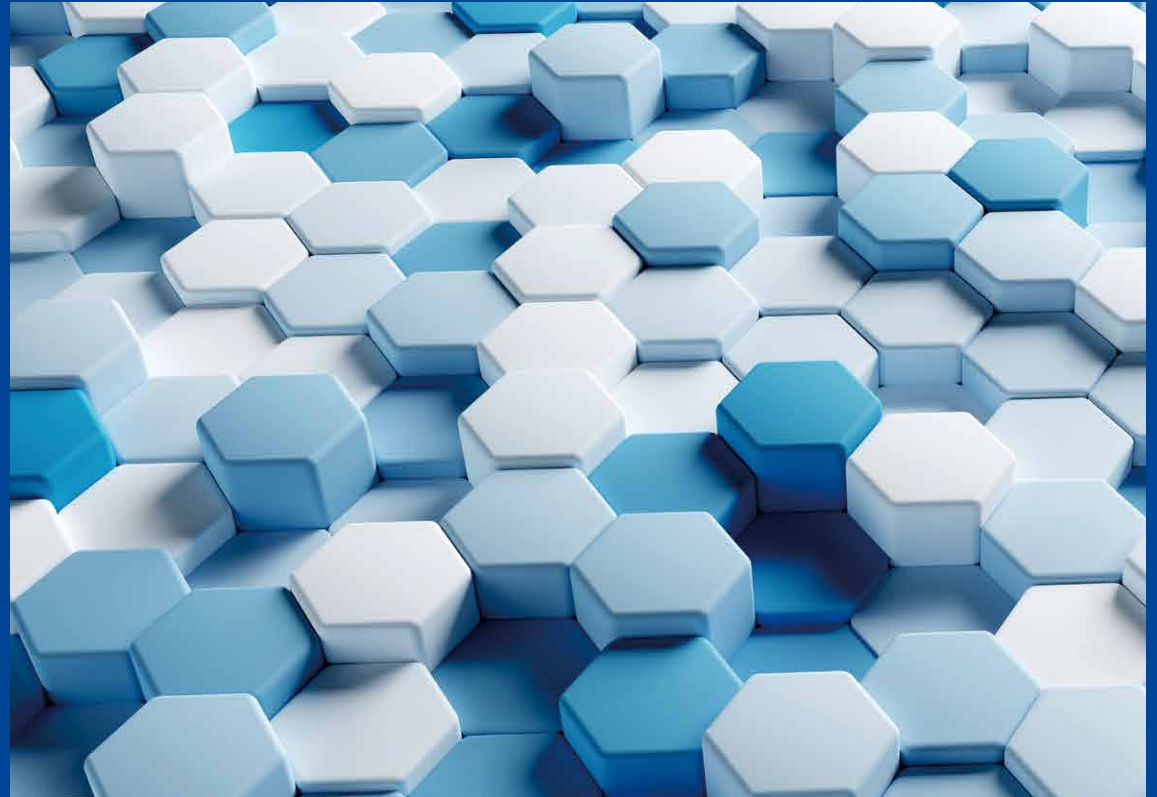




Survey of Corporate Reports in Japan 2023

KPMG Sustainable Value Services Japan



April 2024

Foreword

We are happy to present the following message from thought leader on corporate reporting as we publish this year's survey.

On the 10th Year of the Survey

— How Can Integrated Reporting Contribute to the Enhancement of Corporate Value?

First of all, I would like to offer my sincere congratulations to KPMG in Japan on the publication of the 2023 edition, the tenth time it has conducted and published this survey of corporate reports. Despite major technological innovations over the past decade, many reports are still not produced using a standardized data format, with some exceptions of information required by disclosure systems. With different definitions and a variety of formats and forms, a comprehensive review of integrated reports, securities reports, and sustainability reporting requires a great deal of time.

To even attempt such a survey demands a properly balanced perspective, sound insight into the companies described in the reports, and a strong conviction that the healthy corporate reporting will contribute to corporate value as companies demonstrate how they deliver social value. Ultimately, it is professional integrity that is the driving force behind KPMG in Japan's faithfulness in conducting this survey since the days "before the dawn."

It has been over two years since the IFRS Foundation formed the International Sustainability Standards Board (ISSB) in order to end the confusion caused by an "alphabet soup" of various frameworks and initiatives. The ISSB has released S1 and S2, its first standards, which can be applied starting in 2024, and its establishment is certainly a significant milestone. On the other hand, it has been observed that a new "alphabet soup" is emerging. It is also undeniable that overuse of the terms "sustainable" and "ESG" has made communication more difficult.

There have been many changes over the last 10 years, since the survey was launched. Yet, regardless of how good the available frameworks are, and even though widely applicable reporting standards have been developed, companies stand no chance of enhancing the quality of their reporting—or even their corporate

value—unless they actually have a corporate purpose and have put practical measures in place.

It is said that Japan discloses more information than any other country. The number of "lost years" suffered by the Japanese economy, however, is not in fact the commonly quoted 20—it has now reached 30. It is also true that Japan's GDP has fallen to 4th in the world. I believe it can be said that many of the reporting challenges that existed prior to the launch of the International Integrated Reporting Council (IIRC) are still not resolved. In light of these realities, I would like to review the characteristics of integrated reporting once again as I consider here the future of corporate reports.

The first major premise is that "reporting" is voluntary. "Disclosure" is "required" for companies as social entities that must respond to social demands and rules. The general principle of "comply or explain" has been widely adopted in recent years, but we still see cases of compliance in form only. If companies do not consider why reporting is necessary and actively engage with the process, reporting becomes nothing more than a cost.

Secondly, the basis of reporting is risk management. This also includes opportunities. Research showing that over 80% of corporate value is driven by intangible factors is well known. Major social and environmental changes are significantly altering the content and quality of information needed for decision-making. I would like to reaffirm that the so-called E (environment) and S (society) components have rapidly become risk factors. Here are the questions to ask: What are the risks and opportunities for value creation? What are the specific issues? How does "management" think and make decisions about change over the medium to long term. Corporate reporting requires that these questions be answered in terms of process, rationale, and outlook.

Finally, sound corporate governance affects the quality of a report, thereby paving the way for the reporting to enhance corporate value. This fact is recognized by the Integrated Reporting Framework, which requires those who have responsibility for the effectiveness of corporate governance to state their commitment to the quality of their integrated report.

The changes in the management environment are extremely rapid and interrelated in complex ways. Companies must apply integrated thinking that connects the dots not only between the activities within an organization, but also considers how they are related to the activities of other companies and the broader society. In so doing, companies can deliver reporting that goes beyond mere compliance with systems and rules — reporting that actually leads to increased corporate value.

I am confident that the content of this survey report will help to improve the quality of corporate reporting. It raises many perspectives to consider for all those who are working to build a sustainable world—the kind of world that can only be built if we make the most of the unique characteristics and differences of individuals and organizations, as each fulfills their responsibilities to the whole. My hope is that, together, we can move forward in meaningful dialogue as this "never ending story" continues to unfold.

Yoshiko Shibasaka

Representative, Yoshiko Shibasaka Corporate Reporting Office

Yoshiko retired from KPMG AZSA LLC in June 2023. During her tenure, she conducted research, surveys, and provided recommendations on corporate management issues in the knowledge-based economy towards achieving sustainable value, with a particular focus on business reporting and communication. From July 2021, she served as the Director of the Sustainable Value Office at the Sustainable Value Headquarters at KPMG AZSA LLC.

Introduction

It has been ten years since we published the first report, *Survey of Integrating Reports in Japan 2014*. We have issued this survey report every year since then, seeking to share the progress of corporate reporting in Japan—and the issues it still faces—in order to help increase the health of capital markets. We are very grateful that so many readers both in and outside Japan have received this report with such interest, allowing us to now bring you this tenth report.

Over the past decade, corporate reporting has achieved great progress as a method of communication intended to help create corporate value over the medium to long term. The organizations that previously established their own frameworks and standards for integrated reporting and sustainability reporting have come together to support comprehensive corporate reporting, and the development of new reporting standards has progressed rapidly. Finally, in June 2023, the International Sustainability Standards Board (ISSB) released the first standard set of the IFRS® Sustainability Disclosure Standards (ISSB™ Standards) to serve as a global baseline. While it is up to the regulatory authorities in each country to determine the timing for the incorporation and application of the ISSB Standards into their systems, the standards are applicable starting with business years commencing in or after January 2024, so globally comparable sustainability reporting really is just around the corner. Moreover, each jurisdiction is considering the development and institutionalization of standards that build on the specific reporting content set out in the ISSB standards. In Europe, the European Commission (EC) has adopted the European Sustainability Reporting Standard (ESRS) issued in July 2023, and that standard, too, is applicable starting with the business year that commenced in January 2024. Also, in Japan, the Sustainability Standards Board of Japan (SSBJ) released an exposure draft of Japanese sustainability disclosure standards in March 2024, aiming to publish the finalized standards by the end of March 2025 at the latest. SSBJ has tentatively agreed that the standards will be applicable from the fiscal year ending after the publication of the finalized standards. This means that

sustainability reporting based on the standards is expected to begin in the near future.

With the advent of the ISSB Standards, the use of globally comparable sustainability information will become increasingly common among stakeholders, particularly investors, and this is likely to lead to more calls for more credible information. Discussions are already underway to make third-party assurance or audit mandatory. In Japan, the Financial Services Agency has established a working group to discuss the introduction of assurance on sustainability information with a view to potential legal amendments. Furthermore, in a world where a wide variety of sustainability-related issues impact the ability to deliver corporate and social sustainability, it is critical to consider the content to include in their reports using a common understanding of materiality which the board of directors and executive officers share as a starting point. Practicing corporate reporting which ensures that the understanding of materiality and the related corporate conduct can be clearly perceived will be the foundation for gaining the trust of stakeholders. We believe that pursuing this kind of high-quality corporate reporting will both improve the quality of corporate decision-making and enrich dialogue with the users of the information, thereby creating a virtuous circle that leads to sustainable corporate and social development. At KPMG, we hope to fulfill our purpose “Inspire Confidence. Empower Change,” by supporting this process. I sincerely hope this report will be helpful in the efforts of all those involved in corporate reporting.



Hirotaka Tanaka

Senior Executive Board Member
Head of KPMG Sustainable Value Service Japan
KPMG AZSA LLC

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We recommend that readers check the websites of policymakers and organizations involved in corporate reports for content released by organizations since then.

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About the survey

Purpose and background

KPMG Sustainable Value Service Japan (SVJ) has believed that 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 SVJ'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, and by adding to our survey, since 2019, the narrative information provided in securities reports.

In light of efforts to consolidate standards for sustainability reporting through the formation of the ISSB by the IFRS Foundation, we have expanded the scope of corporate reports that we study. With the hope that clarifying the results and issues will be helpful in improving the competitiveness of Japanese companies, we added sustainability reports and pages related to sustainability on corporate websites (hereafter, "sustainability reporting") to the scope of the survey in 2021.

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"; see page 67).

To ensure continuity with the surveys of the past nine years, the "Survey of integrated report" section (pages 62-66) covers all the other organizations (1,017 organizations in total; see pages 68-73) included in the [List of Japanese Companies Issuing Self-Declared Integrated Reports in 2023](#), 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 is 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 in the next page.

All the members of the survey team determined the report evaluation criteria together. A single person was assigned to conduct the research on 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), *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 (2022), *Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation 2.0*
- Financial System Council (2022). *Report of the Working Group on Corporate Disclosure* (Japanese only), *Summary of Report by the Working Group on Corporate Disclosure*
- Financial Services Agency (2023), *Revised Cabinet Office Ordinance on Disclosure of Corporate Affairs* (Japanese only)
- Cabinet Office (2022), *Guidelines on Making Human Capital Visible* (Japanese only)
- ISSB (2023), *IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information*
- ISSB (2023), *IFRS S2 Climate-related Disclosures*
- Task Force on Climate-related Financial Disclosures (2017), *Recommendations of the Task Force on Climate-related Financial Disclosures (Final Report)*
- TCFD (2021), *Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures*
- TCFD (2021), *Guidance on Metrics, Targets, and Transition Plans*

Key recommendations

Convey information on the understanding of materiality and the corresponding corporate activities that will drive increased corporate value

This survey clearly revealed that many companies have begun to show an understanding of their own materiality. The information in reports is becoming more comprehensive. Moreover, the credibility of report content has been enhanced as more companies are receiving third-party assurance for specific metrics. In this sense, this survey showed clear progress in terms of both the quantity and quality of reported content. On the other hand, we found some issues with a lack of clarity regarding the relationship between the reported material matters and the corresponding corporate activities expected to drive increased corporate value.

In light of this finding, we wish to underscore how important it is to convey the story of how management decisions are informed by in-depth discussions of issues identified as material by the board of directors and management, how initiatives are implemented at the frontline level, and how this drives increased corporate value. It is vital to clearly demonstrate the interconnections between these three elements of the story. A report that contributes to real dialogue with stakeholders must first clarify the kinds of value a company will provide in order to enhance corporate value based on its own purpose, and then articulate the actions management believes are required to deliver these kinds of value. To make this kind of reporting a reality, a company must establish and operate mechanisms for collecting high-quality data to inform decision-making based on an understanding of the company's own materiality.

To contribute to the spread of such effective reporting, we offer the following three recommendations based on this year's survey results.

01

Clarify the rationale used to determine what matters are material and provide relevant content

To convey that the matters identified as material are legitimate as matters for management focus, it is important to clarify the rationale used when identifying them and to carefully explain the background and process. More specifically, it is advantageous to present the outlook on the future environment which served as the premise for the materiality assessment, the risks and opportunities anticipated as part of this outlook, and how these risks and opportunities impact corporate actions. Of course, it is also vital to demonstrate that the board of directors and management proactively discuss all these issues.

02

Convey the information readers need to understand the state of corporate governance

Boards of directors are expected to set the overall direction for how the organization will sustainably create value, to develop a strategic roadmap for management that allows for occasional course corrections, and to oversight management execution. As such, it is crucial to demonstrate that the board of directors has a robust understanding of the company's own materiality and has both the structure and expertise required to fulfill its responsibility to oversight execution. It is also critical that the board of directors and management have mechanisms in place for collecting highly reliable information and data to serve as the basis for their management decision-making and monitoring.

03

Do not merely disclose information required by the regulatory system, but also convey insights on corporate value

Disclosing the matters and metrics required by the regulatory system is the bare minimum when it comes to fulfilling corporate accountability. To meet the expectations of society by conveying the kinds of value a company will provide to enhance its corporate value based on its own purpose, a report must not only fulfill the requirements of regulatory disclosure, but should also proactively convey management's insights on issues that could affect corporate value in the future. This should include the future outlook on these issues based on an analysis of the background and current conditions, which will allow the company to engage in dialogue with the users of the information.

Spotlight

01

Collaborative project by the IASB and the ISSB to facilitate comprehensive corporate reporting

The International Accounting Standards Board (IASB) and the International Sustainability Standards Board (ISSB), which are both part of the IFRS Foundation, have been looking into how they can work together to develop a comprehensive corporate reporting framework.

In light of the changing environment surrounding corporate reporting, the IASB launched the Management Commentary Project in 2017 to expand the IFRS Practice Statement 1 [Management Commentary](#), which it released in 2010, and embarked on an overhaul of the Practice Statement. Subsequently, although many respondents to the Exposure Draft the IASB released in 2021 expressed support for the project, there were calls for collaboration between the IASB and the ISSB. On the other hand, between May and September 2023, the ISSB sought [feedback on priorities](#) for its two-year work plan starting in 2024 and floated a project to research integration in reporting as a candidate project for the future. As this project had deep connections with the IASB's Management Commentary, the IASB and ISSB held a joint meeting in January 2024 to discuss how to proceed with these projects.

Thus far, a comparative analysis of similarities and differences between the Management Commentary Exposure Draft and the Integrated Reporting Framework, which form the basis of these two projects, has been reported to [the IFRS Advisory Council](#) and [the Integrated Reporting and Connectivity Council](#).

The analysis found no significant differences in objectives, general principles, and content except that the Management Commentary Exposure Draft did not have any requirements corresponding to “Governance” and “Basis for Preparation and Presentation,” whereas these items were included in the content required by the Integrated Reporting Framework.

The IASB and the ISSB aim to work together to develop a comprehensive corporate reporting framework as well as to provide guidance to support companies with regard to the connectivity of the reporting content required by both. Going forward, it is hoped that their collaboration will pave the way for comprehensive corporate reporting to become commonplace, thereby contributing to a virtuous cycle of value creation by facilitating greater dialogue between users of information, including investors, and companies.

Yuki Ito



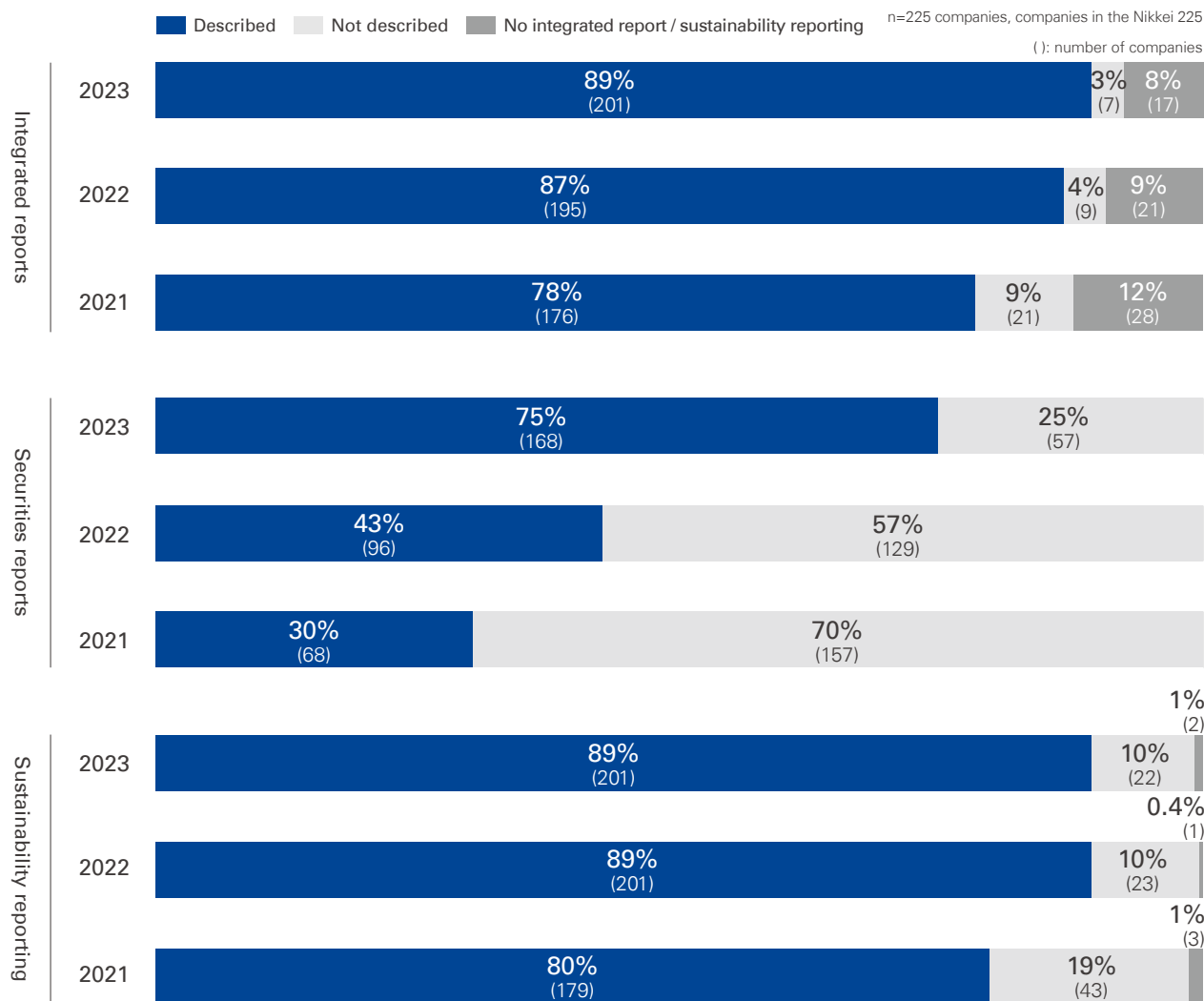
Materiality

89% of companies described materiality in integrated reports and sustainability reporting and 75% of companies also provided such descriptions in securities reports

More companies are describing materiality, and the figures in 2023 stood at 89% for both integrated reports and sustainability reporting and 75% for securities reports (Figure 1-1).

We believe the progress of developments premised on the institutionalization of sustainability reporting drove greater awareness among companies in 2023 that describing materiality is an indispensable element in reports. These developments included the finalization of the IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and the IFRS S2 Climate-related Disclosures by the International Sustainability Standards Board (ISSB), the commencement of considerations on Japanese sustainability disclosure standards according to IFRS S1 and S2 by the Sustainability Standards Board of Japan (SSBJ), and the adoption of the European Sustainability Reporting Standards (ESRS) according to the EU's Corporate Sustainability Reporting Directive (CSRD). Among these many developments affecting corporate reporting, the new requirement that securities reports also include a section on the company's approach to and initiatives on sustainability has driven an increase in the number of companies describing materiality in their securities reports.

Figure 1-1 Materiality



Source: Survey of Corporate Reports in Japan 2023, KPMG in Japan



Again this year, many companies identified climate change and human capital as material

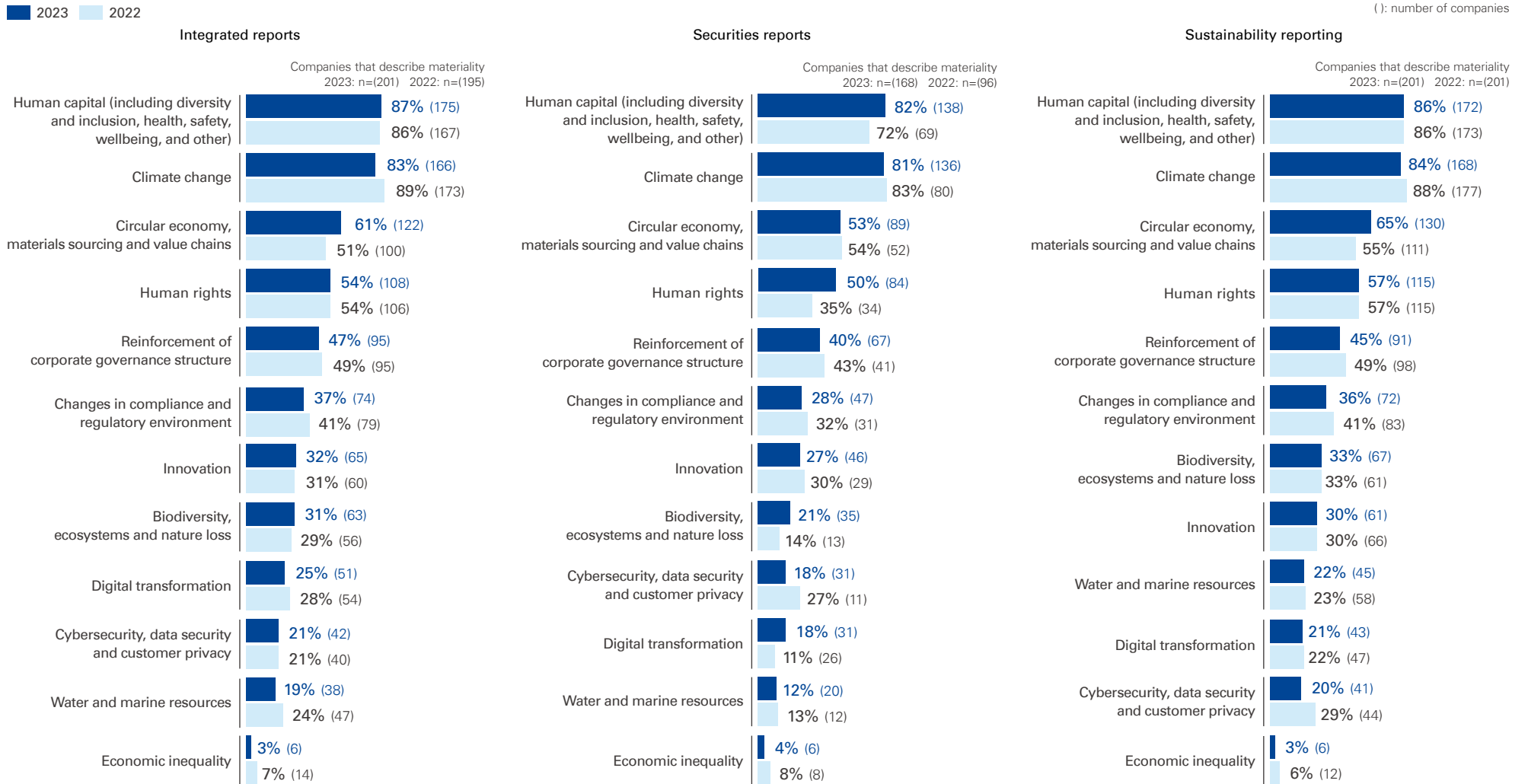
To continue, we examined what companies described as material. In this survey, we looked at whether companies included the four themes of compliance, governance, innovation, and digital transformation, as well as the eight themes that were listed in [the ISSB's July 2022 meeting agenda](#) for possible consideration when developing standards in the future (12 themes in total) in their material matters. Again this year, many companies deemed climate change and human capital to be material (Figure 1-2). We believe this is one impact of Japan's 2023 Revised Cabinet Office Ordinance on Disclosure of Corporate Affairs, which required descriptions of initiatives on these themes.

More companies presented materiality from an overall perspective, rather than as separate issues

Issues other than climate change and human capital are seen as material by 20–50% of companies, depending on the issue (Figure 1-2). This trend is similar to last year, and each company typically identified a large number of issues as material. However, more individual issues saw a lower percentage of mentions than in the previous year. One reason for this is that companies which conducted reviews of what is material did not use names that explicitly include individual themes, such as those in the options in this survey, in presenting their results. For example, one report analyzed risks and opportunities by considering climate change and biodiversity as inter-related elements under the broader theme of global environmental sustainability, rather than as two separate themes. Although the names companies used for themes alone did not always make clear what individual issues were deemed to be material, in some reports, we felt it was still easier to understand the company's perception of the relationship of material matters to business initiatives and risks and opportunities.



Figure 1-2 Topics deemed material



Source: Survey of Corporate Reports in Japan 2023, KPMG in Japan

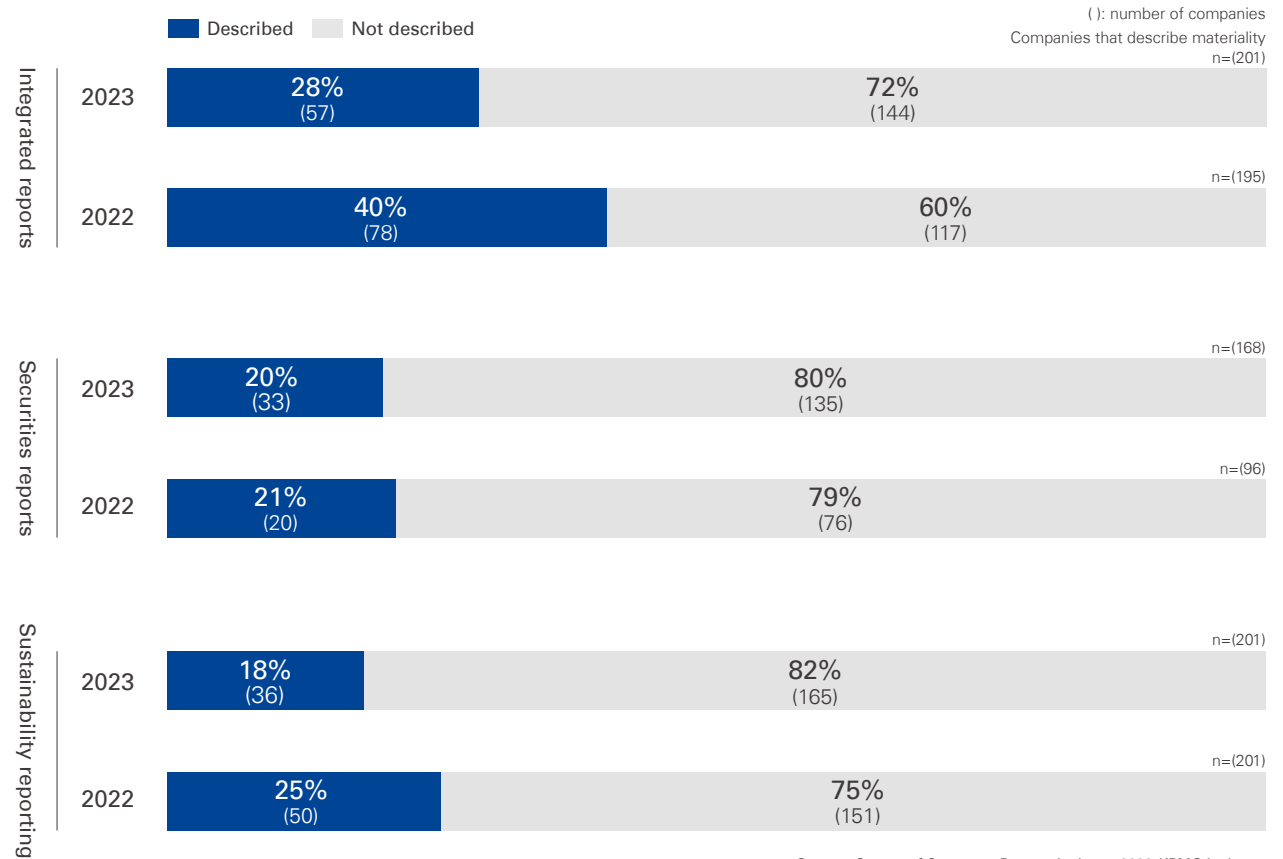


Although more companies described risks and opportunities related to material matters, fewer explained the management environment outlook at the foundation of materiality assessment

In a world where the matters impacting companies are globalized since markets and supply chains extend across national boundaries, many companies share a similar awareness of the issues. Thus, it is only natural that many companies would deem similar issues to be material. However, the assumptions about the timing and nature of impacts should differ depending on the unique situation of each company and its outlook on the management environment. Readers will be better able to understand how companies believe they will create future value if the reports not only offer explanations of the outlook for the management environment, which in fact forms the premise behind materiality assessment, but also share their perception of risks and the action plans they have built based on the results of that assessment.

Across all types of reporting, the survey showed a decrease in the percentage of companies that explained the outlook for the management environment at the foundation of materiality assessment, with integrated reports highest, at 28% (Figure 1-3). The recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), the IFRS Sustainability Disclosure Standards (ISSB Standards), and the newly required section on the approach to and initiatives on sustainability in securities reports have all adopted a disclosure framework based on the four pillars of “governance,” “risk management,” “strategy,” and “metrics and targets.” In light of this, one reason for the decrease in the number of companies explaining their outlook on the management environment is that some companies covered the premises for analyzing the impact of each material matter as part of the content under “strategy,” omitting the outlook on the management environment in the section on the materiality assessment.

Figure 1-3 Outlook on future management environment at the foundation of materiality assessment



Source: Survey of Corporate Reports in Japan 2023, KPMG in Japan

However, we believe that the outlook on the management environment, which actually forms the basis for assessing what is material, is significant in a different way than the scenario analysis which is the premise for assessing the impact of individual issues,

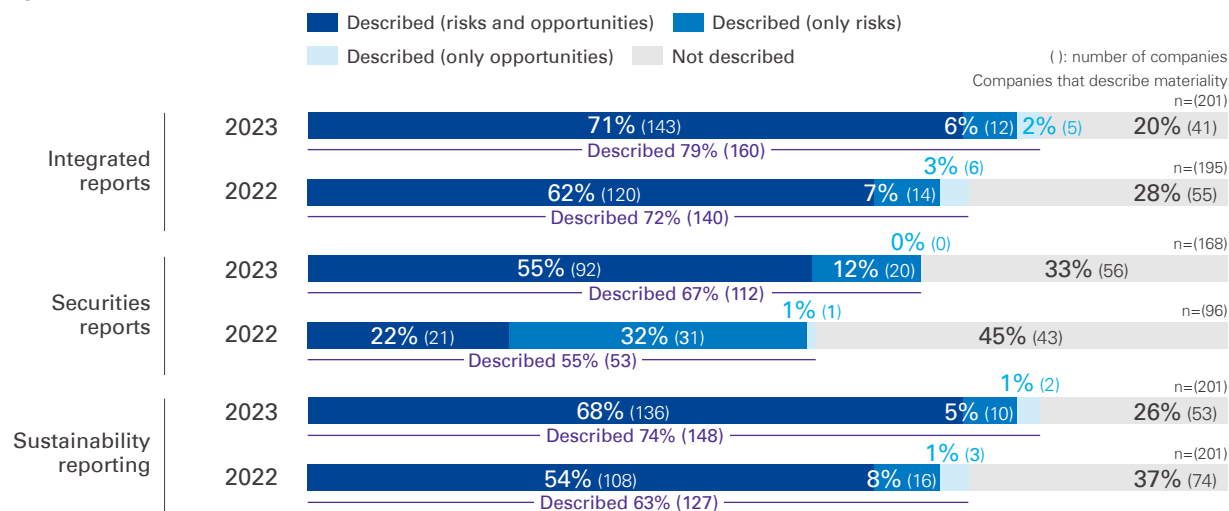
because that outlook provides a comprehensive view of how top management and the board foresee the unique circumstances of the company and the future management environment as they lead the company.

Although more companies described risks and opportunities related to material matters, there was only a slight increase in quantification of the expected impact

Although fewer companies explained the management environment outlook at the foundation of their materiality assessment, more described the important risks and opportunities related to the issues they deemed to be material, particularly in securities reports, which saw a 12% increase in such descriptions (Figure 1-4). There was also an increase in the number of companies describing material matters not only in terms of risks, but also in terms of opportunities, and this was particularly evident in securities reports. Presenting the perception of opportunities is a very significant way to help readers understand that the company will not only avoid risks, but is also identifying opportunities and willing to make business changes in light of the factors that could impact the future of corporate management.

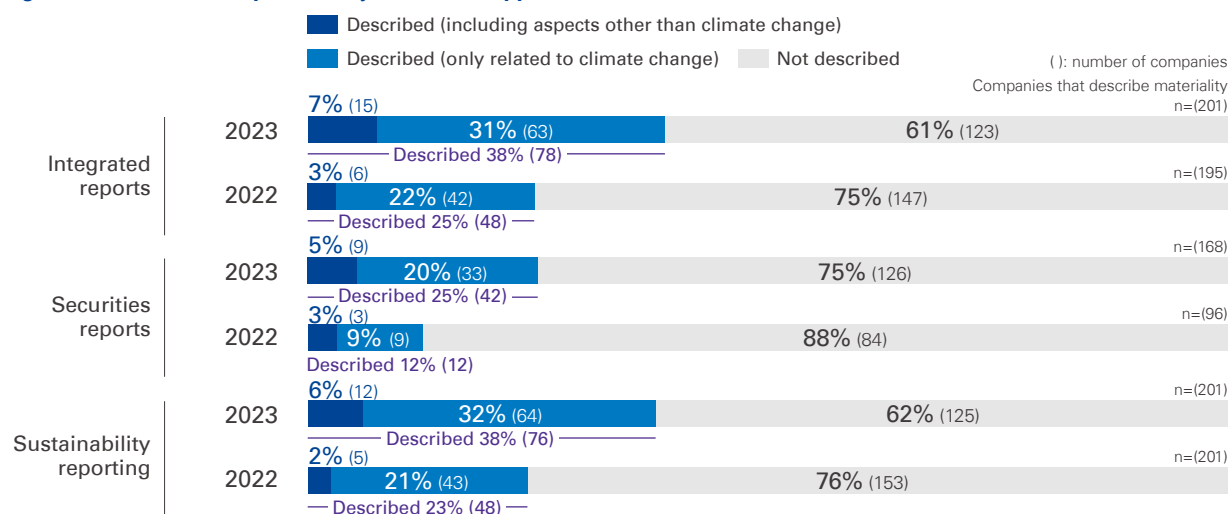
On the other hand, our review of whether reports presented quantitative data on the impact of risks and opportunities related to material matters revealed that, although there was a slight increase from the previous year, less than 40% of these explanations in all types of reporting provided such data. Even in cases where quantitative data was provided, most only noted the financial impact of climate change according to the TCFD recommendations (Figure 1-5). Companies ought to calculate financial impact not because disclosure is required, but because they are concerned about the impact on their own future. Consequently, we expect that coming years will see more progress in quantitative information on the impact of risks and opportunities related to material matters.

Figure 1-4 Important risks and opportunities related to material matters



Source: Survey of Corporate Reports in Japan 2023, KPMG in Japan

Figure 1-5 Quantified impact of major risks and opportunities



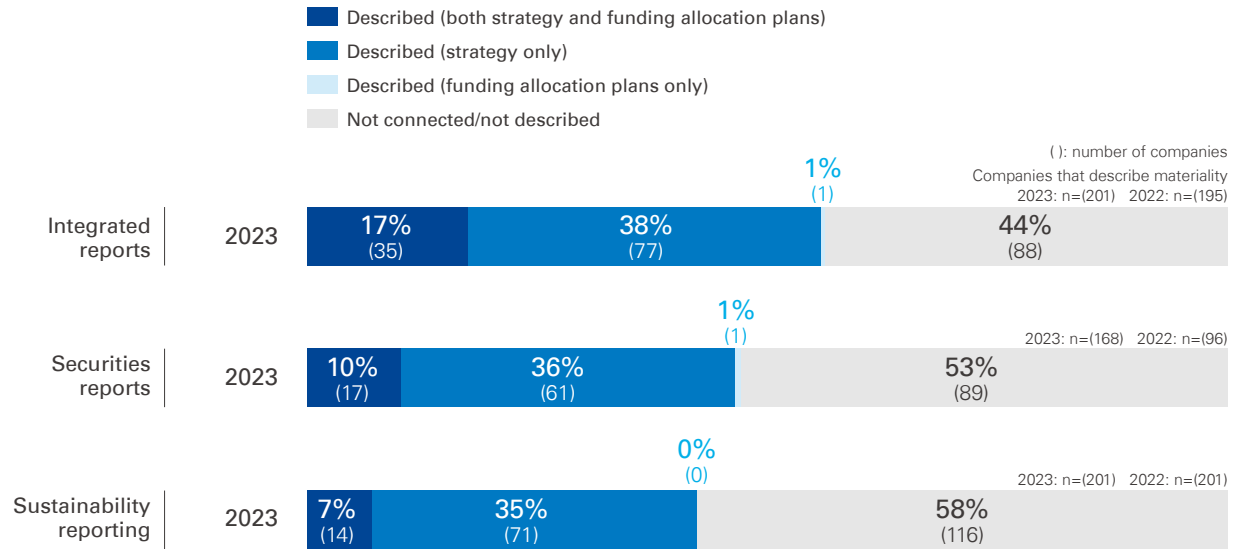
Source: Survey of Corporate Reports in Japan 2023, KPMG in Japan



Only a few companies described material matters in an integrated manner starting with strategy and leading to funding allocation plans

We also reviewed the connection between the material matters identified and strategies. This survey looked at whether reports showed the connection not only with strategy, but also with funding allocation plans and policies based on strategy. The results showed that slightly less than 20% of integrated reports—the highest among the types of reporting—described the connection between strategy and funding allocation plans (Figure 1-6). We believe that describing the perception of risks and opportunities and the strategy formulated based on these perceptions—then backing that up with information on the necessary funding plans—will help foster the confidence of readers.

Figure 1-6 Connection of strategy and funding allocation plans with identified material matters



Source: Survey of Corporate Reports in Japan 2023, KPMG in Japan



More companies set targets and noted results using metrics for material matters

We also looked at whether reports set targets and noted results using metrics to measure progress on issues deemed material. About 90% of both integrated reports and sustainability reporting described both targets and results. Last year, less than half of securities reports described targets and results, but this year 89% noted targets and 70% noted results (Figures 1-7 and 1-8). There is a continuing trend toward a high proportion of companies using metrics to note not only targets and results in reducing greenhouse gas (GHG) emissions related to climate risks, but also targets and results related to other material matters, such as metrics related to the transition to a circular economy and metrics related to diversity and the promotion of women's participation. We see ongoing progress in transforming mindsets as more companies reflect their material matters in their corporate strategies, set targets, and steadily enhance corporate value.

Figure 1-7 Metrics related to material matters (targets)

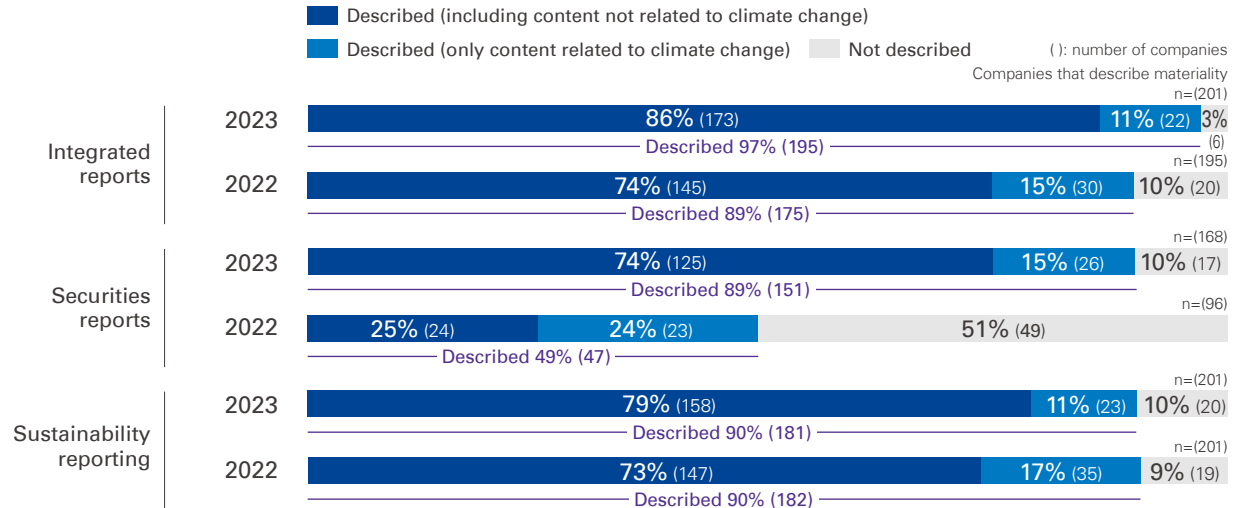
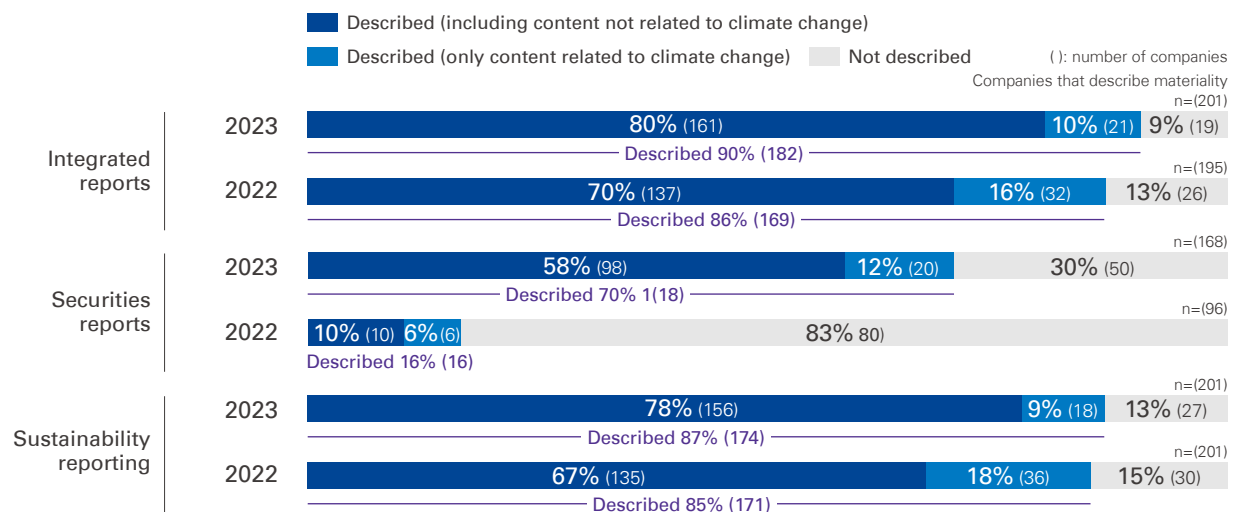


Figure 1-8 Metrics related to material matters (results)

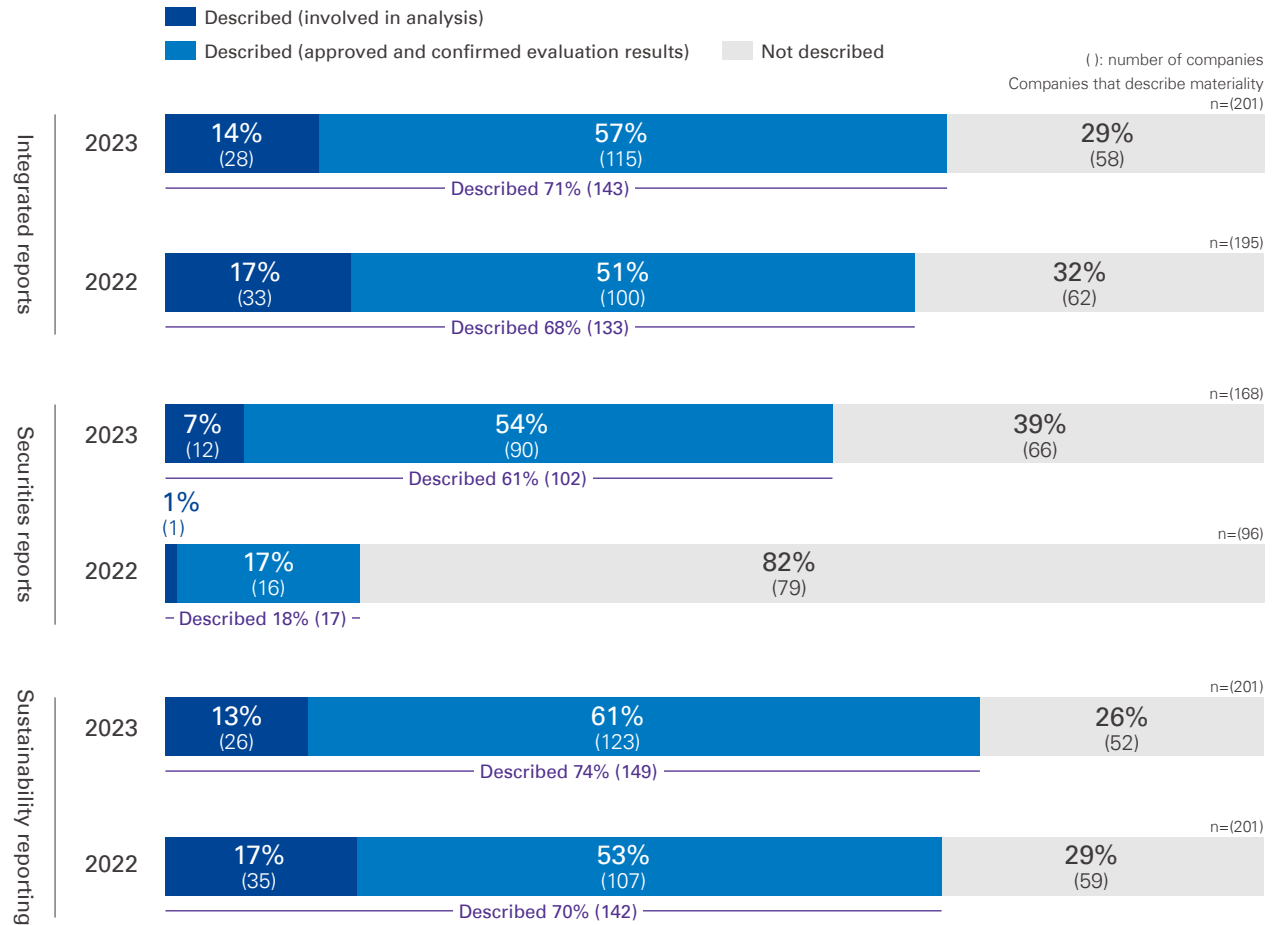




Information on the involvement of the board in materiality assessment was insufficient

We also looked at what reports had to say about the process of materiality assessment. First, we looked for descriptions of how directors, who are responsible for setting the direction of a company's medium- to long-term strategies and ensuring that management is executed in alignment with these strategies, are involved in discussions on materiality assessment. Despite an increase in the number of companies across all types of reporting that mentioned in general that directors were involved in the materiality assessment process, fewer companies, in their integrated reports and sustainability reporting, showed that directors were actually involved in the analysis of the results, where a fair number had done so in the past. More than half of reports across all types merely stated that the board had given final authorization (Figure 1-9). It is a matter of course that the board would give final approval, by these companies gave no information that would allow the reader to understand how much discussion took place in the process. It is important for reports to demonstrate in some way that the board is fully involved in determining the results of the materiality assessment. To this end, it would also be worthwhile to demonstrate this by providing messages authored by management and by directors, or covering the activities report of the board, not only explaining the materiality assessment process.

Figure 1-9 Involvement of directors in materiality assessment



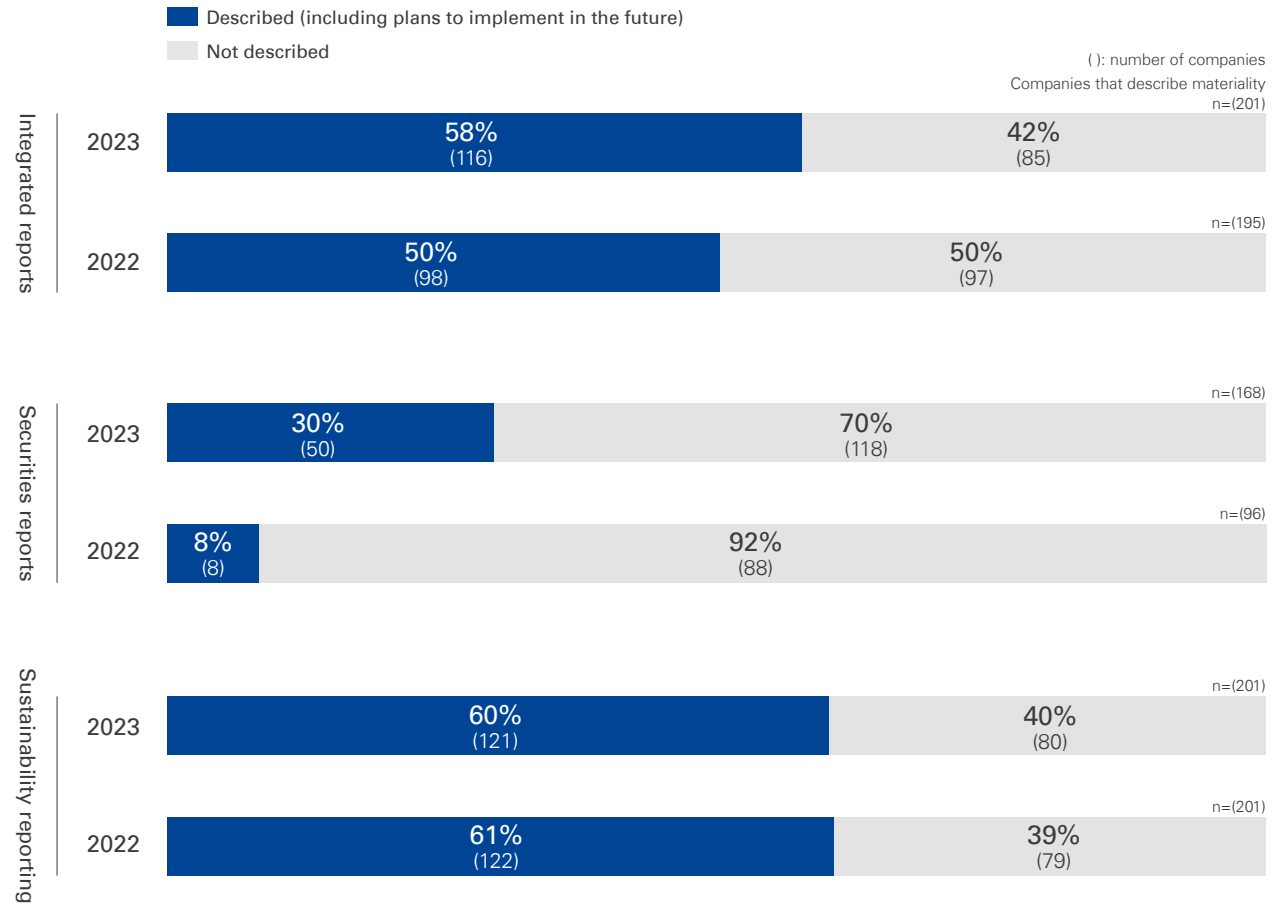
Source: Survey of Corporate Reports in Japan 2023, KPMG in Japan



Only a few companies indicated that material matters reflected the concerns and interests of stakeholders in their descriptions of the materiality assessment process

Basing materiality assessments on an understanding of stakeholder concerns and interests is essential to increasing their accuracy. This kind of information is also useful to readers looking to understand the factors that could impact a company. Our survey showed that a relatively high percentage of integrated reports and sustainability reporting, at 58% and 60%, respectively, included descriptions demonstrating that the companies incorporated the results of stakeholder engagement into the process of assessing materiality (Figure 1-10). However, hardly any reports went so far as to present which opinions of which stakeholders were reflected when describing the results of stakeholder engagement. The majority of companies merely stated that the results of stakeholder engagement were incorporated.

Figure 1-10 How results of stakeholder engagement were reflected in the materiality assessment process



Source: Survey of Corporate Reports in Japan 2023, KPMG in Japan

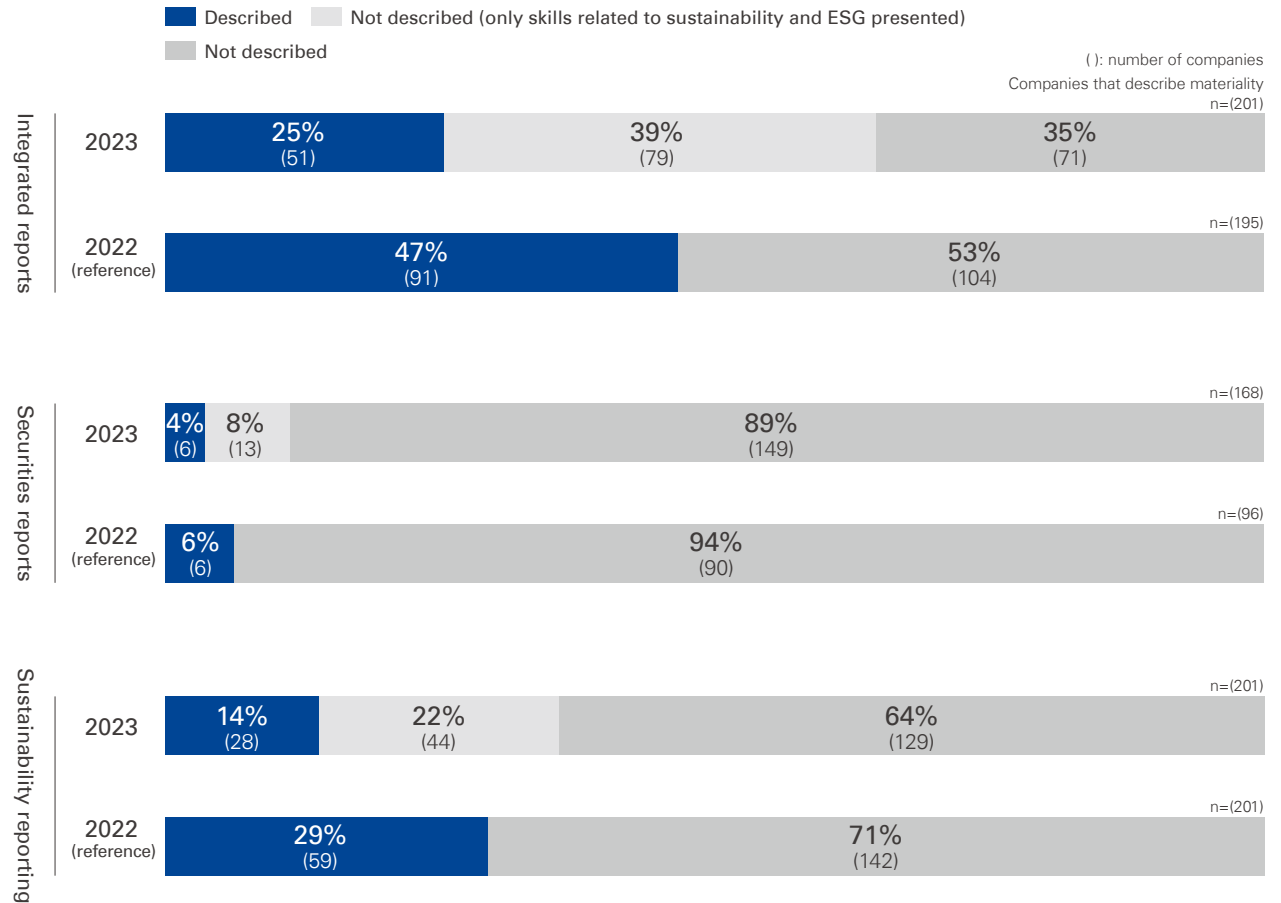


Information on relevant director skills, oversight organizations, compensation schemes, and other aspects of the governance structure was insufficient

At the end of our study of materiality, as we did in the previous year, we looked at companies' coverage of how their corporate governance is designed to support the implementation of management driven by their materiality assessment results.

First, we looked at whether reports indicated that the directors had appropriate skills and experience related to issues deemed material. For this survey, we made a distinction between reports that indicated skills and experience with a clear correlation to issues deemed material, and reports that only included very general and broadly defined expressions such as sustainability or ESG. Only 25% of integrated reports, the highest figure, and 4% of securities reports, the lowest figure, indicated correlations between directors' skills and experience and the issues deemed material (Figure 1-11).

Figure 1-11 Skills and experiences held by directors overseeing strategies and initiatives aligned with material matters



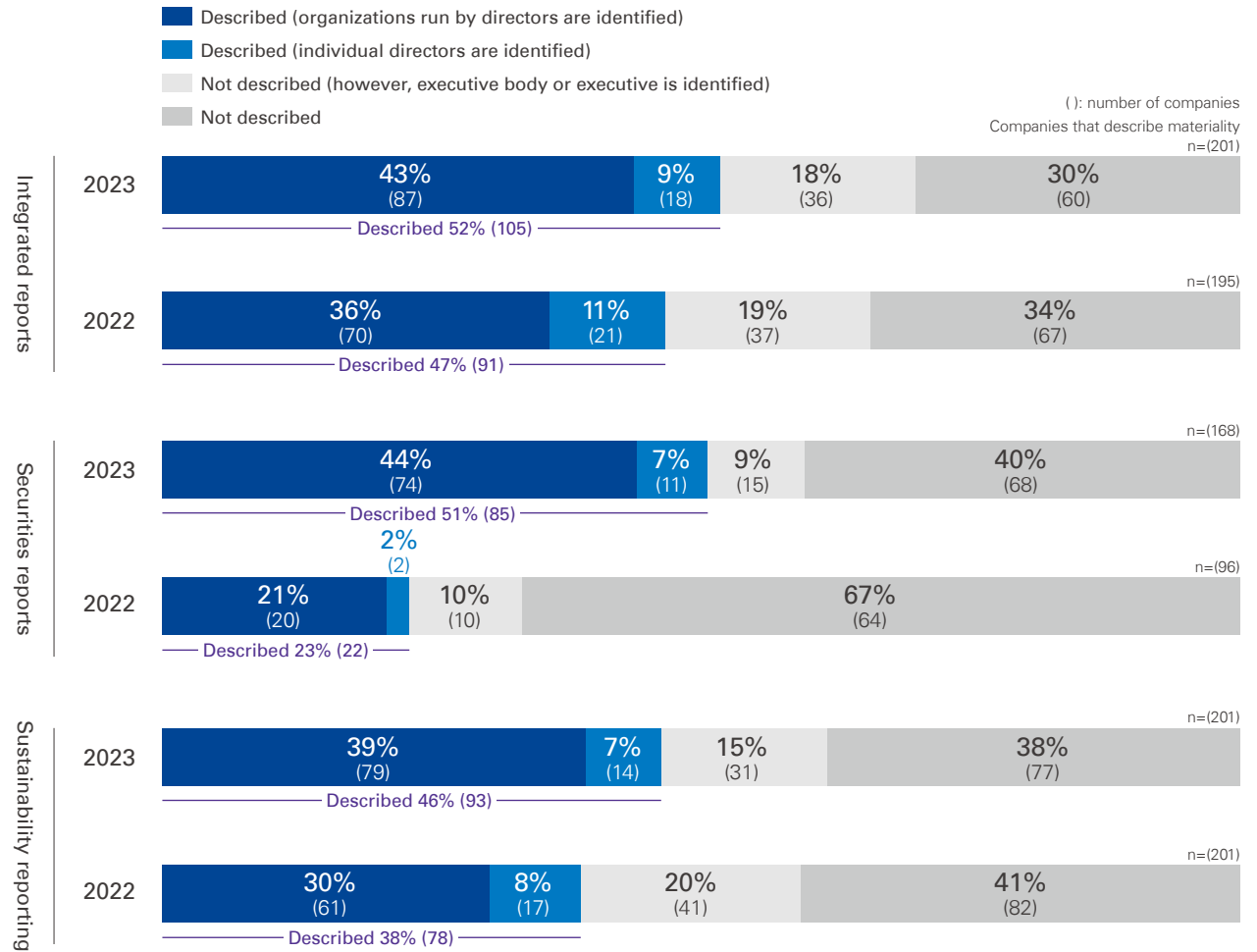
Source: Survey of Corporate Reports in Japan 2023, KPMG in Japan



Information on relevant director skills, oversight organizations, compensation schemes, and other aspects of the governance structure was insufficient (cont'd.)

Next, we looked at whether reports identified and explained the organizations or individuals responsible for overseeing major risks and opportunities related to issues identified as material. We found that around 50% of companies across all types of reporting identified and explained an advisory body to the board or an individual director (Figure 1-12). We think the factors behind this are progress in setting up sustainability committees serving as advisory committees to boards of directors and in selecting directors with a wealth of experience in material environmental and social issues. We also see progress in understanding and consideration of climate-related disclosures according to the TCFD recommendations and descriptions of the approach to and initiatives on sustainability in securities reports, as well as progress in discussing systems that allow the board to monitor sustainability-related risks and opportunities.

Figure 1-12 Organizations or individuals responsible for overseeing major risks and opportunities related to material matters



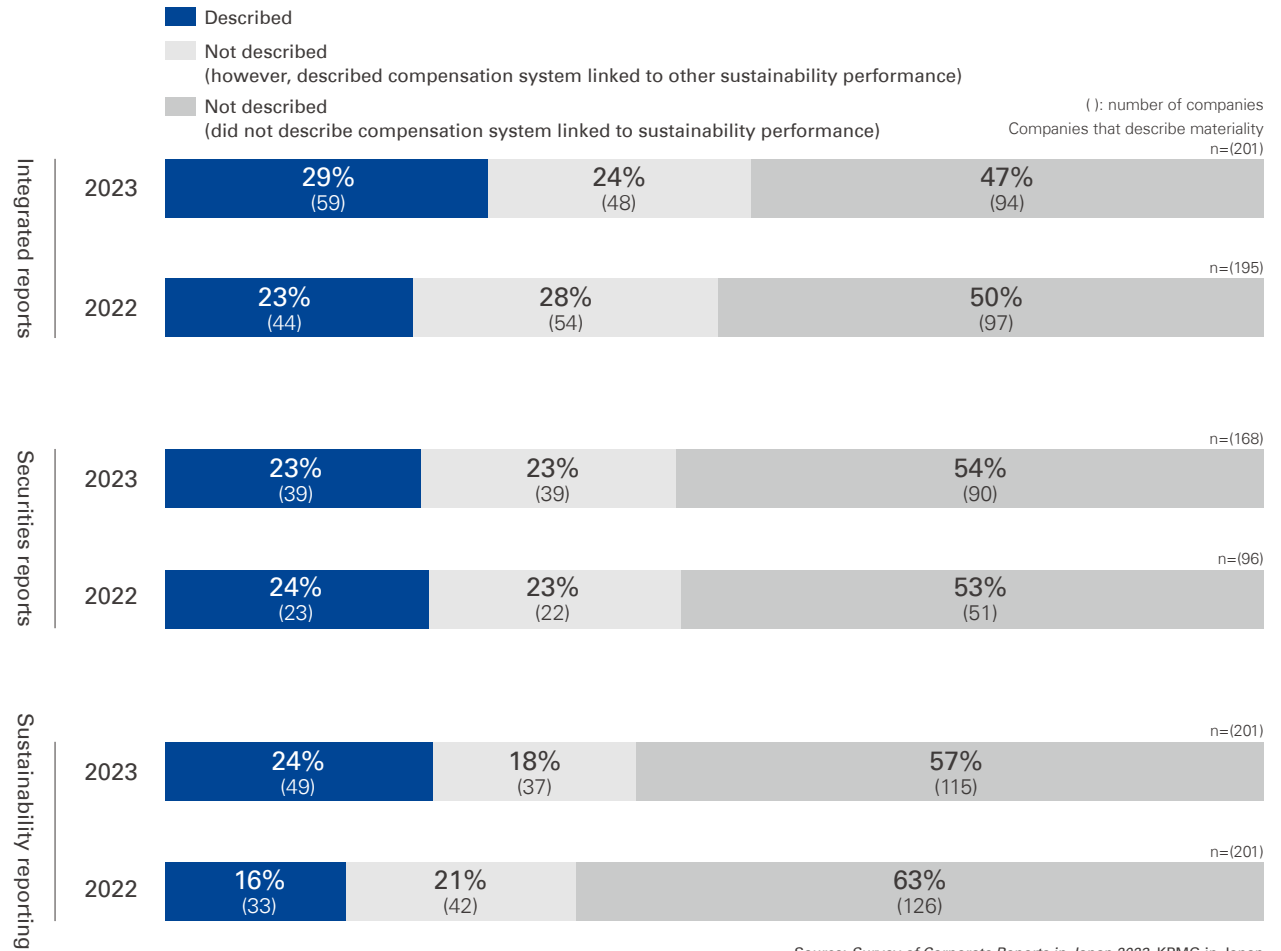
Source: Survey of Corporate Reports in Japan 2023, KPMG in Japan



Information on relevant director skills, oversight organizations, compensation schemes, and other aspects of the governance structure was insufficient (cont'd.)

Finally, we looked at whether reports provided evidence of a director compensation scheme linked to material matters or performance on the strategies to address those issues. The percentage of companies including this content was less than 30% across all types of reporting (Figure 1-13). We see a trend toward presenting more specific performance metrics related to sustainability-linked compensation, and we believe this suggests gradual progress in efforts to make such metrics function as an incentive mechanism for value creation.

Figure 1-13 Director compensation designed with links to material matters or strategies based on them



Source: Survey of Corporate Reports in Japan 2023, KPMG in Japan



Companies made steady progress on explaining materiality, and they should effectively use materiality analysis not only to comply with disclosure systems, but also to improve the credibility of reporting and make better decisions

In 2023, there were a number of developments premised on the institutionalization of sustainability reporting, including the finalization of IFRS S1 and S2 by the ISSB, the commencement of considerations on Japanese sustainability disclosure standards according to IFRS S1 and S2 by the SSB, the adoption of the ESRS according to the EU's CSRD, and the new requirement that securities reports also include a section on the company's approach to and initiatives on sustainability. We think these developments have further increased awareness that describing approaches to materiality is an essential element of a report. As a result, there has been overall progress in descriptions of materiality and an upward trend in discussions related to material matters.

To help the reader gain deeper insights into the company's understanding of materiality, we recommend that companies focus on what management truly sees as material. They would do well not only to detail the results of their materiality assessments and their perceptions of risks and strategies aligned with those results, but also to explain the underlying outlook and the status of specific initiatives as well as provide relevant information on governance. As a result, the report will tell a more persuasive story. While sustainability reporting looks set to become increasingly structured with the disclosure of many sustainability metrics going forward, we believe that the discussions that accompany these insights will continue to play an important role in enabling readers to accurately assess the organization's ability to create value, as well as its sustainability.

To help build a sustainable world, companies are now required to enhance their sustainable value by addressing social and environmental issues. Thus, social and environmental sustainability information has become crucial for assessing the ability of a company to continue to create value into the future.

We anticipate that the same level of credibility required for financial information in the past will be demanded for sustainability information, going forward. In these circumstances, a specific presentation of the issues that management and directors responsible for corporate management deem to be material, with related information, is also likely to be fundamental in determining the credibility of sustainability information. As companies seek to enhance corporate value by addressing social and environmental issues, as well, it will be critical that they foster a shared awareness of materiality across their operations, particularly at the level of management and the directors responsible for management. This shared awareness will help to ensure that strategic initiatives, target setting, progress management, and governance structures are shaped by the company's approach to materiality. As a result, we expect the credibility of the information needed for management decision-making, including sustainability information, to become more important even within the company. As it does, the quality of management decision-making may also improve as a result of the push for more reliable information.



Spotlight

02

Implications from *CG Watch 2023* report —A path toward more advanced corporate governance

The Asian Corporate Governance Association (ACGA), the members of which are global institutional investors that invest in Asian companies, released [the overview report](#) for its survey, entitled *CG Watch 2023*, in December 2023. The CG Watch survey is conducted by ACGA every two to three years to study and rank corporate governance performance for 12 markets in the Asia-Pacific region.

Japan's rating in CG Watch was 7th in 2018, 5th in 2020, and 2nd in the latest survey in 2023. The reason for Japan's significant rise through the rankings is the country's efforts to reform corporate governance and promote more disciplined corporate management. A path toward enhancement of value has been illuminated by these efforts, including the Financial Services Agency's [Action Program for Accelerating Corporate Governance Reform: From Form to Substance](#), the Tokyo Stock Exchange's [Action to Implement Management that is Conscious of Cost of Capital and Stock Price](#), and the Ministry of Economy, Trade and Industry's [Guidelines for Corporate Takeovers](#).

While government-led reform initiatives pushed up the overall ranking, when looking at listed companies only, Japan was only in 8th place, with an evaluation of "showing signs of improvement." It was noted that transparency only improved in areas where there were additional requirements by regulators, and there were few voluntary initiatives beyond the rules and little unique information. This point was made for all countries and regions, not just Japan, but there is room for improvement here, as Japan's ranking of the survey on listed companies has not improved significantly.

At [ACGA's annual conference held in November 2023](#), the view was expressed that the Japanese market has great significance in Asia when looking at the future geopolitical situation. In order for Japan to further increase its presence in the world and receive appropriate recognition from global investors, it is important that government-led reforms are taken as an opportunity for understanding the underlying objective and promoting voluntary initiatives that go beyond minimum regulatory compliance.

Sumika Hashimoto



Spotlight

03

Double-materiality concept in relation to Europe's Corporate Sustainability Report Directive (CSRD)

The European Sustainability Reporting Standards (ESRS), established per Europe's CSRD, were finalized in July 2023.

The concept of "double materiality" refers to the importance of the financial impact of environmental, social, and other sustainability issues on a company (financial materiality) and the importance of the impact that a company has on environmental, social, and other sustainability issues (impact materiality). The information is disclosed in cases where the impact is deemed to be material.

The ESRS has adopted the double-materiality concept with the required disclosure items in cases where (i) financial materiality is material; (ii) impact materiality is material; or (iii) both are material. Starting in 2025, EU-based subsidiaries that meet certain prerequisites will be required to disclose

sustainability information in line with the ESRS. In addition, in 2028 and beyond, parent company groups in countries outside the EU that meet certain prerequisites will also be required to disclose global sustainability information in line with the ESRS (extraterritorial application).

A variety of stakeholders, including investors, expect companies to implement sustainability management designed to drive sustainable value creation over the medium to long term. For corporate management, the double-materiality concept, not only single materiality, could be one way to consider the sustainability of their business over the medium to long term.

Masato Nakata



Next steps for adapting to advances in reporting

Timing of reporting sustainability information

The IFRS *General Requirements for Disclosure of Sustainability-related Financial Information (IFRS S1)*, released in June 2023 by the International Sustainability Standards Board (ISSB), requires reporting of sustainability-related financial information together with financial statements. Moreover, in Japan, the Revised Cabinet Office Ordinance on Disclosure of Corporate Affairs, released in January 2023, requires that a new section on sustainability information be added to securities reports, and companies have been reporting some sustainability information together with financial statements in their securities reports since fiscal year ended March 2023. Given these developments, we reviewed the timing of integrated reports and sustainability reporting to look into how companies are addressing these changes.

A summary of the survey results is as follows. There were no significant changes in the trends from 2022 (Figure 2-1).

Integrated reports:

Of the 208 companies that issued integrated reports covered by our survey, 40% of the 206 companies, with the exception of two companies that only issued a web version of their report, released the report six months after the fiscal year-end. This was the most common timing. Only 1% of companies issued their reports within three months of the fiscal year-end, which is the deadline for submission of securities reports.

Sustainability reports:

We observed a similar trend with integrated reports, in which 31%—the most common response—of 134 companies that publish sustainability reports do so six months after the fiscal year-end. Only 8% published within three months of the fiscal year-end, the deadline for submission of securities reports.

About 70% of Japanese companies issue their integrated reports and sustainability reports three months or more later than they issue securities reports. We think this is partly because the mechanisms for reporting, including the governance, work flow and internal control of internal data collection and compilation needed for the disclosure of sustainability information, are not as well-established as they are for financial reporting.

As sustainability information is having a greater impact on credit and investments, we think that investors' needs that sustainability information be disclosed at the same time as financial statements will become stronger. Companies need to prepare to bring forward the release of sustainability information, for instance by introducing systems for information collection, designing work flows, and building internal controls.



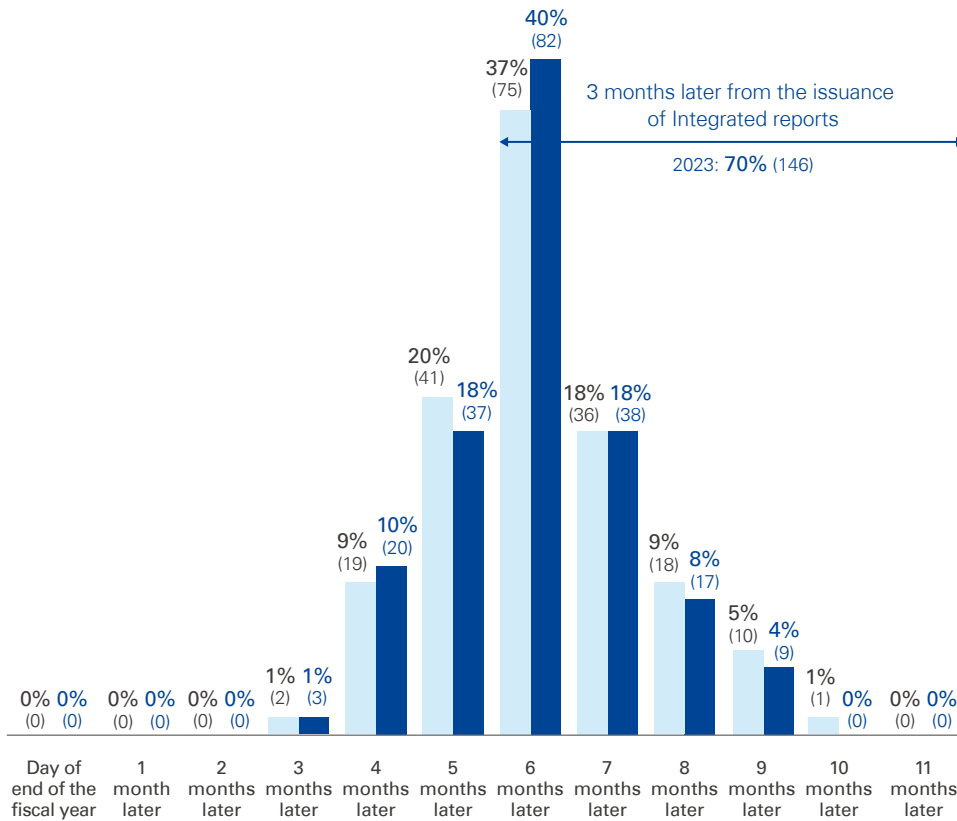
Figure 2-1 Timing of issuance of integrated reports and sustainability reports

2022 2023

(): number of companies

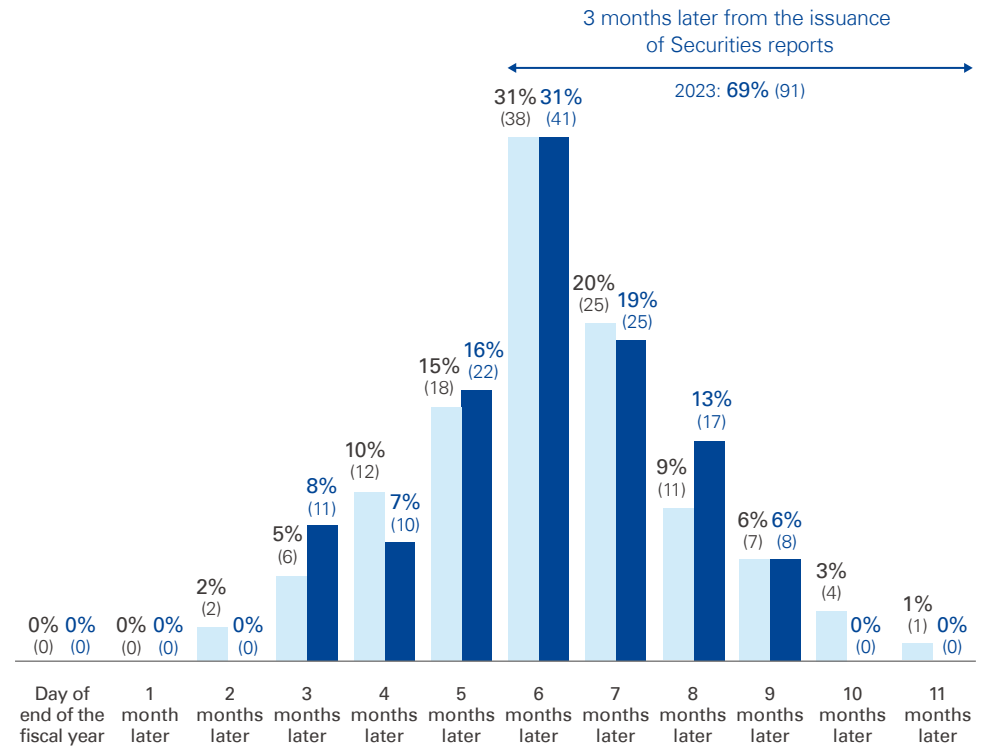
Integrated reports

Companies issuing integrated reports
 2023: n=(206) excluding two that only issued a web version of their report
 2022: n=(202) excluding two that only issued a web version of their report



Sustainability reports

Companies issuing sustainability reports (reports that differ from integrated reports, annual reports and governance reports which primarily include sustainability information; this includes reports that go by the name "data book," etc.)
 2023: n=(134)
 2022: n=(124)



Source: Survey of Corporate Reports in Japan 2023, KPMG in Japan

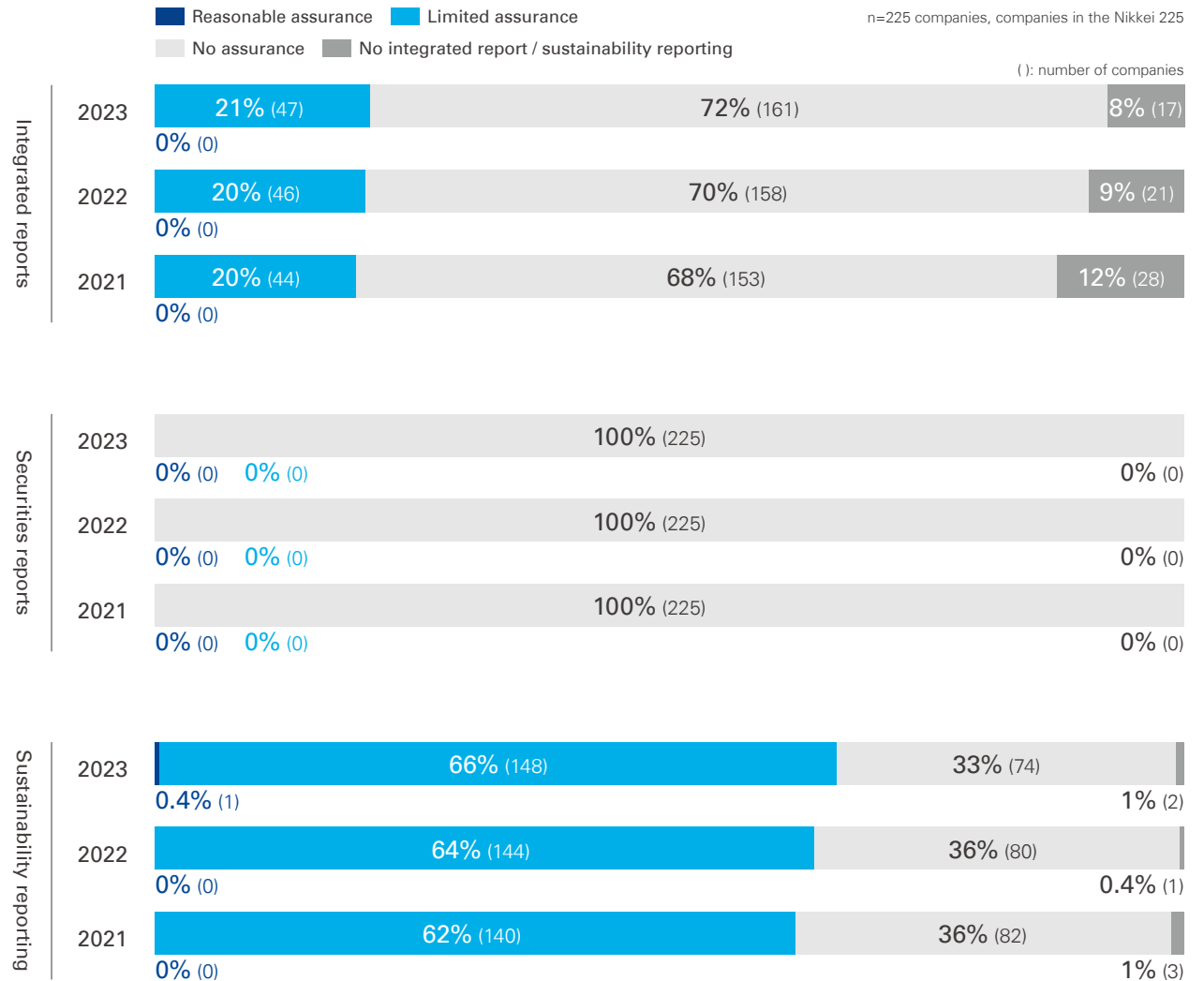


Credibility of sustainability information

As sustainability comes to have a greater impact on credit and investments, we think there will also be a desire to improve the credibility of sustainability information. Therefore, we looked at the status of assurances for sustainability information. In the 2023 survey, we found that 66% of companies received third-party verification for some of the metrics listed in their sustainability reporting (Figure 2-2). However, almost all of these were limited assurance engagements,¹ with only one company in which reasonable assurance was provided.

¹ There are two levels of assurance: reasonable and limited. In reasonable assurance engagements, the auditor limits the risk of imprecision or inaccuracy in assessing individual operations to the lowest possible level as the basis for a form of expression of the auditor's conclusion. In contrast, in limited assurance engagements, the auditor merely reduces such risk to an acceptable level, tolerating higher risk than in a reasonable assurance engagement. As a result, the type of procedures, the timing, and scope of limited assurance engagements are not as rigorous as those required for reasonable assurance engagements.

Figure 2-2 Percentage receiving third-party assurance (when third-party assurance reports are listed)



Source: Survey of Corporate Reports in Japan 2023, KPMG in Japan



Credibility of sustainability information (cont'd)

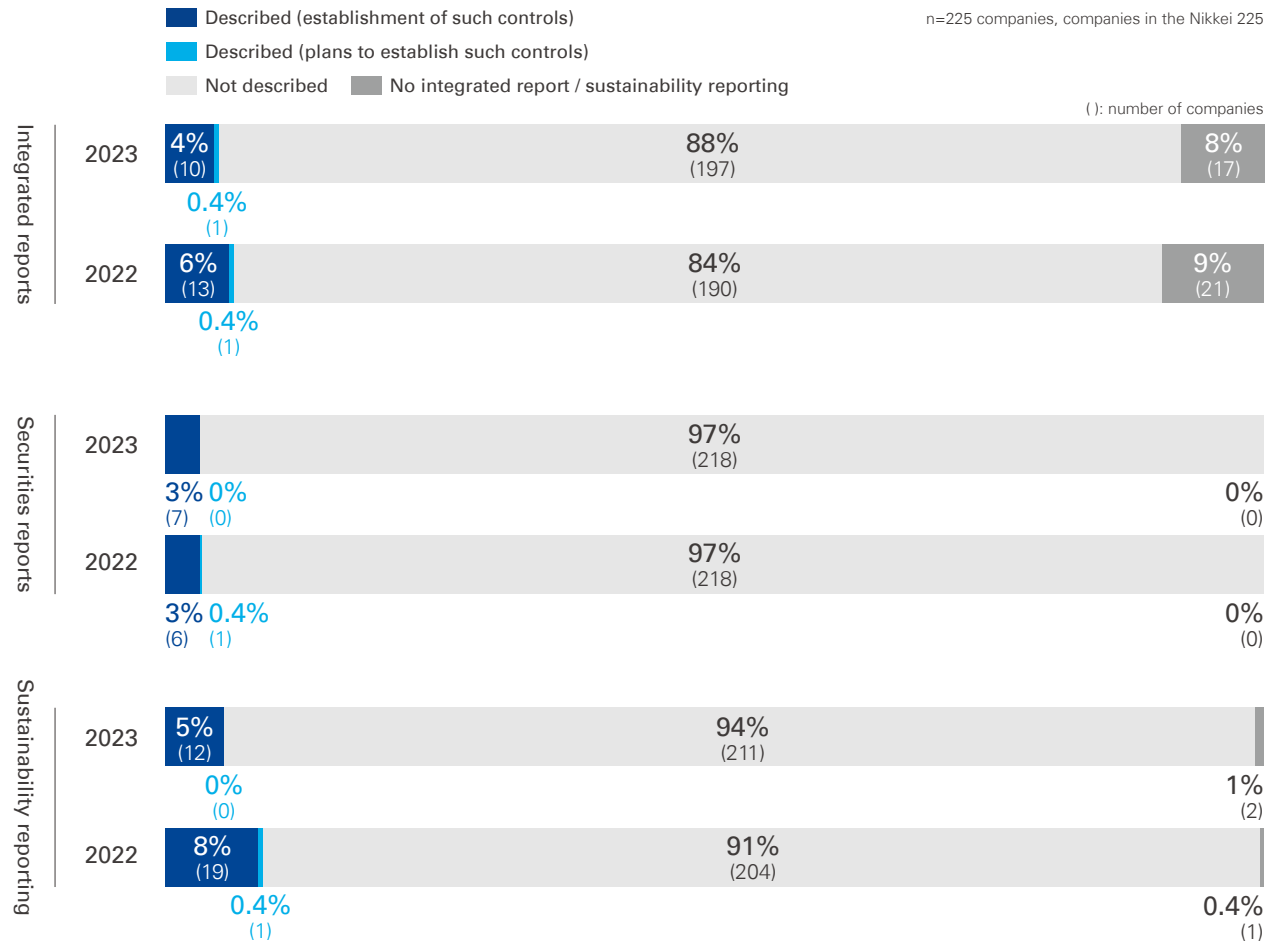
At present in Japan, it is left to each company's discretion whether to receive assurances for the metrics used in their sustainability reporting. Given that investors will expect more credible information in the future, we think that more companies will opt to pursue assurance. Raising the credibility of sustainability information is beneficial to decision-making by investors and others, and can also promote constructive dialogue.

This move toward the institutionalization of third-party assurance is gaining ground globally, for instance in the [EU's Corporate Sustainability Reporting Directive \(CSRD\)](#), which requires companies to receive third-party assurance for their sustainability information. The CSRD also anticipates a shift from limited assurance to reasonable assurance (see [Spotlight 8 on page 37](#)).

Companies need to make substantial investments to address this trend of institutionalization and disclose sustainability information with third-party assurances in a timely manner. These include investments in building mechanisms for collecting internal data that is also compatible with assurance engagements by a third party, and setting up governance, work flow, and internal control for this data compilation. Establishing thorough internal controls is particularly important in ensuring the credibility of information, and it is essential in facilitating reasonable assurance engagements. However, our survey found only a minority of companies explained that they had set up adequate internal controls for sustainability information. Less than 10% of companies explained such internal controls for any type of reporting, and only 0.4% of companies noted that they plan to set up such controls in the future (Figure 2-3).

Going forward, now that assurances are expected to be made a requirement, companies need to consider whether their initiatives and investments to adapt to advances in reporting of sustainability information are adequate or not. Considering these issues with management involvement and confirming whether one's own company's initiatives are meeting stakeholders' expectations will also lead to the fulfillment of the board of directors' roles and accountability.

Figure 2-3 Internal controls related to sustainability information



Source: Survey of Corporate Reports in Japan 2023, KPMG in Japan



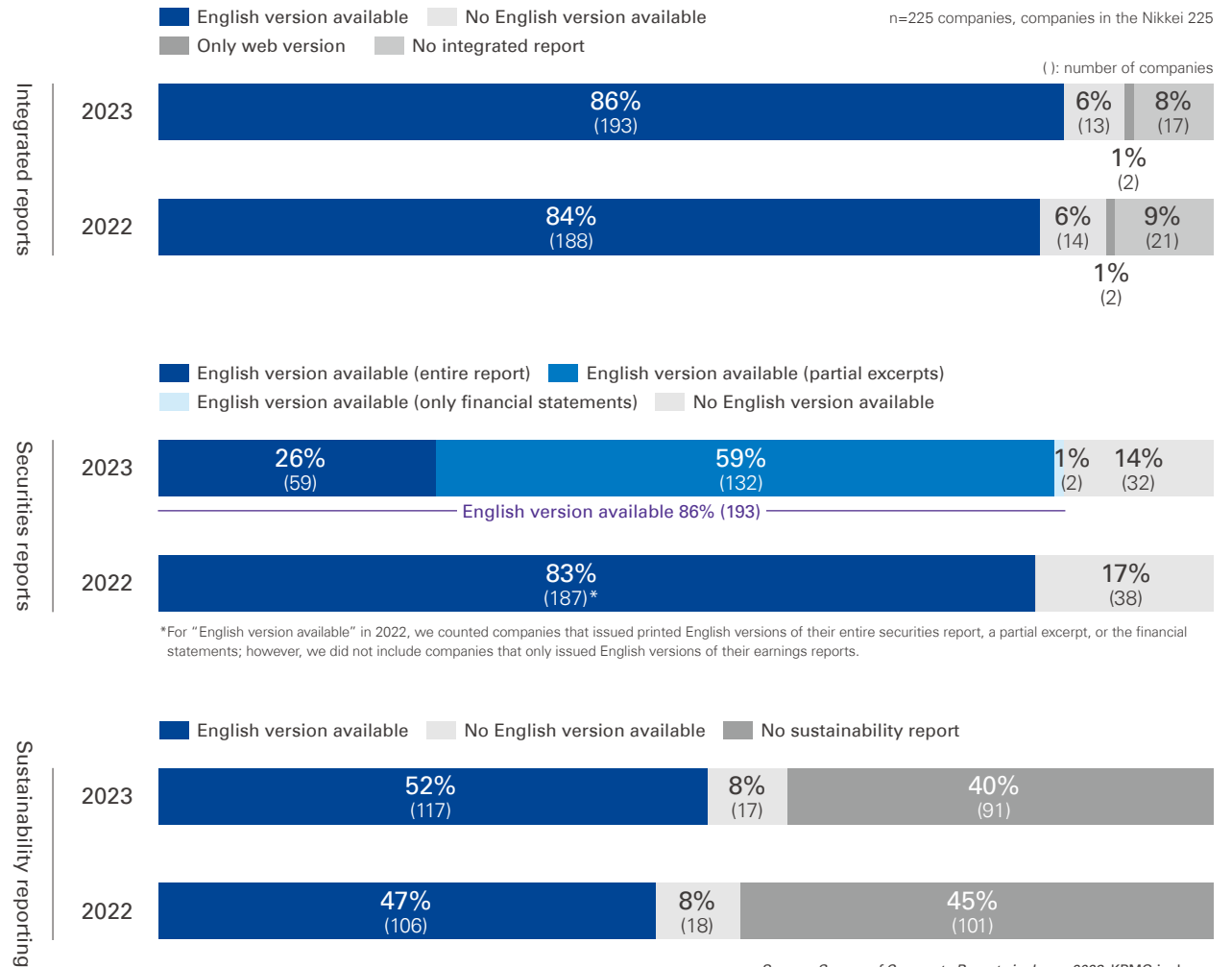
Disclosure in English

Foreign investors who invest in Japan's capital markets are increasingly asking for information disclosure in English. In a report Japan's Financial System Council released on June 2022, the Working Group on Corporate Disclosure said that, at the very least, those companies that are listed on the Prime Market should certainly disclose their securities reports in English, with the aim of engaging in constructive dialogue with global investors. Given these conditions, we looked at whether companies were issuing securities reports, integrated reports and sustainability reports in English, as well as the timing of issuance.

We found that companies issued reports in English most commonly for both integrated reports and securities reports, both at 86%. At the same time, only 52% of companies offer sustainability reports in English. Moreover, when we reviewed the extent of English disclosure in securities reports, we found that more than 50% of reports in English were partial excerpts of the Japanese-language report, while 26% were almost identical (Figure 2-4). As the disclosure of the full text of a securities report in English requires a considerable practical effort, the highest number of companies disclose a partial excerpt in English which includes the consolidated financial statements, notes to consolidated financial statements, and some descriptive information.

In the previously mentioned report released by Japan's Financial System Council, the Working Group on Corporate Disclosure considered that, since disclosure of the full text of a securities report in English requires considerable work, it is important for companies to start by disclosing sections with high usage needs in English. The report indicated the sections with particularly high usage needs: business risks, management's analysis of financial position, operating results and cash flows, overview of corporate governance, and equity securities held. At the same time, it also expressed the expectation for disclosure in English of the newly required section on the approach to and initiatives on sustainability in securities reports. Going forward, companies will be required to disclose more information in their English securities reports.

Figure 2-4 Companies that issue English reports (as of end-January 2024)



Source: Survey of Corporate Reports in Japan 2023, KPMG in Japan



Disclosure in English (cont'd)

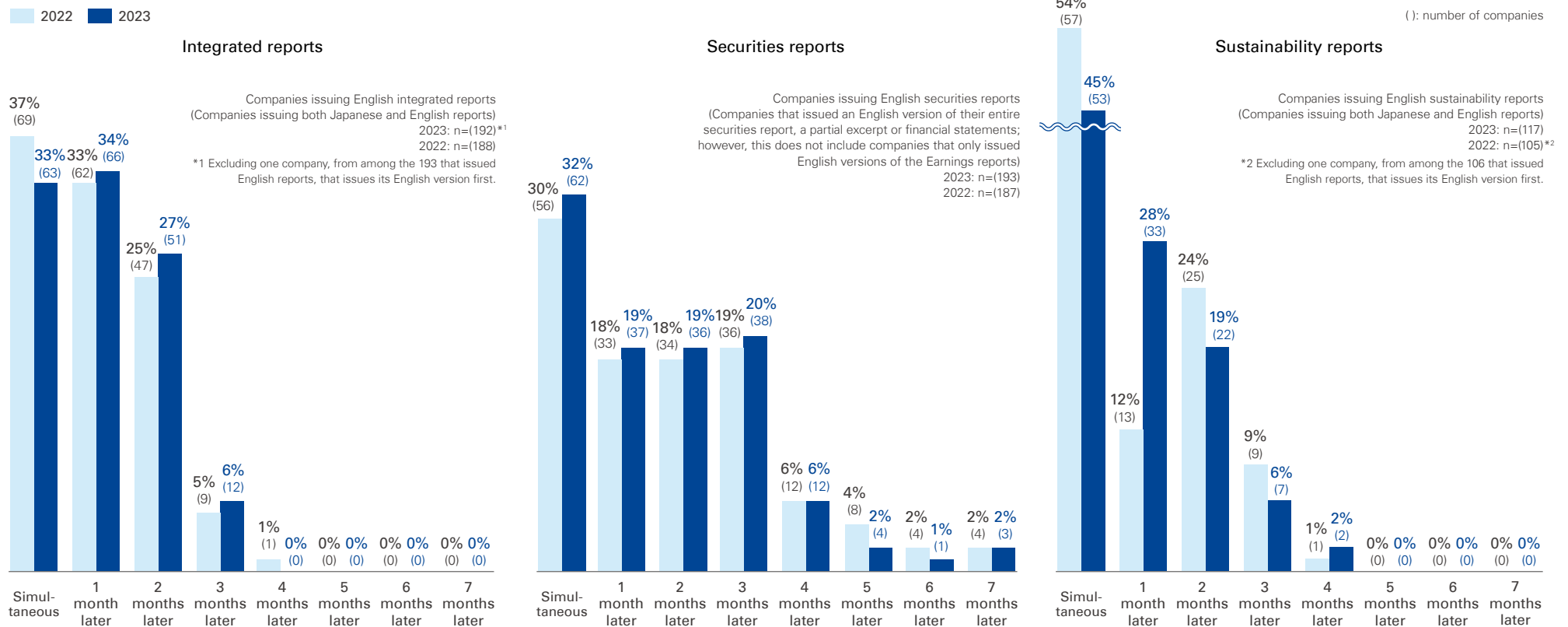
We looked at the timing of the issuance of English reports, as we did in last year's survey. The trend is that many companies release their English reports at the same time as their Japanese reports, which shows that they are aware of the need to ensure fairness among foreign and domestic investors. Among companies that issued their sustainability reports in English, 45% of companies

did so at the same time as they issued their Japanese version. However, only 33% of companies publishing in English issued their integrated reports at the same time, and only 32% their securities reports (Figure 2-5).

We saw a trend toward earlier release of the English version for securities reports in particular. There was an increase in the number

of companies that issued the English version of their reports at the same time as or up to three months later than they issued their Japanese version, and a decrease in the number of companies that issued the English version five months or more later than their Japanese version, showing that companies are working to speed up the English disclosure of their securities reports.

Figure 2-5 Timing of issuance of English reports (compared to issuance date for Japanese reports)



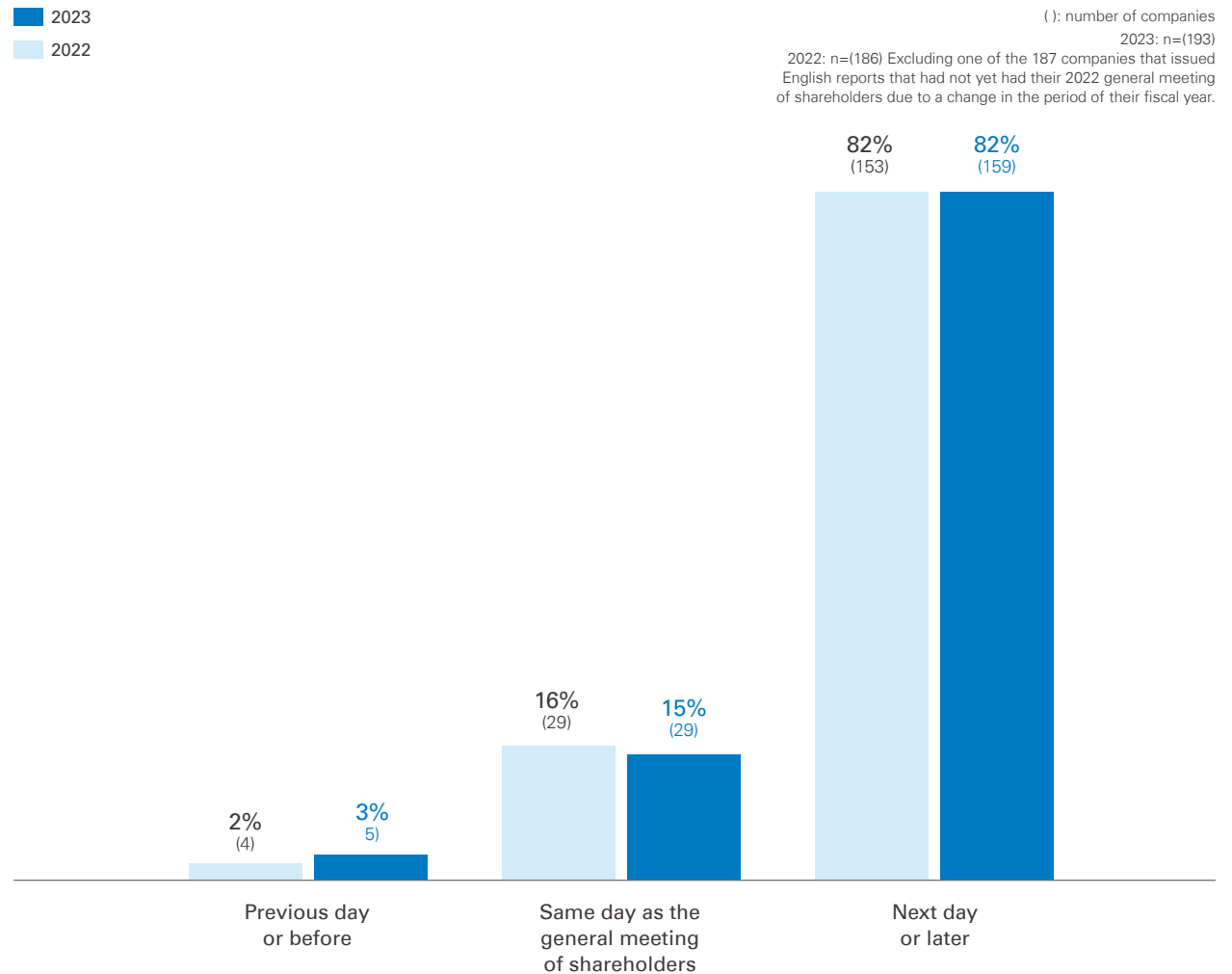
Source: Survey of Corporate Reports in Japan 2023, KPMG in Japan



Disclosure in English (cont'd)

In addition, foreign institutional investors expect the English version of the securities report to be issued before the general meeting of shareholders. For example, [ICGN's recommendations](#) note that the English version of securities reports should be issued 30 days before the general meeting. However, few companies in the Japanese market meet these expectations, and this survey found that only 3% of companies released the English version of their securities report before their general meeting of shareholders. Only 15% of companies released English versions of their securities report on the same day as the general meeting, which shows that they still face difficulties in meeting the expectations of foreign institutional investors (Figure 2-6).

Figure 2-6 Timing of issuance of English version of securities reports (compared to date of general meeting of shareholders)



Source: Survey of Corporate Reports in Japan 2023, KPMG in Japan



Spotlight

04

Trends in IFRS sustainability disclosure standards

In June 2023, the International Sustainability Standards Board (ISSB) released *General Requirements for Disclosure of Sustainability-related Financial Information (IFRS S1)* and *Climate-related Disclosures (IFRS S2)* as the first IFRS Sustainability Disclosure Standards. In May 2023, the ISSB also released a [consultation document](#) to consider themes for the development of topic-specific standards to follow IFRS S2. Among the themes under consideration, three were raised as potential topics for specific standards: (1) biodiversity, ecosystems, and ecosystem services; (2) human capital; and (3) human rights. The first of these includes biodiversity, pollution, water and marine resources, the circular economy and other issues also covered in the European Sustainability Reporting Standards (ESRS).

The standards being developed by the ISSB are expected to serve as a global baseline for sustainability disclosure standards to be developed in accordance with actual circumstances of each country and region, and this expectation has been reflected in G20 statements and elsewhere.

In light of this, each country and region is establishing disclosure systems that take the standards developed by the ISSB into consideration. Accordingly, the release of the ISSB standards is seen to be inaugurating a new era in the disclosure of sustainability information in global capital markets.

In recent years, there has been a growing recognition that initiatives related to sustainability, including climate change, biodiversity, diversity, and human rights, have a significant impact on the business continuity of companies. Use of information on these issues has become widespread in investment decisions. In disclosing sustainability information, it is important to include information on targets and progress made toward them, in addition to information on activities the company is working on at present. There is an expectation that such information will be reported by successfully combining qualitative and quantitative information to promote effective dialogue with investors and other stakeholders.

Kenichi Tanida



Spotlight

05

European regulatory trends in sustainability information disclosure

Among the global sustainability information disclosure systems, the [Corporate Sustainability Reporting Directive \(CSRD\)](#) released by the European Commission (EC) requires particularly wide-ranging and detailed disclosure. [Climate-related Disclosures \(IFRS S2\)](#), the disclosure standard that the International Sustainability Standards Board (ISSB) finalized in June 2023 to serve as the global baseline for disclosure of sustainability information, only covers climate-related issues under “E” (environment). However, the [European Sustainability Reporting Standards \(ESRS\)](#), which stipulated the specific disclosure requirements of the CSRD, covers a wide range of topics related to “S” (society) and “G” (governance), as well as non-climate related topics under “E” (environment). The standards include 82 disclosure requirements, both common items and items related to each of the three areas of ESG.

The CSRD has been incrementally applied to listed companies and other large companies since January 2024. Starting in 2028, parent company groups, not only the local EU corporations of Japanese companies, will have to make substantial disclosures based on the ESRS. In adopting the

ESRS, companies will need to determine whether or not they need to apply each of the disclosure requirements it stipulates (materiality assessment) based on the concept of double materiality (considering not only the financial impact that a sustainability issue may have on the company, but also the impact that corporate activity may have on the environment and society). However, the ESRS permit some disclosures to be omitted on initial adoption (a phase-in approach), in consideration of the practical burden on companies. Therefore, companies expected to be subject to the CSRD and ESRS need to consider which sustainability information they will disclose and the timing of such disclosures based on a materiality assessment and a phase-in approach.

Furthermore, as third-party assurance is required for these sustainability information disclosures, the establishment and operation of internal control related to sustainability information disclosures on a global basis will become even more important going forward.

Masaru Inoue



Spotlight

06

US regulatory trends in sustainability information disclosure

The US Securities and Exchange Commission (SEC) released [draft disclosure rules](#) requiring expansion of climate-related disclosures in March 2022. The rules require companies to disclose information on the climate change risks they face and how they are addressing them, and they require nearly all SEC-registered companies to make disclosures in their annual reports and other documents. Consultation on the draft rules was completed at the end of fiscal 2022, and the final rules were initially scheduled to be released in early 2023. However, the planned release was postponed to make time for careful consideration of the comments received. According to [information released by the SEC](#) in December 2023, the date for the final decision on the rules has been set to April 2024. Attention will be given to the extent of the change from the draft to the final version of the rules.

In the US, moves toward climate change disclosures are underway in some states, in parallel with the SEC's review. In particular, two state laws were passed in October 2023 in California, which require companies with total annual revenue of USD1.0 billion or more to report and disclose scope 1, 2, and 3 greenhouse gas (GHG) emissions annually ([Senate Bill No. 253](#)),

while companies with total annual revenue of USD0.5 billion or more must report climate-related financial risks and mitigation measures based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) every two years ([Senate Bill No. 261](#)).

As these laws will apply to companies with revenue over a certain level that conduct business in California and include unlisted as well as listed companies, they will apply to an even wider range of companies than the SEC's draft disclosure rules. Furthermore, as disclosure of scope 3 GHG emissions is mandated regardless of materiality, it is possible that not only the companies required to make disclosures under state law, but also the business partners in the value chain of such companies, will be required to comply, for instance by calculating GHG emissions. Since requirements are emerging in this way at both federal and state levels in the US, it is important to closely monitor them together, particularly for companies with US subsidiaries.

Toshimori Shiibashi



Spotlight

07

Japanese regulatory trends in sustainability information disclosure

In June 2023, the International Sustainability Standards Board (ISSB) released *General Requirements for Disclosure of Sustainability-related Financial Information (IFRS S1)* and *Climate-related Disclosures (IFRS S2)*. At the same time, in Japan, the Revised Cabinet Office Ordinance on Disclosure of Corporate Affairs, released in January 2023, requires that a new section on the approach to and initiatives on sustainability be added to securities reports. In addition, the Act on the Promotion of Women's Active Engagement in Professional Life and the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members also requires disclosure of diversity metrics, such as the percentage of managerial positions held by women, the percentage of eligible men taking childcare leave, and the gender pay gap, in the section on employees in securities reports and other documents. Companies with a fiscal year ended March 31, 2023 made disclosures based on these requirements.

In order to further enhance this disclosure of sustainability information, the Sustainability Standards Board of Japan (SSBJ) is developing Japanese S1 and S2 standards that are equivalent to IFRS S1 and IFRS S2. The Japanese S1 and S2 standards will generally incorporate disclosure requirements

consistent with IFRS S1 and IFRS S2, although there will be some differences.

According to the SSBJ's plan, an exposure draft for the Japanese S1 and S2 standards will be released by March 2024, and the finalized standards are expected to be released by March 2025. However, in terms of the timing for application of these standards, it is only stated that early application of the standards will be available in the fiscal year ending March 31, 2026 at the latest, and no effective dates have been set. Nevertheless, under the SSBJ's project plan for developing sustainability disclosure standards (revised in December 2023), the timing of mandatory application will take into account a reasonable period for preparation after the finalized standards are released (to be carefully determined based on the needs of market participants in Japan).

Sustainability information to be disclosed in securities reports and other documents is expected to be gradually expanded, as these standards developed by the SSBJ are set out as specific disclosure requirements through designation in public notice by the Financial Services Agency.

Eiji Kurashige



Spotlight

08

Regulatory trends in assurances for sustainability information

At the same time as consideration of sustainability information disclosure systems, international discussions on the establishment of assurance engagement standards and the introduction of mandatory third-party assurance are underway in order to ensure the credibility of disclosed sustainability information.

In terms of the trend toward introducing mandatory third-party assurance for sustainability information, in Europe, the [Corporate Sustainability Reporting Directive \(CSRD\)](#), which came into force in January 2023, made limited third-party assurance mandatory for sustainability information to be disclosed and stated that a transition to reasonable assurance will be considered in the future. Moreover, in the US, the Securities and Exchange Commission (SEC) released [draft rules for climate-related disclosures](#) in March 2022, which proposed a requirement for assurance covering scope 1 and 2 greenhouse gas (GHG) emissions. In Japan, a report by the Working Group on Corporate Disclosure of the Financial System Council released by the Financial Services Agency in December 2022 stated that assurances may be required in the future for sustainability information in securities reports.

Given the increasing need for such third-party assurances for sustainability information, the International Auditing and Assurance Standards Board (IAASB) is formulating the *International Standard on Sustainability Assurance (ISSA) 5000 General Requirements for Sustainability Assurance Engagements* to serve as a new comprehensive standard for sustainability assurance engagements. An [exposure draft](#) was released in August 2023, with plans to finalize the standard in September 2024. Furthermore, the International Ethics Standards Board for Accountants (IESBA) is formulating global standards on ethical considerations and independence for sustainability reporting and assurances. It released [exposure drafts](#) in January 2024 and aims to finalize the standards in December 2024. As it is expected that these international standards and rules will be considered in the establishment of the Japanese sustainability information disclosure system, developments will be closely monitored.

Katusmi Kobayashi

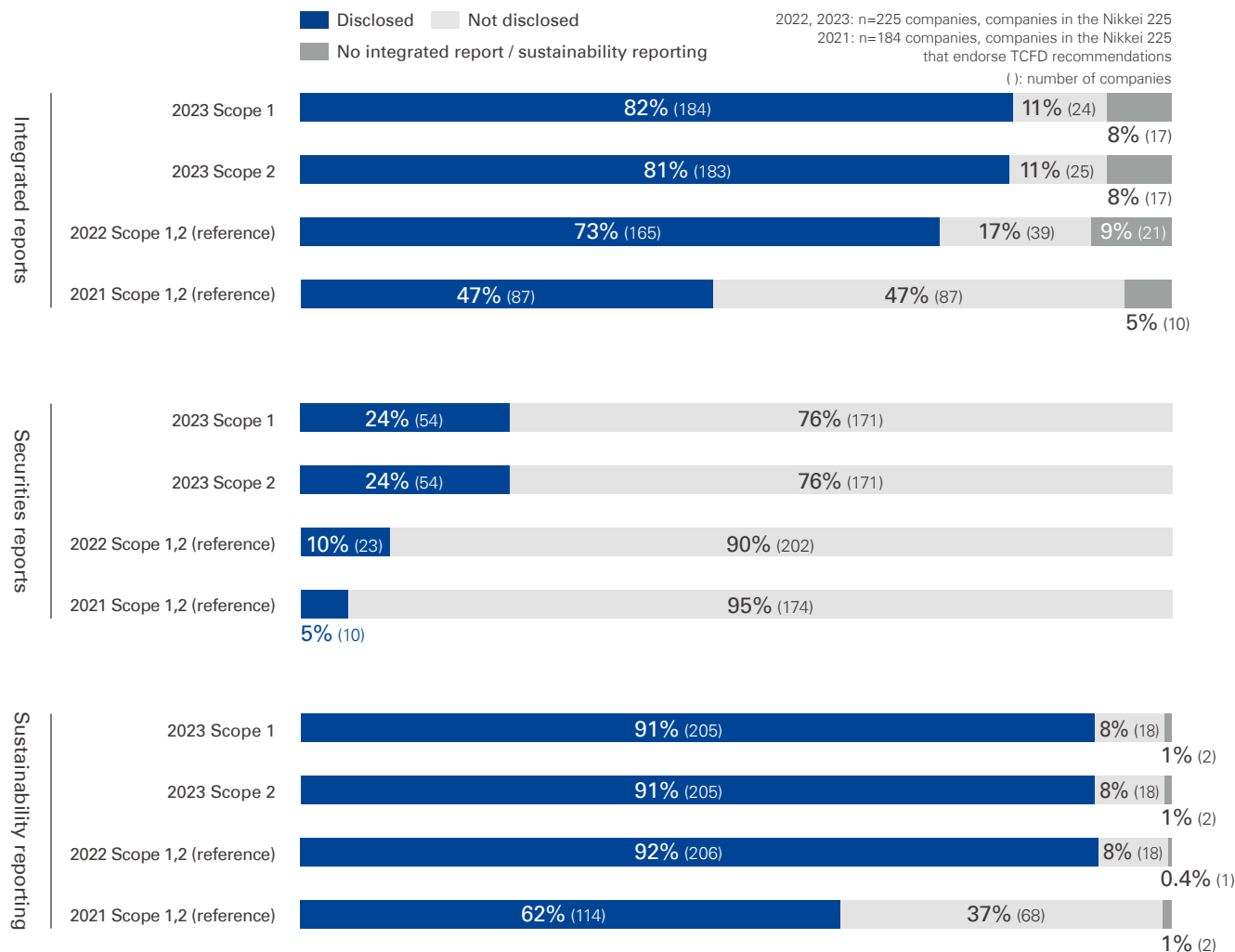


Information related to climate change

More companies are disclosing GHG emissions data (scopes 1 and 2) in securities reports, but still only 20% did so

The 2021 revision to Japan's Corporate Governance Code encourages companies listed on the Prime Market to augment the quality and volume of the information they disclose based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) or an equivalent framework. This has led more companies to report TCFD-aligned information in their integrated reports, sustainability-focused webpages and reports, and other voluntary information provision. Starting in the fiscal year that ended in March 2023, securities reports have been required to include a section on the company's approach to and initiatives on sustainability. Disclosures aligned with the TCFD framework are now required when climate change response is material. The *Principles Regarding the Disclosure of Narrative Information (Appendix)—Disclosure of Sustainability Information*, released together with the revised Cabinet Office Ordinance on the Disclosure of Corporate Affairs, state that companies are expected to proactively disclose scope 1 and 2 greenhouse gas (GHG) emissions in their securities reports, although each company may make its own decisions on the materiality of that information. If a company decides not to include this information, the *Principles* ask for an explanation of this decision and the rationale. Over 80% of companies are already disclosing scope 1 and 2 GHG emissions in integrated reports and sustainability reporting (Figure 3-1). In light of that, and also because the new disclosure requirements took effect in 2023, the analysis here focuses on disclosure specifically in securities reports.

Figure 3-1 Disclosure of GHG emission data (scopes 1 and 2) for the fiscal year under review



Source: Survey of Corporate Reports in Japan 2023, KPMG in Japan



More companies are disclosing GHG emissions data (scopes 1 and 2) in securities reports, but still only 20% did so (cont'd)

Only 24% of companies disclosed scope 1 and 2 emissions data for the fiscal year under review in their reports (Figure 3-1). Of the 225 securities reports surveyed, 82% (185 companies) covered fiscal years ending in March 2023 or later when the revised Cabinet Office Ordinance took effect. However, as of this survey, many companies only showed prior years' emissions data, omitting data for the fiscal year of the report.

A likely reason for the low level of disclosure is that companies have not yet established procedures for calculating GHG emissions figures that can have the data ready by the time securities reports must be filed. Even if the calculations have been completed, for companies that receive third-party assurance for their GHG emissions, obtaining this assurance by the reporting deadline poses further difficulties. Considering the risk of having to issue corrections later, many companies are no doubt cautious about disclosing the data in their securities reports.

In its response to public comments on the revised Cabinet Office Ordinance, the Financial Services Agency stated that even if companies do not have enough time to calculate and disclose GHG emission data for the same reporting period as the financial statements, they could consider disclosing estimated figures or prior year information with clear notes that the data is not for the fiscal year under review. They could also refer to forthcoming voluntary reporting, outlining future publication dates, methods, and content. Indeed, KPMG's "2023 Survey on Sustainability Information Disclosure in Securities Reports," published in January 2024, confirmed that more companies described prior year data or referred to forthcoming integrated reports than disclosed performance figures for the fiscal year of the report. The willingness to actively provide information in accordance with their own capacity is one key to ensuring constructive dialogue with investors. Accordingly, we recommend that companies continue to make progress on disclosing the most recent data in each fiscal year's report.

84% of companies disclosed scope 3 GHG emissions in their sustainability reporting

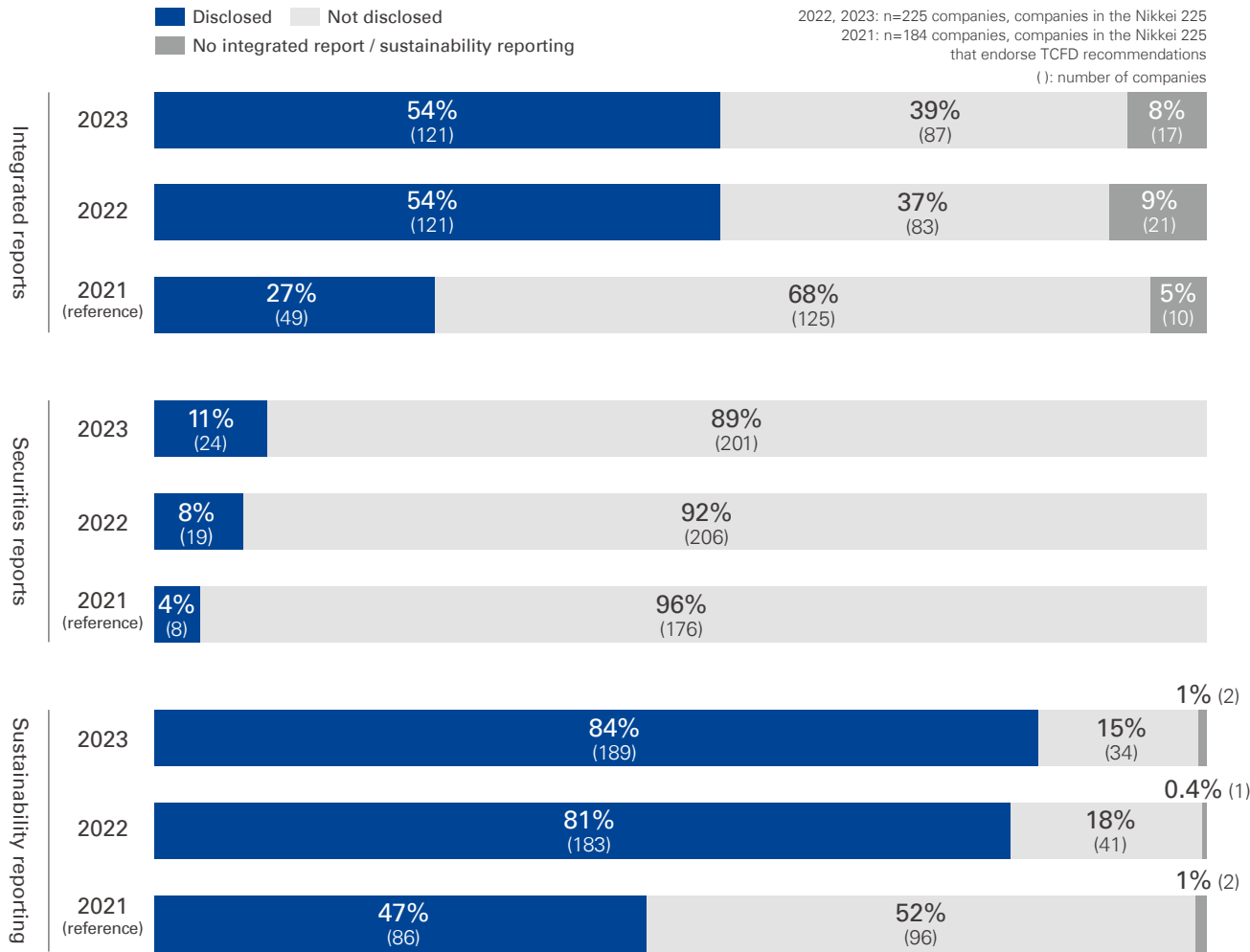
The International Sustainability Standards Board's (ISSB) IFRS sustainability disclosure standard, *Climate-related Disclosures (IFRS S2)*, published in June 2023, and the *European Sustainability Reporting Standards (ESRS)*, adopted by the European Commission (EC) in July 2023, both require disclosure of scope 1, 2 and 3 emissions. Furthermore, the Sustainability Standards Board of Japan (SSBJ) is considering requiring disclosure of scope 1, 2, and 3 emissions in the sustainability reporting standards it is currently developing for Japan (exposure draft expected by March 2024). Since disclosure will likely be mandated in Japan for scope 3 emissions, in addition to scopes 1 and 2, we examined the percentage of companies that disclosed scope 3 emissions data for the year under review.

Disclosure rates were highest in sustainability reporting, at 84%, followed by integrated reports, at 54%, and securities reports, at 11% (Figure 3-2). Compared to scope 1 and 2 disclosure rates, these figures are 7 percentage points lower for sustainability reporting, 27 or 28 points lower for integrated reports, and 13 points lower for securities reports. By scope 3 category, while disclosure rates vary, category 1, "Purchased goods and services," is disclosed the most frequently across all types of reporting—76% in sustainability reporting, 30% in integrated reports, and 3% in securities reports (Figure 3-3).

The scopes and categories that constitute major sources (hotspots) of GHG emissions differ by industry sector and business model. For example, in the *CDP Technical Note: Relevance of Scope 3 Categories by Sector*, which analyzed the breakdown of total GHG emissions (scopes 1, 2, and 3) by sector based on CDP 2021 questionnaire responses, found that, in the four sectors of cement, steel, transport services, and electric utilities, combined scope 1 and 2 emissions account for over 50% of total emissions. In other sectors, over 50% of total emissions are scope 3 (Table 1). As corporations are called upon to reduce emissions across their entire value chain, identifying hotspots in one's own value chain and prioritizing reductions are critical. Assessing emissions, encompassing the value chain, is therefore an essential first step.



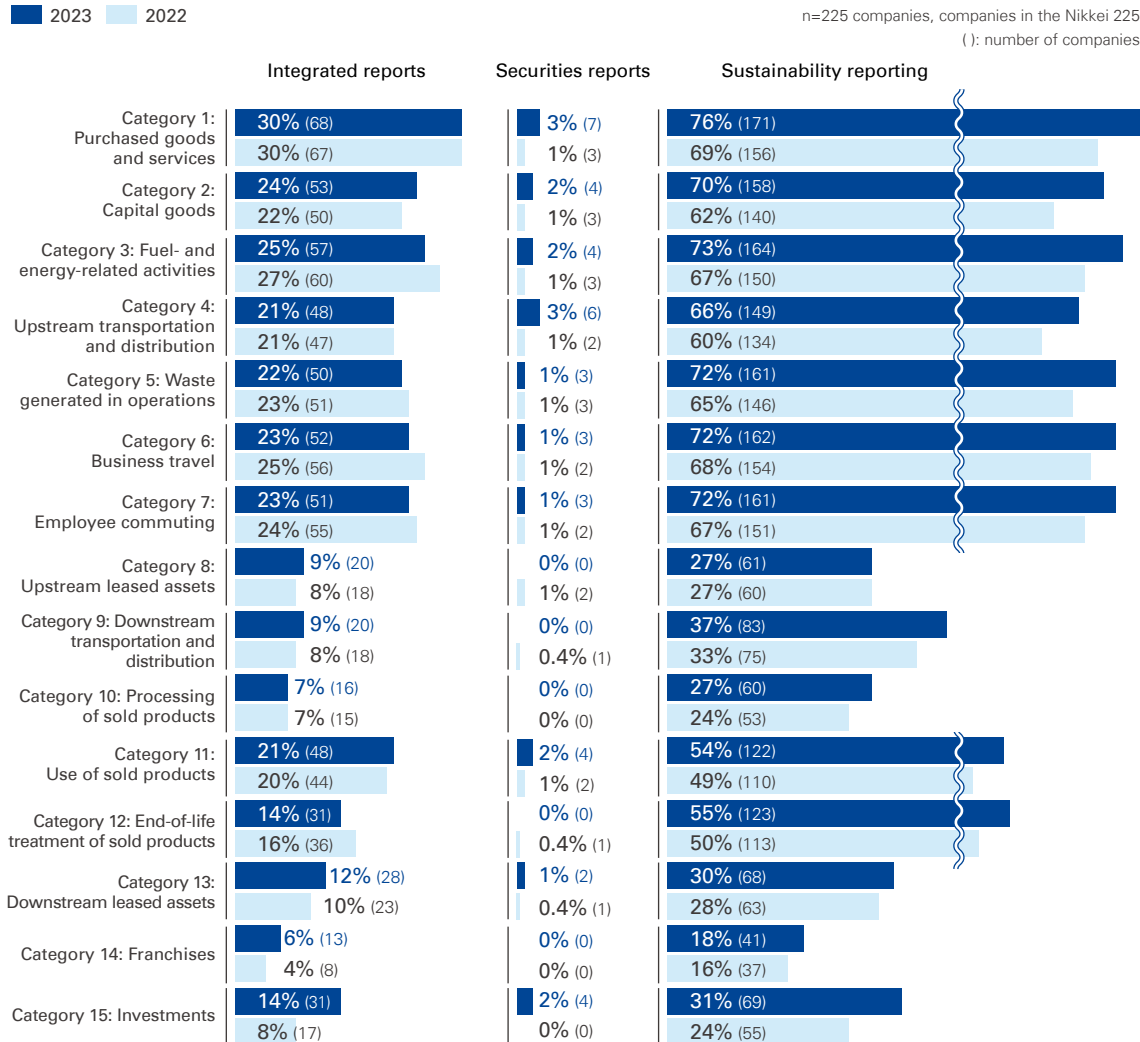
Figure 3-2 Disclosure of GHG emissions data (scope 3) for the fiscal year under review



Source: Survey of Corporate Reports in Japan 2023, KPMG in Japan



Figure 3-3 Disclosure of GHG emission data (scope 3) for the fiscal year under review, by category



Source: Survey of Corporate Reports in Japan 2023, KPMG in Japan

Table 1 Percentage of scope 1, 2, and 3 in total GHG emissions

| Sectors where combined scope 1 and 2 comprises over 50% of total GHG emissions (scope 1+2 percentage) | Sectors where scope 3 comprises over 50% of total GHG emissions (scope 3 percentage) |
|---|--|
| Cement (83.66%) Steel (72.59%) Transport services (67.44%) Electric utilities (50.96%) | Financial services (99.97%) Capital goods (98.54%) Transport OEM (98.04%) Real estate (93.41%) Construction (92.28%) Metals & mining (91.97%) Agricultural commodities (91.91%) Oil & gas (88.93%) Food, beverage & tobacco (87.43%) Chemicals (76.05%) Coal (65.10%) Paper & forestry (58.72%) |

Source: KPMG based on CDP Worldwide, "CDP Technical Note: Relevance of Scope 3 Categories by Sector (Version 2.0, 2023)"

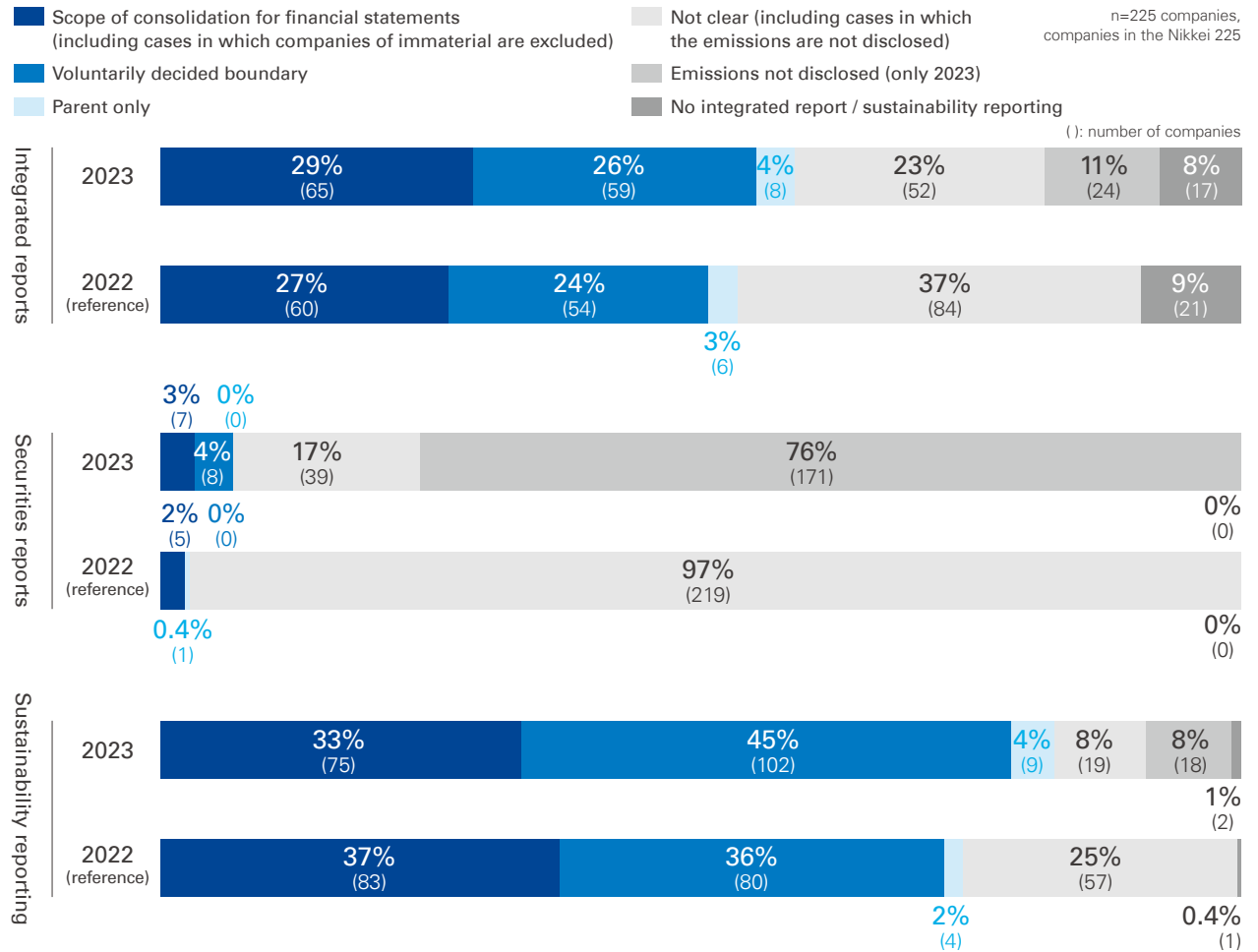


More companies are disclosing boundaries used for calculating GHG emissions, but the percentage where that boundary matched the scope of financial statement consolidation was largely unchanged

The number of companies indicating the boundaries they used to calculate GHG emissions is increasing, particularly those stating a voluntarily decided boundary. The percentage of reports where boundaries matched the scope of consolidation in financial statements, however, has not moved much, remaining below 40% across all types of reporting. This suggests many companies are still in the process of expanding their calculation boundaries. In sustainability reporting, which has the highest rate of GHG data disclosure, 33% aligned the scope 1 emissions boundary with the scope of consolidation for financial statements, 45% used a voluntarily decided boundary, 4% used a parent-only boundary, and another 8% did not clearly state the boundary (Figure 3-4). Scope 2 boundaries showed a similar trend (Figure 3-5). Only 22% of companies used matching boundaries for Scope 3 in their sustainability reporting (Figure 3-6).

IFRS S2 and ESRS require disclosure of GHG emissions utilizing the existing GHG Protocol methodology and guidance, and the SSBJ is currently considering the same approach for Japan's sustainability reporting standards. The GHG Protocol recommends that the calculation boundary be largely consistent with the scope of financial consolidation. To facilitate appropriate understanding of emissions data relevance to the information reported in financial statements, going forward, we recommend that companies disclose emissions data for all scopes using a boundary that matches the scope of their consolidated financial statements.

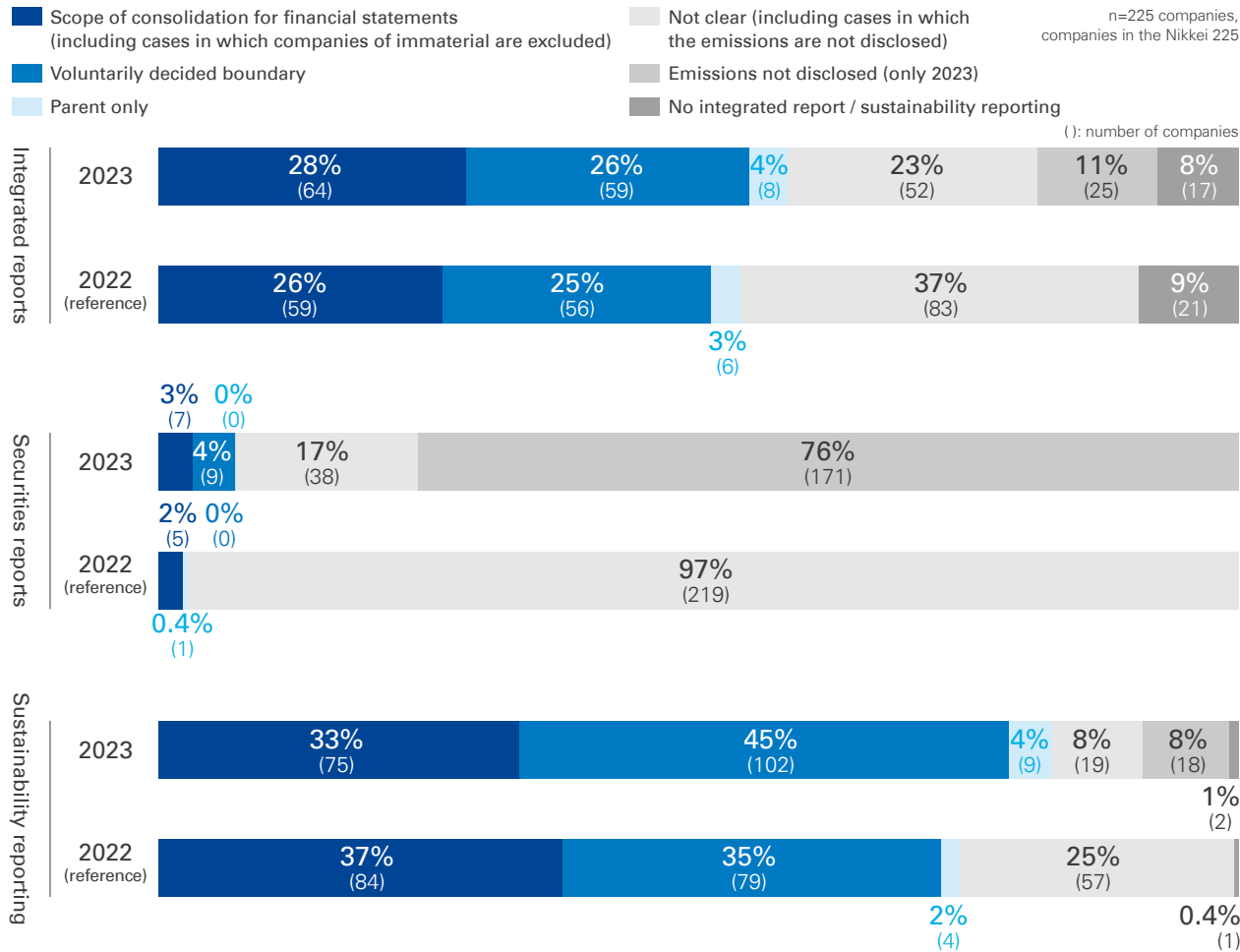
Figure 3-4 Boundaries for GHG emissions data (Scope 1)



Source: Survey of Corporate Reports in Japan 2023, KPMG in Japan



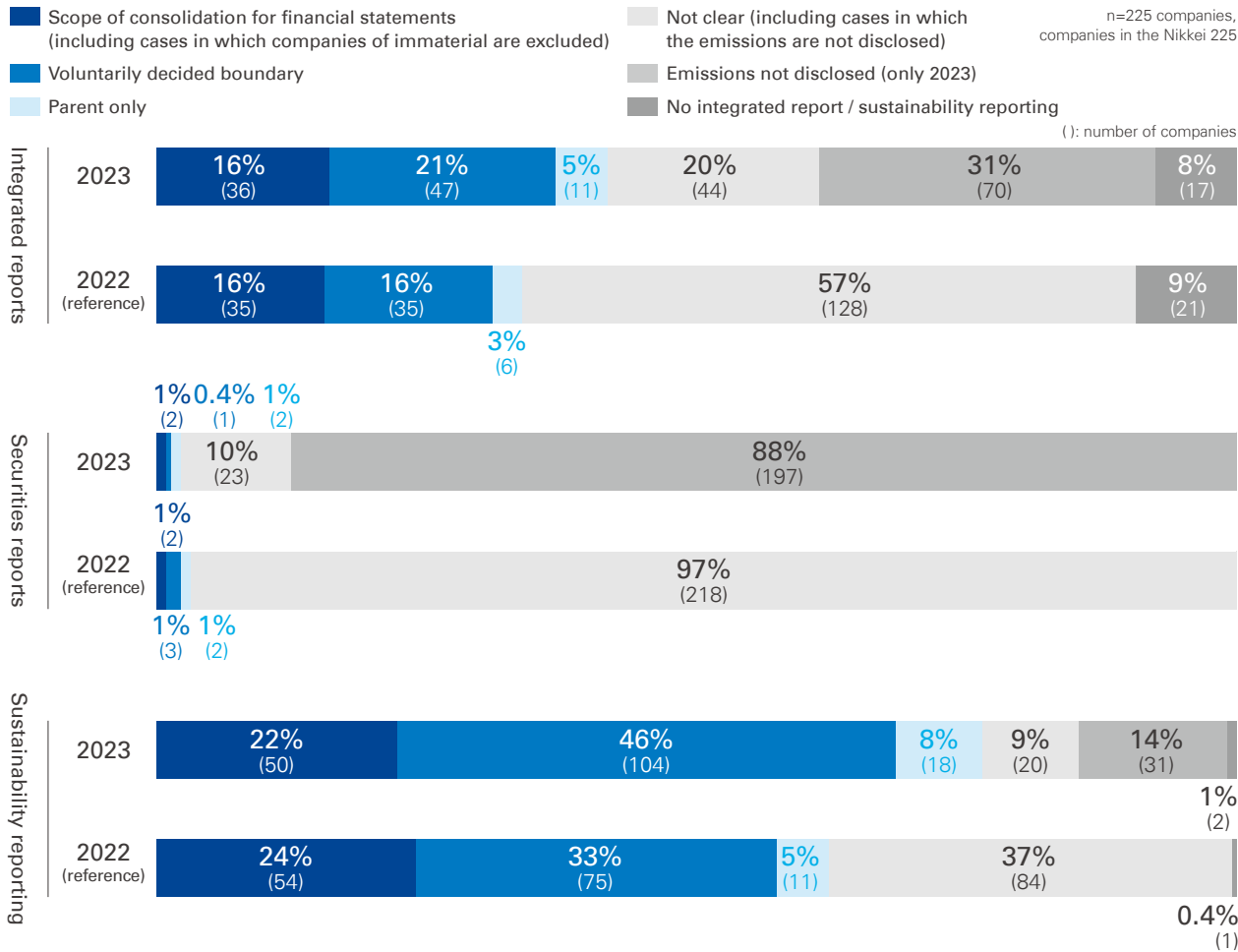
Figure 3-5 Boundaries for GHG emissions data (Scope 2)



Source: Survey of Corporate Reports in Japan 2023, KPMG in Japan



Figure 3-6 Boundaries for GHG emissions data (Scope 3)



Source: Survey of Corporate Reports in Japan 2023, KPMG in Japan

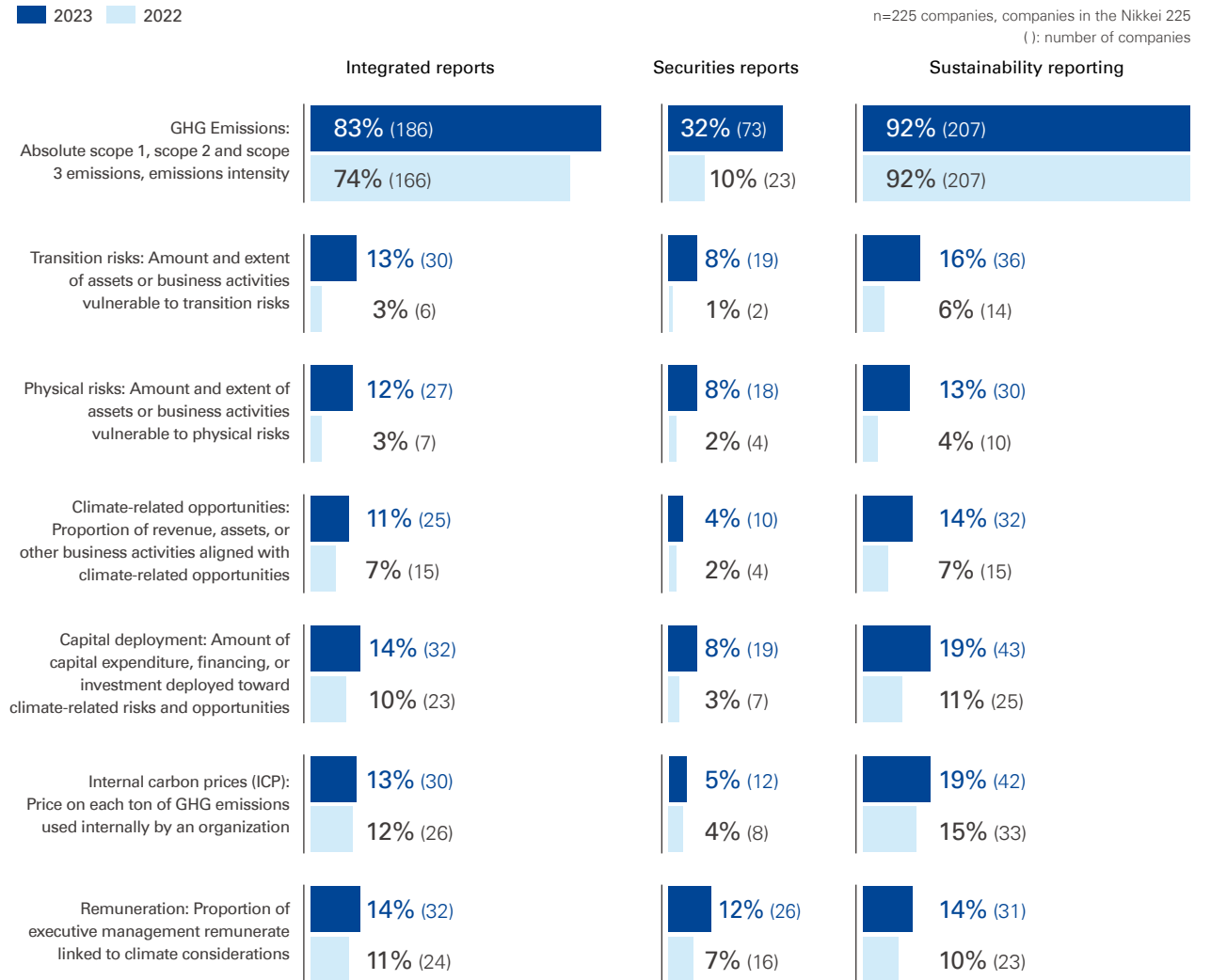
Use cross-industry metric categories and select those most appropriate to convey their circumstances clearly

In its 2021 annex, *Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures*, and elsewhere, the TCFD recommends quantitative disclosure aligned with seven cross-industry metric categories. These categories are incorporated into IFRS S2 and ESRS requirements. Deliberations are also underway to include them in Japan's sustainability reporting standards, which are currently under development by the SSBJ.

The percentage of companies providing quantitative information is increasing across all reporting formats for all metric categories, but disclosure beyond GHG emissions remains limited (Figure 3-7). The TCFD annex acknowledges that it takes time to establish internal processes that allow this quantitative information to be disclosed. Our survey bears out this reality. By category, quantitative information disclosure rates were particularly low for transition risks, physical risks, and climate-related opportunities (Figure 3-7).

Cross-industry quantitative information in the seven TCFD metric categories is useful for assessing climate-related risks and opportunities, and can provide a basis for estimating financial impacts. It is thus vital input for decision-making by both information users and companies alike. To evaluate their own climate risks and opportunities, companies need to consider which metrics are appropriate and strive to articulate their circumstances quantitatively in terms of those metrics.

Figure 3-7 Disclosure in TCFD's cross-industry climate-related metric categories



Source: Survey of Corporate Reports in Japan 2023, KPMG in Japan



Spotlight

09

COP28 questions the quality and speed of climate change measures

The 28th Conference of the Parties (COP28) to the United Nations Framework Convention on Climate Change was held in Dubai, United Arab Emirates (UAE) from November 30 to December 13, 2023. As an oil-producing nation, the UAE's presidency attracted attention around what climate change measures would be discussed.

The final text includes the phrase “[transitioning away from fossil fuels](#),” outlining intentions to accelerate actions over the next decade to transition away from all fossil fuels like coal, oil, and natural gas. At the closing press conference, UNFCCC Executive Secretary Simon Stiell emphasized the accomplishment of the conference, stating it marked “the beginning of the end of the fossil fuel era.”

The agreement on the operational details for a “loss and damage” fund, forged on the first day of the conference, also represented major progress. This fund, a theme carried over from COP27 last year, will provide financial assistance to climate-vulnerable developing countries.

Meanwhile, the first ever [Global Stocktake](#) conducted at COP28 to assess global progress on achieving the goals of the Paris

Agreement showed that, even if countries meet their current greenhouse gas reduction targets, temperatures could still rise by close to 3 °C by the end of this century. To meet the 1.5 °C target of limiting average global temperature rise to under 1.5 °C compared to pre-industrial levels, more ambitious targets and urgent action are clearly needed.

At the same time, criticism of “greenwashing” is harsher than ever. Meeting accountability expectations requires disclosure of evidence-based data and transparent information. Halfway through COP28, the launch of [a Taskforce on Net Zero Policy](#), consisting of organizations like the UN Principles for Responsible Investment (PRI) and the IFRS Foundation, was announced. The Taskforce's objective is to promote policies and regulations that strengthen the credibility and accountability of net zero emissions commitments by non-state actors like companies. Going forward, the quality of emissions reduction efforts, not just their acceleration, is set to face scrutiny.

Misa Kanegae



Human capital and diversity

Explain the connections between human capital and management strategy in the value creation story

There is growing awareness that human capital management, which regards human resources as a form of capital that is the source of a company's competitive advantages and maximizes its value, is essential for sustainable value creation. Meanwhile, discussion of how human capital and diversity are connected to corporate value is needed to provide the information investors need to make decisions.

The state of disclosure related to human capital and diversity in Japan was mentioned in the report released by [the Working Group on Corporate Disclosure of the Financial System Council \(DWG\)](#) in June 2022. Then, the Revised Cabinet Office Ordinance on Disclosure of Corporate Affairs (revised Cabinet Office Ordinance) released in January 2023 made statements on human capital mandatory in securities reports starting in the fiscal year ended March 31, 2023.

Given the discussion behind the revised Cabinet Office Ordinance, it is not enough simply to list the items for which disclosure is required. Companies must clarify how they leverage their human capital for sustainable value creation. They need to present management's thoughts on investment, human resources strategy, and other matters in a way that is consistent with management strategy, based on a proper understanding of the intent of the regulatory reform. As the next step in laying out management's thoughts on these matters, companies are expected to deepen their own thinking by engaging in constructive dialogue with investors and move forward with related initiatives while further enhancing their disclosure.

Disclosures related to human capital prompted by institutional requirements are widespread. In order to understand the current situation and to look into whether reports tell a story based on the relationship between management policy, strategy, and value creation, our survey looked at the following three perspectives, referring to *Guidelines on Making Human Capital Visible*, and compared them over time.

- Does the report present policies on management and core human resources, human resource development policies, policies on developing an internal environment for human capital, and other relevant policies (policies on human capital)? (Figure 4-1)
- Is the relationship with the material risks and opportunities facing the company and long-term earnings and competitiveness clearly laid out? (Figure 4-2)
- Are there clear and logical explanations based on detailed discussion at the director and management level? (Figure 4-3)



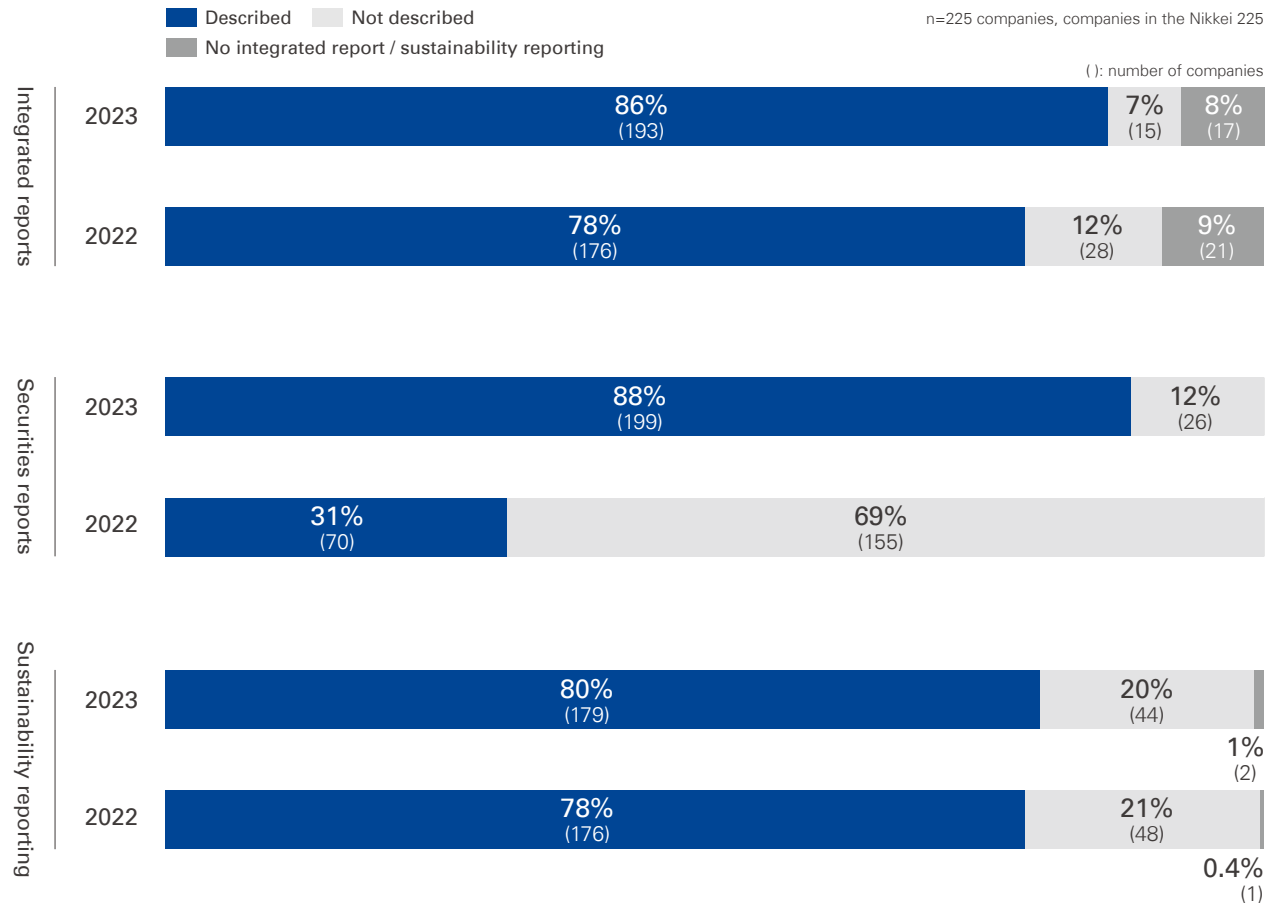


Explain the connections between human capital and management strategy in the value creation story (cont'd)

Given that statements on human capital development policies, including ensuring diversity, and policies on developing an internal environment were required in securities reports by the revised Cabinet Office Ordinance, a high percentage of companies described policies on human capital, with the figure exceeding 80% across all reporting media (Figure 4-1).

The reason why the percentage of companies that discuss human capital has increased not only for securities reports, which are subject to the revised Cabinet Office Ordinance, but also for reporting media in which such descriptions are optional, is because of progress companies are making in understanding the importance of human capital management and its visualization due to the regulatory requirements, which have prompted companies to reconsider their vision for their human capital and their descriptions of it.

Figure 4-1 Policies on human capital



Source: Survey of Corporate Reports in Japan 2023, KPMG in Japan

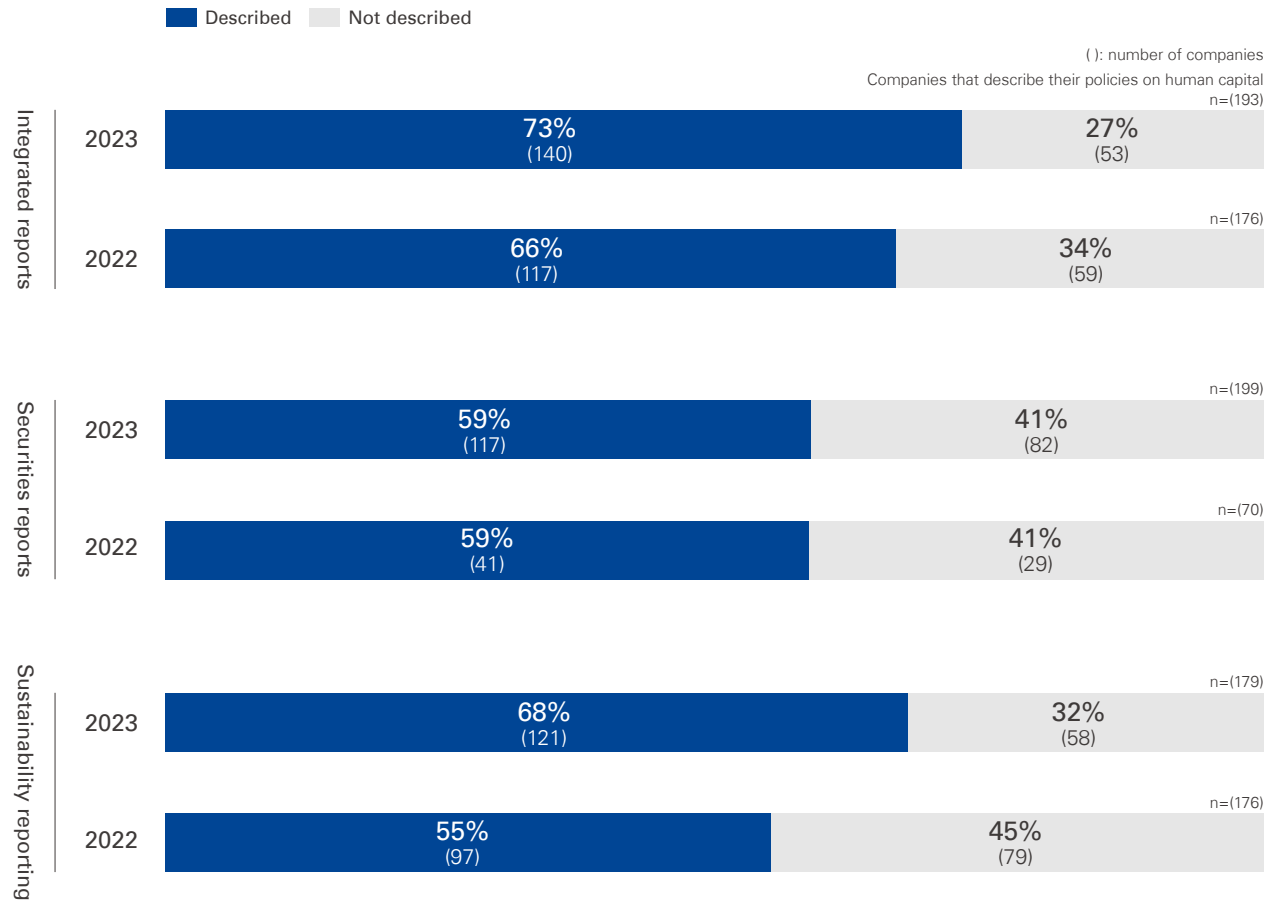


Explain the connections between human capital and management strategy in the value creation story (cont'd)

Our survey looked at whether the connection with business strategy could be understood in discussions of policy on human capital. We found an upward trend across all reporting media compared with last year (Figure 4-2). However, a certain number of reports listed only the bare minimum of items, and we found cases in which the following points were not clear.

- Relationship between human resources strategy described as part of discussion on management strategy and the medium-term management plan, and policy on human capital
- Relationship between personnel measures described as part of discussion on human capital, and human resources strategy
- Although the intended relationship between management strategy and human resources strategy was described, there was no discussion of the specific connections between them

Figure 4-2 Relationship with the material risks and opportunities facing the company and long-term earnings and competitiveness



Source: Survey of Corporate Reports in Japan 2023, KPMG in Japan

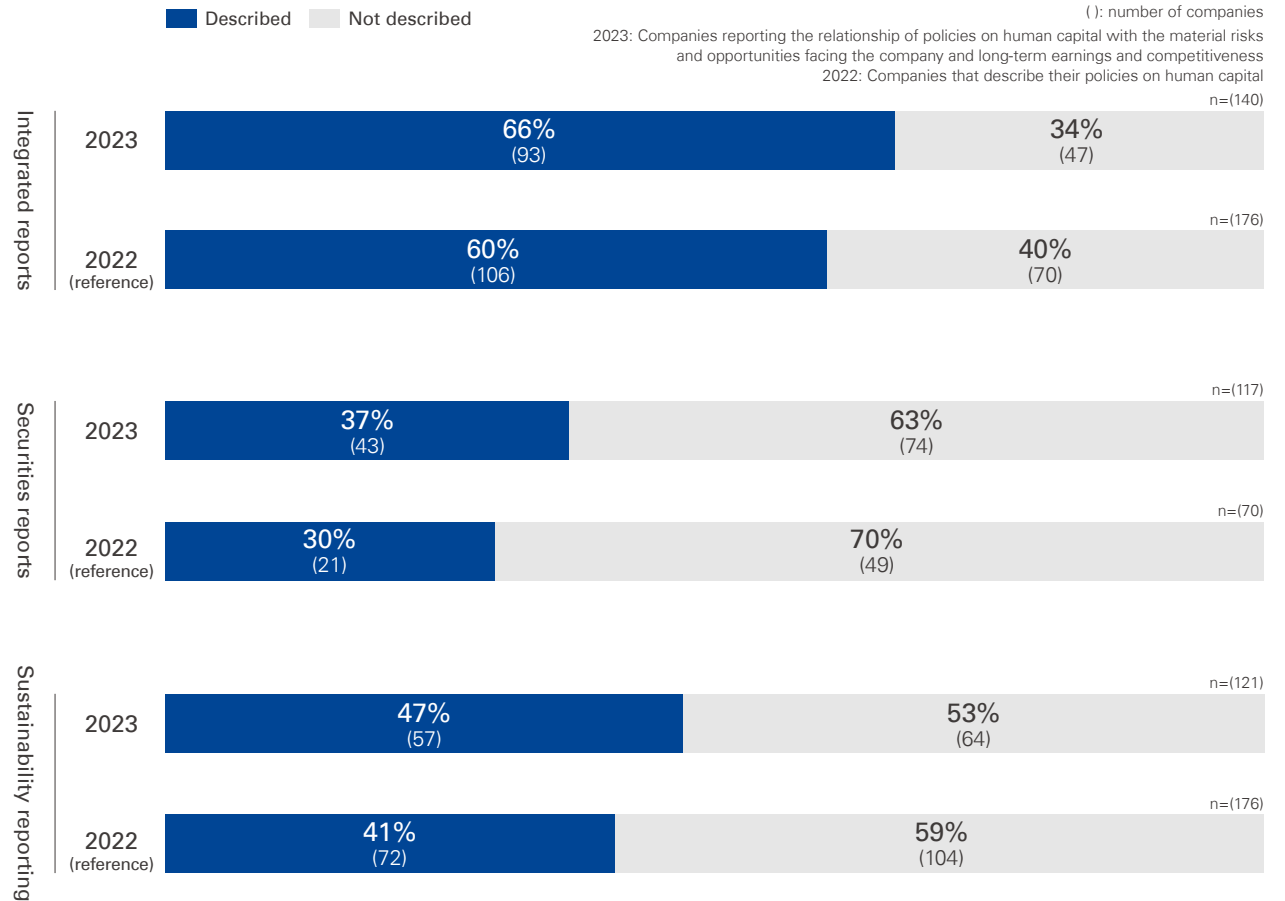


Explain the connections between human capital and management strategy in the value creation story (cont'd)

In addition, the percentage of companies who included information on management discussion of the importance of human capital was higher than last year for all report types (Figure 4-3)

Human resources strategy only promotes value creation when it is consistent with business strategy. In explaining this, companies must use a narrative style that lays out why the human resources strategy is needed for the implementation of business strategy based on the risks and opportunities facing the company.

Figure 4-3 Clear and logical explanations based on detailed discussion at the director and management level



Source: Survey of Corporate Reports in Japan 2023, KPMG in Japan



Explain human capital from the company's unique perspective, against the backdrop of its strategy and business model

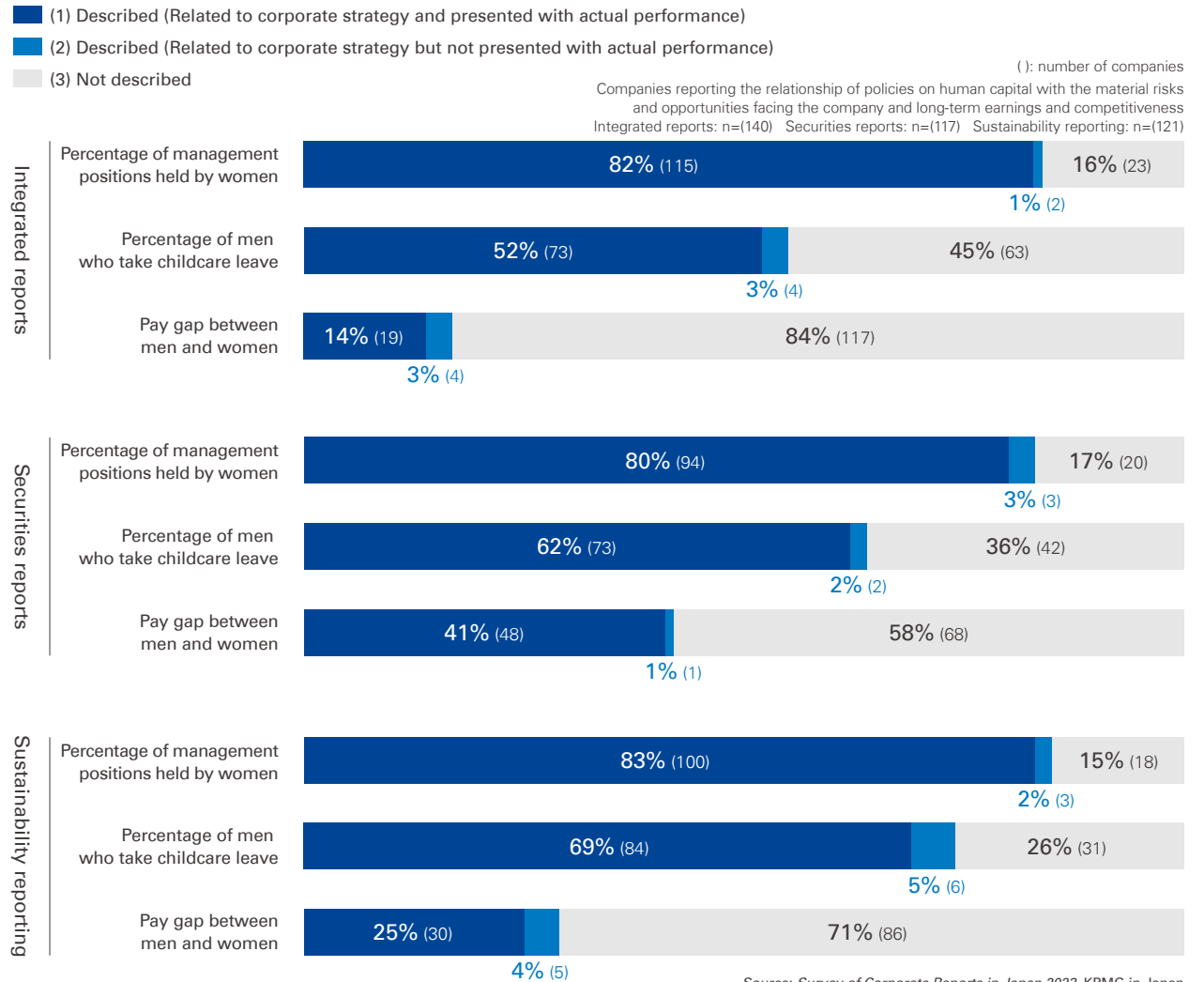
In *Guidelines on Making Human Capital Visible*, it was pointed out that if the content on human capital does nothing more than comply with disclosure requirements, then it would only meet the bare minimum. In order to ensure that the pursuit of mere formality does not make their disclosure look just like that of many others, companies are expected to provide a unique explanation based on their own specific strategy and business model.

The revised Cabinet Office Ordinance requires that companies disclose, in their securities reports, the percentage of management positions held by women, the percentage of men who take childcare leave, and the pay gap between men and women, as information that will help investors make decisions on medium- and long-term corporate value.

When we looked at whether there was a clear relationship between these three issues as “comparable metrics” and corporate strategy, there was a lot of variation depending on the metric, and we found that less than half of the reports presented a clear relationship for some of the metrics (Figure 4-4).

Even though there are common metrics to be disclosed, it is possible to gain a clear understanding of the company's thoughts on human capital if its disclosures are accompanied by a unique explanation that aligns with the company's specific strategy and business model. Companies need to involve management in independently considering the kind of report content that best shows how investments in human capital and human capital strategies are positioned and how they are related with the company's strategies within its unique value creation story.

Figure 4-4 Comparable metrics



Source: Survey of Corporate Reports in Japan 2023, KPMG in Japan

Explain human capital from the company's unique perspective, against the backdrop of its strategy and business model (cont'd)

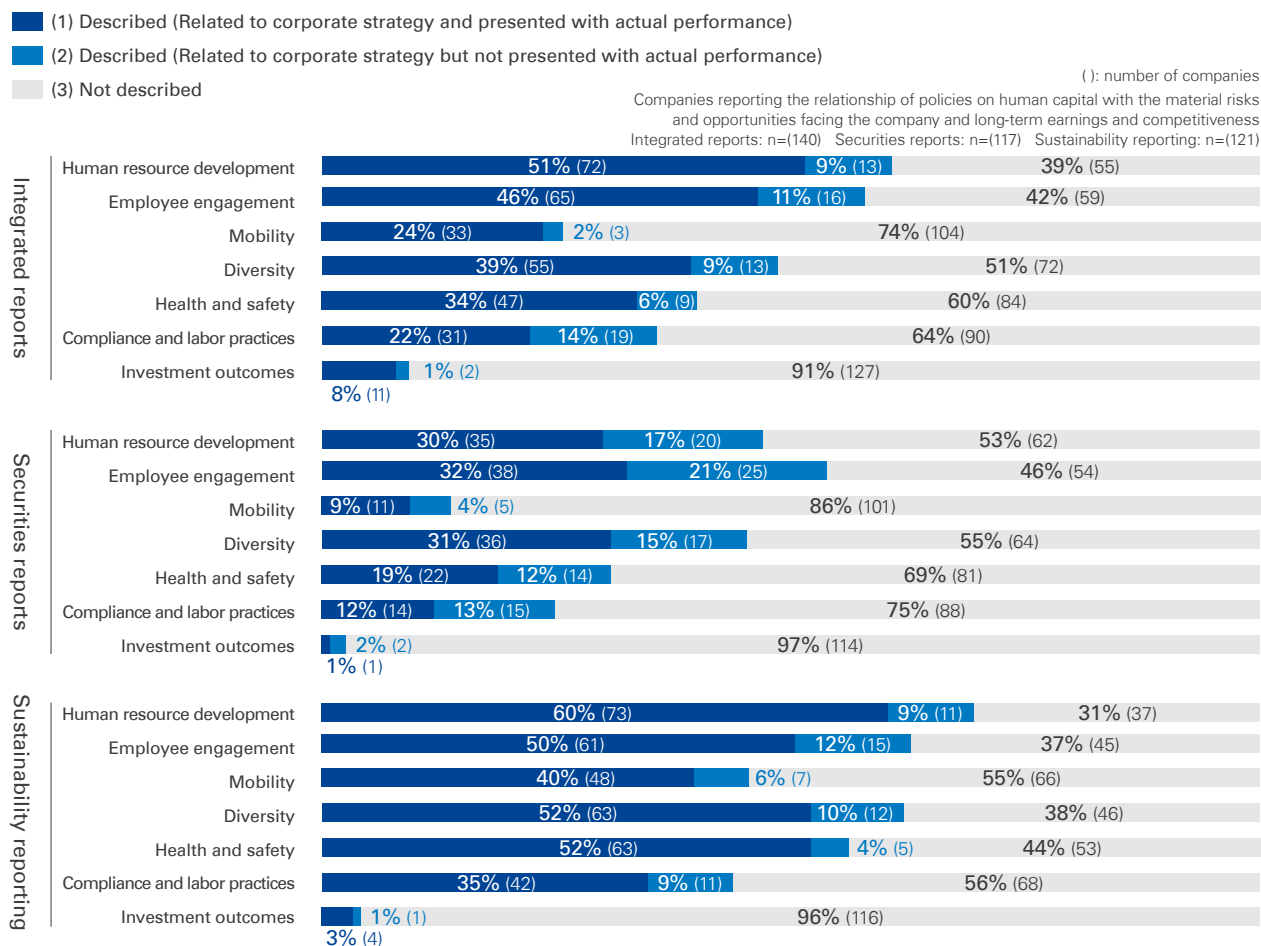
In addition, our survey looked at the perspective of whether initiatives on human capital and metrics disclosed were unique. We found a high percentage of unique metrics related to human resource development, employee engagement, and diversity were explained in a manner accompanied by their relationship with corporate strategy (Figure 4-5).

Moreover, as evidenced by the differing proportions of descriptions of the same metric depending on the reporting media, a number of companies also delved into the issues of what to focus on explaining in each media and which metrics would be useful in order to achieve that, changing the information they disclosed in different medias.

We welcome unique descriptions as they are an indicator of a company's original thinking and initiatives. However, simply disclosing creative and original metrics is not necessarily useful to readers. Investors are looking for explanations that show the intentions of management and descriptions of why monitoring using a specific metric is necessary. They also require information on the current situation and future outlook in light of the metric's relationship to the business model and management strategy.

Companies are expected to explain their vision for long-term value creation and the metrics they use to monitor progress on the vision, in tandem with their unique background information.

Figure 4-5 Unique metrics



Source: Survey of Corporate Reports in Japan 2023, KPMG in Japan

Human resource development examples: Training hours/expenditure/participation rate
Employee engagement examples: Employee engagement
Mobility examples: Turnover/retention rate, recruitment and turnover costs
Diversity examples: Return-to-work rate and retention rate after childcare leave, etc.
 * Excludes comparable metrics

Health and safety examples: Percentage of employees who took part in training on industrial accidents and safety and health
Compliance and labor practices examples: Number of serious human rights issues, percentage of employees who took part in training on compliance and human rights, etc.
Investment outcomes examples: Net sales per employee/hour



Good practice

Specifically explained outcomes of human capital investments

One company presented the amount of human capital investment and its productivity, showing the outcome of that investment linked to specific financial figures. The company illustrated the relationship between employee engagement and performance and then disclosed results such as net sales per hour as a metric for monitoring that performance.

We believe the explanation of the amount of investments and outcomes in terms of the current position of human capital consistent with the business strategy will help investors to understand that human capital is the foundation for sustainable value creation.

Spotlight



Inequality as a social issue

In recent years, there have been increasing demands on companies to take action to address the social issue of inequality.

Increases in inequality accelerate the decline of trust in the political and economic ecosystems and drives social unrest. Inequality is thought to increase business risks for companies and reduce economic growth.

Moreover, as inequality is a structural issue, companies and investors cannot tackle it alone: all parties involved in society must cooperate in taking steps to solve it. Therefore, there is a growing recognition that inequality is a social issue that needs to be addressed the international community.

To promote action on tackling inequality, the Business Commission to Tackle Inequality (BCTI), a private-sector organization established by the World Business Council for Sustainable Development (WBCSD) in which companies, investors, intergovernmental organizations, and various other stakeholders participate, released [Tackling Inequality: An agenda for business action](#) in May 2023.

This explains the impact of inequality and the need to improve the situation, as well as laying out 10 guidelines for action to provide a reference for companies seeking to address inequality. It is designed to help companies understand inequality and implement initiatives to improve it.

Yuya Takizawa



Sustainability Topics

Water resources

More regions around the world are experiencing severe water stress due to an increase in demand for fresh water driven by population growth and economic growth, and changes in rainfall patterns accompanying climate change.

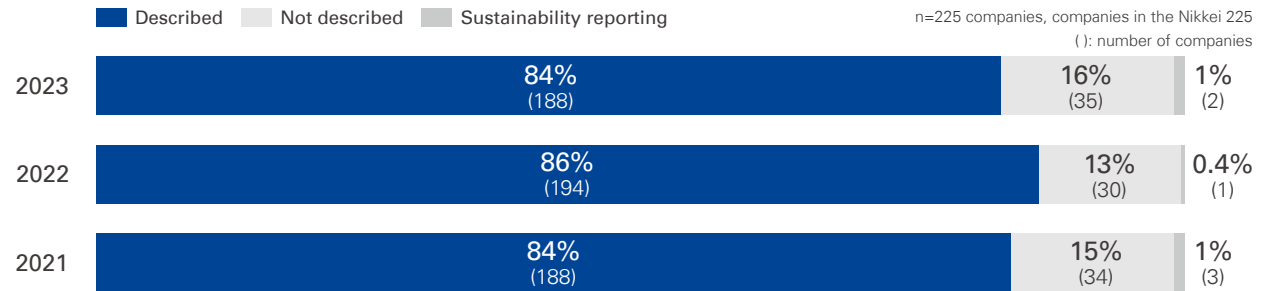
According to estimates by a [United Nations initiative](#), the gap between water supply and demand will reach 40% by 2030.

The percentage of companies reporting water usage remained unchanged from prior years, at 84% (Figure 5-1). By industry, all companies in seven sectors—materials & chemicals, food, pharmaceuticals, trading & wholesale, electric power & gas, real estate, and energy resources—reported water consumption data in either absolute volume or intensity (Figure 5-2).

Information users are seeking to understand the water risks companies may face and the measures they are taking in response. The severity of water stress varies by region, so water risk exposure differs based on companies' areas of operation, supply chains, etc. Therefore, breakdowns of water consumption by region are useful to assess the validity of water risks (and opportunities), but such reporting is not widespread. It is vital that companies provide detailed explanations, including information by region with differing water stress levels, made with reference to water risk assessment tools like the World Resources Institute's [Aqueduct Water Risk Atlas](#).

This section is compiled based on the information stated in the sustainability reporting.

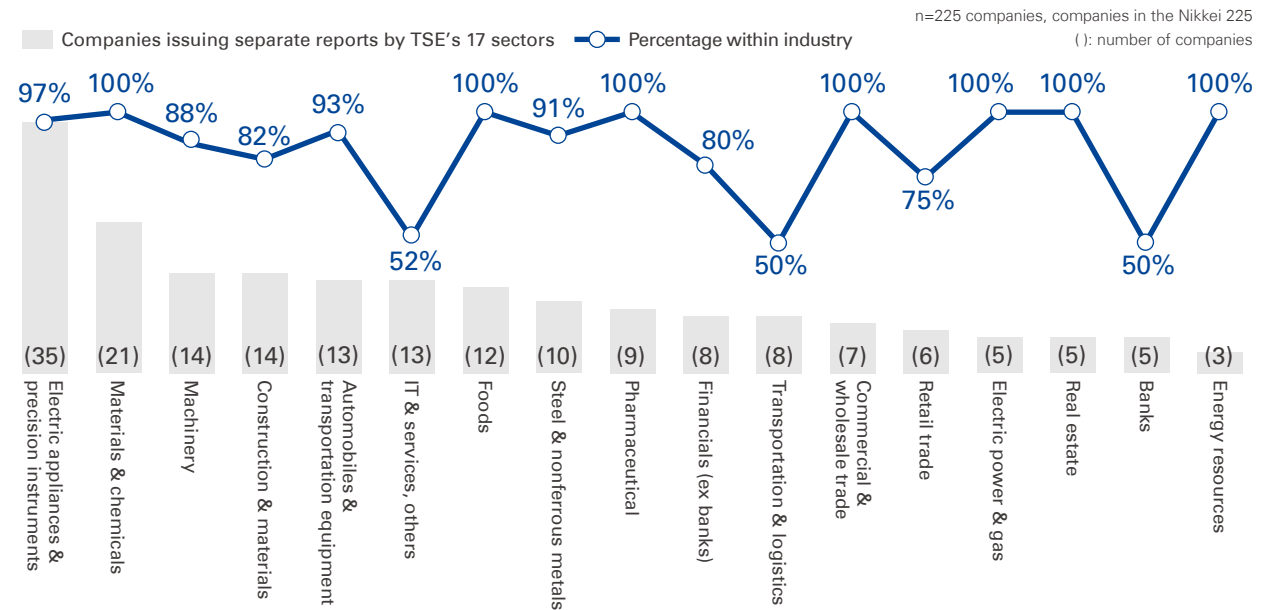
Figure 5-1 Water consumption*



* For 2023, absolute volume or intensity included in scope; for 2021 and 2022, absolute volume data only

Source: Survey of Corporate Reports in Japan 2023, KPMG in Japan

Figure 5-2 Water consumption by industry



Source: Survey of Corporate Reports in Japan 2023, KPMG in Japan

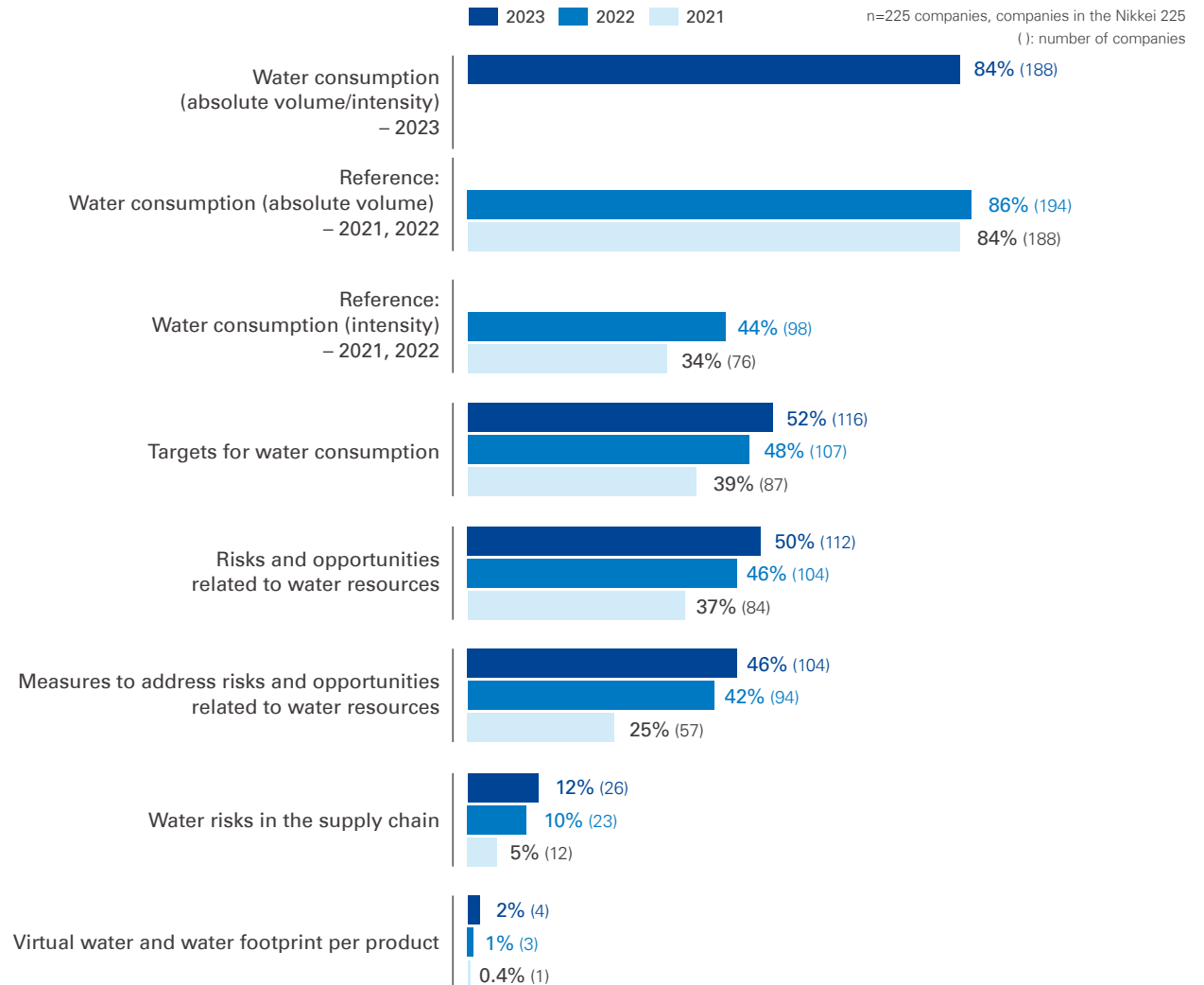


Water resources (cont'd)

While 84% of companies reported water consumption, only about half went on to report reduction targets, the water-related risks and opportunities they recognized, and how they will address those. Even fewer provided risk-related metrics, with only 12% mentioning supply chain water risks and 2% mentioning water footprints (Figure 5-3).

The World Economic Forum ranked “natural resource crises,” including water resources, as the sixth most severe risk expected to manifest over the next 10 years in the 2023 edition of its annual *Global Risks Report*. It highlighted this risk as a “polycrisis” that could evolve into interstate conflicts and geopolitical risks. In the latest 2024 edition, the severity ranking rose to 4th place. As an island nation, conflicts caused by water resources may seem unfamiliar in Japan. However, they have actually occurred in various parts of the world and are not irrelevant for Japan, given the high dependence of its economy on overseas water resources. The importance of water risk management in global supply chains is likely to increase going forward. Companies are expected to consider regional water stress, assess its impacts on their business, and aim to enhance water resource reporting.

Figure 5-3 Reports related to water resources



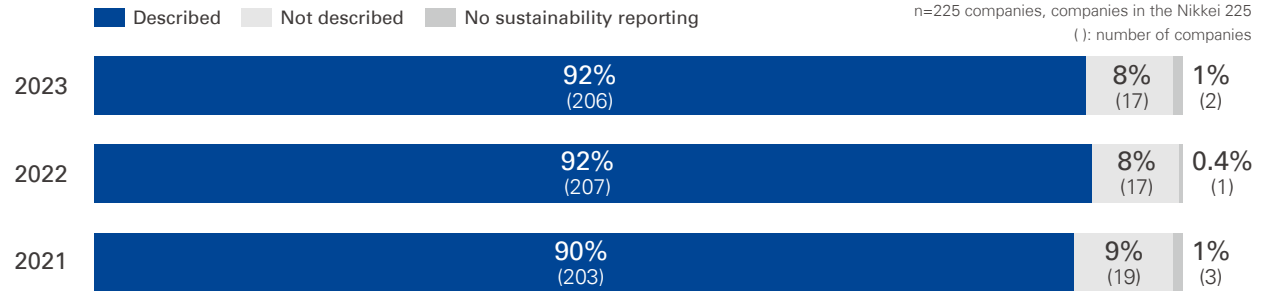
Source: Survey of Corporate Reports in Japan 2023, KPMG in Japan



Human rights

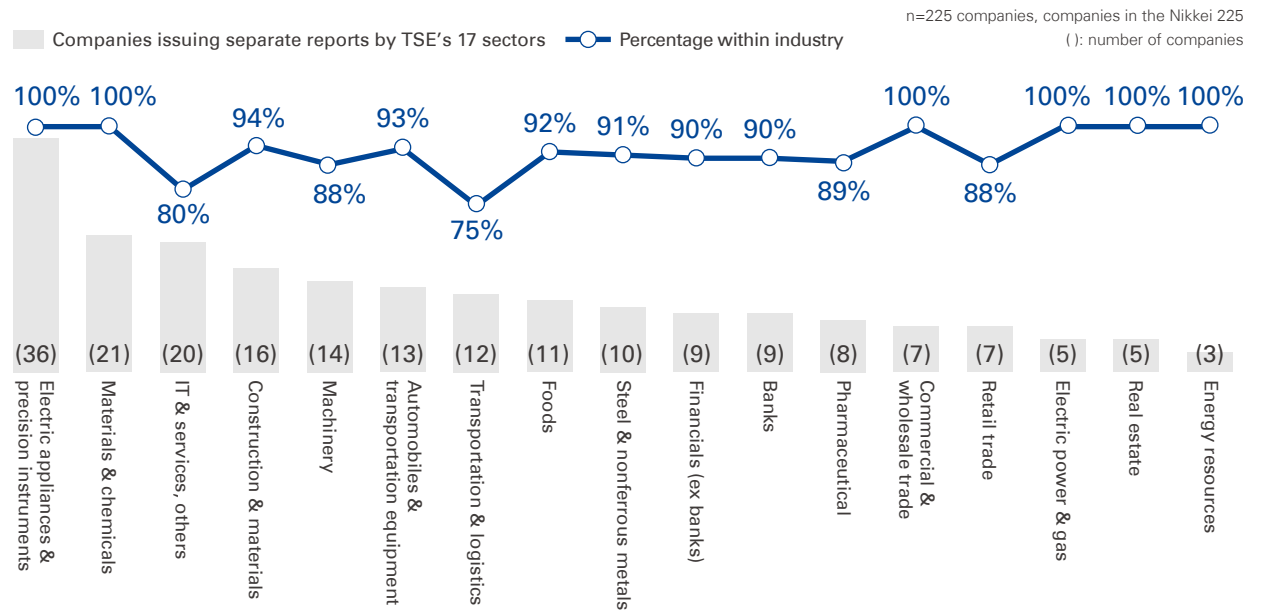
Ninety-two percent of companies expressed a basic policy or commitment to human rights, a high level similar to previous years (Figure 5-4). By industry, this was included by all companies in these six sectors: electrical & precision equipment, materials & chemicals, trading & wholesale, electric power & gas, real estate, and energy resources (Figure 5-5). Human rights was given as a material matter by 57% of companies in their sustainability reporting (Figure 1-2, page 13), suggesting a widely shared recognition that respecting human rights is a fundamental premise of corporate management, regardless of the magnitude of impact that human rights issues may have on a given company's business.

Figure 5-4 Human rights policy/commitment



Source: Survey of Corporate Reports in Japan 2023, KPMG in Japan

Figure 5-5 Human rights policy/commitment, by industry



Source: Survey of Corporate Reports in Japan 2023, KPMG in Japan

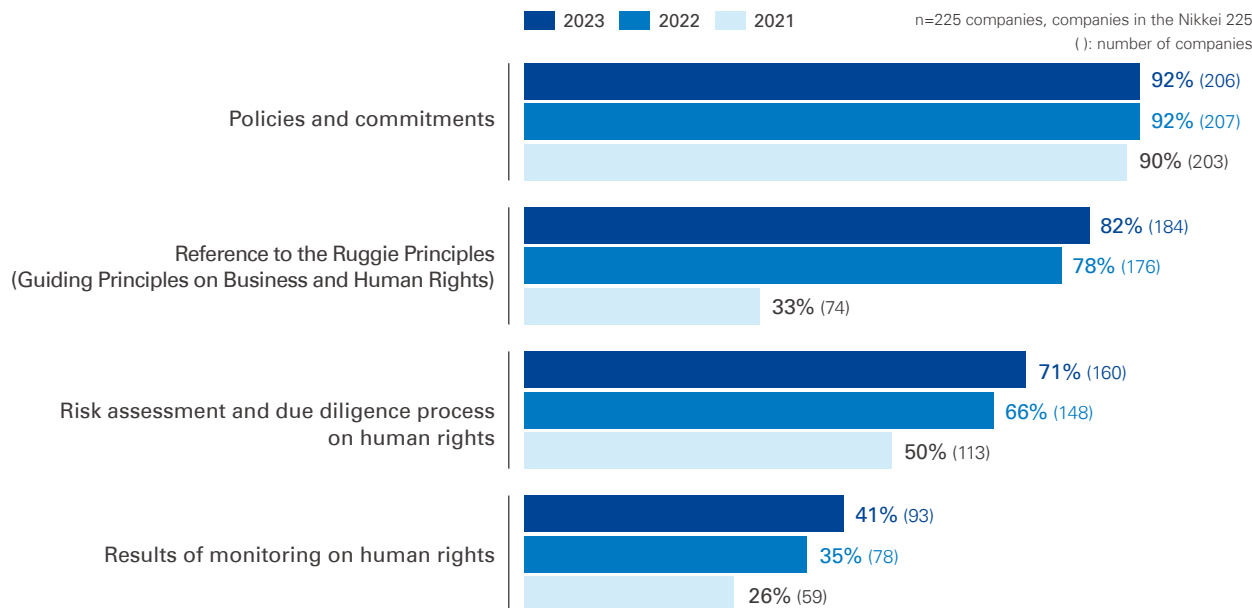


Human rights (cont'd)

In recent years, public demand for eliminating human rights violations in corporate activities has been increasing, with Europe in particular passing regulations requiring companies to carry out human rights due diligence (see [Supplier assessment, page 58](#)). Pushed by these trends, more companies each year are reporting on their efforts to definitively prevent human rights abuses. Eighty-two percent of companies referenced [the Guiding Principles on Business and Human Rights](#) (commonly known as the Ruggie Principles), and 71% reported on human rights risk assessments and due diligence processes, up five percentage points from the previous year. However, only 41% went as far as reporting results of monitoring for the presence or absence of human rights violations, although this figure was up six points from the prior year (Figure 5-6).

While European legislation affects some Japanese companies, implementation of human rights due diligence is not currently mandated in Japan. However, [the Guiding Principles on Business and Human Rights](#) call on companies to avoid infringing on human rights and address negative impacts as part of their responsibility. As part of this commitment, they are expected to conduct and report on due diligence, not only articulate policies and commitments. Beyond mere compliance-focused initiatives, proactive efforts are needed if companies wish to secure their own sustainable growth and ultimately help to build a sustainable world. We believe that assessing actual and potential human rights impacts, taking measures to prevent or mitigate negative impacts, monitoring the effective implementation of those measures, and reporting on the entire range of initiatives will help firms to fulfil their corporate responsibility.

Figure 5-6 Description related to human rights



Source: Survey of Corporate Reports in Japan 2023, KPMG in Japan

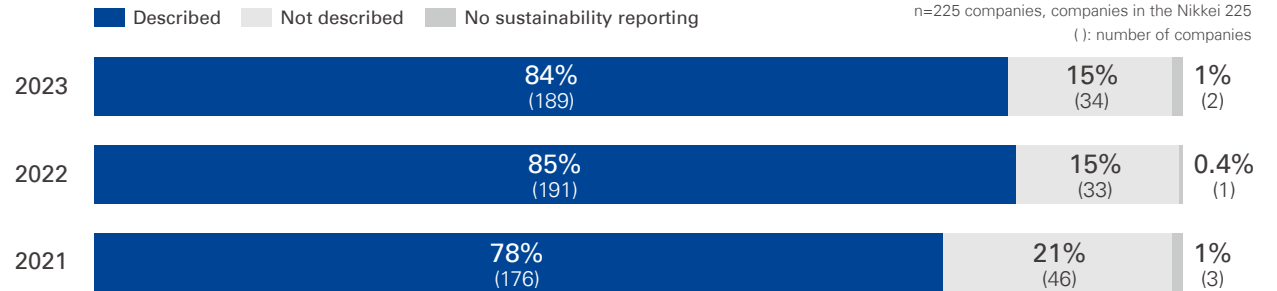


Supplier assessment

There are growing public demands for initiatives involving suppliers, such as eliminating human rights abuses and protecting the environment throughout the supply chain. Legislation mandating human rights and environmental due diligence in supply chains is progressing, primarily in Europe. In January 2023, the [Act on Corporate Due Diligence Obligations in Supply Chains](#) took effect in Germany. In June 2023, the European Parliament adopted proposed amendments to the [Corporate Sustainability Due Diligence Directive](#) in the EU, and discussions are currently underway to finalize the legislation. While not mandated in Japan, the government has been encouraging the implementation of due diligence. Regarding human rights, relevant government ministries and agencies, including the Ministry of Economy, Trade and Industry, have published [Guidelines on Respecting Human Rights in Responsible Supply Chains](#) (September 2022). For the environment, the Ministry of the Environment has published *Introduction to Environmental Due Diligence in Value Chains: With Reference to OECD Guidance* (August 2020) and *Introduction to Environmental Due Diligence in Value Chains: Practicing Environmental Due Diligence Using an Environmental Management System (EMS)* (May 2023).

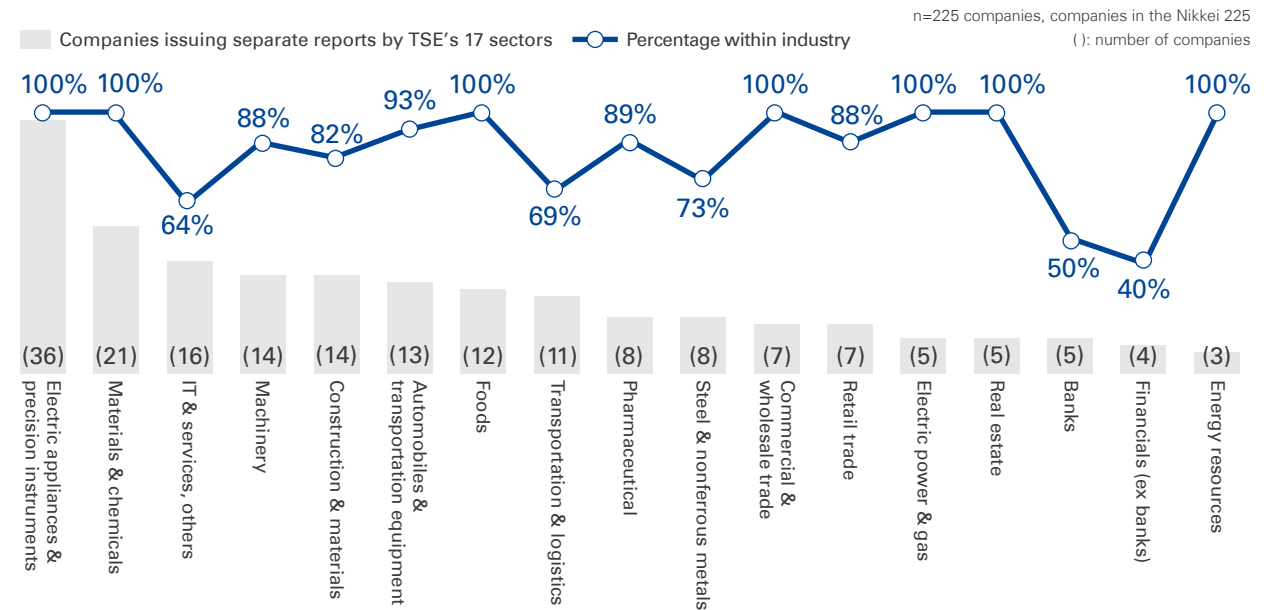
As supply chain management becomes increasingly complex, 84% of companies noted that they publish codes of conduct, guidelines, or other documents in which they share their policies with suppliers, the same level as the previous year (Figure 5-7). By industry, all companies in seven sectors—electrical & precision equipment, materials & chemicals, food, trading & wholesale, electric power & gas, real estate, and energy resources—publish supplier codes of conduct or guidelines (Figure 5-8). There was a trend toward increasing disclosure in industries that are more influenced by the growing trend among consumers to prefer products manufactured with responsible procurement.

Figure 5-7 Supplier code of conduct



Source: Survey of Corporate Reports in Japan 2023, KPMG in Japan

Figure 5-8 Supplier code of conduct by industry



Source: Survey of Corporate Reports in Japan 2023, KPMG in Japan

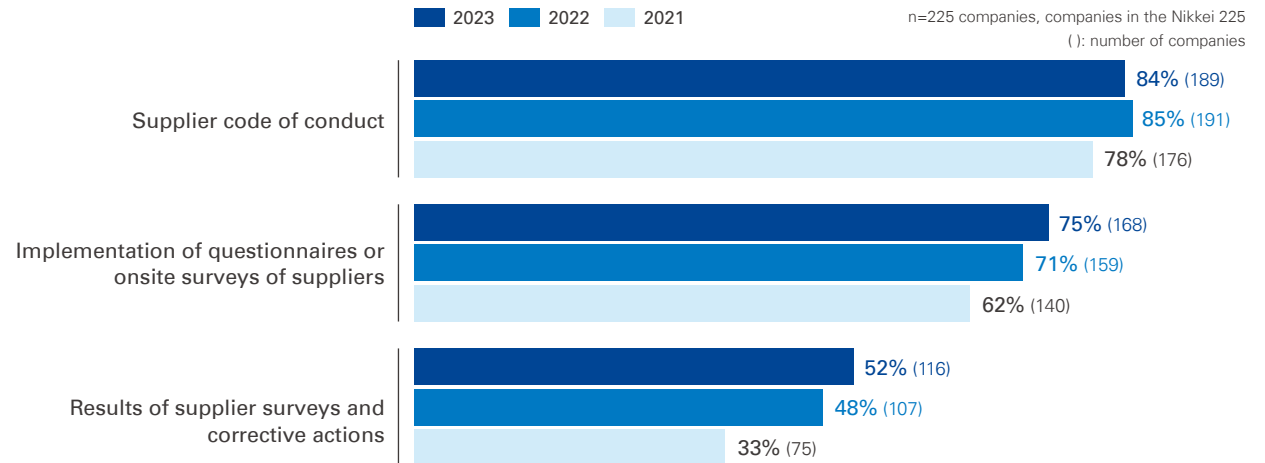


Supplier assessment (cont'd)

The percentage of companies conducting and reporting on questionnaire surveys and on-site inspections of suppliers also rose to 75%, a four-point increase from the previous year. However, only 52% of companies went as far as reporting the results of supplier surveys and corrective measures, although this figure was up four points from the prior year (Figure 5-9).

Building a sustainable supply chain necessitates obtaining the cooperation of suppliers on concerted joint efforts. It is thus important to encourage suppliers to work at this, using surveys. When risks or issues are identified by a supplier survey, countermeasures and corrective actions should be taken, and the status of these responses should be monitored. Detailed reporting on such supply chain management practices will demonstrate responsible behavior and risk management capabilities throughout the company's supply chain, which in turn will aid decision-making by information users.

Figure 5-9 Reports related to evaluation of suppliers



Source: Survey of Corporate Reports in Japan 2023, KPMG in Japan



Natural capital and biodiversity

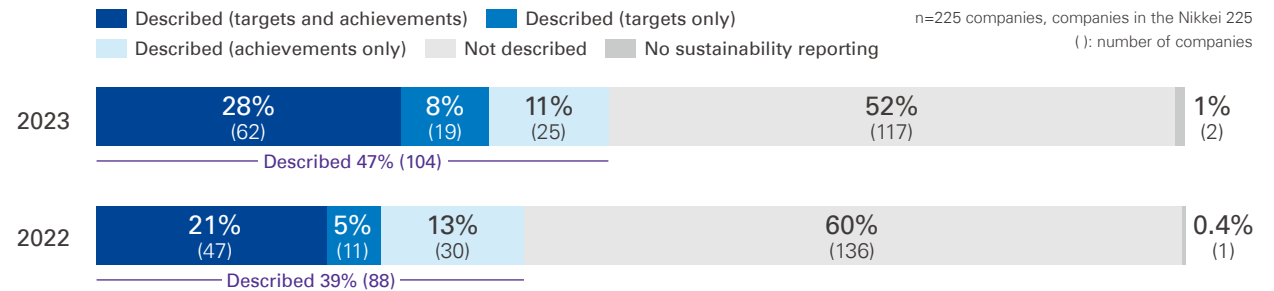
The loss of natural capital and biodiversity continues to progress, and the severity of this impact on the economy and society is also becoming better recognized. The latest version of the paper [Planetary Boundaries](#), which quantitatively shows how critical the earth's sustainability is, reports that six of nine planetary boundaries, including biosphere integrity (loss of ecosystem function, rate of extinction), have been transgressed. In addition, the [Global Risks Report](#), published annually by the World Economic Forum, lists "biodiversity loss and ecosystem collapse" among the top 10 most severe risks expected to manifest over the next 10 years, with its severity ranking rising to 4th in the [2023 edition](#) and 3rd in the [2024 edition](#).

To halt the loss of natural capital and biodiversity and shift toward nature positivity, companies need to set targets, transform their actions to achieve them, and disclose related information. As guidance for this, in 2023, [Science Based Targets for Nature v1.0](#) was published by the Science Based Targets Network, and [TNFD Final Recommendations v1.0](#) was published by the Taskforce on Nature-related Financial Disclosures (TNFD) (see [Spotlight 11, page 61](#)). Among Japanese companies in this year's survey, some that published reports in line with the TNFD Final Recommendations v1.0 or declared [early adoption](#) in fiscal 2024 or 2025.

The percentage of companies that identified natural capital and biodiversity as material, or which included a section dedicated to natural capital and biodiversity in their sustainability reporting and showed targets and performance, increased by eight points from the previous year, to 47% (Figure 5-10). Given that 33% of companies stated that natural capital and biodiversity are material ([Figure 1-2, page 13](#)), we noted a continuing trend from the previous year, that a certain number of companies report on natural capital and biodiversity regardless of the magnitude of impact, in response to growing stakeholder interest and the development of disclosure frameworks.

According to a [report by the World Economic Forum](#), more than half of the world's GDP is exposed to potential risks from the loss of nature and ecosystem services. Referencing the aforementioned guidance and other resources, it is desirable to start by assessing risks, opportunities, and impacts related to natural capital and biodiversity for specific commodities or businesses. Then, reporting on the metrics and targets set to manage them, as well as progress, will demonstrate the transformation to nature positivity.

Figure 5-10 Targets and achievements related to natural capital and biodiversity



Source: Survey of Corporate Reports in Japan 2023, KPMG in Japan



Spotlight

Publication of *TNFD Framework v1.0*

In September 2023, the Taskforce on Nature-related Financial Disclosures (TNFD) published *TNFD Framework v1.0* for managing and disclosing nature-related risks and opportunities.

TNFD Framework v1.0 is built around the [TNFD Recommendations](#), which outline what should be disclosed and the key concepts, and offers practical guidance detailing methods for identifying, assessing, and managing risks and opportunities. The TNFD Recommendations suggest 14 disclosure items structured around four pillars (governance, strategy, risk and impact management, and metrics and targets) aligned with the International Sustainability Standards Board (ISSB) and the Task Force on Climate-related Financial Disclosures (TCFD). Of these, 11 disclosure items have content in common with TCFD disclosures, indicating an effort to promote integrated disclosures on *nature* and *climate*. Additionally, TNFD-specific disclosures are set from three perspectives important when considering nature: stakeholder engagement (governance), identification of priority locations (strategy), and consideration of the entire value chain from upstream to downstream (risk and impact management).

The most notable feature of this framework is the emphasis on location-specific assessments and disclosures. Each company is expected to understand and prioritize the characteristics of nature along its value chain. This represents a new challenge for many companies and financial institutions. Moreover, as “core disclosure metrics” applicable to all companies, disclosure of 14 types of nature-related metrics on a “comply or explain” basis is recommended, making the selection of metrics to disclose (i.e., choosing to “comply”) extremely important.

The concept of “nature positive,” which aims to halt and reverse the loss of natural ecosystems and biodiversity, is increasingly being emphasized as an issue companies must address as they move forward with their business activities. The ISSB has also identified “biodiversity, ecosystems, and ecosystem services” as a particularly high-priority project for research on new themes, and it is expected that the mainstreaming of nature-related information disclosure will accelerate in the future.

Tomomi Hori

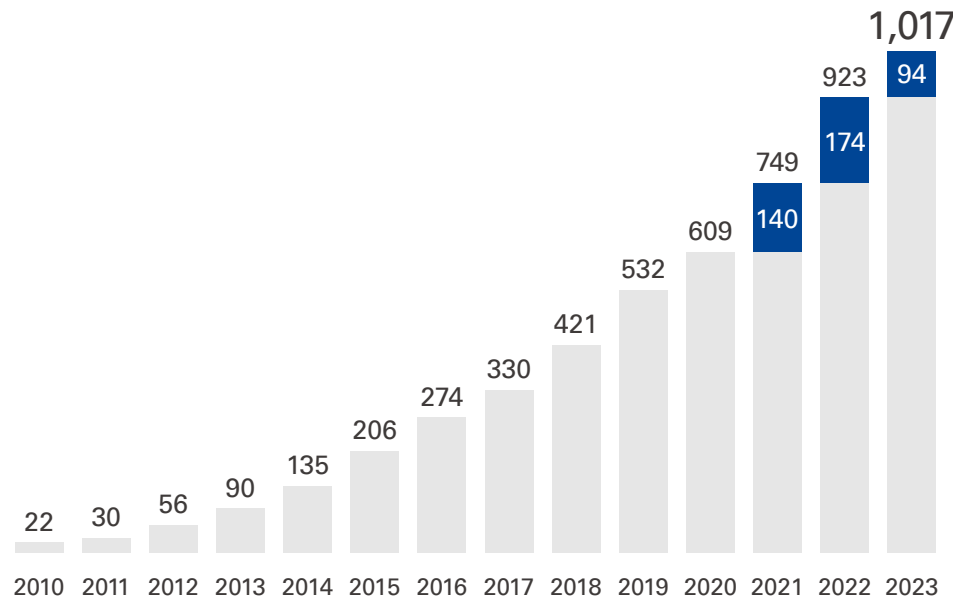


Survey of integrated report

About the Issuing Companies

Figure 6-1 Number of Japanese organizations issuing self-declared integrated reports

The number of companies and other organizations issuing integrated reports in 2023 increased by 94 from the previous year to 1,017. Compared to the previous year, newcomers to integrated reporting among regional banks and educational corporations leveled off, and the increase in the number of reports slowed somewhat.



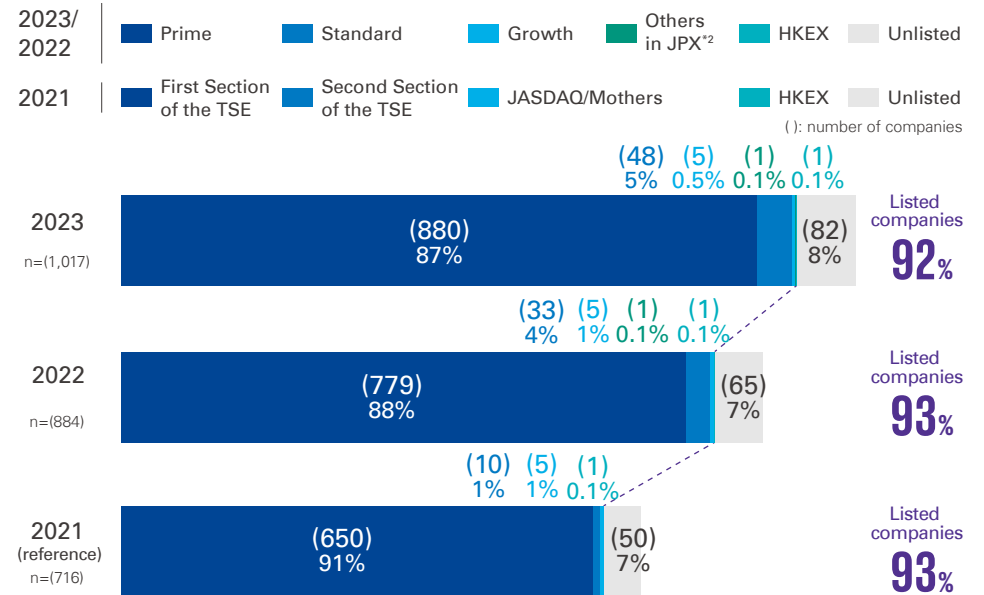
Source: List of Japanese Organizations Issuing Self-Declared Integrated Reports 2023, Corporate Value Reporting Lab

Number of issuing organizations

Past comparative data in this survey is based on the number of organizations issuing reports at the time of each survey (excluding “Number of Japanese organizations issuing self-declared integrated reports”). Therefore, the number of organizations issuing reports in past surveys diverged from the number of organizations issuing based on the latest survey of the Corporate Value Reporting Lab.

Figure 6-2 Listing market of issuing companies*1

As usual, listed companies made up over 90% of issuing companies. Companies listed on the Tokyo Stock Exchange Prime Market drove the increase in the number of reports issued, at 877 companies accounting for 87% of all issuing organizations.



*1 Listing market as of end-September for each survey year
*2 Preferred securities

Source: Survey of Corporate Reports in Japan 2023, KPMG in Japan

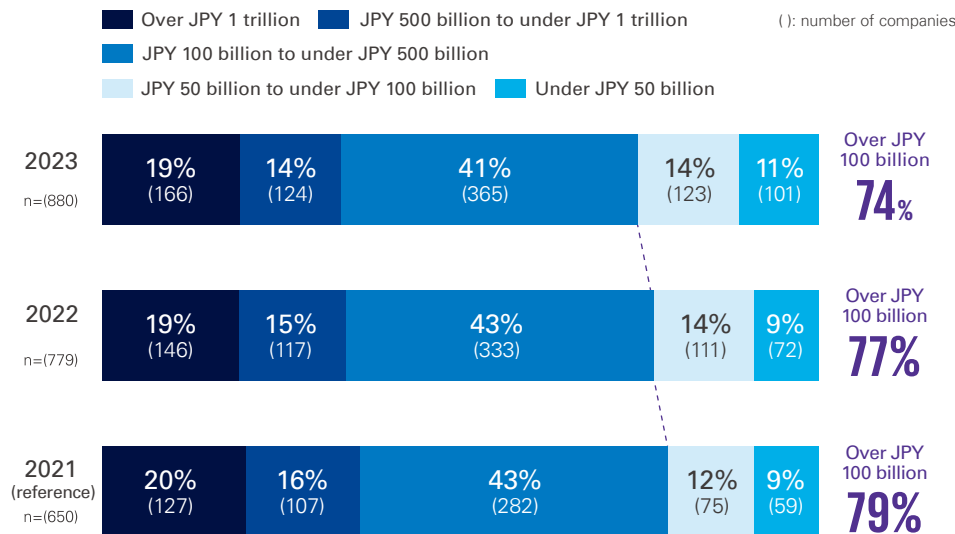
Reference: The number of issuing companies at the time of the survey (as of December 31)
2021: 716 companies
2022: 884 companies



About the Issuing Companies

Figure 6-3 Sales for issuing companies listed on TSE Prime Market*

Looking at the annual sales of companies issuing integrated reports and listed on the TSE Prime Market, 74% had sales of 100 billion yen or more. This percentage was down 3 points from the previous year. Since 2021, more and more companies with less than 100 billion yen in sales are issuing integrated reports.

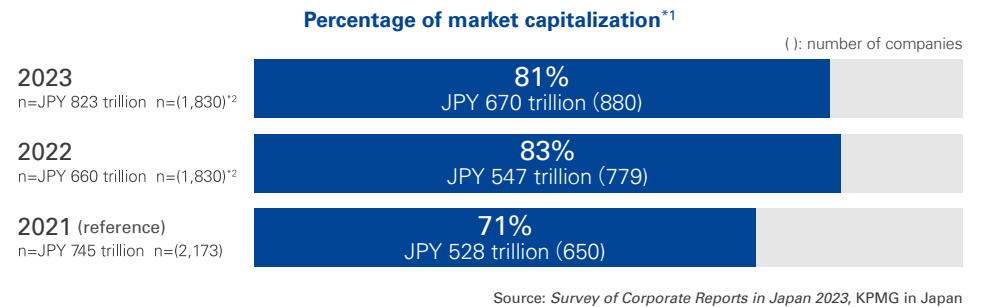


* This data pertains to the listing market as of end-September of each survey year and the size of sales in the most recent fiscal year. In 2021, the data is for the sales of issuing companies listed on the First Section of the TSE.

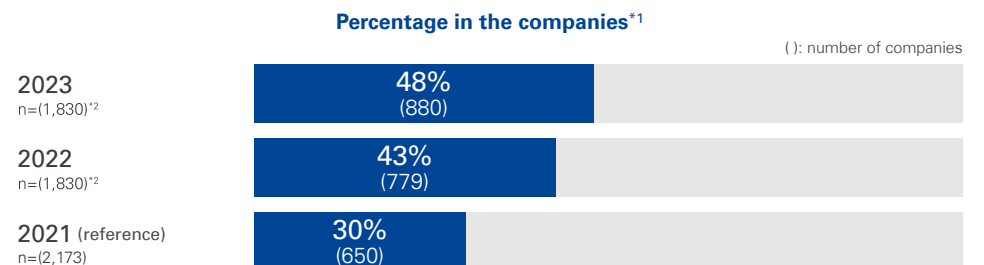
Source: Survey of Corporate Reports in Japan 2023, KPMG in Japan

Figure 6-4 Percentage of issuing companies by total market capitalization and number of companies listed on TSE Prime Market

The market capitalization of the 880 companies issuing integrated reports accounted for 81% of the total market capitalization of the 1,830 companies listed on the TSE Prime Market as of the end of September 2023, down 2 percentage points from the previous year. The percentage of listed companies issuing integrated reports was up 5 percentage points from the previous year to 48%, nearly half of the total.



Source: Survey of Corporate Reports in Japan 2023, KPMG in Japan



Source: Survey of Corporate Reports in Japan 2023, KPMG in Japan

*1 Data refers to listing market and market capitalization as of the end of September in each survey year. Data for 2021 refers to market capitalization and percentage of issuing companies among companies listed on the TSE First Section.

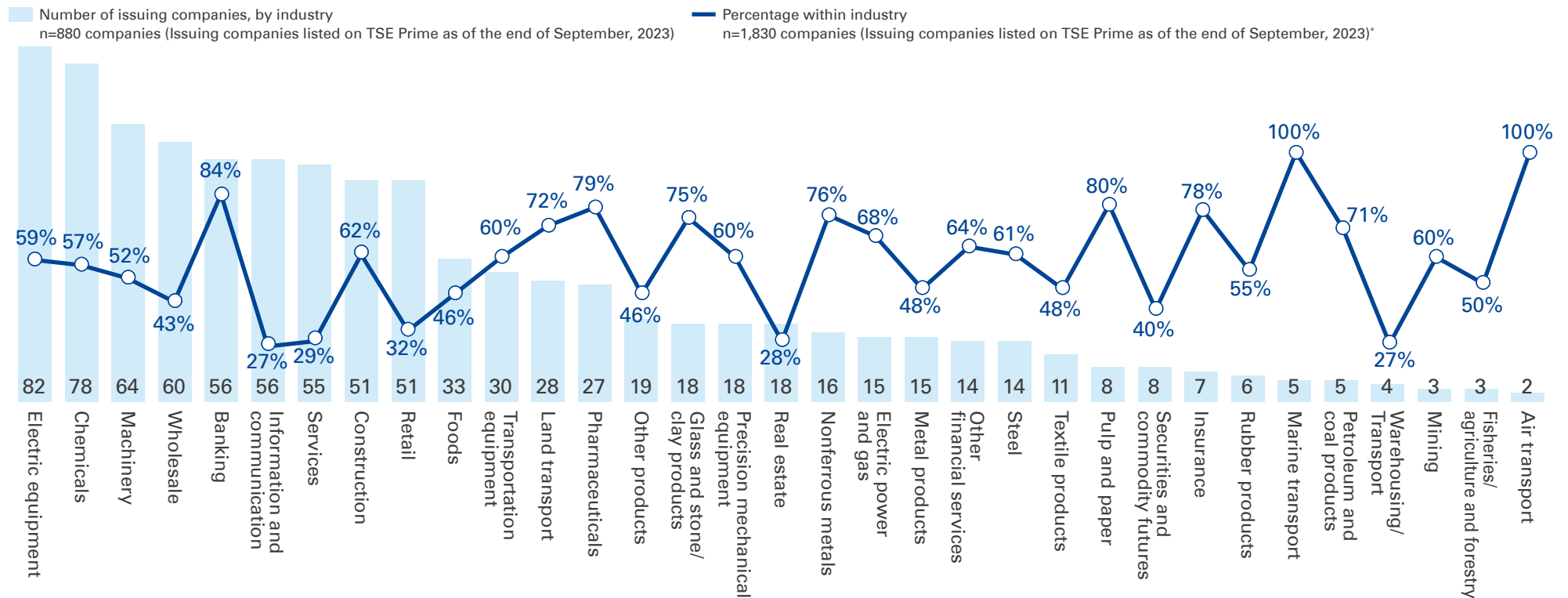
*2 1,830 Japanese companies excluding one foreign company out of 1,831 companies listed on the Prime Market as of the end of September 2023 and the end of September 2022.



About the Issuing Companies

Figure 6-5 Number and percentage of issuing companies by sector and within industry sectors for companies listed on TSE Prime Market

The top-five sectors in terms of the number of issuing companies were electronic appliances, chemicals, machinery, wholesale trade, and banking. In the previous year, the service sector had accounted for the fifth highest number of issuing companies, but the wholesale trade sector replaced it this year. By percentage within industry, the marine transportation, air transportation (100% for the two), banking (84%), paper and pulp (80%), and pharmaceutical (79%) sectors had the five highest percentages of issuing companies. The insurance sector had the third highest percentage of issuing companies in the previous year, but the pharmaceutical sector replaced it this year.



* 1,830 Japanese companies excluding a foreign company out of 1,831 companies listed on the Prime Market as of the end of September 2023.

Source: Survey of Corporate Reports in Japan 2023, KPMG in Japan

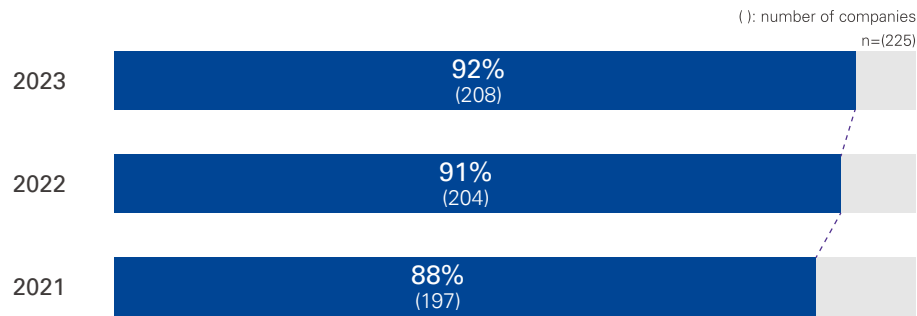


About the Issuing Companies

Figure 6-6 Index attributes of issuing companies

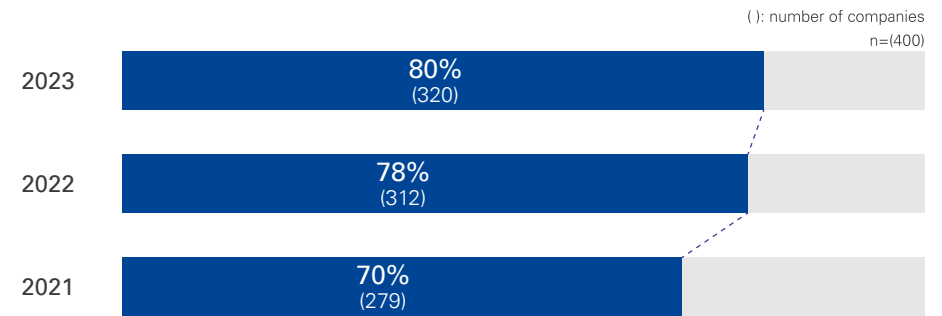
The percentage of issuing companies accounted for by companies included in the Nikkei 225 and the JPX-Nikkei Index 400 increased slightly from the previous year. The percentage of issuing companies included in the Nikkei 225 increased by 1 percentage point to 92%. The percentage of issuing companies included in the JPX-Nikkei 400 Index increased by 2 percentage points to 80%.

Nikkei 225 component percentage



Source: Survey of Corporate Reports in Japan 2023, KPMG in Japan

JPX-Nikkei 400 component percentage



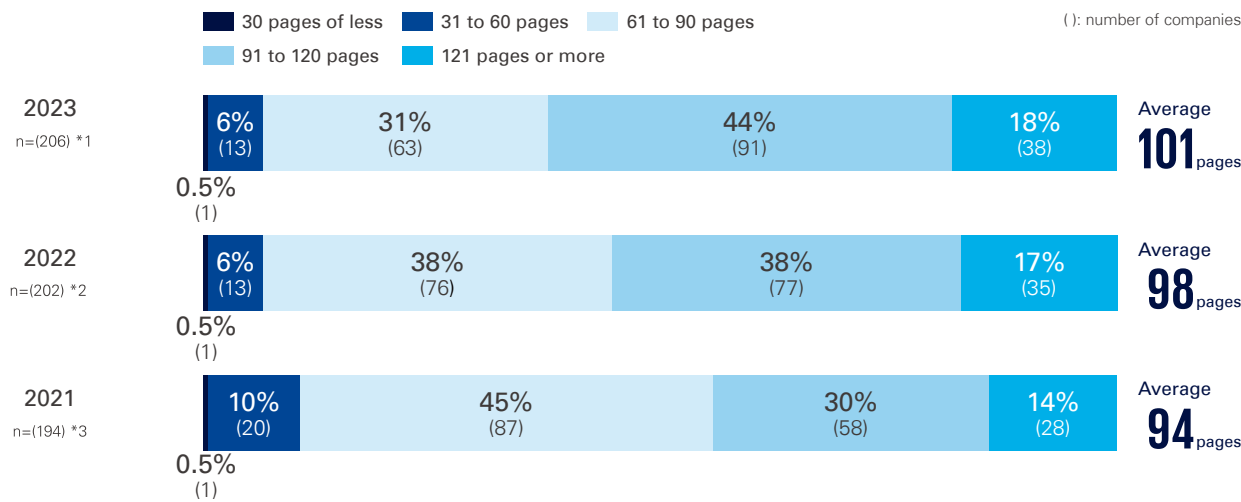
Source: Survey of Corporate Reports in Japan 2023, KPMG in Japan



About the Integrated Reports

Figure 6-7 Page volume

Starting with this year's survey, we looked at page volume only for issuing companies included in the Nikkei 225. The average number of pages for issuing companies included in the Nikkei 225 stood at 101 pages, continuing an upward trends. In terms of the most common number of pages, the percentage of reports with 91-120 pages was highest at 44%, and more than 60% of companies issued reports with 91 pages or more when the percentage of reports with 121 pages or more is included.



*1 Excluding two companies out of 208 companies included in the Nikkei 225 that issue only a web version

*2 Excluding two companies out of 204 companies included in the Nikkei 225 that issue only a web version

*3 Excluding two companies out of 197 companies included in the Nikkei 225 that issue only a web version and one company that issues only an English version

Source: Survey of Corporate Reports in Japan 2023, KPMG in Japan



List of Nikkei 225 companies as of October 2023

| | | | | |
|---|--|---|--|---|
| ADVANTEST CORPORATION | GS Yuasa Corporation | Mercari, Inc. | Oji Holdings Corporation | T&D Holdings, Inc. |
| AEON Co.,Ltd. | HASEKO Corporation | MINEBEA MITSUMI Inc. | OKUMA Corporation | TAIHEIYO CEMENT CORPORATION |
| AGC Inc. | HINO MOTORS,LTD. | Mitsubishi Chemical Group Corporation | OLYMPUS CORPORATION | taisei corporation |
| Ajinomoto Co., Inc. | Hitachi Construction Machinery Co., Ltd. | Mitsubishi Corporation | OMRON CORPORATION | TAIYO YUDEN CO., LTD. |
| ALPS ALPINE CO., LTD. | Hitachi Zosen Corporation | Mitsubishi Electric Corporation | ORIENTAL LAND CO.,LTD. | TAKARA HOLDINGS INC. |
| AMADA CO., LTD. | Hitachi, Ltd. | Mitsubishi Estate Company, Limited | ORIX CORPORATION | Takashimaya Company,Limited |
| ANA HOLDINGSINC. | HONDA MOTOR CO., LTD. | Mitsubishi Heavy Industries,Ltd. | OSAKA GAS CO.,LTD. | Takeda Pharmaceutical Company Limited |
| Aozora Bank, Ltd. | HOYA CORPORATION | Mitsubishi Logistics Corporation | Otsuka Holdings Co., Ltd. | TDK Corporation |
| ASAHI GROUP HOLDINGS,LTD. | Idemitsu Kosan Co.,Ltd. | MITSUBISHI MATERIALS CORPORATION | Pacific Metals Co., Ltd. | TEIJIN LIMITED |
| Asahi Kasei Corporation | IHI Corporation | MITSUBISHI MOTORS CORPORATION | Panasonic Holdings Corporation | TERUMO CORPORATION |
| Astellas Pharma Inc. | INPEX CORPORATION | Mitsubishi UFJ Financial Group, Inc. | Rakuten Group,Inc. | The Chiba Bank, Ltd. |
| Bandai Namco Holdings Inc. | Isetan Mitsukoshi Holdings Ltd. | MITSUI & CO., LTD. | Recruit Holdings Co., Ltd. | The Japan Steel Works, Ltd. |
| BRIDGESTONE CORPORATION | ISUZU MOTORS LIMITED | Mitsui Chemicals, Inc. | Renesas Electronics Corporation | The Kansai Electric Power Company, Incorporated |
| CANON INC. | ITOCHU Corporation | Mitsui Fudosan Co., Ltd. | Resona Holdings, Inc. | The Yokohama Rubber Company,Limited |
| CASIO COMPUTER CO.,LTD. | J.FRONT RETAILING Co.,Ltd. | Mitsui Mining and Smelting Company, Limited | Resonac Holdings Corporation | TOBU RAILWAY CO.,LTD. |
| Central Japan Railway Company | Japan Airlines Co., Ltd. | Mitsui O.S.K. Lines, Ltd. | RICOH COMPANY,LTD. | TOHO CO., LTD. |
| Chubu Electric Power Company,Incorporated | Japan Exchange Group, Inc. | Mizuho Financial Group, Inc. | SAPPORO HOLDINGS LIMITED | TOKAI CARBON CO., LTD. |
| CHUGAI PHARMACEUTICAL CO., LTD. | Japan Post Holdings Co., Ltd. | MS&AD Insurance Group Holdings, Inc. | SCREEN Holdings Co., Ltd. | Tokio Marine Holdings, Inc. |
| Citizen Watch Co., Ltd. | JAPAN TOBACCO INC. | Murata Manufacturing Co., Ltd. | SECOM CO., LTD. | Tokuyama Corporation |
| COMSYS Holdings Corporation | JFE Holdings,Inc. | NEC Corporation | SEIKO EPSON CORPORATION | Tokyo Electric Power Company Holdings, Incorporated |
| Concordia Financial Group, Ltd. | JGC HOLDINGS CORPORATION | NEXON Co., Ltd. | Sekisui House,Ltd. | Tokyo Electron Limited |
| Credit Saison Co.,Ltd. | JTEKT Corporation | NGK INSULATORS, LTD. | Seven & i Holdings Co., Ltd. | TOKYO GAS CO.,LTD. |
| CyberAgent,Inc. | KAJIMA CORPORATION | NH Foods Ltd. | Sharp Corporation | Tokyo Tatemono Co., Ltd. |
| Dai Nippon Printing Co.,Ltd. | Kao Corporation | NICHIREI CORPORATION | SHIMIZU CORPORATION | TOKYU CORPORATION |
| Dai-ichi Life Holdings, Inc. | Kawasaki Heavy Industries,Ltd. | NIDEC CORPORATION | Shin-Etsu Chemical Co., Ltd. | Tokyu Fudosan Holdings Corporation |
| DAIICHI SANKYO COMPANY, LIMITED | Kawasaki Kisen Kaisha, Ltd. | NIKON CORPORATION | Shionogi & Co.,Ltd. | TOPPAN Holdings Inc. |
| DAIKIN INDUSTRIES, LTD. | KDDI CORPORATION | Nintendo Co., Ltd. | Shiseido Company, Limited | TORAY INDUSTRIES,INC. |
| DAIWA HOUSE INDUSTRY CO., LTD. | Keio Corporation | Nippon Electric Glass Co., Ltd. | Shizuoka Financial Group, Inc. | TOSOH CORPORATION |
| Daiwa Securities Group Inc. | Keisei Electric Railway Co., Ltd. | NIPPON EXPRESS HOLDINGS, INC. | SMC CORPORATION | TOTO LTD. |
| DeNA Co., Ltd | KEYENCE CORPORATION | Nippon Paper Industries Co., Ltd. | SoftBank Corp. | TOYOTA MOTOR CORPORATION |
| Denka Company Limited | KIKKOMAN CORPORATION | NIPPON STEEL CORPORATION | SoftBank Group Corp. | TOYOTA TSUSHO CORPORATION |
| DENSO CORPORATION | Kirin Holdings Company, Limited | NIPPON TELEGRAPH AND TELEPHONE CORPORATION | Sojitz Corporation | Trend Micro Incorporated |
| DENTSU GROUP INC. | Kobe Steel, Ltd. | Nippon Yusen Kabushiki Kaisha | Sompo Holdings, Inc. | UBE Corporation |
| DIC Corporation | KOMATSU LTD. | Nissan Chemical Corporation | SONY GROUP CORPORATION | West Japan Railway Company |
| DOWA HOLDINGS CO.,LTD. | KONAMI GROUP CORPORATION | NISSAN MOTOR CO., LTD. | SUBARU CORPORATION | YAMAHA CORPORATION |
| East Japan Railway Company | KONICA MINOLTA, INC. | NISSHIN SEIFUN GROUP INC. | SUMCO CORPORATION | Yamaha Motor Co., Ltd. |
| EBARA CORPORATION | KUBOTA CORPORATION | Nissui Corporation | SUMITOMO CHEMICAL COMPANY, LIMITED | YAMATO HOLDINGS CO.,LTD. |
| Eisai Co., Ltd. | KURARAY CO.,LTD. | Nitori Holdings Co., Ltd. | SUMITOMO CORPORATION | YASKAWA Electric Corporation |
| ENEOS Holdings,Inc. | KYOCERA CORPORATION | NITTO DENKO CORPORATION | Sumitomo Electric Industries, Ltd. | YOKOGAWA ELECTRIC CORPORATION |
| FANUC CORPORATION | Kyowa Kirin Co.,Ltd. | Nomura Holdings, Inc. | SUMITOMO HEAVY INDUSTRIES,LTD. | |
| FAST RETAILING CO., LTD. | Lasertec corporation | NSK Ltd. | Sumitomo Metal Mining Co., Ltd. | |
| FUJI ELECTRIC CO., LTD. | LY Corporation | NTN CORPORATION | Sumitomo Mitsui Financial Group, Inc. | |
| FUJIFILM Holdings Corporation | M3, Inc. | NTT DATA GROUP CORPORATION | Sumitomo Mitsui Trust Holdings, Inc. | |
| Fujikura Ltd. | Marubeni Corporation | OBAYASHI CORPORATION | Sumitomo Osaka Cement Co.,Ltd. | |
| FUJITSU LIMITED | MARUI GROUP CO., LTD. | Odakyu Electric Railway Co.,Ltd | Sumitomo Pharma Co., Ltd. | |
| Fukuoka Financial Group, Inc. | Mazda Motor Corporation | | Sumitomo Realty & Development Co.,Ltd. | |
| Furukawa Electric Co., Ltd. | Meiji Holdings Co., Ltd. | | suzuki motor corporation | |



List of Japanese Organizations Issuing Integrated Report in 2023

Source : CORPORATE VALUE REPORTING LAB

ACOM CO.,LTD.
 Adastria Co., Ltd.
 ADEKA CORPORATION
 Advance Create Co.,Ltd.
 ADVANTEST CORPORATION
 Adventure,Inc.
 AEON CO.,LTD.
 AEON DELIGHT CO.,LTD.
 AEON Fantasy Co.,LTD.
 AEON Financial Service Co.,Ltd.
 AEON Mall Co.,Ltd.
 Aflac Life Insurance Japan Ltd.
 AGC Inc.
 AHRESTY CORPORATION
 Aica Kogyo Company,Limited
 AICHI STEEL CORPORATION
 Aichi University of Education
 AIDA ENGINEERING, LTD.
 AIN HOLDINGS INC.
 AIR WATER INC.
 AIRDO Co., Ltd.
 AIRPORT FACILITIES Co.,LTD.
 AISAN INDUSTRY CO.,LTD.
 AISIN CORPORATION
 AIZAWA SECURITIES GROUP CO.,LTD.
 Ajinomoto Co., Inc.
 ALCONIX CORPORATION
 Alfresa Holdings Corporation
 ALPHA Corporation
 ALPS ALPINE CO., LTD.
 AMADA CO.,LTD.
 AMITA HOLDINGS CO.,LTD.
 ANA HOLDINGS INC.
 ANEST IWATA Corporation
 ANRITSU CORPORATION
 AOKI Holdings Inc.
 Aoyama Zaisan Networks Company,Limited
 Aozora Bank,Ltd.
 ARAKAWA CHEMICAL INDUSTRIES, LTD.
 ARATA CORPORATION
 ARCS COMPANY,LIMITED
 ARE Holdings, Inc.
 Arealink Co.,Ltd.
 Arisawa Mfg. Co., Ltd.
 AS ONE CORPORATION

ASAHI BROADCASTING GROUP HOLDINGS CORP.
 ASAHI CO.,LTD.
 Asahi Group Holdings, Ltd.
 ASAHI INTECC CO.,LTD.
 ASAHI KASEI CORPORATION
 ASAHI KOGYOSHA CO.,LTD.
 Asahi Mutual Life Insurance Company
 ASHIMORI INDUSTRY CO.,LTD.
 Asia Air Survey Co.,Ltd.
 ASICS Corporation
 ASKA Pharmaceutical Holdings Co., Ltd.
 ASKUL Corporation
 Astellas Pharma Inc.
 Astena Holdings Co.,Ltd.
 Ateam Inc.
 AUCNET INC.
 AUTOBACS SEVEN CO.,LTD.
 AVANT GROUP CORPORATION
 AVANTIA CO.,LTD.
 Axial Retailing Inc.
 Azbil Corporation
 AZ-COM MARUWA Holdings Inc.
 Bandai Namco Holdings Inc.
 Bank of The Ryukyus, Limited
 BELLSYSTEM24 HOLDINGS,INC.
 Benesse Holdings, Inc.
 BIC CAMERA INC.
 BIPROGY Inc.
 BML, INC.
 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 Glass Co.,Ltd.
 Central Japan Railway Company
 Chiba University of Commerce
 Chino Corporation
 Chiyoda Corporation
 CHORI CO.,LTD.

Chubu Electric Power Company,Inc.
 Chubu Steel Plate Co.,Ltd.
 CHUDENKO CORPORATION
 Chuetsu Pulp & Paper Co.,Ltd.
 CHUGAI PHARMACEUTICAL CO., LTD.
 Citizen Watch Co., Ltd.
 CKD Corporation
 CL Holdings Inc.
 CMIC HOLDINGS Co., Ltd.
 CMK CORPORATION
 COLOPL,Inc.
 COMANY INC.
 COMSYS Holdings Corporation
 Concordia Financial Group,Ltd.
 Core Concept Technologies Inc.
 COSMO ENERGY HOLDINGS COMPANY,LIMITED
 COSMOS Pharmaceutical Corporation
 CRESCO LTD.
 CTI Engineering Co.,Ltd.
 CUBE SYSTEM INC.
 CyberAgent,Inc.
 Cybernet Systems Co.,Ltd.
 Dai Nippon Printing Co.,Ltd.
 Dai Nippon Toryo Company,Limited
 DAIBIRU CORPORATION
 Daicel Corporation
 DAI-DAN CO.,LTD.
 DAIDO METAL CO.,LTD.
 Daido Steel Co.,Ltd.
 DAIFUKU CO.,LTD.
 DAIHO CORPORATION
 DAIICHI JITSUGYO CO.,LTD.
 Dai-ichi Life Holdings,Inc.
 DAIICHI SANKYO COMPANY, LIMITED
 DAIKEN CORPORATION
 Daiki Axis Co.,Ltd.
 DAIKIN INDUSTRIES, LTD.
 DaikyoNishikawa Corporation
 Daio Paper Corporation
 Daishi Hokuetsu Financial Group,Inc.
 DAISHINKU CORP.
 DAITO TRUST CONSTRUCTION CO.,LTD.
 Daitron Co.,Ltd.
 DAIWA HOUSE INDUSTRY CO.,LTD.
 Daiwa Securities Group Inc.

Daiwabo Holdings Co., Ltd.
 DCM Holdings Co., Ltd.
 DeNA Co.,Ltd.
 Denka Company Limited
 DENSO CORPORATION
 DENTSU GROUP INC.
 DESCENTE,LTD.
 Development Bank of Japan Inc.
 Dexerials Corporation
 DIAMOND ELECTRIC HOLDINGS Co.,Ltd.
 DIC Corporation
 dip Corporation
 DKS Co. Ltd.
 DMG MORI CO., LTD.
 DN HOLDINGS CO.,LTD.
 DOWA HOLDINGS CO.,LTD.
 DTS CORPORATION
 DUSKIN CO.,LTD.
 DYNAM JAPAN HOLDINGS Co.,Ltd.
 E.J Holdings Inc.
 E-AERA
 East Japan Railway Company
 East Nippon Expressway Co., Ltd.
 EBARA CORPORATION
 EBARA Foods Industry,Inc.
 Eco's Co, Ltd.
 EDION Corporation
 Eidai Co.,Ltd.
 EIKEN CHEMICAL CO.,LTD.
 Eisai Co.,Ltd.
 EIZO Corporation
 ELAN Corporation
 Electric Power Development Co.,Ltd.
 Elematec Corporation
 en Japan Inc.
 ENEOS Holdings, Inc.
 ENOMOTO Co.,Ltd.
 e-Seikatsu Co.,Ltd.
 ExaWizards Inc.
 EXEO Group, Inc.
 EY Japan Co., Ltd.
 FANCL CORPORATION
 FANUC CORPORATION
 FAST RETAILING CO.,LTD.
 FEED ONE CO., LTD.



List of Japanese Organizations Issuing Integrated Report in 2023

Source : CORPORATE VALUE REPORTING LAB

| | | | |
|---|---|---|--|
| FIDEA Holdings Co. Ltd. | HAZAMA ANDO CORPORATION | Impress Holdings, Inc. | Japanese Institute of Certified Public Accountants |
| Foster Electric Company, Limited | HEIWA PAPER CO.,LTD. | Inabata & Co.,Ltd. | JBCC Holdings Inc. |
| FP CORPORATION | HEIWA REAL ESTATE CO.,LTD. | Incorporated Administrative Agency | JCR Pharmaceuticals Co.,Ltd. |
| Freund Corporation | HEIWADO CO.,LTD. | Japan Housing Finance Agency | JDC CORPORATION |
| FUJI CORPORATION | Hibiya Engineering, Ltd. | Information Services International-Dentsu, Ltd. | JEOL Ltd. |
| FUJI ELECTRIC CO.,LTD. | HIOKI E.E. CORPORATION | (currently DENTSU SOKEN INC.) | JERA Co., Inc. |
| Fuji Oil Company, Ltd. | HIRATA Corporation | INFRONEER Holdings Inc. | JFE Holdings, Inc. |
| FUJI OIL HOLDINGS INC. | Hirogin Holdings, Inc. | INPEX CORPORATION | JGC HOLDINGS CORPORATION |
| FUJI OOZX Inc. | HIROSE ELECTRIC CO.,LTD. | Insource Co.,Ltd. | J-OIL MILLS, INC. |
| Fuji Pharma Co.,Ltd. | Hiroshima University | Internet Initiative Japan Inc. | Joshin Denki Co.,Ltd. |
| FUJI SEAL INTERNATIONAL,INC. | HISAMITSU PHARMACEUTICAL CO.,INC. | I-PEX Inc. | JSP CO.,LTD. |
| FUJICCO CO.,LTD. | Hitachi Construction Machinery Co.,Ltd. | ISEKI&CO.,LTD. | JSR CORPORATION |
| FUJIFILM Holdings Corporation | Hitachi Zosen Corporation | Setan Mitsukoshi Holdings Ltd. | JTEKT Corporation |
| Fujikura Ltd. | Hitachi, Ltd. | ISF NET, Inc | JUKI CORPORATION |
| FUJITEC CO.,LTD. | HITO-Communications Holdings,Inc. | ISHIHARA SANGYO KAISHA, LTD. | Juroku Financial Group,Inc. |
| FUJITSU GENERAL LIMITED | Hitotsubashi University | ISUZU MOTORS LIMITED | JVCKENWOOD Corporation |
| Fujitsu Limited | HOCHIKI CORPORATION | ITFOR Inc. | KADOKAWA CORPORATION |
| Fukui Computer Holdings,Inc. | HODEN SEIMITSU KAKO KENKYUSHO CO.,LTD. | ITO EN,LTD. | KAGA ELECTRONICS CO.,LTD. |
| Fukuoka Financial Group,Inc. | Hodogaya Chemical Co.,Ltd. | ITOCHU Corporation | KAGOME CO.,LTD. |
| Fukuoka REIT Corporation | HOGY MEDICAL CO.,LTD. | ITOCHU ENEX CO.,LTD. | KAJIMA CORPORATION |
| FUKUSHIMA GALILEI CO.LTD. | Hokkaido Electric Power Company,Inc. | ITOCHU Techno-Solutions Corporation | KAKEN PHARMACEUTICAL CO.,LTD. |
| FULLCAST HOLDINGS CO.,LTD. | Hokkaido University | ITOCHU-SHOKUJIN Co.,Ltd. | KAMEDA SEIKA CO.,LTD. |
| Funai Soken Holdings Incorporated | Hokkaido University of education | ITOHAM YONEKYU HOLDINGS INC. | KANADEN CORPORATION |
| FURUKAWA CO.,LTD. | HOKKO CHEMICAL INDUSTRY CO.,LTD. | ITOKI CORPORATION | Kanagawa Chuo Kotsu Co.,Ltd. |
| Furukawa Electric Co., Ltd. | Hokkoku Financial Holdings, Inc. | IWATANI CORPORATION | KANAMOTO CO.,LTD. |
| FURUNO ELECTRIC CO.,LTD. | Hokuetsu Corporation | Iwate University | Kanazawa University |
| FUTABA CORPORATION | Hokuhoku Financial Group, Inc. | IZUMI CO.,LTD. | KANDENKO CO.,LTD. |
| FUTABA INDUSTRIAL CO.,LTD. | Hokuriku Electric Power Company | J.FRONT RETAILING Co.,Ltd. | KANEKA CORPORATION |
| Fuyo General Lease Co.,Ltd. | HONDA MOTOR CO.,LTD. | JAC Recruitment Co., Ltd. | KANEMATSU CORPORATION |
| GLORY LTD. | H-ONE CO.,LTD. | JACCS CO.,LTD. | KANEMATSU ELECTRONICS LTD. |
| GOLDWIN INC. | HORIBA, Ltd. | JAFCO Group Co., Ltd. | Kanro Inc. |
| GS Yuasa Corporation | HOSHIZAKI CORPORATION | JANOME Corporation | KANSAI PAINT CO.,LTD. |
| G-TEKT CORPORATION | Hosiden Corporation | Japan Airlines Co., Ltd. | Kao Corporation |
| GUNZE LIMITED | House Foods Group Inc. | Japan Airport Terminal Co.,Ltd. | KATITAS CO., LTD. |
| H.I.S.Co.,Ltd. | HOYA CORPORATION | Japan Aviation Electronics Industry,Ltd. | Kawasaki Heavy Industries, Ltd. |
| H.U. Group Holdings, Inc. | Hulic Co., Ltd. | JAPAN CASH MACHINE CO.,LTD. | Kawasaki Kisen Kaisha, Ltd. |
| H2O RETAILING CORPORATION | IBIDEN CO.,LTD. | Japan Exchange Group, Inc. | KDDI CORPORATION |
| HAKUHODO DY HOLDINGS INCORPORATED | IBOKIN Co.,Ltd. | Japan Oil Transportation Co.,Ltd. | Keihan Holdings Co.,Ltd. |
| HAMAMATSU PHOTONICS K.K. | ICHIKOH INDUSTRIES, LTD. | Japan Petroleum Exploration Co.,Ltd. | Keihanshin Building Co.,Ltd. |
| Hamamatsu University School of Medicine | ICHINEN HOLDINGS CO.,LTD. | JAPAN POST BANK Co.,Ltd. | Keikyu Corporation |
| Hankyu Hanshin Holdings,Inc. | IDEC CORPORATION | JAPAN POST HOLDINGS Co.,Ltd. | Keio Corporation |
| HANWA CO.,LTD. | Idemitsu Kosan Co.,Ltd. | JAPAN POST INSURANCE Co.,Ltd. | Keisei Electric Railway Co.,Ltd. |
| HAPPINET CORPORATION | IDOM Inc. | JAPAN PULP AND PAPER COMPANY LIMITED | KENKO Mayonnaise Co.,Ltd. |
| HARIMA CHEMICALS GROUP,INC. | IHI Corporation | JAPAN SECURITIES FINANCE CO.,LTD. | Kewpie Corporation |
| HASEKO Corporation | IINO KAIUN KAISHA, LTD. | JAPAN TOBACCO INC. | KH Neochem Co.,Ltd. |



List of Japanese Organizations Issuing Integrated Report in 2023

Source : CORPORATE VALUE REPORTING LAB

KIKKOMAN CORPORATION
 KING JIM CO.,LTD.
 Kintetsu Department Store CO.,Ltd.
 Kintetsu Group Holdings Co.,Ltd.
 Kirin Holdings Company,Limited
 KISSEI PHARMACEUTICAL CO.,LTD.
 KITZ CORPORATION
 KOA CORPORATION
 KOBAYASHI PHARMACEUTICAL CO.,LTD.
 Kobe Electric Railway Co.,Ltd.
 Kobe Steel, Ltd.
 Kobe University
 KOEI CHEMICAL COMPANY,LIMITED
 KOEI TECMO HOLDINGS CO., LTD.
 Kojima Co.,Ltd.
 KOKUYO CO.,LTD.
 KOMATSU LTD.
 KOMEDA Holdings Co.,Ltd.
 KOMERI CO.,LTD.
 KOMORI CORPORATION
 KONDOTEC INC.
 KONICA MINOLTA, INC.
 Konoike Transport Co.,Ltd.
 KOSE Corporation
 KPMG in Japan
 KPP GROUP HOLDINGS CO., LTD.
 KROSAKI HARIMA CORPORATION
 K'S HOLDINGS CORPORATION
 KUBOTA CORPORATION
 Kumagai Gumi Co.,Ltd.
 Kumamoto University
 KUMIAI CHEMICAL INDUSTRY CO.,LTD.
 KURABO INDUSTRIES LTD.
 KURARAY CO.,LTD.
 Kurimoto, Ltd.
 Kurita Water Industries Ltd.
 KYB Corporation
 KYOCERA CORPORATION
 KYOEI STEEL LTD.
 Kyokuto Boeki Kaisha, Limited
 KYOKUYO CO.,LTD.
 KYORIN Pharmaceutical Co., Ltd.
 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
 Lacto Japan Co., Ltd.
 Lawson,Inc.
 LECIP HOLDINGS CORPORATION
 LEOPALACE21 CORPORATION
 LIFE CORPORATION
 Link and Motivation Inc.
 LINTEC Corporation
 Lion Corporation
 Livesense Inc.
 LIXIL Corporation
 LOGISTEED, Ltd.
 MABUCHI MOTOR CO.,LTD.
 Macbee Planet,Inc.
 MACNICA HOLDINGS, INC.
 MAEDA KOSEN CO.,LTD.
 Makino Milling Machine Co.,Ltd.
 MAKITA CORPORATION
 MANDOM CORPORATION
 MANI,INC.
 Marubeni Corporation
 MARUDAI FOOD CO.,LTD.
 Maruha Nichiro Corporation
 MARUI GROUP CO.,LTD.
 Maruichi Steel Tube Ltd.
 MARUKA FURUSATO Corporation
 Marumae Co.,Ltd.
 MARUYAMA MFG. CO., INC.
 MATSUDA SANGYO Co.,Ltd.
 MATSUI CONSTRUCTION CO.,LTD.
 MatsukiyoCocokara & Co.
 MAX CO.,LTD.
 Maxell, Ltd.
 Mazda Motor Corporation
 Mebuki Financial Group,Inc.
 MEDIA DO Co., Ltd.
 MEDIPAL HOLDINGS 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 ONE Corporation
 MIRARTH HOLDINGS,Inc.
 Mitsubishi Chemical Group Corporation
 Mitsubishi Corporation
 Mitsubishi Electric Corporation
 Mitsubishi Estate Company,Limited
 Mitsubishi Gas Chemical Company, Inc.
 Mitsubishi HC Capital Inc.
 Mitsubishi Heavy Industries, Ltd.
 Mitsubishi Kakoki Kaisha, Ltd.
 Mitsubishi Logisnext Co., Ltd.
 Mitsubishi Logistics Corporation
 Mitsubishi Materials Corporation
 MITSUBISHI MOTORS CORPORATION
 Mitsubishi Paper Mills Limited
 Mitsubishi Research Institute,Inc.
 Mitsubishi Shokuhin Co., Ltd.
 Mitsubishi Steel Mfg.Co.,Ltd.
 Mitsubishi UFJ Financial Group,Inc.
 MITSUI & CO.,LTD.
 Mitsui Chemicals,Inc.
 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.
 MIXI, Inc.
 Miyagi University of Education
 MIYAJI ENGINEERING GROUP,INC.
 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.
 Morooka Co., Ltd
 MOS FOOD SERVICES, INC.
 MrMax Holdings Ltd.
 MS&AD Insurance Group Holdings, Inc.

Murata Manufacturing Co., Ltd.
 MUSASHI SEIMITSU INDUSTRY CO.,LTD.
 Nabtesco Corporation
 Nagaoka University of Technology
 NAGASE&CO., LTD.
 Nagoya Railroad Co.,Ltd.
 Nankai Electric Railway Co.,Ltd.
 NARITA INTERNATIONAL AIRPORT CORPORATION
 NCS&A CO.,LTD.
 NCXX Group Inc.
 NEC Capital Solutions Limited
 NEC Corporation
 NEC Networks & System Integration Corp.
 Net One Systems Co.,Ltd.
 Neturen Co.,Ltd.
 NEXTAGE Co.,Ltd.
 NGK INSULATORS, LTD.
 NH Foods Ltd.
 NHK SPRING CO.,LTD.
 Nice Corporation
 NICHIAS CORPORATION
 NICHICON CORPORATION
 NICHIREI CORPORATION
 NICHIREKI CO.,LTD.
 NIDEK CO.,LTD.
 NIHON CHOUZAI Co.,Ltd.
 NIHON KOHDEN CORPORATION
 Nihon M&A Center Holdings Inc.
 NIHON PARKERIZING CO.,LTD.
 Niigata University
 NIKKISO CO.,LTD.
 NIKKO CO., LTD.
 NIKKON Holdings Co., Ltd.
 NIKON CORPORATION
 NIPPON CORPORATION
 Nippon Aqua Co.,Ltd.
 Nippon Carbide Industries Company,Inc.
 Nippon Carbon Co.,Ltd.
 NIPPON CHEMIPHAR CO.,LTD.
 NIPPON CONCRETE INDUSTRIES CO., LTD.
 Nippon Denko Co.,Ltd.
 Nippon Electric Glass Co.,Ltd.
 NIPPON EXPRESS HOLDINGS,INC.
 Nippon Fine Chemical Co.,Ltd.
 NIPPON GAS CO.,LTD.



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Source : CORPORATE VALUE REPORTING LAB

NIPPON KAYAKU CO.,LTD.
 Nippon Koei Co.,Ltd.
 Nippon Life Insurance Company
 Nippon Light Metal Holdings 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 SHARYO, 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 THOMPSON CO.,LTD.
 Nippon Yakin Kogyo Co.,Ltd.
 Nippon Yusen Kabushiki Kaisha
 Nishimatsu Construction Co.,Ltd.
 Nishi-Nippon Financial Holdings,Inc.
 NISHIO HOLDINGS CO., LTD.
 Nissan Chemical Corporation
 NISSAN TOKYO SALES HOLDINGS CO., LTD.
 NISSEI PLASTIC INDUSTRIAL CO.,LTD.
 Nissha Co., Ltd.
 NISSHIN SEIFUN GROUP INC.
 Nisshinbo Holdings Inc.
 NISSIN CORPORATION
 NISSIN FOODS HOLDINGS CO.,LTD.
 Nissui Corporation
 Niterra Co., Ltd.
 Nitori Holdings Co., Ltd.
 Nitta Corporation
 Nittetsu Mining Co.,Ltd.
 NITTO BOSEKI CO.,LTD.
 NITTO DENKO CORPORATION
 NITTOSEIKO CO., LTD.
 NJS Co.,Ltd.
 NOF CORPORATION
 NOHMI BOSAI LTD.
 NOMURA Co.,Ltd.

Nomura Holdings, Inc.
 Nomura Real Estate Holdings,Inc.
 Nomura Research Institute, Ltd.
 NORITAKE CO., LIMITED
 Noritsu Koki Co.,Ltd.
 NORITZ CORPORATION
 North Pacific Bank, Ltd.
 NS Solutions Corporation
 NS United Kaiun Kaisha, Ltd.
 NSD CO., LTD.
 NSK Ltd.
 NTT CORPORATION
 NTT DATA GROUP CORPORATION
 Obara Group Incorporated
 OBAYASHI CORPORATION
 OBIC Co.,Ltd.
 Odakyu Electric Railway Co.,Ltd.
 OHARA INC.
 OILES CORPORATION
 Oji Holdings Corporation
 OKABE CO.,LTD.
 OKAMURA CORPORATION
 OKASAN SECURITIES GROUP INC.
 Okayama University
 Oki Electric Industry Company,Limited
 Okinawa Financial Group,Inc.
 OKUMA Corporation
 OKUMURA CORPORATION
 OLYMPUS CORPORATION
 OMRON Corporation
 ONO PHARMACEUTICAL CO.,LTD.
 Open Up Group Inc.
 ORGANO CORPORATION
 Orient Corporation
 ORIENTAL LAND CO.,LTD.
 Oriental Shiraishi Corporation
 ORIX CORPORATION
 OSAKA GAS CO.,LTD.
 Osaka Kyoiku University
 OSAKA ORGANIC CHEMICAL INDUSTRY LTD.
 OSAKA SODA CO.,LTD.
 Osaka University
 Osaki Electric Co.,Ltd.
 OSG Corporation
 OTSUKA CORPORATION

Otsuka Holdings Co.,Ltd.
 OYO Corporation
 P.S.Mitsubishi Construction Co.,Ltd.
 PACIFIC INDUSTRIAL CO., LTD.
 PACIFIC METALS CO.,LTD.
 PALTAC CORPORATION
 Pan Pacific International Holdings Corp.
 Panasonic Energy Co., Ltd.
 Panasonic Holdings Corporation
 PARAMOUNT BED HOLDINGS CO., LTD.
 PARK24 Co.,Ltd.
 PCI Holdings,INC.
 PENTA-OCEAN CONSTRUCTION CO.,LTD.
 PERSOL HOLDINGS CO.,LTD.
 PIGEON CORPORATION
 POLA ORBIS HOLDINGS INC.
 Premium Group Co.,Ltd.
 PRESS KOGYO CO., LTD.
 Prima Meat Packers, Ltd.
 PRONEXUS INC.
 Proterial, Ltd.
 PROTO CORPORATION
 PwC Japan Group
 RAITO KOGYO CO.,LTD.
 RAKSUL INC.
 RAKUS Co., Ltd.
 Rakuten Group, Inc.
 Recruit Holdings Co.,Ltd.
 Rengo Co.,Ltd.
 Resona Holdings, Inc.
 Resonac Holdings Corporation
 RESORTTRUST,INC.
 RICOH COMPANY,LTD.
 RICOH LEASING COMPANY,LTD.
 RIKEN CORPORATION
 RIKEN KEIKI CO., LTD.
 RIKEN TECHNOS CORPORATION
 RIKEN VITAMIN CO.,LTD.
 RINNAI CORPORATION
 ROHM COMPANY LIMITED
 ROHTO PHARMACEUTICAL CO.,LTD.
 ROYAL HOLDINGS Co., Ltd.
 RYOBI LIMITED
 RYODEN CORPORATION
 RYOHIN KEIKAKU CO.,LTD.

S.ISHIMITSU&CO.,LTD.
 S.T.CORPORATION
 SAGA University
 Sagami Holdings Corporation
 Saitama University
 SAKATA INX CORPORATION
 SAKURA internet Inc.
 SALA CORPORATION
 San ju San Financial Group,Inc.
 Sangetsu Corporation
 SANGO CO.,LTD.
 SANIX INCORPORATED
 Sanken Electric Co.,Ltd.
 SANKI ENGINEERING CO.,LTD.
 Sankyo Tateyama,Inc.
 SANKYU INC.
 Sanoh Industrial Co., Ltd.
 Sansan,Inc.
 Sansha Electric Manufacturing Co.,Ltd.
 SANTEN PHARMACEUTICAL CO.,LTD.
 Sanwa Holdings Corporation
 SANYO CHEMICAL INDUSTRIES, LTD.
 SANYO DENKI CO.,LTD.
 Sanyo Electric Railway Co.,Ltd.
 Sanyo Homes Corporation
 Sanyo Special Steel Co.,Ltd.
 Sanyo Trading Co.,Ltd.
 SAPPORO HOLDINGS LIMITED
 SATO HOLDINGS CORPORATION
 SAWAI GROUP HOLDINGS Co., Ltd.
 SBI Holdings, Inc.
 SBI Shinsei Bank, Limited
 SBS Holdings,Inc.
 Scala,Inc.
 SCREEN Holdings Co.,Ltd.
 Scroll Corporation
 SCSK Corporation
 SECOM CO.,LTD.
 SEED CO.,LTD.
 SEGA SAMMY HOLDINGS INC.
 SEIBU HOLDINGS INC.
 SEIKA CORPORATION
 SEIKAGAKU CORPORATION
 SEIKITOKYU KOGYO CO.,LTD.
 SEIKO EPSON CORPORATION



List of Japanese Organizations Issuing Integrated Report in 2023

Source : CORPORATE VALUE REPORTING LAB

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| SEIKO GROUP CORPORATION Sekisui Chemical Co.,Ltd. Sekisui House,Ltd. Sekisui Kasei Co., Ltd. SENKO Group Holdings Co.,Ltd. Senshu Ikeda Holdings,Inc. SENSHUKAI CO.,LTD. SEPTENI HOLDINGS CO.,LTD. Seven & i Holdings Co., Ltd. Seven Bank,Ltd. SG HOLDINGS CO.,LTD. Sharp Corporation SHIBAURA ELECTRONICS CO.,LTD. SHIBAURA MACHINE CO., LTD. SHiDAX CORPORATION SHIFT Inc. Shiga University SHIGA University of medical science Shikoku Electric Power Company,Inc. SHIKOKU KASEI HOLDINGS CORPORATION SHIMA SEIKI MFG.,LTD. Shimadzu Corporation SHIMANE University SHIMIZU CORPORATION Shin Nippon Air Technologies Co.,Ltd. SHIN NIPPON BIOMEDICAL LABORATORIES,LTD. SHINAGAWA REFRACTORIES CO.,LTD. Shin-Etsu Chemical Co.,Ltd. Shinkin Central Bank ShinMaywa Industries, Ltd. Shinsho Corporation Shinshu University Shionogi & Co.,Ltd. Shiseido Company,Limited Shizuoka Financial Group,Inc. SHO-BOND Holdings Co., Ltd. SHOFU INC. Showa Sangyo Co.,Ltd. SIGMAKOKI CO., LTD. SIIX CORPORATION SINANEN HOLDINGS CO.,LTD. Sintokogio,Ltd. SK-Electronics CO.,LTD. SKY Perfect JSAT Holdings Inc. SKYLARK HOLDINGS CO., LTD. | SMC CORPORATION SMK Corporation Sodick Co.,Ltd. SoftBank Corp. SoftBank Group Corp. SOHGO SECURITY SERVICES CO.,LTD. Sojitz Corporation Solaseed Air Inc. Sompo Holdings, Inc. Sony Financial Group Inc. SONY GROUP CORPORATION Sotetsu Holdings, Inc. Stanley Electric Co.,Ltd. Starzen Company Limited SUBARU CORPORATION SUGI HOLDINGS CO., LTD. Suminoe Textile Co.,Ltd. Sumitomo Bakelite Company Limited SUMITOMO CHEMICAL COMPANY,LIMITED SUMITOMO CORPORATION 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 Finance and Leasing Co.,Ltd. Sumitomo Mitsui Financial Group, Inc. Sumitomo Mitsui Trust Holdings,Inc. Sumitomo Osaka Cement Co.,Ltd. Sumitomo Pharma Co., Ltd. Sumitomo Realty & Development Co.,Ltd. Sumitomo Riko Company Limited Sumitomo Rubber Industries, Ltd. Sumitomo Seika Chemicals Company, Limited SUNDRUG CO.,LTD. Suruga Bank Ltd. SUZUKEN CO.,LTD. SUZUKI MOTOR CORPORATION SWCC Corporation SUXMEX CORPORATION T&D Holdings,Inc. TACHIBANA ELETECH CO.,LTD. TACHIKAWA CORPORATION TADANO LTD. | TAIHEIYO CEMENT CORPORATION TAIHO KOGYO CO.,LTD. TAIJU LIFE INSURANCE COMPANY LIMITED Taikisha Ltd. TAISEI CORPORATION TAIYO HOLDINGS CO., LTD. TAIYO YUDEN CO., LTD. TAKAMATSU CONSTRUCTION GROUP CO.,LTD. Takamiya Co.,Ltd. TAKAOKA TOKO CO., LTD. TAKARA & COMPANY LTD. TAKARA HOLDINGS INC. Takasago Thermal Engineering Co.,Ltd. TAKASHIMA & CO.,LTD. Takeda Pharmaceutical Company Limited TAKENAKA CORPORATION Tamron Co.,Ltd. TAMURA CORPORATION TANABE CONSULTING GROUP CO.,LTD. TANSEISHA CO.,LTD. TAOKA CHEMICAL COMPANY,LIMITED TBK Co., Ltd. TBS HOLDINGS,INC. TDK Corporation TECHMATRIX CORPORATION TechnoPro Holdings,Inc. TECNOS JAPAN INCORPORATED TEIJIN LIMITED TEKKEN CORPORATION TERUMO CORPORATION T-Gaia Corporation The 77 Bank, Ltd. THE AKITA 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 Hyakugo Bank, Ltd. The Hyakujushi Bank, Ltd. The Iyo Bank, Ltd. The Japan Steel Works, Ltd. THE JAPAN WOOL TEXTILE CO., LTD. The Kansai Electric Power Company,Inc. The Keiyo Bank, Ltd. The Kiyo Bank, Ltd. The Miyazaki Bank, Ltd. The Musashino Bank, Ltd. The Nanto Bank, Ltd. THE NIPPON ROAD CO.,LTD. The Nisshin Oil&I Group, Ltd. The Norinchukin Bank The Ogaki Kyoritsu Bank, Ltd. THE OITA BANK,LTD. The Okinawa Electric Power Company,Inc. The San-in Godo Bank, Ltd. The Shibusawa Warehouse Co.,Ltd. THE SHIGA BANK, LTD. THE SHIMANE BANK,LTD. The Shoko Chukin Bank, Ltd. THE TAIKO BANK,LTD. THE TOCHIGI BANK, LTD. The Toho Bank, Ltd. The Yamagata Bank, Ltd. The Yamanashi Chuo Bank, Ltd. The Yokohama Rubber Company,Limited THK CO.,LTD. ThreeHigh Co., Ltd. TIS Inc. TOA CORPORATION TOA ROAD CORPORATION TOAGOSEI CO.,LTD. TOBISHIMA CORPORATION TODA CORPORATION TOEI ANIMATION CO.,LTD. Toho Acetylene Co.,Ltd. TOHO Co.,Ltd. TOHO GAS CO.,LTD. TOHO TITANIUM COMPANY, LIMITED. Toho Zinc Co.,Ltd. Tohoku Electric Power Company,Inc. |
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List of Japanese Organizations Issuing Integrated Report in 2023

Source : CORPORATE VALUE REPORTING LAB

| | | |
|--|------------------------------------|-------------------------------------|
| Tohoku University | TOYODA GOSEI CO.,LTD. | YAMAE GROUP HOLDINGS CO.,LTD. |
| TOKAI CARBON CO.,LTD. | Toyohashi University of Technology | Yamagata University |
| Tokai National Higher Education and Research System | TOYOTA BOSHOKU CORPORATION | Yamaguchi Financial Group,Inc. |
| TOKAI RIKA CO.,LTD. | TOYOTA INDUSTRIES CORPORATION | YAMAHA CORPORATION |
| Tokai Tokyo Financial Holdings, Inc. | TOYOTA TSUSHO CORPORATION | Yamaha Motor Co.,Ltd. |
| Tokio Marine Holdings, Inc. | TPR CO., LTD. | YAMATO HOLDINGS CO.,LTD. |
| Tokushu Tokai Paper Co.,Ltd. | transcosmos inc. | YAMAZEN CORPORATION |
| Tokuyama Corporation | TRE HOLDINGS CORPORATION | YAOKO CO.,LTD. |
| Tokyo Century Corporation | Tri Chemical Laboratories Inc. | YASKAWA Electric Corporation |
| TOKYO DOME CORP. | TRUSCO NAKAYAMA CORPORATION | YASUHARA CHEMICAL CO.,LTD. |
| Tokyo Electric Power Co. Holdings,Inc. | TS TECH CO.,LTD. | YKK AP Inc. |
| Tokyo Electron Limited | TSUBAKIMOTO CHAIN CO. | YKK Corporation |
| TOKYO GAS CO.,LTD. | TSUKADA GLOBAL HOLDINGS Inc. | Yokogawa Bridge Holdings Corp. |
| Tokyo Kiraboshi Financial Group, Inc. | TSUKISHIMA HOLDINGS CO., LTD. | Yokogawa Electric Corporation |
| TOKYO OHKA KOGYO CO.,LTD. | Tsukuba Bank,Ltd. | Yokohama National University |
| TOKYO SEIMITSU CO.,LTD. | Tsukuba University of Technology | YOKOREI CO.,LTD. |
| Tokyo Tatemono Co.,Ltd. | TSUMURA & CO. | YOKOWO CO.,LTD. |
| Tokyo University of Agriculture and Technology | TSURUHA HOLDINGS INC. | YONDENKO CORPORATION |
| TOKYU CONSTRUCTION CO.,LTD. | TSUZUKI DENKI CO.,LTD. | YOROZU CORPORATION |
| TOKYU CORPORATION | UACJ Corporation | YOSHINOYA HOLDINGS CO.,LTD. |
| Tokyu Fudosan Holdings Corporation | UBE Corporation | YOTAI REFRACTORIES CO.,LTD. |
| TOLI Corporation | ULVAC, Inc. | YUASA TRADING CO.,LTD. |
| TOMONY Holdings,Inc. | UNICHARM CORPORATION | YURTEC CORPORATION |
| TOMY COMPANY,LTD. | UNITED ARROWS LTD. | YUSHIN PRECISION EQUIPMENT CO.,LTD. |
| TOPCON CORPORATION | United Super Markets Holdings Inc. | Z Holdings Corporation |
| TOPPAN INC. | UNITIKA LTD. | ZENKOKU HOSHO Co.,Ltd. |
| TOPY INDUSTRIES,LIMITED | UNIVERSITY OF FUKUI | ZEON CORPORATION |
| TORAY INDUSTRIES, INC. | University of the Ryukyus | ZIGExN Co.,Ltd. |
| TOSHIBA CORPORATION | University of Tokyo | ZOJIRUSHI CORPORATION |
| TOSHIBA TEC CORPORATION | University of Tsukuba | ZOZO,Inc. |
| TOSOH CORPORATION | USEN-NEXT HOLDINGS Co.,Ltd. | |
| TOTETSU KOGYO CO.,LTD. | USHIO INC. | |
| TOTO LTD. | USS Co.,Ltd. | |
| TOWA CORPORATION | UT Group Co.,Ltd. | |
| TOWA PHARMACEUTICAL CO.,LTD. | Uzabase, Inc. | |
| TOYO DENKI SEIZO K.K. | VECTOR INC. | |
| TOYO ENGINEERING CORPORATION | VIS co., ltd. | |
| TOYO INK SC HOLDINGS CO., LTD. (currently artience Co., Ltd.) | VITAL KSK HOLDINGS,INC. | |
| TOYO KANETSU K.K. | Wacom Co., Ltd. | |
| TOYO MACHINERY & METAL Co., Ltd. | WAKACHIKU CONSTRUCTION CO.,LTD. | |
| Toyo Seikan Group Holdings, Ltd. | WELCIA HOLDINGS CO., LTD. | |
| TOYO TANSO CO.,LTD. | West Japan Railway Company | |
| Toyo Tire Corporation | WILL GROUP,INC. | |
| TOYOBO CO.,LTD. | WingArc1st Inc. | |
| | YAMADA HOLDINGS CO.,LTD. | |



Glossary

ACGA Asian Corporate Governance Association

BCTI The Business Commission to Tackle Inequality

CDP Carbon Disclosure Project

COP27 "The 27th session of the Conference of the Parties (held in Sharm El-Sheikh, Egypt, in 2022)"

COP28 "The 28th session of the Conference of the Parties (held in Dubai, UAE, in 2023)"

CSRD Corporate Sustainability Reporting Directive

EC European Commission

ESG Environmental, social and governance

ESRS European Sustainability Reporting Standards

EU European Union

GHG Greenhouse Gas

IAASB International Auditing and Assurance Standards Board

IASB International Accounting Standards Board

ICGN International Corporate Governance Network

IESBA International Ethics Standards Board for Accountants

IIRC International Integrated Reporting Council

ISSA International Standard on Sustainability Assurance

ISSB International Sustainability Standards Board

PRI Principles for Responsible Investment

SSBJ Sustainability Standards Board of Japan

TCFD Task Force on Climate-related Financial Disclosures

TNFD Taskforce on Nature-related Financial Disclosures

US SEC United States Securities and Exchange Commission

WBCSD World Business Council for Sustainable Development

Afterword

We are delighted that this report has been useful to many people over the past ten years. We would like to express our profound gratitude for this support and for the wide-ranging feedback we have received. This has created a platform where we can help to enrich the discussion around making business reporting better than ever before.

The year 2023 was one of increasing uncertainty due to unstable global conditions, the spread of social fragmentation, and the worsening of environmental and social issues. Given these circumstances, the dialogue at the Annual Meeting of the World Economic Forum in January 2024 was focused on transparency, consistency, and accountability, with “Rebuilding Trust” as the theme. In corporate reporting also, we will likely see an increase in the use of information as progress is made on the development of reporting standards including sustainability information, as well as an even greater emphasis on improving the credibility of reporting content.

At present, we understand that many companies are taking steps to comply with the EU’s European Sustainability Reporting Standards (ESRS) in addition to the IFRS Sustainability Disclosure Standards, which serve as a global baseline. No matter which reporting standards are used, the starting point for considering the content of corporate reporting is the recognition of the organization’s materiality. We believe that the practice of connecting report content with the issues that the board and management have determined to be truly material is essential to the credibility of corporate reports. This is why we have continued to focus on materiality throughout this survey.

In terms of developments designed to improve the credibility of report content, there has been progress in discussion of mandatory third-party assurance for sustainability information and the development of assurance standards. In 2023, the US Committee of Sponsoring Organizations (COSO) released the *Achieving Effective Internal Control Over Sustainability Reporting Supplemental Guidance* using its Internal Control-Integrated Framework (revised in 2013) while France released *Limited Assurance Engagement on Sustainability Information, Guidelines*, and an exposure draft was released for the *International Standard on Sustainability Assurance (ISSA) 5000 General Requirements for Sustainability Assurance Engagements* covering limited and reasonable assurance. These should also be used as references for developing internal controls for sustainability information and collecting high-quality information.

Reports with content that is clearly linked to the company’s recognition of materiality must be prepared on the basis of information collected under appropriate internal controls. If done in this manner, the reporting will help to improve the quality of decision-making not only for investors and other external stakeholders, but also for the company itself.

We hope that this report will contribute to the various dialogues involving all those who are part of the never-ending journey of corporate reporting, and we look forward to receiving your continued feedback.

April 2024
KPMG Sustainable Value Service 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" by providing multifaceted support to enhance the longterm value of companies that help realize a sustainable society.

Our website

KPMG in Japan's Sustainable Value website provides insights that contribute to changes in organizations aspiring to achieve sustainable value by resolving social issues.

[KPMG in Japan Sustainable Value website](https://kpmg.com/jp/sustainable-value)

kpmg.com/jp/sustainable-value

KPMG Japan Insight Plus for members only (Japanese only)

"KPMG Japan Insight Plus" is a website that offers seminars and video contents, etc. by KPMG in Japan member firms to registered members only. To receive email alert for new contents added by KPMG Sustainable Value Services Japan, please select "Sustainability" as a topic of interest when you sign up to become a member.

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