 11 of the industries reported GHG emission reduction targets, this shows the high level of attention paid to human rights.

Figure 10-9 Human rights policy/commitment



Source: Survey of Corporate Reports in Japan 2021

Figure 10-10 Human rights policy/commitment by industry



Source: Survey of Corporate Reports in Japan 2021

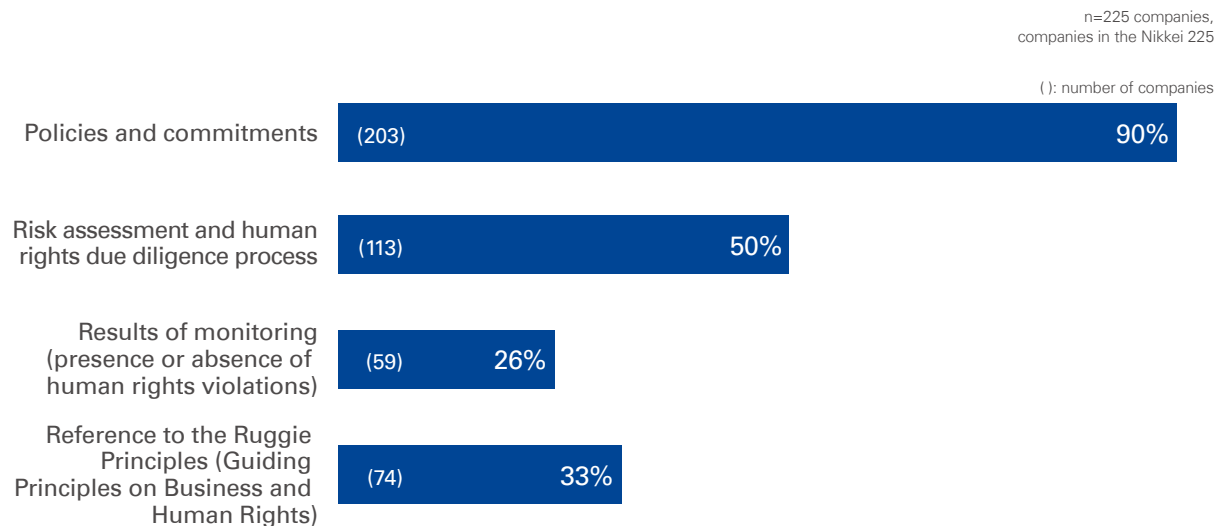


Human rights

In addition, 50% of companies reported on their human rights risk assessment and human rights due diligence processes, and 26% reported on the results of their human rights monitoring (i.e., whether or not human rights violations have occurred). In addition, 33% of companies referred to [the Guiding Principles on Business and Human Rights](#) (the so-called Ruggie Framework) adopted by the United Nations in 2011 (Figure 10-11).

These survey results indicate that an increasing number of companies recognize that human rights issues are one of the material issues affecting enterprise value and represent a management risk. In order to respond to increasing human rights risks and meet the demands of stakeholders and investors, companies are increasingly required not only to formulate policies and commitments, but also to implement the PDCA process of establishing response policies based on due diligence, etc., monitoring the results, making improvements as necessary, and then reporting on the actual status of this PDCA process implementation.

Figure 10-11 Description related to human rights



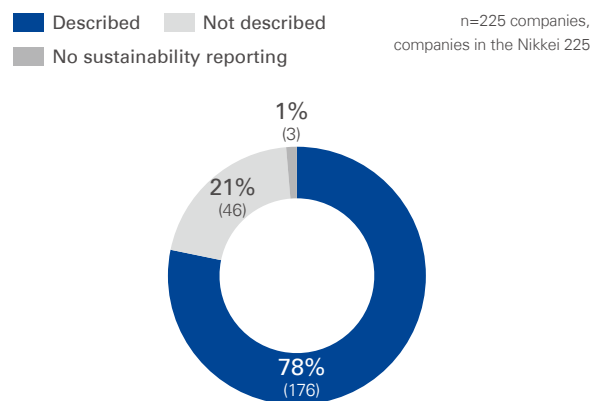
Source: Survey of Corporate Reports in Japan 2021

Evaluation of suppliers

Companies are increasingly being asked to address human rights, occupational health and safety, environmental, and other issues not only in their own direct operations, but also to address such issues in their supply chains.

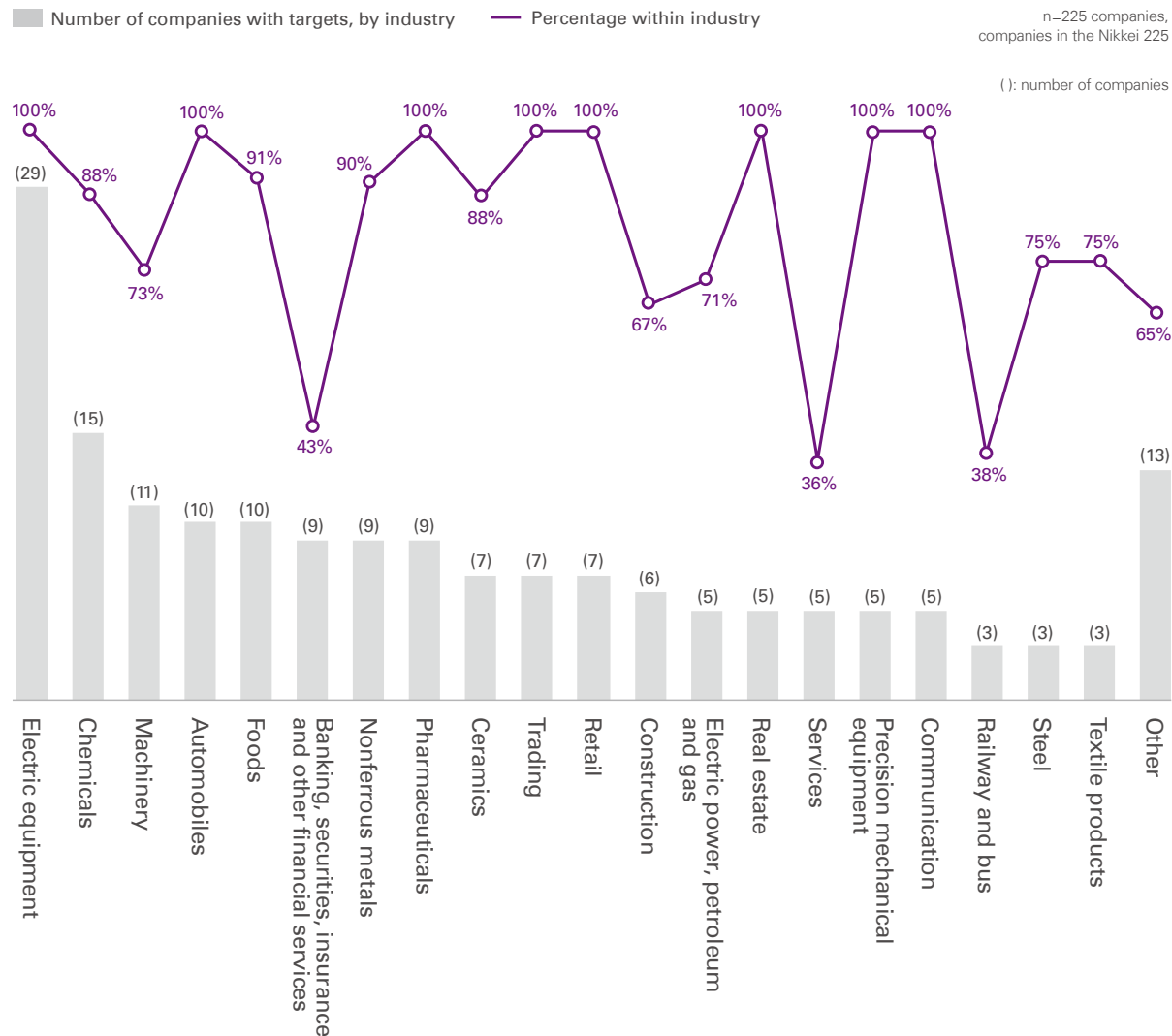
Against this backdrop, 78% of companies referred to establishing a supplier code of conduct or guidelines. By industry, all companies in the following eight industries included this reference: electric equipment, automobiles, pharmaceuticals, trading, retail, real estate, precision mechanical equipment, and communication (Figures 10-12 and 10-13).

Figure 10-12 Supplier code of conduct



Source: Survey of Corporate Reports in Japan 2021

Figure 10-13 Supplier code of conduct by industry



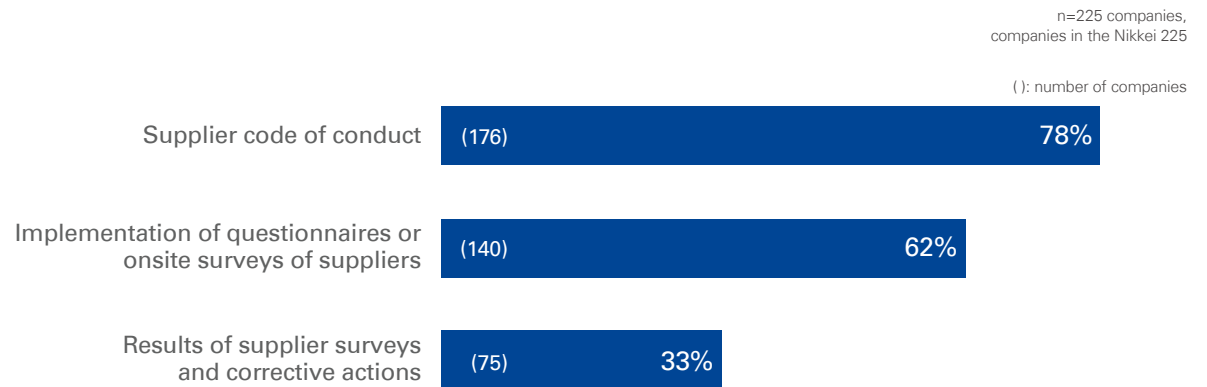
Source: Survey of Corporate Reports in Japan 2021



Evaluation of suppliers

Sixty-two percent of companies reported on conducting questionnaires or onsite surveys of suppliers, and 33% even described the results of surveys and corrective actions taken with suppliers (Figure 10-14).

Figure 10-14 Descriptions related to evaluation of suppliers



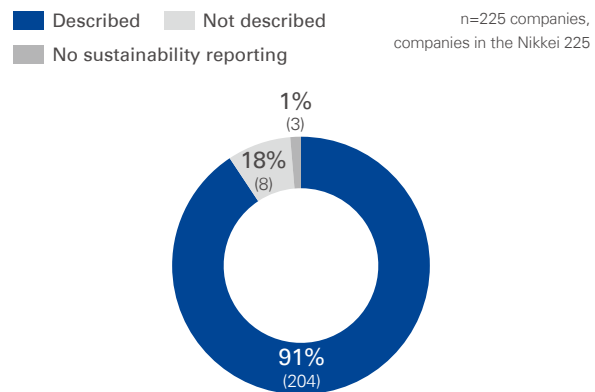
Source: Survey of Corporate Reports in Japan 2021

Diversity

In today's rapidly changing and extremely fast-paced business environment, it is essential to make the most of human resources diversity. It is increasingly recognized that, regardless of nationality, age, gender, or hours of availability for work, there is a need to create an environment in which employees can reach their full potential and continue to contribute as members of the organization, and that this has a significant impact on improving enterprise value. It is also becoming a very important factor from the perspective that companies borrow and utilize human capital, a social good, and are responsible for creating comprehensive value that includes public aspects.

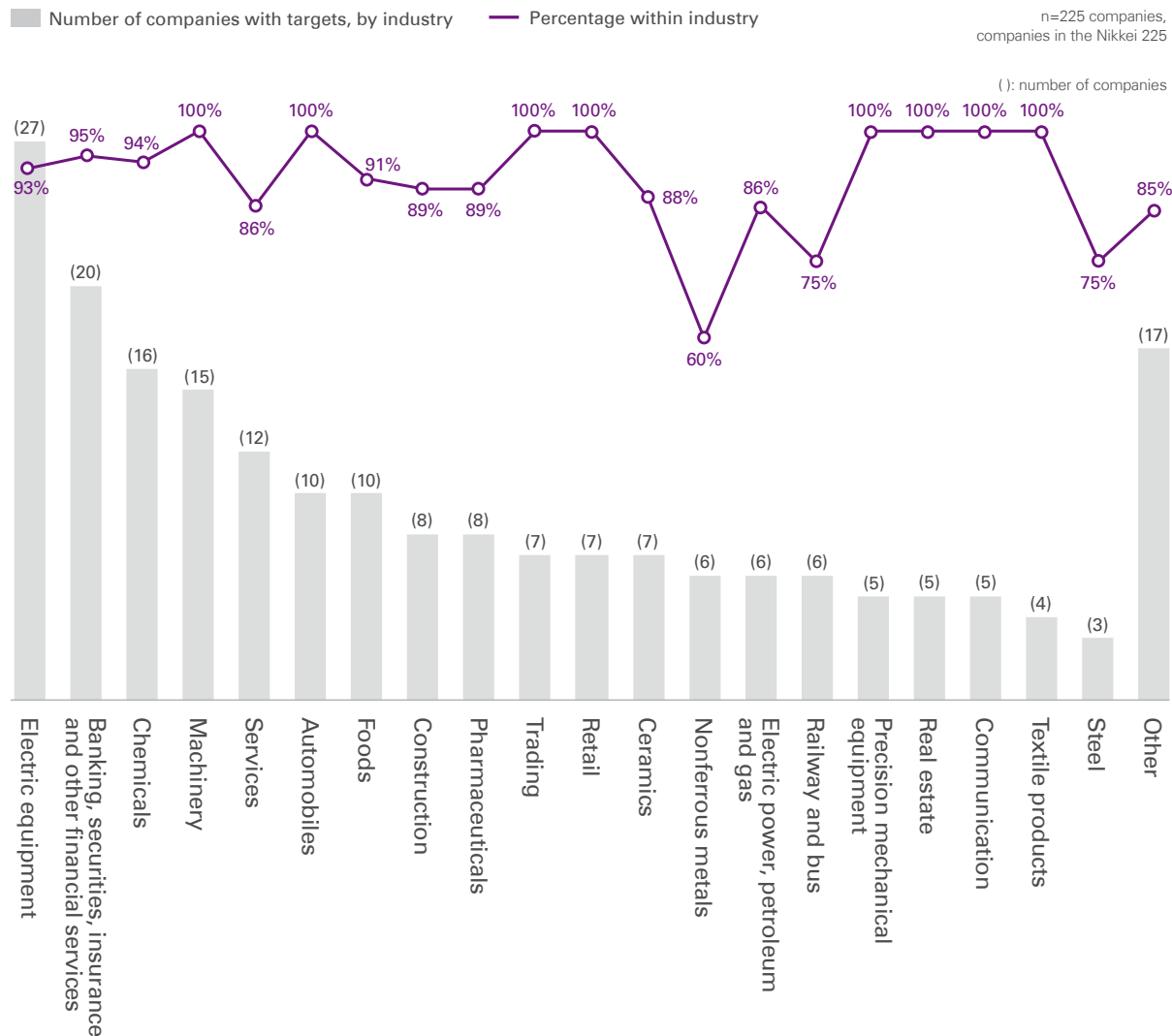
In this context, 91% of companies reported having a diversity policy (Figure 10-15). By industry, all companies in the following eight industries reported related policies: machinery, automobiles, trading, retail, precision mechanical equipment, real estate, communication, and textile products (Figure 10-16).

Figure 10-15 Diversity policies



Source: Survey of Corporate Reports in Japan 2021

Figure 10-16 Diversity policies by industry



Source: Survey of Corporate Reports in Japan 2021

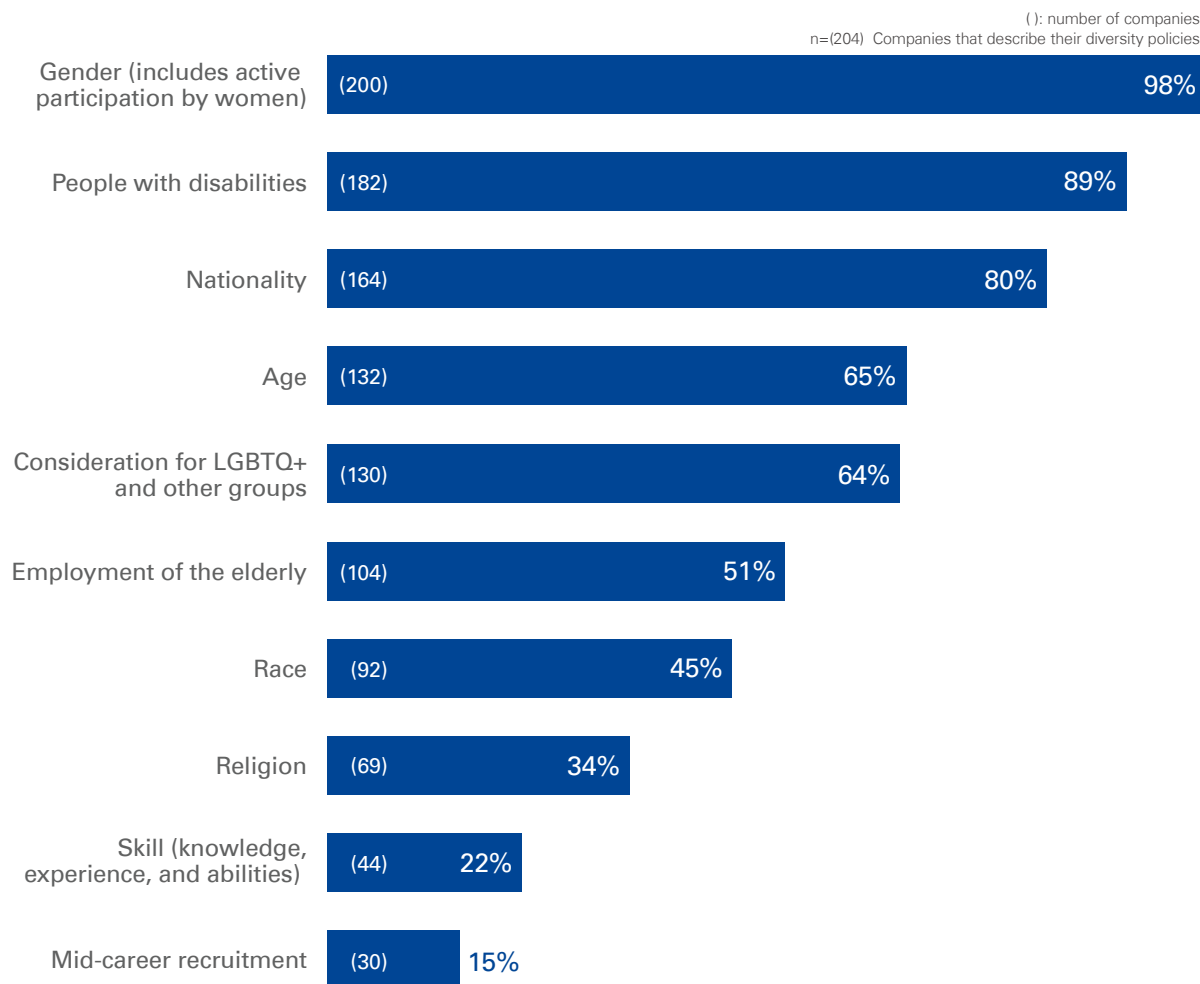


Diversity

A majority of the companies mentioned gender, disability, nationality, age, consideration for LGBTQ+ and other groups, and employment of the elderly as elements included in their diversity policies (Figure 10-17).

One company presented its efforts not only in terms of diversity among its own employees, but also in terms of a story of creating a better society for their customers, for example, those with physical challenges.

Figure 10-17 Elements included in diversity policies



Source: Survey of Corporate Reports in Japan 2021

Summary

To summarize, the table on the right shows the percentage of reporting by industry for five areas: GHG emission reduction targets, water consumption (absolute), basic policies and commitments regarding respect and protection of human rights, supplier code of conduct, and diversity policies (Figure 10-18).

The three industries in which all companies reported about all five of these areas were trading, real estate, and precision mechanical equipment. Some industries, such as electric equipment, have generally high percentages despite the large number of companies, while others, such as services, have relatively low percentages overall.

Based solely on these results, it is difficult to determine whether companies are limiting their reporting areas to focus on their own material issues, simply reporting in general terms, or reporting only those areas for which information is available. What is important, however, is that they properly analyze the impact on their own business and the legitimate needs of their stakeholders, while determining why they are addressing each element of sustainability, and who and how their initiatives impact based on the actual results, and then explain this in story form. Conducting the PDCA cycle for these initiatives is essential to continuously review and upgrade their consistency with the company's management strategy and their effectiveness.

Figure 10-18 Individual areas of sustainability reporting, by industry

n=225 companies, companies in the Nikkei 225
(): number of companies

Industry	Number of companies	GHG emission reduction targets	Water resource consumption (absolute)	Human rights policies/commitments	Supplier code of conduct	Diversity policies
Trading	7	100%	100%	100%	100%	100%
Real estate	5	100%	100%	100%	100%	100%
Precision mechanical equipment	5	100%	100%	100%	100%	100%
Automobiles	10	100%	90%	100%	100%	100%
Electric equipment	29	97%	97%	100%	100%	93%
Retail	7	100%	86%	100%	100%	100%
Foods	11	100%	100%	100%	91%	91%
Pharmaceuticals	9	100%	100%	89%	100%	89%
Chemicals	17	100%	94%	94%	88%	94%
Communication	5	100%	60%	100%	100%	100%
Textile products	4	100%	75%	100%	75%	100%
Electric power, petroleum and gas	7	100%	86%	100%	71%	86%
Ceramics	8	88%	88%	88%	88%	88%
Nonferrous metals	10	90%	90%	90%	90%	60%
Machinery	15	73%	87%	80%	73%	100%
Construction	9	78%	78%	89%	67%	89%
Steel	4	75%	100%	75%	75%	75%
Banking, securities, insurance and other financial services	21	76%	52%	86%	43%	95%
Railway and bus	8	50%	88%	63%	38%	75%
Services	14	36%	29%	57%	36%	86%
Other	20	90%	90%	95%	65%	85%
All industries	225	87%	84%	90%	78%	91%

Source: Survey of Corporate Reports in Japan 2021



S POTLIGHT

Risk of biodiversity loss

With growing international awareness of climate change and consensus about responding, preserving biodiversity is gaining greater recognition as a grave challenge. Climate change and biodiversity are interconnected, and therefore an integrated perspective is being advocated to address both. The ever-accelerating loss of biodiversity is now widely recognized as a threat to the sustainability of the earth and humanity.

Regarding the current status of biodiversity loss, [Global Biodiversity Outlook 5](#) reports that none of the 20 international targets to be achieved by 2020 (Aichi Targets: adopted at the Convention on Biological Diversity adopted [COP10] in 2010) have been fully achieved. In light of this situation, a framework for the next decade is expected to be adopted at Convention on Biological Diversity COP15 (Part 2) to be held in Kunming, China, from April to May 2022. The draft of 21 new action targets for sustainability by reducing negative impacts and bringing about positive impacts on biodiversity by 2030 also incorporates a target (Target 15) that “all businesses assess and report on their dependencies and impacts on biodiversity, and progressively reduce negative impacts, by at least half”

Investors are also coming to share the perception that loss of biodiversity is a risk that threatens the stability of financial markets. While corporate activities impact ecosystems and biodiversity, they also depend on ecosystem services, and there is a growing need for disclosure of related information and quantitative evaluation methods. For example, in line with TCFD recommendations, the Task Force on Nature-related Financial Disclosures (TNFD) was established by the United Nations Development Programme (UNDP), the World Wide Fund for Nature (WWF), the United Nations Environment Programme Finance Initiative (UNEP FI) and Global Canopy, a UK environmental NGO, in June 2021, and a new biodiversity question was added to the CDP 2022 climate change questionnaire. In addition, the Science Based Targets Network (SBTN) is developing a methodology for quantitatively assessing corporate impacts on natural capital and setting targets for reducing their impacts, or Science Based Targets (SBTs) for Nature, for release by the end of 2022.

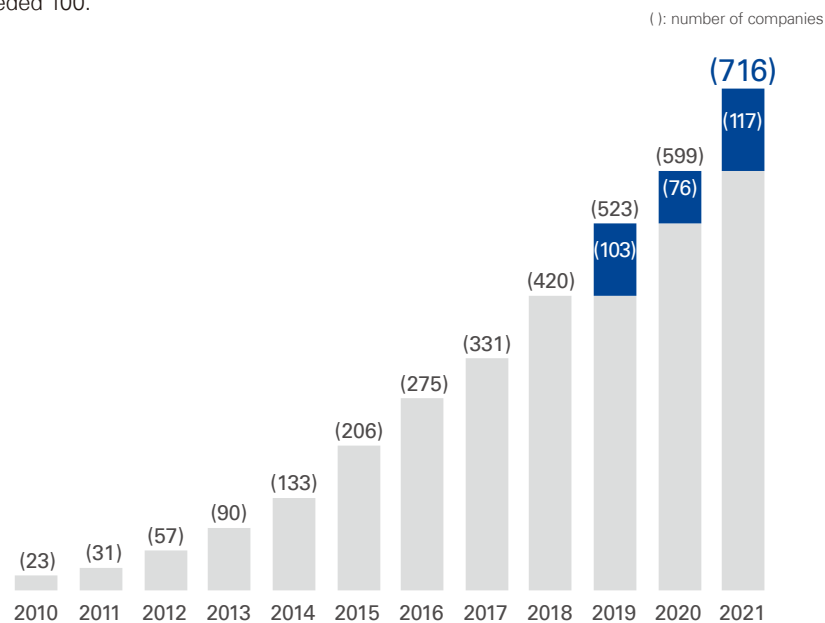
Corporate disclosure of information on biodiversity is expected to attract even more attention in the future.

Shotaro Kanatani

About the Issuing Companies

Number of Japanese companies issuing self-declared integrated reports

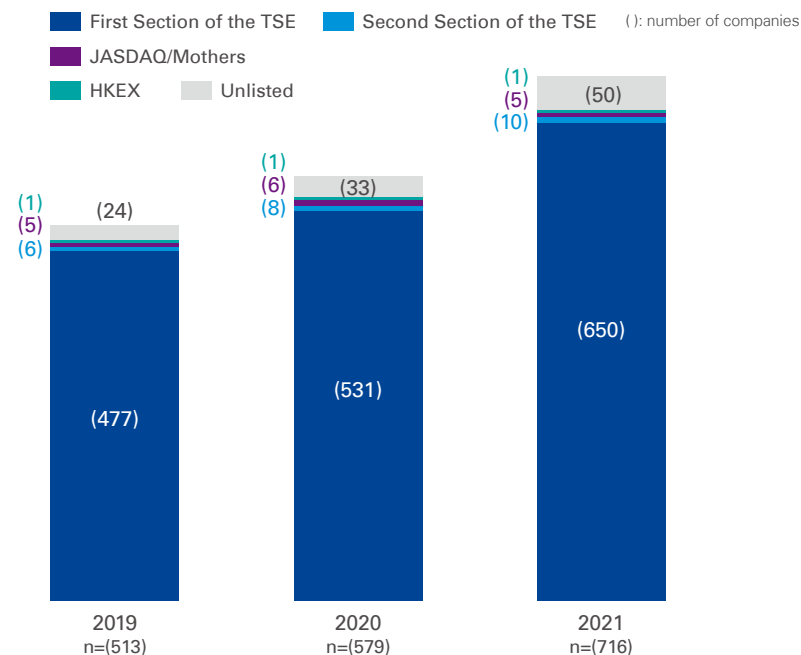
In 2021, 716 companies issued integrated reports, up by 117 from the previous year. Although the growth in the number of issuing companies slowed in 2020, when the COVID-19 pandemic began, the annual increase in the number of companies again exceeded 100.



Source: List of Japanese Companies Issuing Self-Declared Integrated Reports 2021, Corporate Value Reporting Lab

Listing market of issuing companies

As in other years, companies listed on the First Section of the TSE led growth in the number of issuances, accounting for 650, or 91%, of all issuing companies.



Source: Kaisha Shikiho (Japan Company Handbook) September 2021 Autumn Edition (released on September 17, 2021)

Number of issuing companies

Past comparative data in this survey is based on the number of companies issuing reports at the time of each survey (excluding “Number of Japanese companies issuing self-declared integrated reports”).

Therefore, the number of companies issuing reports in past surveys diverged from the number of companies issuing based on the latest survey of the Corporate Value Reporting Lab.

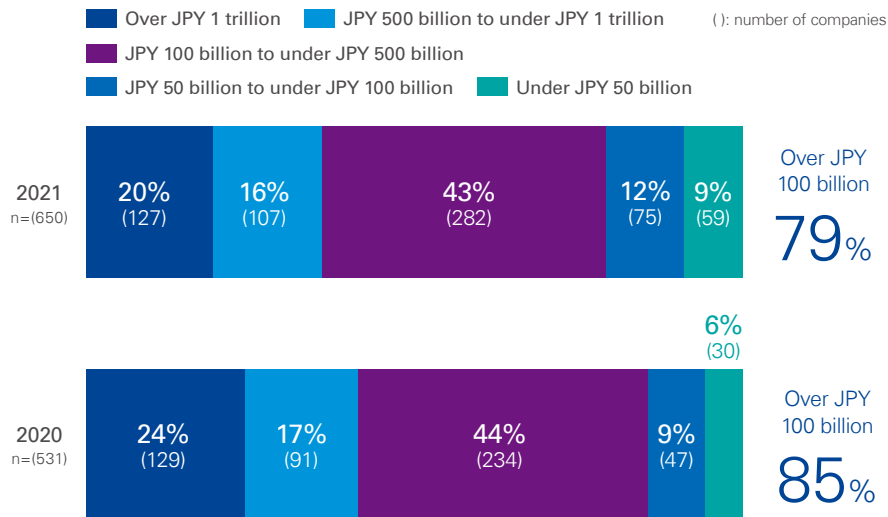
Reference: The number of issuing companies at the time of the survey (As of December 31)

2019: 513 companies 2020: 579 companies



Sales of issuing companies in the First Section of the TSE

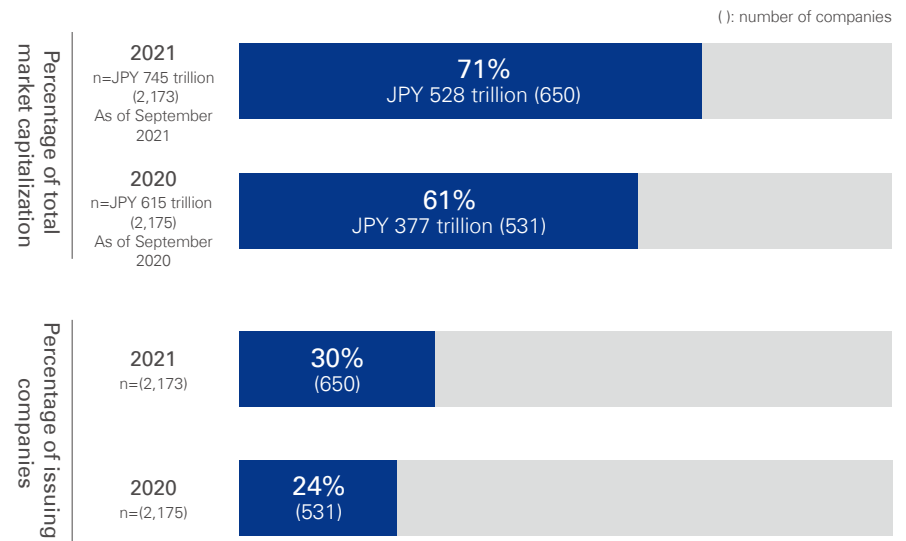
Looking at the sales of companies issuing integrated reports listed on the First Section of the TSE, the percentage of companies with sales of 100 billion yen or more was again high, at 79% of the total, although down by 6 percentage points from the previous year. The number of issuing companies increased in all sales ranges below 1 trillion yen. However, issuance of integrated reports has progressed particularly among companies with sales of less than 100 billion yen, and the percentage of such companies issuing reports has increased.



Source: Sales collated by KPMG based on *Kaisha Shikiho* (Japan Company Handbook) September 2021 Autumn Edition (released on September 17, 2021)

Percentage of issuing companies in the First Section of the TSE (total market capitalization)

As of September 2021, the total market capitalization of the 650 companies issuing integrated reports accounted for 71% of the total market capitalization of the 2,173 companies listed on the First Section of the TSE, up 10 percentage points from the previous year. The percentage of issuing companies was 30%, up 6 percentage points from the previous year. As can be seen from the analysis of sales shown at the left, we believe this is due to an increase in the issuance of integrated reports by a wide range of companies with sales of less than 1 trillion yen.



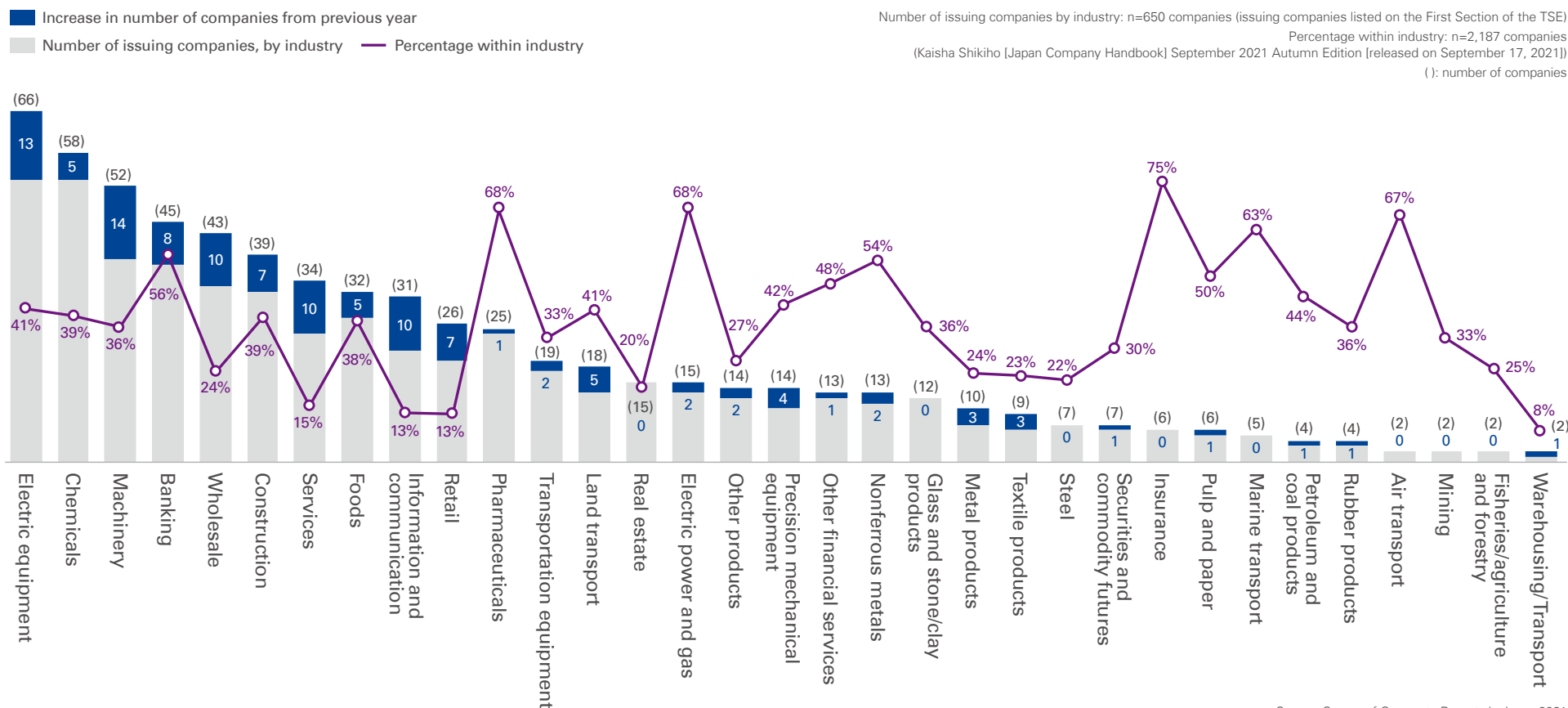
Source: Survey of Corporate Reports in Japan 2021



About the Issuing Companies

Industries of issuing companies listed on the First Section of the TSE

The order of which industries had more companies issuing integrated reports was not significantly different from the previous year. The industries with the highest percentage of issuing companies were insurance (75%), pharmaceuticals (68%), electricity and gas (68%), air transportation (67%), and marine transportation (63%). This is the same five industries as in the previous year, although there were some changes in the order.



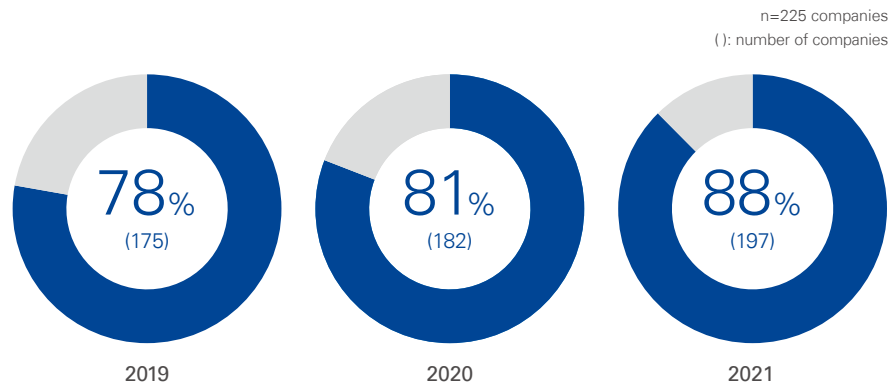
Source: Survey of Corporate Reports in Japan 2021



Index attributes of issuing companies

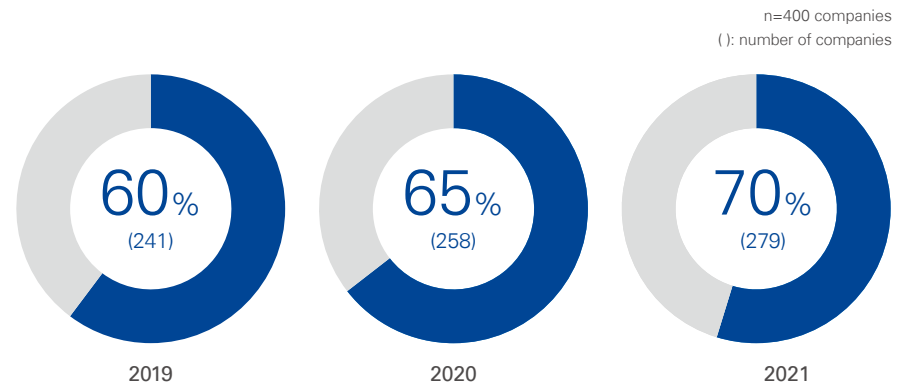
The percentage of issuing companies making up the Nikkei 225 and JPX Nikkei 400 increased to 88% for the Nikkei 225 components and 70% for the JPX Nikkei 400 components, both up more than 5 percentage points.

Nikkei 225 component percentage



Source: Survey of Corporate Reports in Japan 2021

JPX Nikkei 400 component percentage



Source: Survey of Corporate Reports in Japan 2021

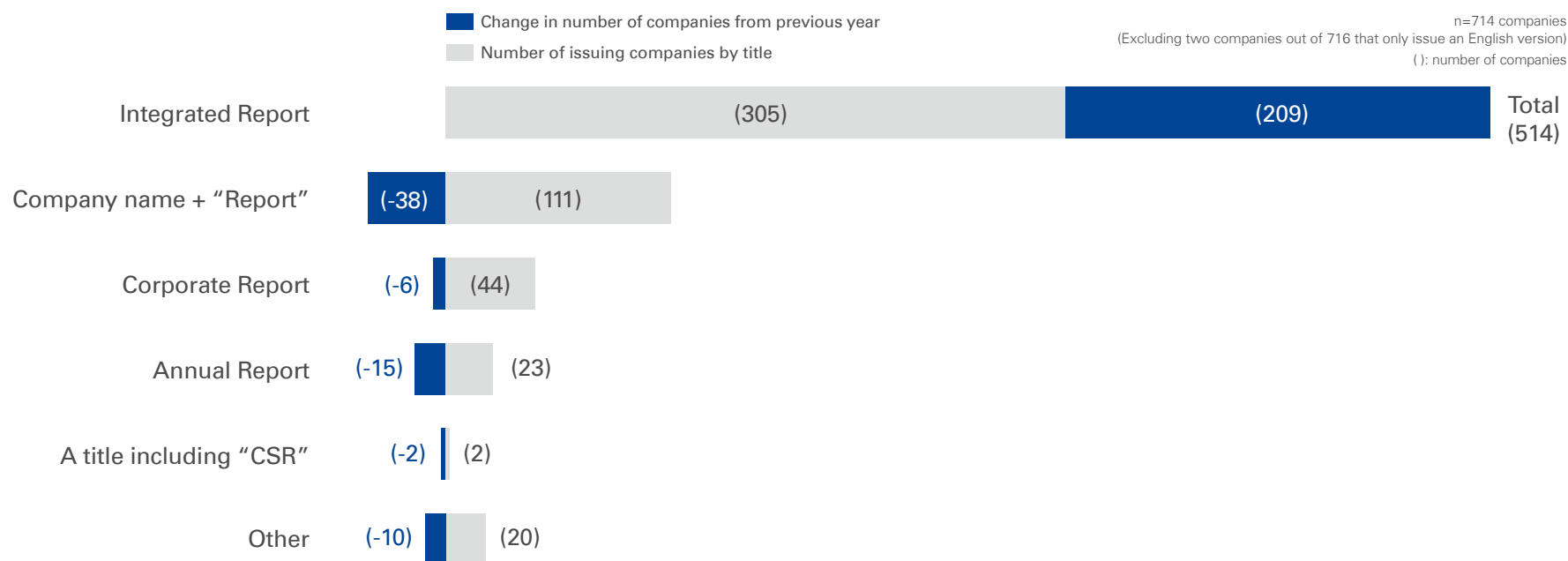
About the Integrated Reports

Title of reports

“Integrated report” continued to be the most common title, as in the previous year, accounting for 514 companies.

Continuing since previous years, there have been a certain number of reports using a title of “integrated report” together with the company’s own report name, for example, “company name + ‘report’ integrated report.” In the surveys up through the previous year, these were counted as “company name + ‘report,’” to follow the above example. However, starting with this year’s survey, they were counted as integrated reports if “integrated report” is mentioned somewhere in the title.

In addition to this change, many companies have changed the title of their report to “integrated report” or used the title “integrated report” for a newly issued report. Therefore, the use of the title “integrated report” has increased significantly.

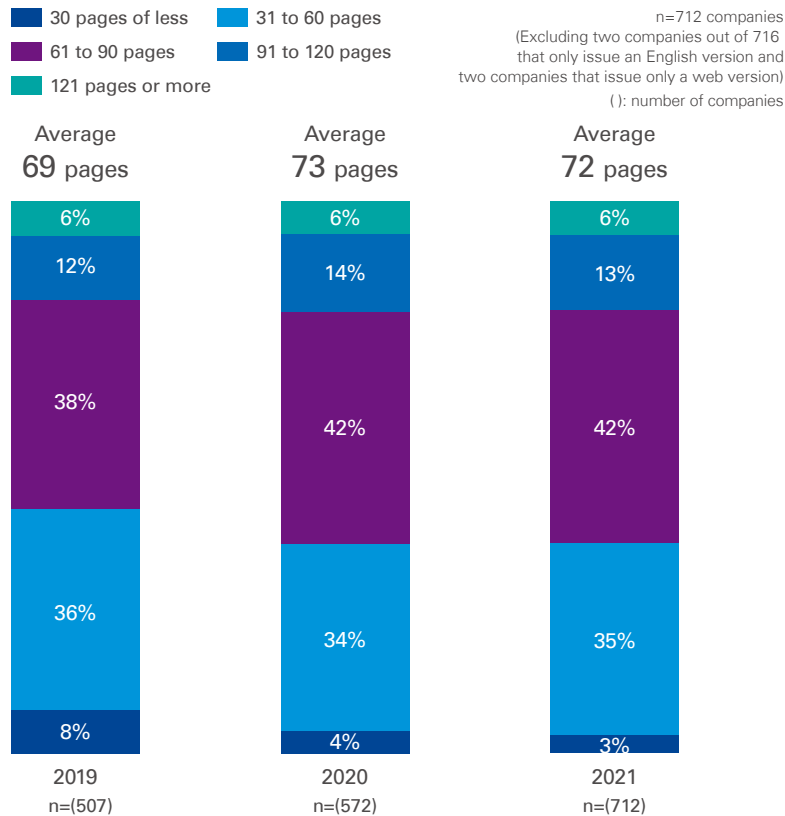


Source: Survey of Corporate Reports in Japan 2021



Page volume

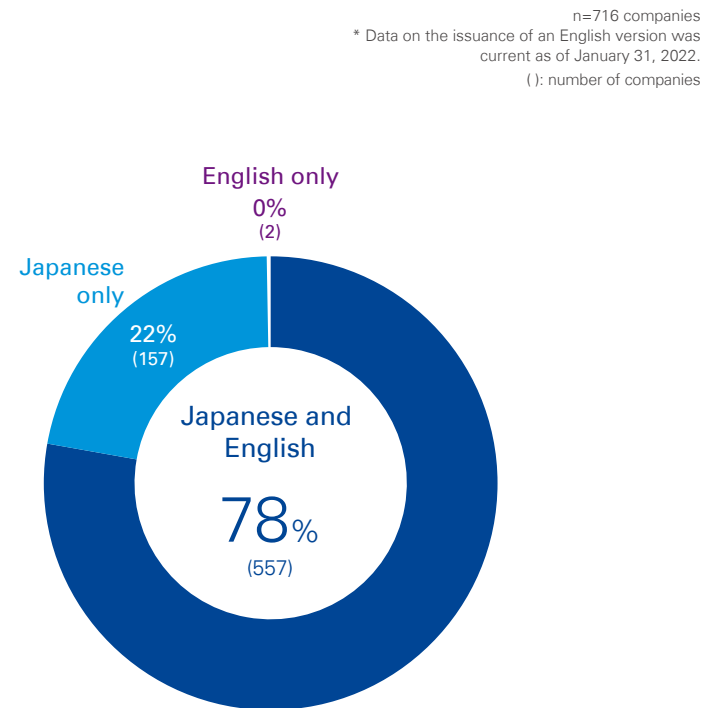
The average page volume was 72 pages, a slight decrease from the previous year, and there was no significant change from the previous survey for the percentage of reports for each page volume range.



Source: Survey of Corporate Reports in Japan 2021

Issuance of English version

The percentage of companies issuing both a Japanese and English version was 78%, a decline from 82% the previous year and the second year in a row of decline. This may reflect the fact that the publication of the Japanese version of reports, which forms the basis for the English version, has been delayed over the past several years.



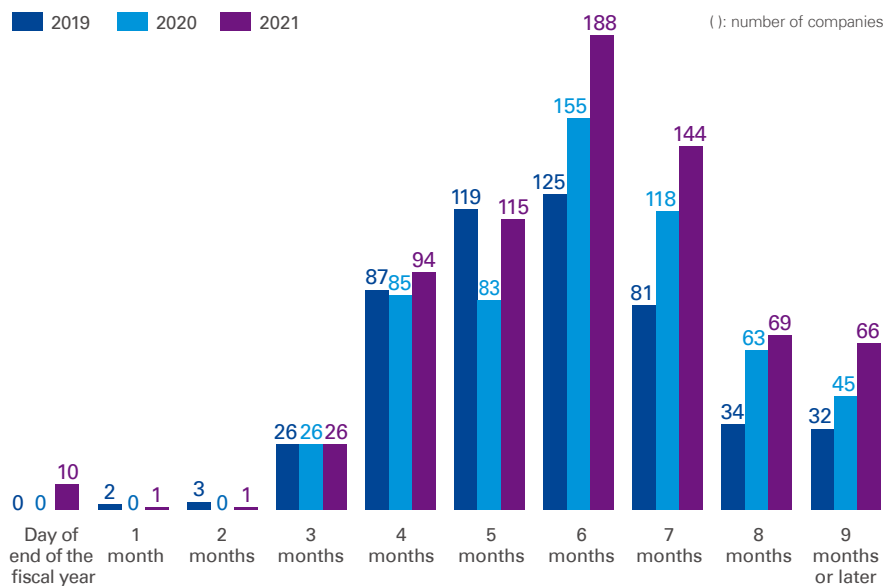
Source: Survey of Corporate Reports in Japan 2021



About the Integrated Reports

Timing of issuance (Japanese version)

For the third year in a row, the largest number of companies issued the report six months after the end of the fiscal year. In 2021, there were also 10 companies that issued the report on the same day as the end of the fiscal year. These included four listed companies, two unlisted companies, and four educational corporations. Of the four listed companies, three issued both Japanese and English versions at the same time.



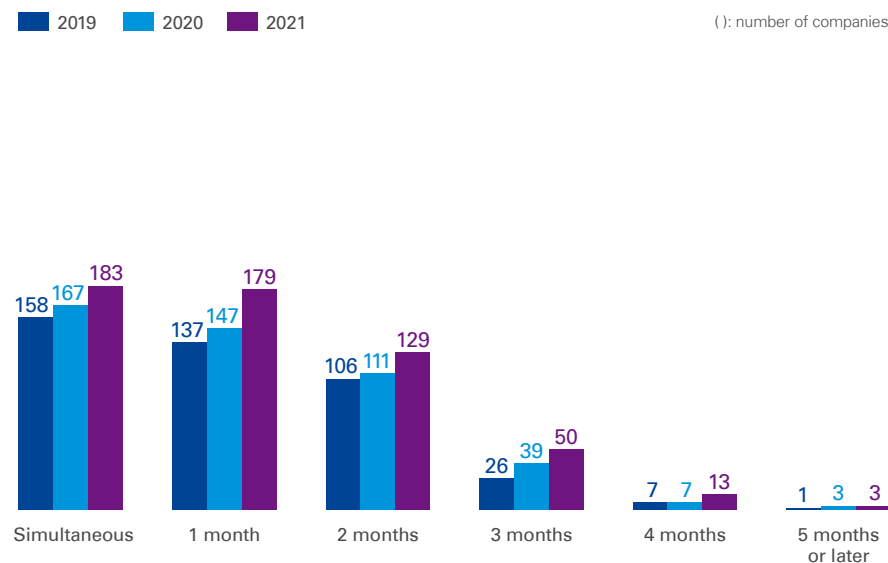
After fiscal year-end →

2019: n=509 companies (Excluding four companies out of 513 that only issue an English version)
 2020: n=575 companies (Excluding three companies out of 579 that only issue an English version and one company that issues only an HTML version whose issuance date was not clear)
 2021: n=714 companies (Excluding two companies out of 716 that only issue an English version)

Source: Survey of Corporate Reports in Japan 2021

Timing of issuance (English version)

As in other years, the largest number of companies published an English version at the same time as the Japanese version. This indicates that many companies are highly conscious of providing equitable information to users in and outside of Japan.



After issuance of Japanese version →

2019: n=435 companies (companies issuing both Japanese and English reports)
 2020: n=474 companies (excluding one company whose issuance date was not clear out of 475 companies issuing both Japanese and English reports)
 2021: n=557 companies (companies issuing both Japanese and English reports)

Source: Survey of Corporate Reports in Japan 2021



List of Nikkei 225 companies as of October 2021

ADVANTEST CORPORATION
 AEON CO.,LTD.
 AGC Inc.
 Ajinomoto Co., Inc.
 ALPS ALPINE CO., LTD.
 AMADA CO.,LTD.
 ANA HOLDINGS INC.
 Aozora Bank, Ltd.
 Asahi Group Holdings, Ltd.
 Asahi Kasei Corp.
 Astellas Pharma Inc.
 BANDAI NAMCO Holdings Inc.
 BRIDGESTONE CORPORATION
 CANON INC.
 CASIO COMPUTER CO., LTD.
 Central Japan Railway Company
 Chubu Electric Power Co., Inc.
 CHUGAI PHARMACEUTICAL CO., LTD.
 Citizen Watch Co., Ltd.
 COMSYS Holdings Corporation
 Concordia Financial Group, Ltd.
 Credit Saison Co., Ltd.
 CyberAgent, Inc.
 Dai Nippon Printing Co., Ltd.
 Dai-ichi Life Holdings, Inc.
 DAIICHI SANKYO COMPANY, LIMITED
 DAIKIN INDUSTRIES, LTD.
 DAIWA HOUSE INDUSTRY CO., LTD.
 Daiwa Securities Group Inc.
 DeNA Co.,Ltd.
 Denka Company Limited
 DENSO CORPORATION
 DENTSU GROUP INC.
 DIC Corporation
 DOWA HOLDINGS CO., LTD.
 East Japan Railway Company
 EBARA CORPORATION
 Eisai Co., Ltd.
 ENEOS Holdings, Inc.
 FANUC CORPORATION
 FAST RETAILING CO., LTD.
 FUJI ELECTRIC CO., LTD.
 FUJIFILM Holdings Corporation
 Fujikura Ltd.
 FUJITSU LIMITED
 Fukuoka Financial Group, Inc.
 Furukawa Electric Co., Ltd.
 GS Yuasa Corporation
 HASEKO Corporation
 HINO MOTORS, LTD.
 Hitachi Construction Machinery Co., Ltd.
 Hitachi Zosen Corporation
 Hitachi, Ltd.
 HONDA MOTOR CO., LTD.
 Idemitsu Kosan Co., Ltd.
 IHI Corporation
 INPEX CORPORATION

Isetan Mitsukoshi Holdings Ltd.
 ISUZU MOTORS LIMITED
 ITOCHU Corporation
 J. FRONT RETAILING Co., Ltd.
 Japan Exchange Group, Inc.
 JAPAN POST HOLDINGS Co., Ltd.
 JAPAN TOBACCO INC.
 JFE Holdings, Inc.
 JGC HOLDINGS CORPORATION
 JTEKT Corporation
 KAJIMA CORPORATION
 Kao Corporation
 Kawasaki Heavy Industries, Ltd.
 Kawasaki Kisen Kaisha, Ltd.
 KDDI CORPORATION
 Keio Corporation
 Keisei Electric Railway Co., Ltd.
 KEYENCE CORPORATION
 KIKKOMAN CORPORATION
 Kirin Holdings Company, Limited
 Kobe Steel, Ltd.
 KOMATSU LTD.
 KONAMI HOLDINGS CORPORATION
 KONICA MINOLTA, INC.
 KUBOTA CORPORATION
 KURARAY CO., LTD.
 KYOCERA CORPORATION
 Kyowa Kirin Co., Ltd.
 M3, Inc.
 Marubeni Corporation
 Maruha Nichiro Corporation
 MARUI GROUP CO., LTD.
 MATSUI SECURITIES CO., LTD.
 Mazda Motor Corporation
 Meiji Holdings Co., Ltd.
 MINEBEA MITSUMI Inc.
 Mitsubishi Chemical Holdings Corporation
 Mitsubishi Corporation
 Mitsubishi Electric Corporation
 Mitsubishi Estate Company, Limited
 Mitsubishi Heavy Industries, Ltd.
 Mitsubishi Logistics Corporation
 MITSUBISHI MATERIALS CORPORATION
 MITSUBISHI MOTORS CORPORATION
 Mitsubishi UFJ Financial Group, Inc.
 MITSUI & CO., LTD.
 Mitsui Chemicals, Inc.
 Mitsui E&S Holdings Co., Ltd.
 Mitsui Fudosan Co., Ltd.
 Mitsui Mining & Smelting Company, Limited
 Mitsui O.S.K. Lines, Ltd.
 Mizuho Financial Group, Inc.
 MS&AD Insurance Group Holdings, Inc.
 Murata Manufacturing Co., Ltd.
 NEC Corporation
 NEXON Co., Ltd.
 NGK INSULATORS, LTD.

NH Foods Ltd.
 Nichirei Corporation
 NIKON CORPORATION
 Nintendo Co., Ltd.
 Nippon Electric Glass Co., Ltd.
 NIPPON EXPRESS CO., LTD.
 Nippon Light Metal Holdings Company,Ltd.
 Nippon Paper Industries Co., Ltd.
 Nippon Sheet Glass Company,Limited
 NIPPON STEEL CORPORATION
 NIPPON SUISAN KAISHA, LTD.
 NIPPON TELEGRAPH AND TELEPHONE CORPORATION
 Nippon Yusen Kabushiki Kaisha
 Nissan Chemical Corporation
 NISSAN MOTOR CO., LTD.
 NISSHIN SEIFUN GROUP INC.
 NITTO DENKO CORPORATION
 Nomura Holdings, Inc.
 NSK Ltd.
 NTN CORPORATION
 NTT DATA CORPORATION
 NTT DOCOMO,INC.
 OBAYASHI CORPORATION
 Odakyu Electric Railway Co., Ltd.
 Oji Holdings Corporation
 Ok Electric Industry Co., Ltd.
 OKUMA Corporation
 OLYMPUS CORPORATION
 OMRON Corporation
 OSAKA GAS CO.,LTD.
 Otsuka Holdings Co., Ltd.
 PACIFIC METALS CO.,LTD.
 Panasonic Corporation
 Rakuten,Inc.
 Recruit Holdings Co., Ltd.
 Resona Holdings, Inc.
 RICOH COMPANY, LTD.
 SAPORO HOLDINGS LIMITED
 SCREEN Holdings Co., Ltd.
 SECOM CO.,LTD.
 SEIKO EPSON CORPORATION
 Sekisui House, Ltd.
 Seven & i Holdings Co., Ltd.
 SHIMIZU CORPORATION
 Shin-Etsu Chemical Co., Ltd.
 Shinsei Bank, Limited
 Shionogi & Co., Ltd.
 Shiseido Company, Limited
 Showa Denko K.K.
 SoftBank Corp.
 SoftBank Group Corp.
 Sojitz Corporation
 Sompo Holdings, Inc.
 SONY CORPORATION
 SUBARU CORPORATION
 SUMCO CORPORATION
 SUMITOMO CHEMICAL COMPANY, LIMITED

SUMITOMO CORPORATION
 Sumitomo Dainippon Pharma Co., Ltd.
 Sumitomo Electric Industries, Ltd.
 SUMITOMO HEAVY INDUSTRIES, LTD.
 Sumitomo Metal Mining Co., Ltd.
 Sumitomo Mitsui Financial Group, Inc.
 Sumitomo Mitsui Trust Holdings, Inc.
 Sumitomo Osaka Cement Co., Ltd.
 Sumitomo Realty & Development Co., Ltd.
 SUZUKI MOTOR CORPORATION
 T&D Holdings, Inc.
 TAIHEIYO CEMENT CORPORATION
 TAISEI CORPORATION
 TAIYO YUDEN CO., LTD.
 TAKARA HOLDINGS INC.
 Takashimaya Company, Limited
 Takeda Pharmaceutical Company Limited
 TDK CORPORATION
 TEIJIN LIMITED
 TERUMO CORPORATION
 The Chiba Bank, Ltd.
 The Japan Steel Works, Ltd.
 The Kansai Electric Power Co., Inc.
 THE SHIZUOKA BANK, LTD.
 The Yokohama Rubber Company,Limited
 TOBU RAILWAY CO., LTD.
 TOHO CO., LTD.
 Toho Zinc Co.,Ltd.
 TOKAI CARBON CO., LTD.
 Tokio Marine Holdings, Inc.
 Tokuyama Corporation
 Tokyo Electric Power Co. Holdings, Inc.
 Tokyo Electron Limited
 TOKYO GAS CO.,LTD.
 Tokyo Tatemono Co., Ltd.
 TOKYU CORPORATION
 Tokyu Fudosan Holdings Corporation
 TOPPAN PRINTING CO., LTD.
 TORAY INDUSTRIES, INC.
 TOSOH CORPORATION
 TOTO LTD.
 TOYOBO CO., LTD.
 TOYOTA MOTOR CORPORATION
 TOYOTA TSUSHO CORPORATION
 Trend Micro Incorporated
 Ube Industries, Ltd.
 UNITIKA LTD.
 West Japan Railway Company
 YAMAHA CORPORATION
 Yamaha Motor Co., Ltd.
 YAMATO HOLDINGS CO., LTD.
 YASKAWA Electric Corporation
 Yokogawa Electric Corporation
 Z Holdings Corporation

List of Japanese Companies Issuing Integrated Report in 2021

Source : Corporate Value Reporting Lab



ACOM CO.,LTD.
 ADVANEX INC.
 ADVANTEST CORPORATION
 AEON CO.,LTD.
 AEON DELIGHT CO.,LTD.
 AEON Financial Service Co.,Ltd.
 AEON Mall Co.,Ltd.
 Aflac Incorporated
 AGC Inc.
 AHRESTY CORPORATION
 Aica Kogyo Company,Limited
 AICHI STEEL CORPORATION
 Aino University
 AIR WATER INC.
 AIRDO Co., Ltd.
 AISIN CORPORATION
 AIZAWA SECURITIES GROUP CO.,LTD.
 Ajinomoto Co., Inc.
 ALCONIX CORPORATION
 Alfresa Holdings Corporation
 ALPS ALPINE CO., LTD.
 AMADA CO.,LTD.
 ANA HOLDINGS INC.
 ANEST IWATA Corporation
 ANRITSU CORPORATION
 AOKI Holdings Inc.
 Aoyama Zaisan Networks Company,Limited
 Aozora Bank,Ltd.
 ARATA CORPORATION
 AS ONE CORPORATION
 ASAHI BROADCASTING GROUP HOLDINGS CORP.
 Asahi Group Holdings, Ltd.
 Asahi Holdings,Inc.
 ASAHI KASEI CORPORATION
 ASICS Corporation
 ASKA Pharmaceutical Holdings Co., Ltd.
 Astellas Pharma Inc.
 Ateam Inc.
 AUTOBACS SEVEN CO.,LTD.
 AVANT CORPORATION
 Azbil Corporation
 BANDAI NAMCO Holdings Inc.
 Benesse Holdings, Inc.
 BeNext-Yumeshin Group Co.
 BRIDGESTONE CORPORATION
 BROTHER INDUSTRIES, LTD.
 C.I. TAKIRON Corporation
 CAC Holdings Corporation
 Calbee,Inc.
 CANON INC.

Canon Marketing Japan Inc.
 CAPCOM CO., LTD.
 Carlit Holdings Co., Ltd.
 CASIO COMPUTER CO.,LTD.
 Central Japan Railway Company
 Chiba University of Commerce
 Chiyoda Corporation
 CHORI CO.,LTD.
 Chubu Electric Power Company,Inc.
 Chuetsu Pulp & Paper Co.,Ltd.
 CHUGAI PHARMACEUTICAL CO., LTD.
 Citizen Watch Co., Ltd.
 CKD Corporation
 CMK CORPORATION
 COLOPL,Inc.
 COMANY INC.
 COMSYS Holdings Corporation
 Concordia Financial Group,Ltd.
 CONEXIO Corporation
 COSMO ENERGY HOLDINGS COMPANY,LIMITED
 Credit Saison Co.,Ltd.
 CyberAgent,Inc.
 Dai Nippon Printing Co.,Ltd.
 Dai Nippon Toryo Company,Limited
 DAIBIRU CORPORATION
 Daicel Corporation
 DAI-DAN CO.,LTD.
 DAIFUKU CO.,LTD.
 Dai-ichi Life Holdings,Inc.
 DAIICHI SANKYO COMPANY, LIMITED
 DAIKEN CORPORATION
 DAIKEN INDUSTRIES, LTD.
 Daio Paper Corporation
 Daishi Hokuetsu Financial Group,Inc.
 DAITO TRUST CONSTRUCTION CO.,LTD.
 DAIWA HOUSE INDUSTRY CO.,LTD.
 Daiwa Securities Group Inc.
 Denka Company Limited
 DENSO CORPORATION
 DENTSU GROUP INC.
 Development Bank of Japan Inc.
 Dexerials Corporation
 DIC Corporation
 DKS Co. Ltd.
 DMG MORI CO., LTD.
 DN HOLDINGS CO.,LTD.
 DOWA HOLDINGS CO.,LTD.
 DTS CORPORATION
 DUSKIN CO.,LTD.
 DyDo GROUP HOLDINGS,INC.

DYNAM JAPAN HOLDINGS Co.,Ltd.
 E.J Holdings Inc.
 E-AERA
 East Japan Railway Company
 East Nippon Expressway Company Limited
 EBARA CORPORATION
 EBARA Foods Industry,Inc.
 EDION Corporation
 Eidai Co.,Ltd.
 Eisai Co.,Ltd.
 EIZO Corporation
 Electric Power Development Co.,Ltd.
 en Japan Inc.
 ENEOS Holdings, Inc.
 e-Seikatsu Co.,Ltd.
 EXEO Group, Inc.
 FANCL CORPORATION
 FEED ONE CO., LTD.
 FISCO Ltd.
 FP CORPORATION
 Freund Corporation
 FUJI CORPORATION
 FUJI ELECTRIC CO.,LTD.
 FUJI OIL HOLDINGS INC.
 Fuji Pharma Co.,Ltd.
 FUJI SEAL INTERNATIONAL,INC.
 FUJICCO CO.,LTD.
 FUJIFILM Holdings Corporation
 Fujikura Ltd.
 FUJITEC CO.,LTD.
 FUJITSU GENERAL LIMITED
 FUJITSU LIMITED
 Fukuoka Financial Group,Inc.
 Fukuoka REIT Corporation
 FUKUSHIMA GALILEI CO.LTD.
 Funai Soken Holdings Incorporated
 FURUKAWA CO.,LTD.
 Furukawa Electric Co., Ltd.
 FUTABA INDUSTRIAL CO.,LTD.
 Fuyo General Lease Co.,Ltd.
 global bridge HOLDINGS Co., Ltd.
 GLORY LTD.
 GMO Payment Gateway, Inc.
 GOLDWIN INC.
 GS Yuasa Corporation
 G-TEKT CORPORATION
 GUNZE LIMITED
 H.I.S.Co.,Ltd.
 H.U. Group Holdings, Inc.
 H2O RETAILING CORPORATION

HAKUHODO DY HOLDINGS INCORPORATED
 HAMAMATSU PHOTONICS K.K.
 Hamamatsu University School of Medicine
 Hankyu Hanshin Holdings,Inc.
 HANWA CO.,LTD.
 HAZAMA ANDO CORPORATION
 HEIWA PAPER CO.,LTD.
 HEIWA REAL ESTATE CO.,LTD.
 HEIWADO CO.,LTD.
 Hibiya Engineering, Ltd.
 Hirogin Holdings, Inc.
 HIROSE ELECTRIC CO.,LTD.
 Hitachi Construction Machinery Co.,Ltd.
 Hitachi Metals, Ltd.
 Hitachi Transport System, Ltd.
 Hitachi Zosen Corporation
 Hitachi, Ltd.
 Hitotsubashi University
 Hodogaya Chemical Co.,Ltd.
 HOGY MEDICAL CO.,LTD.
 Hokkaido Electric Power Company,Inc.
 Hokkaido University
 Hokkaido University of education
 HOKKO CHEMICAL INDUSTRY CO.,LTD.
 Hokuetsu Corporation
 Hokuohoku Financial Group, Inc.
 Hokuriku Electric Power Company
 HONDA MOTOR CO.,LTD.
 HONDA TSUSHIN KOGYO CO.,LTD.
 HORIBA, Ltd.
 House Foods Group Inc.
 HOYA CORPORATION
 Hulic Co., Ltd.
 IBIDEN CO.,LTD.
 Idemitsu Kosan Co.,Ltd.
 IHI Corporation
 IINO KAIUN KAISHA, LTD.
 Inabata & Co.,Ltd.
 Incorporated Administrative Agency Japan Housing Finance Agency
 INPEX CORPORATION
 ISEKI&CO.,LTD.
 Isetan Mitsukoshi Holdings Ltd.
 ISHIHARA SANGYO KAISHA, LTD.
 ISUZU MOTORS LIMITED
 ITO EN,LTD.
 ITOCHU Corporation
 ITOCHU ENEX CO.,LTD.
 ITOCHU Techno-Solutions Corporation
 ITOCHU-SHOKUJIN Co.,Ltd.
 ITOHAM YONEYKYU HOLDINGS INC.



ITOKI CORPORATION
 IWATANI CORPORATION
 J. F. Oberlin University and Affiliated Schools
 J.FRONT RETAILING Co.,Ltd.
 J.S.B.Co.,Ltd.
 JACCS CO.,LTD.
 JANOME Corporation
 Japan Airlines Co.,Ltd.
 Japan Aviation Electronics Industry,Ltd.
 Japan Exchange Group, Inc.
 Japan Petroleum Exploration Co.,Ltd.
 JAPAN POST BANK Co.,Ltd.
 JAPAN POST HOLDINGS Co.,Ltd.
 JAPAN POST INSURANCE Co.,Ltd.
 JAPAN TOBACCO INC.
 JCR Pharmaceuticals Co.,Ltd.
 JDC CORPORATION
 JEOL Ltd.
 JFE Holdings, Inc.
 JGC HOLDINGS CORPORATION
 J-OIL MILLS, INC.
 Joshin Denki Co.,Ltd.
 JSR CORPORATION
 JTEKT Corporation
 JUKI CORPORATION
 JVCKENWOOD Corporation
 KAGA ELECTRONICS CO.,LTD.
 KAGOME CO.,LTD.
 KAJIMA CORPORATION
 KAKEN PHARMACEUTICAL CO.,LTD.
 KAMEDA SEIKA CO.,LTD.
 KANADEN CORPORATION
 KANAMOTO CO.,LTD.
 KANDENKO CO.,LTD.
 KANEKA CORPORATION
 KANEMATSU CORPORATION
 KANEMATSU ELECTRONICS LTD.
 Kanro Inc.
 KANSAI PAINT CO.,LTD.
 Kao Corporation
 Kawasaki Heavy Industries, Ltd.
 Kawasaki Kisen Kaisha, Ltd.
 KDDI CORPORATION
 Keihan Holdings Co.,Ltd.
 Keihanshin Building Co.,Ltd.
 Keikyū Corporation
 Kewpie Corporation
 KH Neochem Co.,Ltd.
 KIKKOMAN CORPORATION
 Kintetsu Department Store CO.,Ltd.

Kirin Holdings Company,Limited
 KISSEI PHARMACEUTICAL CO.,LTD.
 KITO CORPORATION
 KITZ CORPORATION
 KOBAYASHI PHARMACEUTICAL CO.,LTD.
 Kobe Steel, Ltd.
 Kobe University
 KOITO MANUFACTURING CO.,LTD.
 KOKUSAI PULP & PAPER CO.,LTD.
 KOMATSU LTD.
 KOMORI CORPORATION
 KONDOTECH INC.
 KONICA MINOLTA, INC.
 Konoike Transport Co.,Ltd.
 KOSE Corporation
 K'S HOLDINGS CORPORATION
 KUBOTA CORPORATION
 Kumagai Gumi Co.,Ltd.
 KURARAY CO.,LTD.
 Kurimoto, Ltd.
 Kurita Water Industries Ltd.
 KYB Corporation
 KYOCERA CORPORATION
 KYOKUYO CO.,LTD.
 KYORIN Holdings,Inc.
 Kyosan Electric Manufacturing Co.,Ltd.
 Kyoto University
 Kyowa Kirin Co.,Ltd.
 KYUDENKO CORPORATION
 Kyushu Electric Power Company,Inc.
 Kyushu Financial Group,Inc.
 Kyushu Railway Company
 Lawson,Inc.
 LEOPALACE21 CORPORATION
 Link and Motivation Inc.
 LINTEC Corporation
 Lion Corporation
 LIXIL Corporation
 MABUCHI MOTOR CO.,LTD.
 Makita Corporation
 MANDOM CORPORATION
 MANI,INC.
 Marubeni Corporation
 Maruha Nichiro Corporation
 MARUI GROUP CO.,LTD.
 MATSUDA SANGYO Co.,Ltd.
 MatsukiyoCocokara & Co.
 Maxell, Ltd.
 Mebuki Financial Group,Inc.
 MEDIA DO Co., Ltd.

MEDIPAL HOLDINGS CORPORATION
 Megachips Corporation
 MEGMILK SNOW BRAND Co.,Ltd.
 MEIDENSHA CORPORATION
 Meiji Holdings Co., Ltd.
 Meiji Yasuda Life Insurance Company
 Menicon Co.,Ltd.
 METAWATER Co.,Ltd.
 MIE UNIVERSITY
 Milbon Co.,Ltd.
 MINEBEA MITSUMI Inc.
 MIRAIT Holdings Corporation
 Mitsubishi Chemical Holdings Corporation
 Mitsubishi Corporation
 Mitsubishi Estate Company,Limited
 MITSUBISHI GAS CHEMICAL COMPANY,INC.
 Mitsubishi HC Capital Inc.
 Mitsubishi Heavy Industries, Ltd.
 Mitsubishi Logistics Corporation
 MITSUBISHI MATERIALS CORPORATION
 MITSUBISHI MOTORS CORPORATION
 Mitsubishi Paper Mills Limited
 Mitsubishi Research Institute,Inc.
 Mitsubishi UFJ Financial Group,Inc.
 MITSUI & CO.,LTD.
 Mitsui Chemicals,Inc.
 Mitsui E&S Holdings Co., Ltd.
 Mitsui Fudosan Co.,Ltd.
 Mitsui Mining & Smelting Company,Limited
 Mitsui O.S.K. Lines,Ltd.
 MITSUI-SOKO HOLDINGS Co.,Ltd.
 Mitsuuroko Group Holdings Co.,Ltd.
 MIURA CO.,LTD.
 Mizuho Financial Group, Inc.
 Mizuho Leasing Company,Limited
 Mochida Pharmaceutical Co.,Ltd.
 Monex Group, Inc.
 Money Forward, Inc.
 Morinaga & Co.,Ltd.
 Morinaga Milk Industry Co.,Ltd.
 MOS FOOD SERVICES, INC.
 MS&AD Insurance Group Holdings, Inc.
 Murata Manufacturing Co., Ltd.
 MUSASHI SEIMITSU INDUSTRY CO.,LTD.
 Nabtesco Corporation
 NAGASE&CO., LTD.
 Nagoya Railroad Co.,Ltd.
 Nankai Electric Railway Co.,Ltd.
 NARITA INTERNATIONAL AIRPORT CORPORATION
 NEC Capital Solutions Limited

NEC Corporation
 NEC Networks & System Integration Corp.
 Net One Systems Co.,Ltd.
 NGK INSULATORS, LTD.
 NGK SPARK PLUG CO.,LTD.
 NH Foods Ltd.
 NHK SPRING CO.,LTD.
 NICHICON CORPORATION
 NICHIREI CORPORATION
 NICHIREKI CO.,LTD.
 NIDEC CORPORATION
 NIHON CHOUZAI Co.,Ltd.
 NIHON KOHDEN CORPORATION
 Nihon Unisys, Ltd.
 Niigata University
 NIKKISO CO.,LTD.
 NIKKO CO., LTD.
 NIKON CORPORATION
 NIPPON CORPORATION
 NIPPON CHEMI-CON CORPORATION
 NIPPON CHEMIPHAR CO.,LTD.
 Nippon Electric Glass Co.,Ltd.
 NIPPON EXPRESS CO.,LTD.
 NIPPON GAS CO.,LTD.
 NIPPON KAYAKU CO.,LTD.
 Nippon Koei Co.,Ltd.
 Nippon Life Insurance Company
 Nippon Light Metal Company, Ltd.
 NIPPON PAINT HOLDINGS CO.,LTD.
 Nippon Paper Industries Co.,Ltd.
 NIPPON PILLAR PACKING CO.,LTD.
 NIPPON SANSO HOLDINGS CORPORATION
 NIPPON SEIKI CO.,LTD.
 Nippon Sheet Glass Company,Limited
 Nippon Shinyaku Co.,Ltd.
 NIPPON SHOKUBAI CO.,LTD.
 Nippon Signal Company,Limited
 Nippon Soda Co.,Ltd.
 NIPPON STEEL CORPORATION
 NIPPON STEEL TRADING CORPORATION
 NIPPON TELEGRAPH & TELEPHONE CORPORATION
 Nippon Television Holdings, Inc.
 Nippon Yusen Kabushiki Kaisha
 Nishimatsu Construction Co.,Ltd.
 Nishi-Nippon Financial Holdings,Inc.
 Nissan Chemical Corporation
 Nissha Co., Ltd.
 NISSHIN SEIFUN GROUP INC.
 Nisshinbo Holdings Inc.
 NISSIN FOODS HOLDINGS CO.,LTD.

List of Japanese Companies Issuing Integrated Report in 2021

Source : Corporate Value Reporting Lab



Nitori Holdings Co., Ltd.
 Nitta Corporation
 NITTO BOSEKI CO.,LTD.
 NITTO DENKO CORPORATION
 NITTOSEIKO CO., LTD.
 NOF CORPORATION
 NOMURA Co.,Ltd.
 Nomura Holdings, Inc.
 Nomura Real Estate Holdings,Inc.
 Nomura Research Institute, Ltd.
 NORITAKE CO., LIMITED
 NORITZ CORPORATION
 North Pacific Bank, Ltd.
 NS United Kaiun Kaisha, Ltd.
 NSK Ltd.
 NTN CORPORATION
 NTT DATA CORPORATION
 OBAYASHI CORPORATION
 Odakyu Electric Railway Co.,Ltd.
 OHARA INC.
 OILES CORPORATION
 Oji Holdings Corporation
 OKASAN SECURITIES GROUP INC.
 Okayama University
 Oki Electric Industry Company,Limited
 OKUMA Corporation
 OKUMURA CORPORATION
 OLYMPUS CORPORATION
 OMRON Corporation
 ONO PHARMACEUTICAL CO.,LTD.
 ORIENTAL LAND CO.,LTD.
 Oriental Shiraishi Corporation
 ORIX CORPORATION
 OSAKA GAS CO.,LTD.
 OSAKA ORGANIC CHEMICAL INDUSTRY LTD.
 OSG Corporation
 Otsuka Holdings Co.,Ltd.
 OUTSOURCING Inc.
 OYO Corporation
 PALTAC CORPORATION
 Pan Pacific International Holdings Corp.
 Panasonic Corporation
 PARK24 Co.,Ltd.
 PENTA-OCEAN CONSTRUCTION CO.,LTD.
 PERSOL HOLDINGS CO.,LTD.
 PIGEON CORPORATION
 POLA ORBIS HOLDINGS INC.
 Prima Meat Packers, Ltd.
 PwC Japan Group
 RAITO KOGYO CO.,LTD.

Rakuten Group, Inc.
 Recruit Holdings Co.,Ltd.
 Resona Holdings, Inc.
 RESORTTRUST,INC.
 RICOH COMPANY,LTD.
 RICOH LEASING COMPANY,LTD.
 RIKEN CORPORATION
 RINNAI CORPORATION
 ROHM COMPANY LIMITED
 ROYAL HOLDINGS Co., Ltd.
 Ryoden Corporation
 S.ISHIMITSU&CO.,LTD.
 S.T.CORPORATION
 SAGA University
 Sangetsu Corporation
 Sango Co., Ltd.
 SANIX INCORPORATED
 Sanken Electric Co.,Ltd.
 Sanki Engineering Co.,Ltd.
 Sankyo Tateyama,Inc.
 Sansan,Inc.
 SANTEN PHARMACEUTICAL CO.,LTD.
 Sanwa Holdings Corporation
 SANYO DENKI CO.,LTD.
 Sanyo Special Steel Co.,Ltd.
 Sanyo Trading Co.,Ltd.
 SAPPORO HOLDINGS LIMITED
 SATO HOLDINGS CORPORATION
 SAWAI GROUP HOLDINGS Co., Ltd.
 SBI Holdings, Inc.
 SBS Holdings,Inc.
 SCREEN Holdings Co.,Ltd.
 SCSK Corporation
 SECOM CO.,LTD.
 SEED CO.,LTD.
 SEGA SAMMY HOLDINGS INC.
 SEIBU HOLDINGS INC.
 SEIKAGAKU CORPORATION
 SEIKITOKYU KOGYO CO.,LTD.
 SEIKO EPSON CORPORATION
 SEIKO HOLDINGS CORPORATION
 Sekisui Chemical Co.,Ltd.
 Sekisui House,Ltd.
 Sekisui Kasei Co., Ltd.
 SENSHUKAI CO.,LTD.
 SEPTENI HOLDINGS CO.,LTD.
 Seven & i Holdings Co., Ltd.
 Seven Bank,Ltd.
 SG HOLDINGS CO.,LTD.
 Sharp Corporation

SHIBAURA MACHINE CO., LTD.
 SHIGA University of medical science
 Shikoku Electric Power Company,Inc.
 SHIMA SEIKI MFG.,LTD.
 Shimadzu Corporation
 SHIMANE University
 SHIMIZU CORPORATION
 Shin Nippon Air Technologies Co.,Ltd.
 Shin-Etsu Chemical Co.,Ltd.
 Shinkin Central Bank
 Shinsei Bank, Limited
 Shinshu University
 Shionogi & Co.,Ltd.
 Shiseido Company,Limited
 SHOFU INC.
 Showa Denko K.K.
 Showa Sangyo Co.,Ltd.
 SIIX CORPORATION
 SINANEN HOLDINGS CO.,LTD.
 SKY Perfect JSAT Holdings Inc.
 SKYLARK HOLDINGS CO., LTD.
 Sodick Co.,Ltd.
 SoftBank Corp.
 SOHGO SECURITY SERVICES CO.,LTD.
 Sojitz Corporation
 Solaseed Air Inc.
 Sompo Holdings, Inc.
 Sony Financial Group Inc.
 SONY GROUP CORPORATION
 Stanley Electric Co.,Ltd.
 Starzen Company Limited
 SUBARU CORPORATION
 SUGI HOLDINGS Co., LTD.
 Sumitomo Bakelite Company,Limited
 SUMITOMO CHEMICAL COMPANY,LIMITED
 SUMITOMO CORPORATION
 Sumitomo Dainippon Pharma Co., Ltd.
 Sumitomo Electric Industries, Ltd.
 Sumitomo Forestry Co., Ltd.
 SUMITOMO HEAVY INDUSTRIES, LTD.
 SUMITOMO LIFE INSURANCE COMPANY
 Sumitomo Metal Mining Co.,Ltd.
 Sumitomo Mitsui Construction Co.,Ltd.
 Sumitomo Mitsui Financial Group, Inc.
 Sumitomo Mitsui Trust Holdings,Inc.
 Sumitomo Osaka Cement Co.,Ltd.
 Sumitomo Realty & Development Co.,Ltd.
 Sumitomo Riko Company Limited
 Sumitomo Rubber Industries, Ltd.
 SUZUKEN CO.,LTD.

SUZUKI MOTOR CORPORATION
 SWCC SHOWA HOLDINGS CO., LTD.
 SYMEX CORPORATION
 T&D Holdings,Inc.
 TADANO LTD.
 TAIHEIYO CEMENT CORPORATION
 TAIHO KOGYO CO.,LTD.
 TAIJU LIFE INSURANCE COMPANY LIMITED
 Taikisha Ltd.
 TAISEI CORPORATION
 TAISHO PHARMACEUTICAL HOLDINGS CO., LTD.
 TAIYO HOLDINGS CO., LTD.
 TAIYO YUDEN CO., LTD.
 Takamiya Co.,Ltd.
 TAKAOKA TOKO CO., LTD.
 TAKARA HOLDINGS INC.
 Takara Leben CO.,LTD.
 Takasago Thermal Engineering Co.,Ltd.
 Takeda Pharmaceutical Company Limited
 TAKENAKA CORPORATION
 Tamron Co.,Ltd.
 TAMURA CORPORATION
 TANSEISHA CO.,LTD.
 TBS HOLDINGS,INC.
 TDK CORPORATION
 TechnoPro Holdings,Inc.
 TEIJIN LIMITED
 TEKKEN CORPORATION
 TERUMO CORPORATION
 T-Gaia Corporation
 The 77 Bank, Ltd.
 The Awa Bank, Ltd.
 The Bank of Iwate, Ltd.
 The Bank of Kyoto, Ltd.
 The Bank of Nagoya, Ltd.
 The Chiba Bank, Ltd.
 The Chiba Kogyo Bank, Ltd.
 The Chugoku Bank,Limited
 The Chugoku Electric Power Company,Inc.
 The Dai-ichi Life Insurance Company, Limited
 The Ehime Bank, Ltd.
 The Fukui Bank, Ltd.
 The Furukawa Battery Co.,Ltd.
 The Gunma Bank, Ltd.
 The Hachijuni Bank, Ltd.
 The Hokkoku Bank, Ltd.
 The Hyakugo Bank, Ltd.
 The Hyakujushi Bank, Ltd.
 The Japan Steel Works, Ltd.
 THE JAPAN WOOL TEXTILE CO., LTD.



The Juroku Bank, Ltd.
 The Kansai Electric Power Company, Inc.
 The Kiyo Bank, Ltd.
 The Musashino Bank, Ltd.
 The Nanto Bank, Ltd.
 THE NIPPON ROAD CO., LTD.
 THE NISSHIN OILIO GROUP, LTD.
 THE OITA BANK, LTD.
 The Okinawa Electric Power Company, Inc.
 The San-in Godo Bank, Ltd.
 THE SHIGA BANK, LTD.
 THE SHIMANE BANK, LTD.
 THE SHIZUOKA BANK, LTD.
 THE TOHO BANK, LTD.
 The University of Electro-Communications
 The University of Tokyo III / GSII
 The Yamagata Bank, Ltd.
 The Yamanashi Chuo Bank, Ltd.
 TIS Inc.
 TOA CORPORATION
 TOAGOSEI CO., LTD.
 TOBISHIMA CORPORATION
 TODA CORPORATION
 TOHO Co., Ltd.
 TOHO GAS CO., LTD.
 TOHO TITANIUM COMPANY, LIMITED.
 Tohoku Electric Power Company, Inc.
 TOKAI CARBON CO., LTD.
 Tokai National Higher Education and Research System
 TOKAI RIKA CO., LTD.
 Tokai Tokyo Financial Holdings, Inc.
 Tokio Marine Holdings, Inc.
 Tokuyama Corporation
 Tokyo Century Corporation
 TOKYO DOME CORPORATION
 Tokyo Electric Power Co. Holdings, Inc.
 Tokyo Electron Limited
 TOKYO GAS CO., LTD.
 Tokyo Institute of Technology
 Tokyo Kiraboshi Financial Group, Inc.
 TOKYO OHKA KOGYO CO., LTD.
 Tokyo Tatemono Co., Ltd.
 Tokyo University of Foreign Studies
 Tokyo University of Marine Science and Technology
 TOKYU CONSTRUCTION CO., LTD.
 TOKYU CORPORATION
 Tokyu Fudosan Holdings Corporation
 TOMY COMPANY, LTD.
 TOPCON CORPORATION
 TOPPAN FORMS CO., LTD.

TOPPAN INC.
 TOPY INDUSTRIES, LIMITED
 TORAY INDUSTRIES, INC.
 Torishima Pump Mfg. Co., Ltd.
 TOSHIBA CORPORATION
 TOSHIBA TEC CORPORATION
 TOSOH CORPORATION
 TOTO LTD.
 TOWA PHARMACEUTICAL CO., LTD.
 TOYO CONSTRUCTION CO., LTD.
 TOYO DENKI SEIZO K.K.
 TOYO ENGINEERING CORPORATION
 TOYO INK SC HOLDINGS CO., LTD.
 TOYO KANETSU K.K.
 TOYOBO CO., LTD.
 TOYODA GOSEI CO., LTD.
 TOYOTA BOSHOKU CORPORATION
 TOYOTA INDUSTRIES CORPORATION
 TOYOTA TSUSHO CORPORATION
 transcosmos inc.
 TRUSCO NAKAYAMA CORPORATION
 TS TECH CO., LTD.
 TSUBAKI NAKASHIMA CO., LTD.
 TSUBAKIMOTO CHAIN CO.
 TSUKISHIMA KIKAI CO., LTD.
 TSUMURA & CO.
 TWINBIRD CORPORATION
 UACJ Corporation
 Ube Industries, Ltd.
 ULVAC, Inc.
 UNI.CHARM CORPORATION
 UNITIKA LTD.
 University of Fukui
 University of Tokyo
 University of Tsukuba
 USHIO INC.
 USS Co., Ltd.
 UT Group Co., Ltd.
 Utsunomiya University
 VITAL KSK HOLDINGS, INC.
 WACOAL HOLDINGS CORP.
 WAKACHIKU CONSTRUCTION CO., LTD.
 WELCIA HOLDINGS CO., LTD.
 West Japan Railway Company
 WILL GROUP, INC.
 YAMADA HOLDINGS CO., LTD.
 YAMAHA CORPORATION
 Yamaha Motor Co., Ltd.
 YAMATO HOLDINGS CO., LTD.
 YAOKO CO., LTD.

YASKAWA Electric Corporation
 YASUHARA CHEMICAL CO., LTD.
 YKK AP Inc.
 YKK Corporation
 Yokogawa Bridge Holdings Corp.
 Yokogawa Electric Corporation
 YOKOHAMA REITO CO., LTD.
 YOKOWO CO., LTD.
 YOROZU CORPORATION
 YOSHINOYA HOLDINGS CO., LTD.
 YUASA TRADING CO., LTD.
 YUSHIN PRECISION EQUIPMENT CO., LTD.
 Z Holdings Corporation
 ZENKOKU HOSHO Co., Ltd.
 ZEON CORPORATION
 ZIGExN Co., Ltd.



Afterword

Over the past few years, there has been a rapid increase in the awareness that environmental and social issues, such as the growing threat of climate change and the corona virus, which became a global pandemic, have a broad and significant impact from the development of a country to the daily lives of its people. The public is giving more attention to reports that convey how a company addresses issues related to sustainability and its integrity in fulfilling its accountability.

The establishment of the ISSB by the IFRS Foundation and the consolidation of VRF with the IFRS Foundation indicate that discussions and proposals around sustainability reporting, which had been led by voluntary organizations, have moved to the stage at which comprehensive standards with consensus at the global level are being formed. Moreover, it suggests that this process is moving into the next stage of systematization. With companies making further considerations on its materiality assessments from different perspectives, and with greater clarification of the role that the ISSB s will play, we are gradually getting a better picture of the future of globally comparable sustainability reporting. Greater use of corporate information reported using agreed standards will likely lead to aspirations for greater transparency in the process of preparing reports and assurance in the reliability of the content of reports.

In the 2021 survey, we expanded the number of survey items with the aim of understanding whether risks and opportunities, strategies, metrics and other topics are being consistently reported, based on materiality assessment related to the achievement of the company's purposes. In addition, based on the assumption that there will be discrepancies in the content of reports, given the differences in the reports' objectives, the expected users, and the different "lenses" through which materiality is considered, we added sustainability reporting to our survey. We also examined the status of assurance since considering efforts to ensure the reliability of sustainability information will likely be an issue going forward.

This doubled the time it took to complete the survey work. However, we completed the survey thanks to the motivation of about 60 people who all shared the view that understanding the current state of corporate reporting is essential. Through the first attempt to survey integrated reports, securities reports and sustainability reporting

with a cross-cutting approach, we gained a multi-faceted perspective for analyzing the diverse approaches to creating enterprise value. In examining the current state of reporting in detail, the survey team members had many lively discussions. We feel that this experience can help the wide range of organizations related to corporate reporting, which is going through so much change.

KPMG in Japan recognizes the significance of corporate reporting and its effect on improving enterprise value and contribution to the sound development of markets. We have been carrying out activities targeting Japanese companies as well as institutional investors around the world. We have cooperated with both the former IIRC and the former SASB, both predecessors of the VRF, which have spearheaded global efforts to improve corporate reporting, since their establishment, and have continued to provide information. In July 2021, KPMG Sustainable Value Services Japan was formed, strengthening the system for supporting reliable reporting of sustainability information in correlation with financial information. Team members responsible for surveys of trends in corporate reporting, particularly sustainability reporting, and information dissemination in and outside Japan, and team members providing advisory services work together and function as a team providing dependable support for companies. KPMG is working to reinforce its system for fulfilling its responsibility to deliver the kind of confidence that contributes to its purpose. We believe that this will lead companies to choose KPMG as partners in growth, demonstrate our value, and help us contribute to corporate growth and the development of sound capital markets.

In mid-2022, ISSB will release its new standards and reporting based on standards that allow for global comparisons will become a reality. This will bring us to a new chapter. We expect that not only will ISSB standards be applied, but practical discussions taking into consideration the characteristics of countries and regions, including Japan, will begin, in pursuit of enterprise value that leads to solutions for social issues and the resulting achievement of comprehensive value.

We hope that this report will elevate corporate reporting to a more meaningful stage for everyone involved in organizations facing this new chapter in history.

April 2022

KPMG Sustainable Value Services Japan



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Introduction of KPMG Sustainable Value Services Japan

KPMG in Japan formed Sustainable Value Services Japan within KPMG in Japan in 2021 as a venture to provide comprehensive support for measures and initiatives that help build a sustainable society and increase companies' medium- and long-term value. At the same time, KPMG AZSA LLC has set up a Sustainable Value Headquarters to handle various studies and research related to sustainability, provide insight and train human resources. These two organizations are now known together as KPMG Sustainable Value Services Japan, and they will help achieve KPMG's purpose of "Inspire Confidence. Empower Change."



Our website

KPMG in Japan provides accurate information and insights that contribute to changes in organizations aspiring to achieve sustainable value by resolving social issues.

KPMG in Japan Sustainable Value website

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