Survey of Corporate Reports in Japan 2022

KPMG Sustainable Value Services Japan

April 2023

Foreword of the "Survey of Corporate Reports in Japan 2022"

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

ICGN appreciates that many Japanese companies publish Integrated Reports and are taking efforts to improve report quality and we respectfully suggest ways in which further progress can be achieved.

Accessing corporate governance and sustainability related information in Japan can be difficult given the dispersed nature of corporate reporting with various elements required under different authorities, e.g., the Securities Law and Companies Act. For example, such disclosure can be found in the Integrated Report and the Securities Report (Yuho), Earning Report (Kessan Tanshin), Corporate Governance Report, Notice of General Shareholder Meetings, etc. Consolidating the information into the Securities Report will help investors assess the status of companies in terms of their financial, sustainability and corporate governance performance, and therefore enable them to make considered judgements when engaging with companies or voting.

ICGN also recommends that the Securities Report be published in English by all JPX Prime Market listed companies 30 days in advance of the AGM, noting that current practice is to publish post AGM. The Securities Report provides valuable information for shareholders around the business model, corporate strategy, audited financial results, Key Audit Matters, and other corporate governance related information. We also urge the company Notice of the Annual General meeting be published in English by all JPX Prime Market listed companies.

Ultimately corporate sustainability reporting should reflect the complexities inherent in a contemporary business by blending financial, human, and natural capital considerations in the context of a company's current and future strategic direction. Sustainability reporting should support and enhance the information in the financial statements and help investors to form an assessment of the company's position, performance, and long-term prospects.

We welcome efforts by the Financial Services Agency to revise the Ordinance to improve sustainability and corporate governance related disclosure by Japanese listed companies. Such companies will be required to disclose their policies and measures in the "Governance" and "Risk Management" section of the Yuho, as well as identifying matters which are "material" in "strategy" and "Metrics and Targets". This accords with the framework provided by the global sustainability standard drafts issued by International Sustainability Standards Board as well as the Taskforce for Climate Related Financial Disclosures. This will enhance corporate governance and sustainability disclosure and help improve dialogue with global investors and stakeholders in our mutual endeavor to preserve and enhance long-term corporate value creation.

Investors also expect auditors to ensure that sustainability related assumptions and judgements are sound, and that the financial statements provide a fair representation of a company's economic health. While it may take some time for auditors to build capacity to provide this level of assurance, ICGN welcomes enhanced regulatory scrutiny to expedite greater use of existing rules published by authorities such as the IAASB.

ICGN welcomes the survey work conducted by KPMG which helps clarify the current status of corporate reporting in Japan, thereby helping us all to continually improve long term value creation.

Kerrie Warring
CEO, International Corporate Governance Network (ICGN)

If I had to sum up 2022 in one phrase, I think it would have to be "the beginning of the beginning." This year was marked by various events that will likely affect Japanese companies' management and disclosure going forward, including the reorganization of the Tokyo Stock Exchange in April, the establishment of the Sustainability Standards Board of Japan in July, and the release of the draft amendments to "Japanese Cabinet Office Ordinance on the Disclosure of Corporate Affairs" in November. While it is true that not all of this has been finalized, they are each currently moving forward. As such, this *Survey of Corporate Reports in Japan*, which provides clear and consistent information on how Japanese companies are responding to these developments, is laudable for its significant contributions.

The fiscal 2022 survey report has been consolidated into sections on Materiality, Next Steps for Adapting to Advances in Reporting, and thematic surveys. Thematic surveys includes the particularly noteworthy topics of climate change and human capital. Disclosure of non-financial information is unique in that one standardized form does not always fit for all. This means that companies are to decide for themselves on the best words to use to disclose this information. For example, the integrated reports released by companies in 2022 include special sections on initiatives to promote the participation of women, but we did not see many reports that clearly defined the conditions that would qualify as full participation. Women serving in management positions would be one example, but is merely holding such a role necessarily equivalent to full participation? In this respect, there is still room for companies to improve. However, we are beginning to see reports that clearly convey the company's strong motivation to thoroughly debate these issues and improve management and disclosure. I was also left with the overall impression that, in recent years, the differences in how companies approach their reporting content have been growing.

Up until now, Japanese companies have tended to view information disclosure as a task that can be left up to a veteran manager who is well-versed in disclosure systems that use a rule-based approach. When it comes down to it, integrated reports are disclosure documents, but in order to create such a report, companies must improve their management based on integrated thinking. In effect, senior corporate leaders must adopt integrated thinking. President's messages written by leaders who have embedded integrated thinking are well worth reading, and when I've told them so, they usually tell me with a smile that they wrote many drafts to get it right.

Calls for the disclosure of non-financial information are growing, but there are plenty of senior leaders who still wonder what the benefit of providing this information is. In this sense, the way in which a company practices information disclosure is essentially a mirror that reflects the company's stance on management. I think that the *Survey of Corporate Reports in Japan*, which brings into focus how Japanese companies are approaching corporate reporting, is a crucial compass for the many Japanese companies facing the "beginning of the beginning."

Shoichi Tsumuraya
Professor, Graduate School of Business Administration, Hitotsubashi University

Introduction

Ever since the first report entitled *Survey of Integrated Reporting in Japan* 2014 was published in 2015, KPMG has published this survey report every year. This is its ninth year. Along the way, we began surveying and carrying out a comparative analysis of securities reports in 2019, and further expanded our coverage to include sustainability reporting in 2021. We also changed the title of the report to *Survey of Corporate Reports in Japan* in 2021. We are very grateful that so many readers both in and outside Japan have used this report with interest.

So many events occurred in 2022 that this really was a watershed year for the future of corporate reporting. In Japan, the revised Cabinet Office Ordinance on the Disclosure of Corporate Affairs was released, which included a recommendation to add a new section on companies' sustainability initiatives to Annual Securities Reports. Outside Japan, the International Sustainability Standards Board (ISSB) released its first public draft of the standards that they provide to as the global baseline, and discussions are underway to finalize these standards. In Europe, the European Financial Reporting Advisory Group (EFRAG) released part of the first draft of the European Sustainability Reporting Standards. In addition, the US Securities and Exchange Commission (SEC) released its draft climate disclosure rules. We expect these overseas reporting standards to have an impact on Japan's corporate reporting system, going forward.

Sustainability reporting is intended to ensure that companies are held accountable by stakeholders, especially investors, on wide-ranging ESG issues throughout the entire value chain. A wide range of sustainability related reporting standards are being developed and will go into effect in the near future. This means that companies will face even more pressure to determine their own materiality and proactively consider what and how they want to report information. Companies will also have to consider how best to consolidate the high volume of information while ensuring they remain reliable. This implies they will also have to review their processes for ensuring credibility, including redesigning internal controls.

Transparency is absolutely essential for explaining to stakeholders how each company is working to create sustainable value by taking unique initiatives to help solve the wide range of sustainability issues that face the world. At KPMG, we hope to fulfill our purpose, "Inspire Confidence. Empower Change," by supporting these efforts.

I hope that this report will be helpful for all the companies that are working to upgrade their corporate reporting.

Yoshihide Takehisa
Head
KPMG Sustainable Value Services Japan

Contents

The content of this report is based on information publicly available in and outside Japan as of January 31, 2023.
We recommend that readers check the websites of policymakers and organizations involved in corporate reports for content released by organizations since then.

About the survey

Purpose and background

KPMG Sustainable Value Services Japan (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 companies"; see page 71).

To ensure continuity with the surveys of the past eight years, the "Survey of Integrated report" section (pages 65-70) covers the reports not only of the Nikkei 225 Index, but also all the other organizations (884 organizations in total; see pages 72-76) included in the List of Japanese Organizations Issuing Self-Declared Integrated Reports in 2022, 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 below.

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 Dialogues 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*
- Cabinet Office (2022), *Guidelines on Making Human Capital Visible* (Japanese only)
- ISSB (2022), *Exposure Draft IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information*
- ISSB (2022), *Exposure Draft IFRS S2 Climate-related Disclosures*
- Task Force on Climate-related Financial Disclosures (2017), *Recommendations of the Task Force on Climate-related Financial Discourses (Final Report)*
- TCFD (2021), *Guidance on Metrics, Targets, and Transition Plans*

Key recommendations

Conveying insights into corporate value by telling a story from the perspective of the person responsible for management

Whether the report is in the form of an integrated report, securities report or sustainability reporting, companies are working to enhance both the quality and the volume of their reports. We attribute this to the establishment of frameworks and standards for reporting on sustainability information, a focus on trends in legal systems and stakeholders' interests, and the efforts of Japanese companies to meet these expectations.

That said, while the volume of information is increasing as a result of efforts to meet the greater need for sustainability information, we saw many cases in which reports did not clearly explain how their sustainability efforts are linked to corporate value or what impact they are expected to have on the economy, environment and society.

It is crucial that reports explain the value the company offers based on its own purpose, and how this effort helps to improve its own value, as well as what the company believes is important in order to achieve this. The weighting given to different types of content in the report will differ depending on the company's stakeholders. However, we think it is particularly important for a company to convey how its own initiatives are linked to corporate value, the economy, environment and society from the perspective of the person responsible for management. With this goal in mind, we recommend that reports include the following topics.

Key recommendations

01

Clarify the rationale used in determining what is material in the report, and carefully explain the context for making this decision.

Every year, more companies explain their strategies, and progress on them, together with the results of a materiality analysis. However, when we looked at the content that was deemed material, we saw many cases in which a range of ESG issues that have been attracting greater attention in recent years were listed without any emphasis . This made it difficult to understand the differences between individual companies, or even between industries. One unique feature of ESG issues is that a company's impact on an issue can be different from another company's if the companies' business models or industry characteristics are different. Not only that, even if the same material issue is identified, the reported content should be different depending on the objective of the reporting medium. We think part of the reason for this homogeneity of reports is that, although companies described the content they considered material, they left the process they used to consider these matters vague.

Even if a wide range of material matters is mentioned in the reports, this is not necessarily a problem if the board and management has decided that all of them are truly material to the company's pursuit of its purpose and efforts to improve corporate value, and this is actually reflected in management's decision-making. However, among the reports we surveyed, in many cases we could not adequately understand whether what was mentioned as material really was considered material in management decisions.

The report must explain both the perspectives from which the company made its decisions on materiality and the rationale used to make those decision including its decision-making process. Only then can a report succinctly convey to readers the shared understanding of the board and management on the materiality that forms the core of management decision-making.

Are these points conveyed?

- ✓ As a premise for assessing materiality, what is the board' and management's outlook for the business environment (both external and internal)?
- ✓ What are major risks and opportunities expected as the company works to achieve its purpose, given this outlook?
- ✓ What positive and negative impacts are expected in relation to identified material matters (given the timeframe, extent of impact, and likelihood of occurrence)? Moreover, how does the company view inter-relationship of those impacts?
  - What is an impact that these material matters could have on the organization's ability to create value over time?
  - What is an impact that the organization could have on the economy, environment and society in relation to these material matters?
- ✓ Do the board and management proactively discuss various material matters and share an understanding of those?

Key recommendations

02

Convey how corporate governance underpins value creation

Has the company analyzed what drivers generate corporate value and what factors might impair it, and does the company pursue strategies established based on this analysis? Moreover, what role should the board of directors play? The scope and substance of these responsibilities can differ depending on the governance style adopted by each company. However, we expect boards of directors to set the direction for the organization while developing a strategic outlook the future from a comprehensive, long-term perspective, and to correct course occasionally while underpining sustainable management.

Do directors possess adequate insight into the issues that the organization has identified as material, and if so, who has an expertise on each issue? Does a compensation system act as an incentive for achieving its objectives and will address the issues identified in the materiality analysis? Reports that provide answers to questions like these show the reader that the board has a solid understanding of the materiality discussed in the report and that the board is responsible for the strategies established.

As corporate governance reforms move forward, the volume of information on corporate governance included in securities reports and integrated reports in particular has increased. However, in order to explain the corporate governance functions—the mechanisms that support a company's sustainable value creation—and their status, simply listing the bare minimum of information to meet standard requirements is not enough. Only an explanation linked with a value creation story can give readers truly valuable insights.

Are these points conveyed?

- ✓ What skills and knowledge are the board of directors establishing to oversee the initiatives and strategies related to matters identified as material?
- ✓ Are the organizations responsible for overseeing the major risks and opportunities related to material matters, as well as the individuals making up these organizations, clearly identified?
- ✓ Is compensation linked to what they identifies as material or strategies built based on materiality analysis?

Key recommendations

03

Go beyond disclosure done merely to comply with regulatory requirements, and instead prepare reports that convey insights into corporate value

Currently, ISSB is developing standards that will serve as the global baseline for disclosing sustainability information. We see many attempts to incorporate requirements on the disclosure of sustainability information in the corporate reporting systems of countries and regions around the world. In Japan as well, securities reports have been required to disclose sustainability information since the fiscal year ending in March 2023. Public interest in sustainability is high, and it is expected to have a financial impact on many companies in the medium to long term.

In assessing corporate value, many investors and other stakeholders seek comparability in the information thought to affect corporate value. As a result, we expect this to be incorporated in disclosure and to form the baseline when considering the content of reports. However, simply limiting the objective of disclosure to legal compliance and providing only the bare minimum of information required to comply with rules will not ensure that companies' initiatives are assessed appropriately. For this reason, we think it is important to provide background information that complement the significance of the disclosed information, as well as explanations in line with outlook based on an analysis of current conditions. Moreover, by adding their own metrics, without simply sticking to the scope of standard requirements, companies will be better able to convey their own unique vision.

Even as disclosure requirements expand going forward, we think readers will be looking for companies to do more than simply take steps to comply with disclosure requierements. Rather, readers will want companies to offer their own insights into how their activities will increase corporate value and corporate sustainability, and also to show willingness to proactively dialogue with stakeholders. Such reports can become the base for constructive dialogue with investors and other stakeholders, and would be aligned with the recommendations in the report by the Financial System Council's Working Group on Corporate Disclosure and the intention of program reforms based on it.

Are these points conveyed?

- ✓ What are the metrics used to monitor the progress on and outlook for achieving the value creation story?
- ✓ What is the reason for using these metrics for monitoring?
- ✓ What views does management hold on the current conditions and outlook as a result of monitoring (how do they perceive current conditions, based on factors that could influence results and an analysis of any shortfall on objectives)?

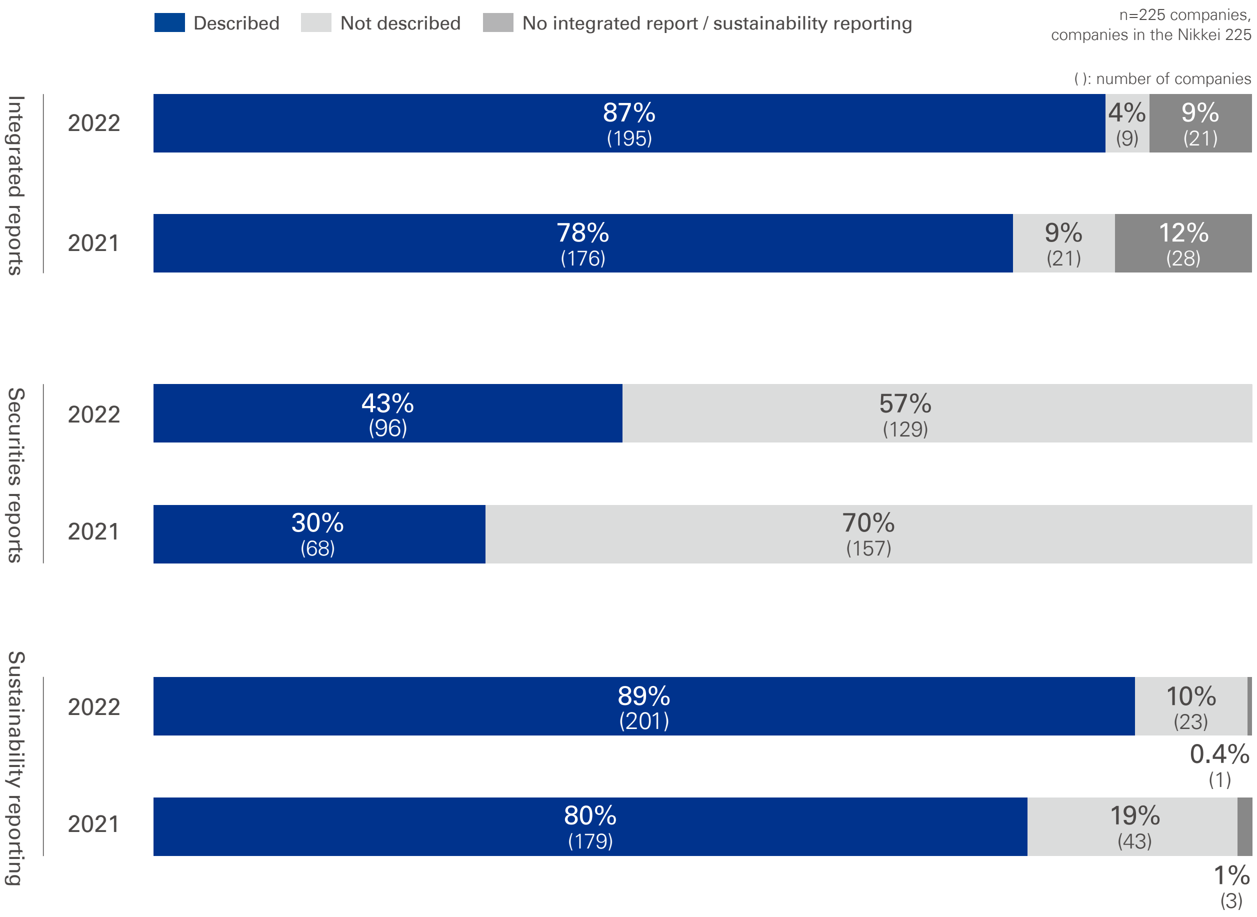
Materiality

More reports laid out what is material, but thorough explanations with a targeted focus would better enhance reader understanding

More reports indicated what is material from short-, medium- and long-term perspectives, compared to the previous year, across all the reporting mediums that we surveyed. Over 80% of integrated reports and sustainability reporting provided these perspectives, as did more than 40% of securities reports, even though their primary purpose is to report on financials (Figure 1-1).

The concept of materiality has been incorporated into frameworks for corporate reporting developed by GRI and the Integrated International Reporting Council (IIRC; currently integrated with the IFRS Foundation), and most Japanese companies' reports referred to these frameworks as they prepared their voluntary reports. In addition, materiality has become a key concept in standard-development for global sustainability reporting. We think this has led to a growing awareness that presenting the company's thoughts on materiality is an indispensable element in reports.

Figure 1-1 Materiality



Source: *Survey of Corporate Reports in Japan 2022*, KPMG in Japan

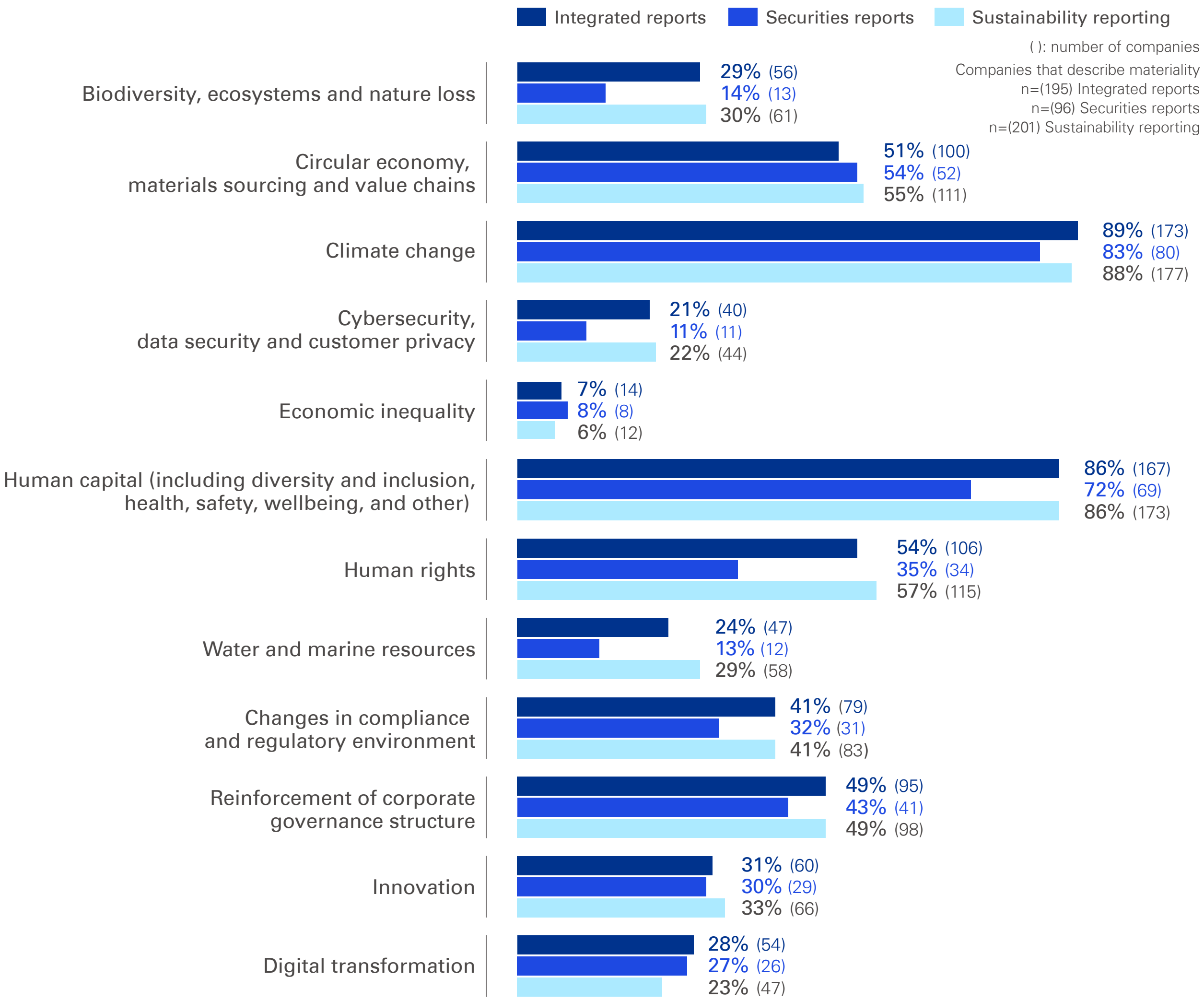
More reports laid out what is material, but thorough explanations with a targeted focus would better enhance reader understanding (cont'd)

To survey companies' understanding of materiality, we looked at what companies identified as material, looking at the themes of compliance, governance, innovation, and digital transformatoin, as well as the eight themes that were listed in the ISSB's July 2022 meeting agenda as those that should possibly be considered in standards development in the future (12 themes in total). Many reports deemed climate change and human capital to be material (Figure 1-2).

In light of the impact of the information needs of investors who make global investment decisions as well as trends in Japan's disclosure requirements (see Spotlight 08 on page 34 for further information), many companies seem to have decided that these two themes are material.

As with markets, economies and supply chains are increasingly globalizing as they extend across countries and regions. Accordingly, the scope of factors that could affect companies has also expanded to a global scale, and many companies share a similar awareness of the issues. Thus, it is only natural that there should be many similarities among the issues that companies deem material.

Figure 1-2 Topics deemed material



Source: *Survey of Corporate Reports in Japan 2022*, KPMG in Japan

More reports laid out what is material, but thorough explanations with a targeted focus would better enhance reader understanding

(cont'd)

However, the areas that a company expects will affect its business, as well as the timing and extent of that impact, will differ depending on the unique situation of each company and its outlook for the business environment. For this reason, clear explanations of the assumptions and context for materiality assessments, as well as the risk assessments and action plans built on the results of these assessments, can help the reader gain a deeper understanding of the company's thinking and serve as helpful information in assessing the company appropriately.

At the same time, about 20-50% of companies see many issues other than climate change and human capital as material. We felt that many companies identified a larger number of material issues. The number of issues each company deemed material was not quantified under this survey, but we note that many companies listed as many as around 10 issues.

If the information needed to understand the impact that material issues could have on a company is not explained adequately, the reader will have difficulty getting clarity about whether all of the listed matters are truly material. In order to eradicate information that could simply confuse the picture, the executives and boards of directors, who are responsible for management, should produce a report that is tightly focused on the material matters they prioritize when navigating the company.

Spotlight 01

Transition to integrated thinking

In August 2022, the Value Reporting Foundation (VRF) released its *Integrated Thinking Principles v1.0* (hereafter, Principles v1.0) as well as *Transition to Integrated Thinking: A Guide to Getting Started* (hereafter, the Guide).

Principles v1.0 was developed as a tool to embed integrated thinking in organizations overall and support long-term value creation, and is meant to provide practical guidance for improving the quality of corporate governance and corporate reporting.

Principles v1.0 puts business models at the center of value creation and identifies six principles surrounding the business model (purpose, governance, culture, strategy, risks and opportunities, and performance). It also sets out three levels of each of these principles. The first level consists of questions that can be used for those responsible for governance to determine how widely each principle has been adopted in their organization, while the second level consists of questions that can be used by executive management to assess how deeply these principles are incorporated in the organization. The third level consists of questions to be used by management to assess the extent to which integrated thinking has been implemented.

The Guide describes the transition to integrated thinking as a long journey and provides specific explanations of five steps organizations can take to embed this approach (assess, plan, engage, execute & monitor, review & improve).

Embedding integrated thinking in an organization is expected to have specific benefits: the integration of financial and non-financial aspects; the reinforcement of collaboration within the organization to achieve a shared objective; value creation over the long term; and the improvement of resilience through an understanding of the way the organization and its stakeholders impact one another.

If companies can deepen their communication with stakeholders by utilizing Principles v1.0 and the Guide and implementing integrated thinking, and also using integrated reports to clarify their situation, a positive cycle of value creation can be created for both companies and stakeholders.

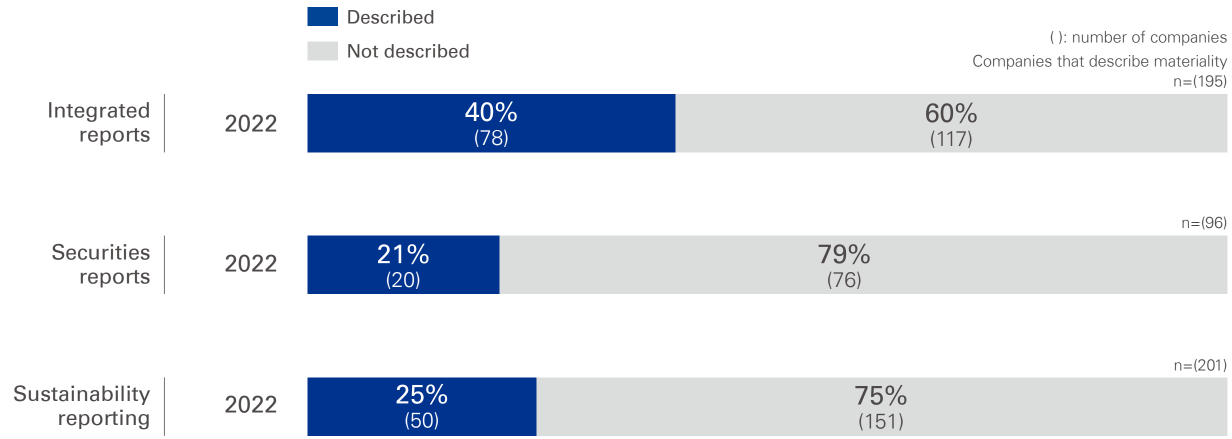
Hiromasa Niinaya

Provide adequate background information by describing the inputs and premises behind materiality assessments, and clarify the involvement of directors

This section presents the survey findings regarding how companies presented the information on the background that shaped their materiality assessment.

As noted earlier, the matters deemed material can end up being similar across companies. However, even if the results of the assessment are similar, the explanation of the premises and input on which the assessments were based should be unique for each company. For example, describing how the internal and external management environment were foreseen in forming the premises for the assessment of materiality not only reveals the unique characteristics of each company, but also serves as vital information allowing the reader to assess the validity of the materiality assessment. The survey showed that only 40% of integrated reports explained the outlook for the future management environment on which their materiality assessment rests, and other types of reports did so even less often (Figure 1-3).

Figure 1-3 Outlook for future management environment on which the materiality assessment rests

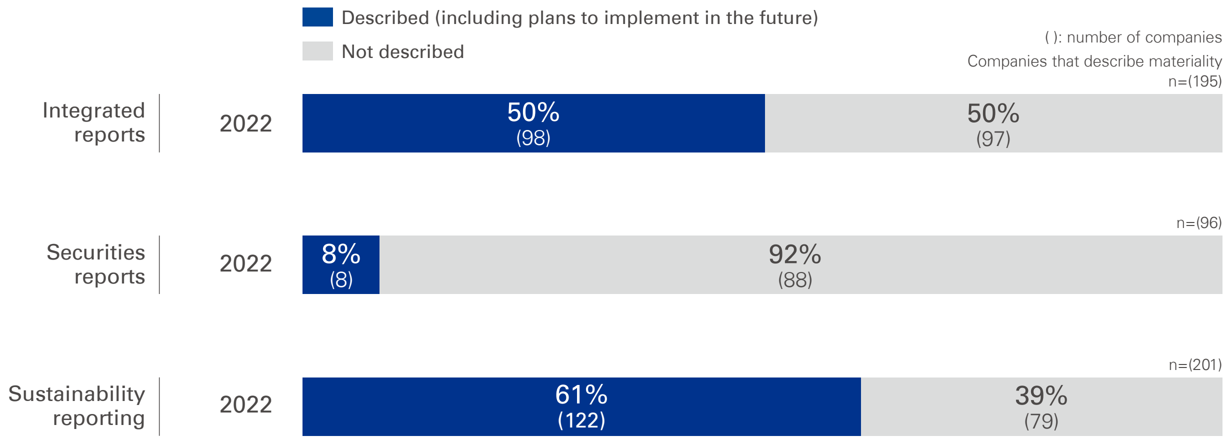


Source: *Survey of Corporate Reports in Japan 2022*, KPMG in Japan

Provide adequate background information by describing the inputs and premises behind materiality assessments, and clarify the involvement of directors (cont'd)

In addition, considering the impact of identified materiality on corporate value, based on an understanding of stakeholders' interests and concerns, is an important piece of input that can raise the accuracy of the assessment. This information is also effective in helping readers understand the elements that could affect corporate value. The survey showed that, from highest to lowest, 61% of sustainability reporting, 50% of integrated reports and 8% of securities reports reflected the results of stakeholder engagement in the materiality assessment process (Figure 1-4). Even if there was an explanation, most companies did no more than state that the results of stakeholder engagement had been reflected in the materiality assessment process, without providing details that would help the reader understand what kinds of views and of which stakeholders, were reflected.

Figure 1-4 How results of stakeholder engagement were reflected in materiality assessments



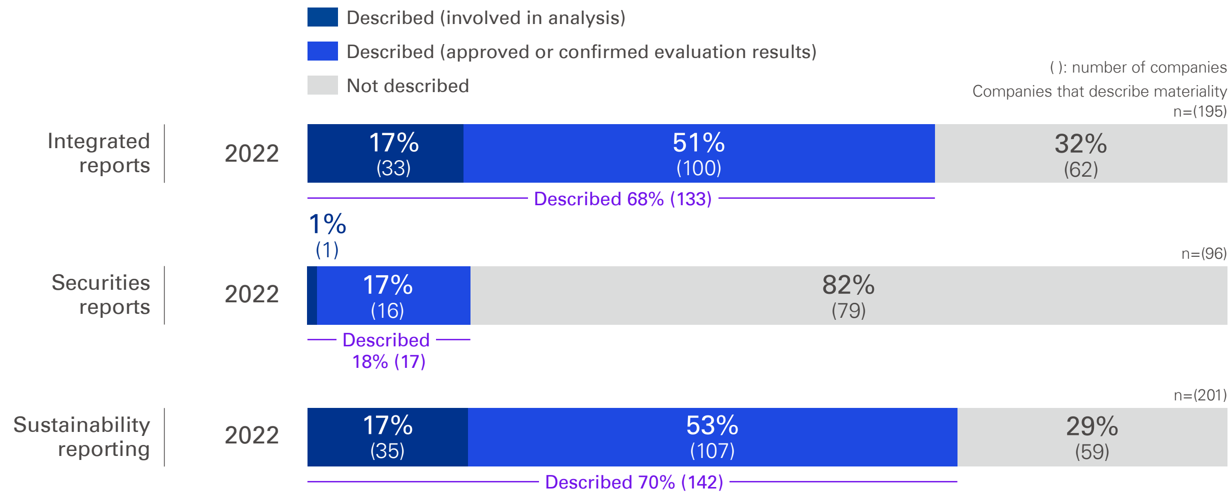
Source: *Survey of Corporate Reports in Japan 2022*, KPMG in Japan

Provide adequate background information by describing the inputs and premises behind materiality assessments, and clarify the involvement of directors (cont'd)

We also looked at whether reports explained the involvement of directors in materiality assessments. The directors are responsible for setting the direction of a company's medium- and long-term strategies and ensuring that management is aligned with these strategies. As such, building a shared awareness in the board of how the directors should be involved in discussions on materiality assessment and how the materiality affects the company's future is indispensable in creating sustainable value. In describing how material matters form the core of management decisions, information on the involvement of directors is important. Over 60% of integrated reports and sustainability reporting mentioned the involvement of directors in their materiality assessments, but many of these only stated that the board of directors had given final authorization (Figure 1-5). When finalizing a materiality assessment, it is a matter of course that the boards would give final approval. Many reports, however, gave no information that would allow the reader to understand how much discussion took place when making the decision. This leaves room for improvement. It would also be worthwhile to explain the extent to which directors were involved in debate in the section covering the materiality assessment process, the content of messages from the president or directors, or the information given about their own activities in the report. In addition, a purpose statement* could be prepared to express the board of directors' collective opinion, and this could refer to materiality.

* A statement that articulates a company's purpose, understanding of materiality, the impacted stakeholders, strategies and other key elements. Some companies have included such a statement in documents for General Meetings of Shareholders and in integrated reports.

Figure 1-5 Involvement of directors in materiality assessment



Source: *Survey of Corporate Reports in Japan 2022*, KPMG in Japan

Spotlight 02

Consistency between assumptions disclosed in financial statements and non-financial information

In recent years, many companies have made commitments to reduce greenhouse gas emissions, and considering this commitment has become a crucial part of management strategies. For this reason, even when companies prepare financial statements, they have to consider, for example, whether they will continue to use facilities with relatively poor energy efficiency and whether they will continue to offer customers products with high greenhouse gas emissions, when they decide on posting impairment losses on fixed assets. In addition, in recent years, there have been more cases in which information related to climate risks is presented as non-financial information in sections other than the financial statements in annual reports. The question of whether the important assumptions disclosed in financial statements are consistent with statements in non-financial information has become even more important.

In light of this, in October 2022, Carbon Tracker, a think tank based in the UK, released a report entitled *Still Flying Blind*. This report presents the results of a survey of 134 global companies with large greenhouse emissions that looked at whether climate risks were considered when financial statements were prepared and audited (i.e., whether assumptions disclosed in financial statements were consistent with statements in non-financial information). The report made harsh assertions, including stating that many of the companies surveyed showed “considerable observable inconsistencies across company reporting (‘other information’ and financial statements).” This criticism is not necessarily realistic when considering current accounting standards and auditing standards, and I think that companies will not be able to address this in a real way until standards and systems are adjusted.

Investors weigh non-financial information more heavily than they used to when making investment decisions. Ensuring consistency between important assumptions in financial statements and non-financial information will be even more essential going forward, regardless of changes to standards and programs.

Tomokazu Sekiguchi

Although the relationship between materiality assessment results and strategies is explained, the results are often not adequately reflected in terms of expected quantitative impact or in the governance structure

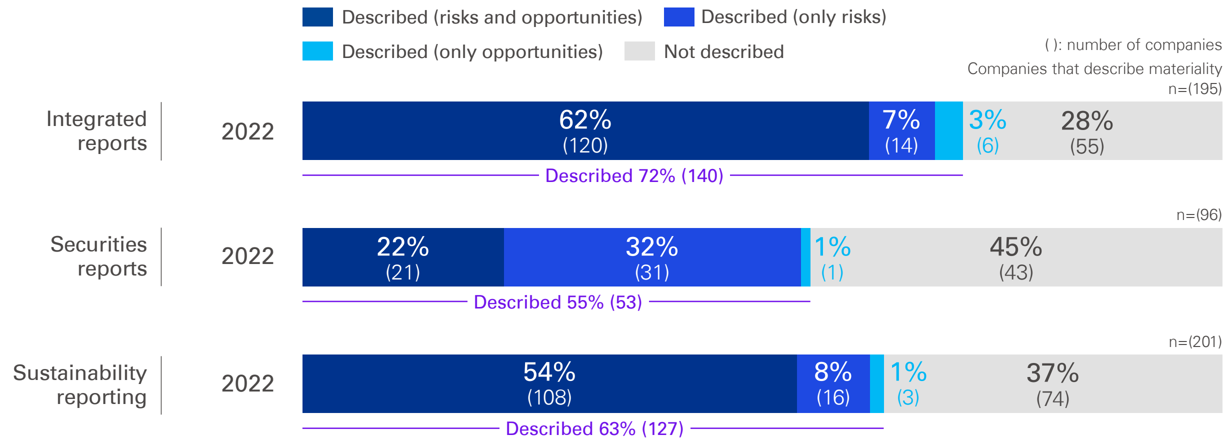
We also reviewed whether companies explained how the results of their materiality assessment were incorporated into established strategies, business management and risk management, and how this was supported by corporate governance.

Explanation of risks and opportunities

Our survey of whether reports included an explanation of the significant risks and opportunities related to issues deemed material found that over half of companies provided this explanation, across all types of reporting media (Figure 1-6). However, only about 25% of integrated reports and sustainability reporting and 12% of securities reports provided quantitative data on the expected impact of the risks and opportunities listed. Further, of these, most only noted the financial impact of risks related to climate change (Figure 1-7). We believe this is because Japan's Corporate Governance Code, revised in 2021, clearly stated expectations for information disclosure based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) for companies listed on the Prime Market, and companies have been working to disclose the financial impact of climate change.

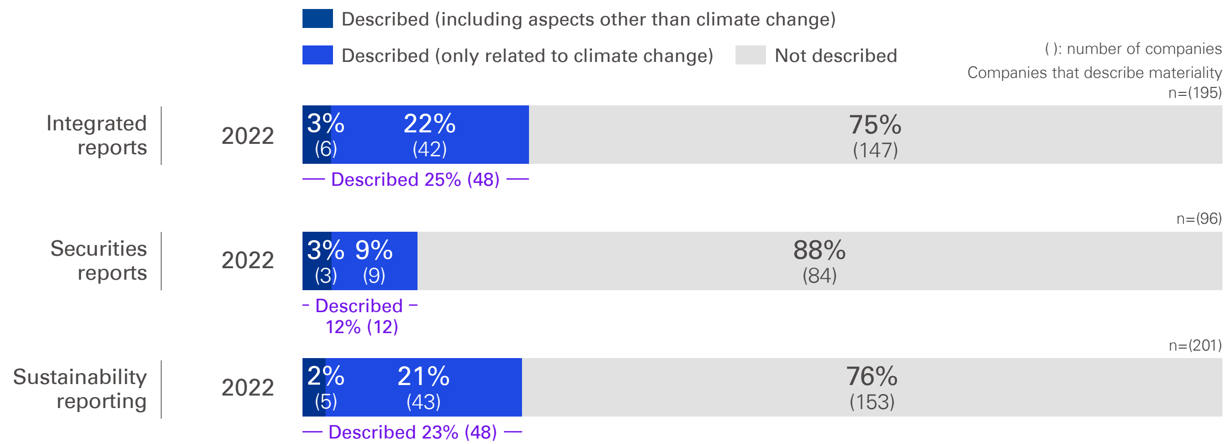
Companies should not limit themselves to the impact of climate change when explaining the significant risks and opportunities related to the issues deemed material. Rather, they should also carry out analysis and assessments and use this in evaluating the impact on their business model and strategies. Companies should share their rationale for determining materiality by explaining it as part of the story of how they will create value sustainably.

Figure 1-6 Important risks and opportunities related to material matters



Source: *Survey of Corporate Reports in Japan 2022*, KPMG in Japan

Figure 1-7 Quantified impact of major risks and opportunities



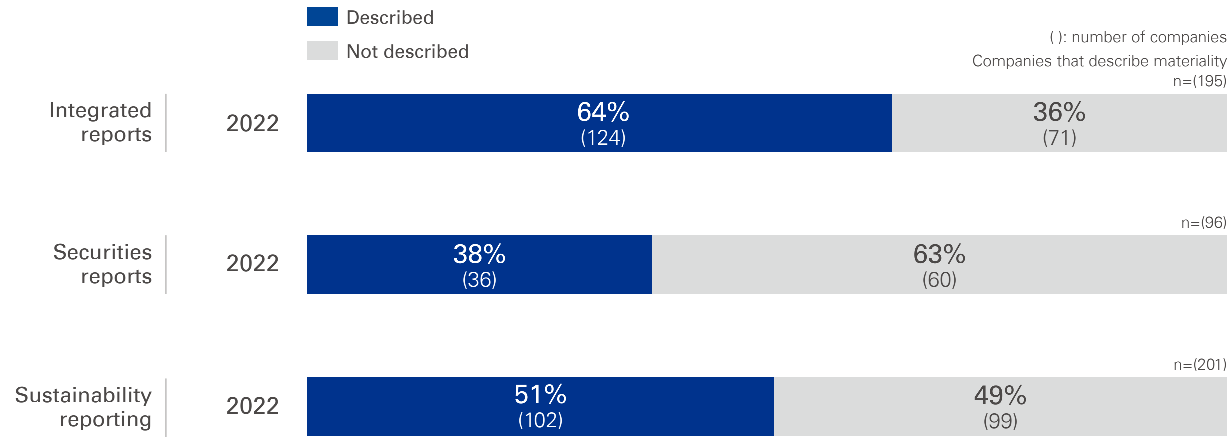
Source: *Survey of Corporate Reports in Japan 2022*, KPMG in Japan

Although the relationship between materiality assessment results and strategies is explained, the results are often not adequately reflected in terms of expected quantitative impact or in the governance structure (cont'd)

Reports on strategies, targets and results

Our survey showed that over 60% of integrated reports—the highest among the report types—showed the correlation between material matters identified and strategies, whereas about 50% of sustainability reporting and less than 40% of securities reports did so (Figure 1-8). In securities reports, the limited description of the results of materiality assessments was a significant factor behind the lack of explanations of correlation. Much sustainability reporting described overall strategy on the environment and society, going beyond information related to the company's impact in those realms. In that sense, more companies provided explanations connecting materiality to strategies than we had expected prior to the survey.

Figure 1-8 Connections between material matters and strategies



Source: *Survey of Corporate Reports in Japan 2022*, KPMG in Japan

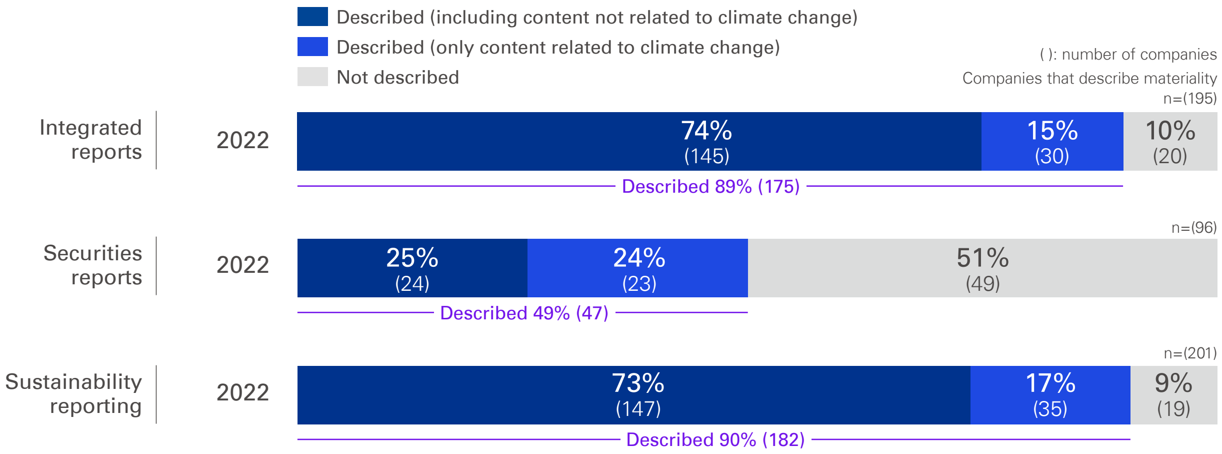
Although the relationship between materiality assessment results and strategies is explained, the results are often not adequately reflected in terms of expected quantitative impact or in the governance structure (cont'd)

Reports on strategies, targets and results

We also looked at whether reports used metrics to note targets and results for the issues deemed material. About 90% of both integrated reports and sustainability reporting described targets and results (Figures 1-9 and 1-10). We had theorized that companies that designated climate change as one of their material issues would be encouraged by the trend toward providing information in line with TCFD recommendations and indicate their targets for reducing greenhouse gases (GHG) and their actual reductions, boosting the percentage of reports with this kind of information. We were surprised, however, to find the percentage of companies also using related metrics to explain their targets and achievements in regard to material issues unrelated to climate change was also relatively high.

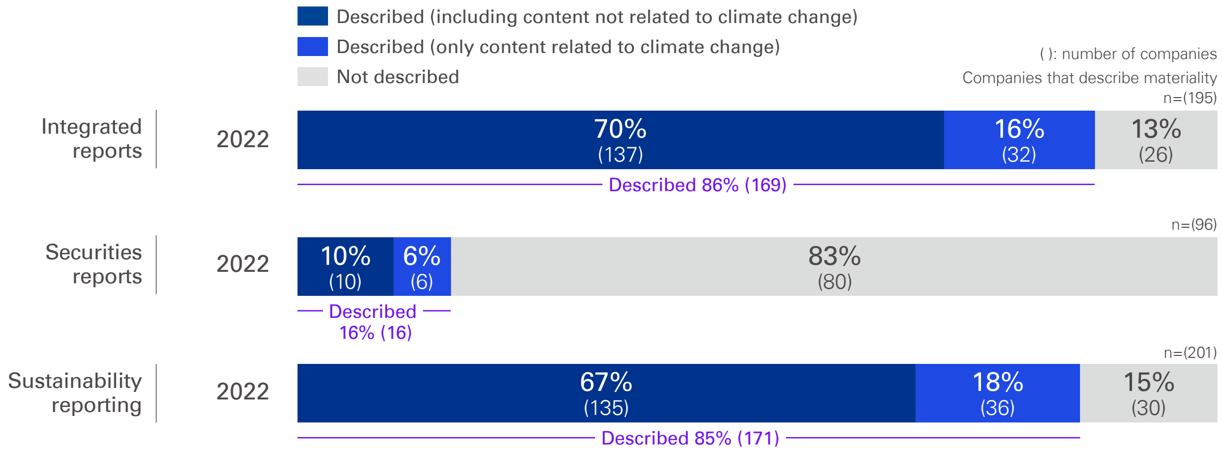
In this era of concerted effort to build a sustainable world, companies are now required to raise their value in a sustainable way by resolving social and environmental issues. We see signs of steady progress in transforming mindsets as more companies reflect their ideas of what is material in their overall strategies and set specific targets.

Figure 1-9 Metrics related to material matters (targets)



Source: *Survey of Corporate Reports in Japan 2022*, KPMG in Japan

Figure 1-10 Metrics related to material matters (results)



Source: *Survey of Corporate Reports in Japan 2022*, KPMG in Japan

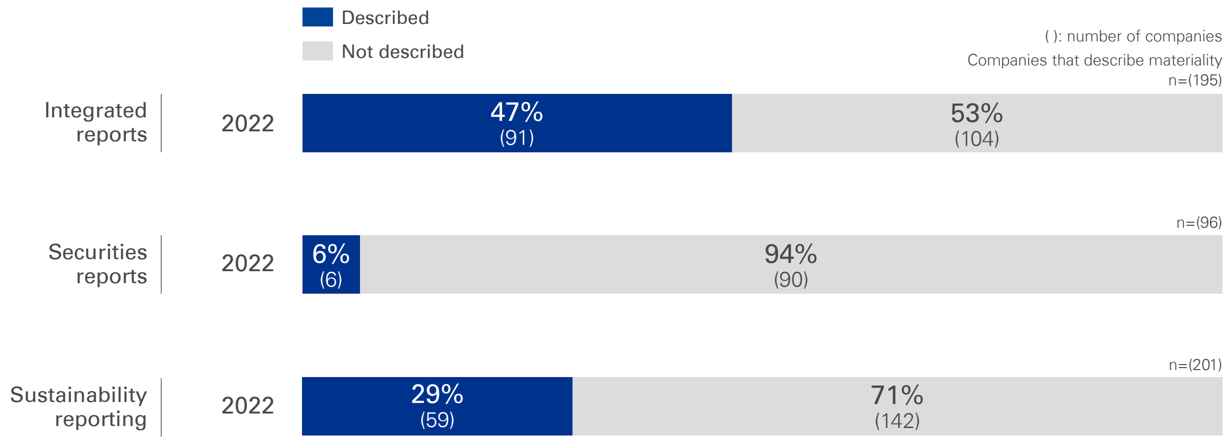
Although the relationship between materiality assessment results and strategies is explained, the results are often not adequately reflected in terms of expected quantitative impact or in the governance structure (cont'd)

Reflected in governance structure

To conclude our survey on materiality, we also looked at how companies spoke about the design of corporate governance, a process that plays a key role in ensuring business adheres to the results of the materiality assessment

First, we looked at whether reports indicated that the directors had the appropriate skills and experience to determine strategic directions aligned with matters deemed material. In the 2021 revised Corporate Governance Code, the disclosure of directors' skills, experiences and capacity (for example, a list using a skill matrix) was included as part of the principles. In response, many companies began including a skill matrix for directors, particularly in their integrated report. However, many of the categories for skills, experiences and capacities laid out in these skill matrixes were very general and broadly defined. Still, we observed a correlation between directors' skills, experiences and capacities and the issues deemed material in terms of corporate value and competitiveness in 47% of integrated reports, 29% of sustainability reporting and 6% of securities reports (Figure 1-11).

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

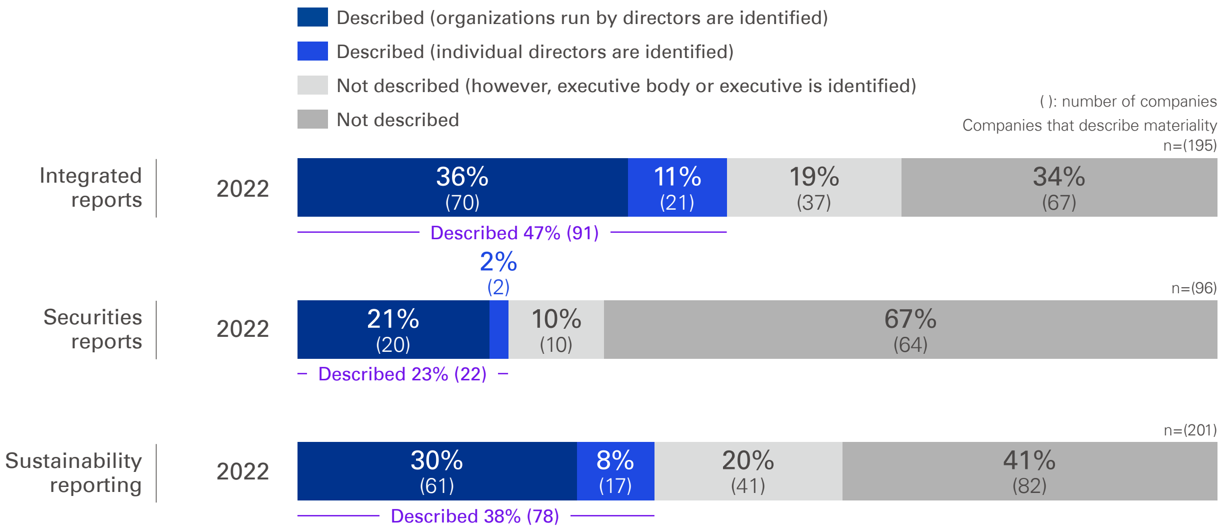


Source: *Survey of Corporate Reports in Japan 2022*, KPMG in Japan

Although the relationship between materiality assessment results and strategies is explained, the results are often not adequately reflected in terms of expected quantitative impact or in the governance structure (cont'd)

Next, we looked at whether reports identified and explained the organizations or individuals responsible for overseeing the major risks and opportunities related to matters identified as material. This showed that, from highest to lowest, 47% of integrated reports, 38% of sustainability reporting and 23% of securities reports identified and explained the board organizations or individual directors responsible (Figure 1-12). We see progress in setting up sustainability committees as a board committee and selecting directors with a wealth of experience in material environmental and social issues. In addition, about 20% of integrated reports and sustainability reporting and 10% of securities reports did not identify or explain the organizations or individuals belonging to the board, but identified the individuals belonging to the executive bodies. From a medium- to long-term perspective, it is the board responsible for overseeing management that facilitates sustainable improvement in corporate value. Accordingly, we should note that a sustainability committee set up under the board of directors and one set up on the executive side serve different functions.

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

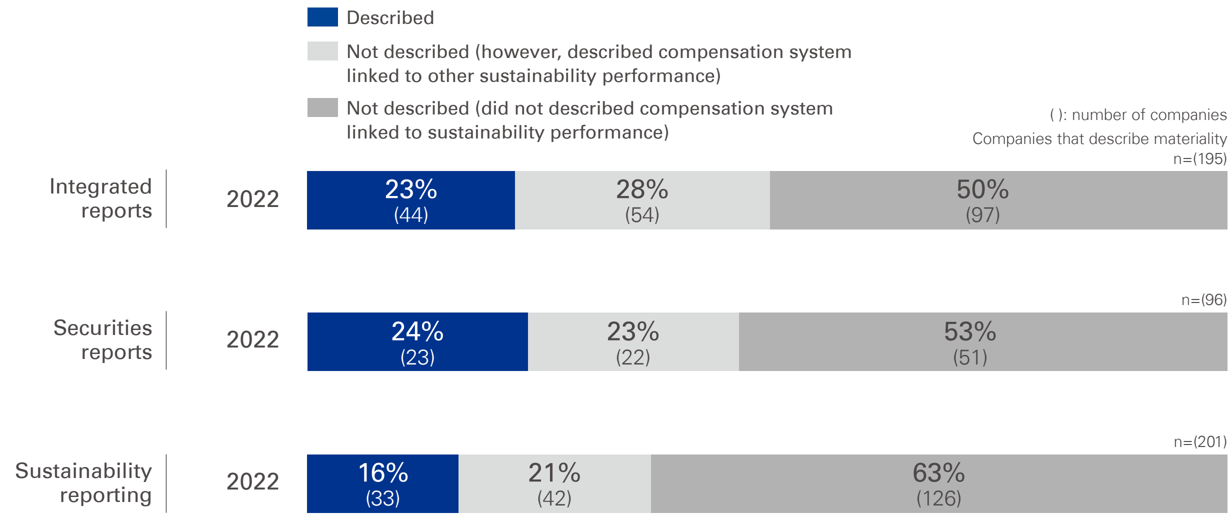


Source: *Survey of Corporate Reports in Japan 2022*, KPMG in Japan

Although the relationship between materiality assessment results and strategies is explained, the results are often not adequately reflected in terms of expected quantitative impact or in the governance structure (cont'd)

Finally, we reviewed whether companies had a director compensation scheme linked to material matters or performance on the strategies based on those matters. About 24% of securities reports, 23% of integrated reports, and 16% of sustainability reporting explained these links (Figure 1-13). A similar or higher percentage of companies did not clarify the relationship with material matters, but simply explain that compensation is linked to some kind of performance related to the environment and social issues, at 28% of integrated reports, 23% of securities reports and 21% of sustainability reporting. Many companies stated that they linked director compensation to performance related to environmental and social issues to function as an incentive to create sustainable value, but did not explain performance metrics linked to compensation with specifics. Thus, it was difficult to determine the extent to which these systems might in fact function as an incentive. There were also cases in which compensation was linked to the ratings of external ESG ratings agencies and inclusion in ESG indices, but there were no explanations as to why particular ratings and indices were reflected in the compensation's design. This omission makes it difficult for the reader to understand the correlation with the company's own value creation story.

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



Source: *Survey of Corporate Reports in Japan 2022*, KPMG in Japan

Companies are making steady progress on explanations of materiality, and can further improve by narrowing the focus of reporting content and providing value-added insights

Companies are now expected to raise value by solving social and environmental issues in order to help build a sustainable world. Our survey showed that companies are steadily responding to this environment with initiatives designed to raise corporate value, not only describing approaches to materiality in their reports, but also reflecting this focus in their strategies and targets.

However, there is still room for improvement on discussing future outlook of the management environment both within and outside the organization—the premise for materiality assessments—and on understanding stakeholders' concerns and interests, which serve as the input for analysis. Companies can also do more to explain how they would be impacted in the event that risks materialize.

Information is still insufficient in several areas: the structure and roles of the board, which oversees strategies, risks and opportunities reflecting materiality assessment results; directors' skills and experiences; and director's involvement in materiality assessments.

Spotlight 03

Investors seeking disclosure of the board's roles and responsibilities in corporate reporting

In October 2022, the International Corporate Governance Network (ICGN), a network consisting primarily of global institutional investors, released a report entitled *ICGN Japan Governance Priorities*. This report was made with the aim of providing guidance to Japanese companies, regulatory authorities and other stakeholders on areas that have made improvements in Japan's corporate governance and areas that may benefit from further improvements.

In this document, over 30 recommendations are divided into five areas, one of which is corporate reporting. In this section, seven recommendations take into consideration conditions following the 2021 revisions to Japan's Corporate Governance Code, the reforms to the Tokyo Stock Exchange's market categories in 2022, and recommendations of the Working Group on Corporate Disclosure.

ICGN made wide-ranging recommendations, including recommendations related to: practical tasks (for example, the Securities Report and the Notice of the Annual General Meeting (AGM) be published in English 30 days in advance of the AGM); sustainability reporting frameworks harmonized with global standards; and content that should be explained in corporate reports. Of these, ICGN recommended that "Companies publicly disclose a Board Mandate clarifying the role of the Board, governance structure and accountability for the Securities Report including financial and sustainability related information" (Recommendation 1.6).

This is an indication that companies are not being asked to simply add the role of the board and its accountability for corporate reporting to the Board Mandate, but to ensure that the roles and responsibilities that the board fulfill are clearly laid out in the report and to present well-balanced and meaningful insights on the company's position and long-term outlook.

I expect the reporting requirements will continue to develop; companies will be asked to report on a wide range of topics. This includes information on the relationship between corporate activities and social and environmental issues. This kind of information can be appropriately understood only with explanations that make connections to a company's competitiveness and the sustainability of its business model. ICGN's proposal likely seems far-reaching at first for Japanese companies. However, I believe it is helpful information for companies wishing to ensure that they are accurately evaluated by global investors.

Sumika Hashimoto

Companies are making steady progress on explanations of materiality, and can further improve by narrowing the focus of reporting content and providing value-added insights
(cont'd)

We are concerned that, if companies try to meet the needs and demands for a wide range of information and thereby include an even larger volume of information in their reports—and then perhaps increase the number of material matters to force it all to hang together—it could be more difficult for readers to understand what directors and top management really believe is material for improving corporate value. Reports need to focus on what management truly sees as material in order to remove all potentially distracting information from reports. To help the reader gain deeper insight into the company's understanding of materiality, we recommend that companies not only detail the results of their materiality assessments and their perception of risks and strategies aligned with those results, but also explain the underlying outlook and specific potential impacts and provide information on governance. Companies who take these steps will ensure that their report tells a more persuasive story. Offering insights like these will play an important role in enabling readers to accurately assess the organization's ability to create value, as well as its sustainability.

Spotlight 04

Viewpoint 1 - Significance of reporting on intangibles

There are two types of corporate reports. One type of report is legally recognized and is required of companies to maintain the license to engage in business activity. The most typical example is a securities report. However, there are also reports that companies can prepare voluntarily. This is part of companies' efforts to be accountable as entities seeking to maintain social support for the operation of their business. Companies' intention to respond to social expectations has led to the evolution of environmental reports into more comprehensive sustainability reports, which focus on environmental and social performance.

Social and environmental issues affect companies and individuals in various ways, and their impact continues to grow. Amid globalization and dramatic advances in the possibilities offered by technology, the evaluation of corporate value is affected not only aspects that can be quantified (e.g., sales and income), but also intangible factors that cannot be consistently defined or measured (e.g., human resources, technological capacity, brands and networks). Simply explaining tangible aspects and factors that can be physically and quantifiably measured alone, as companies have done thus far, is not enough to explain the status of resources used for corporate activities and the resulting output. However, at present there are no rules, as there are for financial accounting, on how to handle information on intangibles. As a result, regardless of the organization's internal and external situation, information on the intangibles needed to make decisions based on an assessment of the risks that the company can tolerate, may not be adequate at present, and this could foster concerns about the organization's resilience and sustainability.

With companies being evaluated on the basis of a wide range of values, integrated reports serve an important role in tying together the creation story looking to the future, based on the correlation with the factors affecting the organization, and in depicting the current values that have been carried on from the past. This creates a shared understanding of the company's purpose among stakeholders and also contributes to practical collaboration.

As the scope of reports required by regulations expands, the question is how well reports can explain corporate value by discussing the intangibles that are the source of a company's competitiveness, in order to build a common understanding with stakeholders. With value concepts in flux at the moment, I think that companies must use the report preparation process to raise their competitiveness and confirm the feasibility of their strategies.

Yoshiko Shibasaka

Next steps for adapting to advances in reporting

Timing of reporting sustainability information

The IFRS Sustainability Disclosure Standards (exposure draft), released in March 2022, proposes that companies report sustainability-related financial information together with financial statements.* 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. Going forward, companies will be disclosing some sustainability information along with their financial statements. Given these developments, we reviewed the timing of integrated reports and sustainability reporting to look into how companies are going about this.

A summary of the survey results is below.

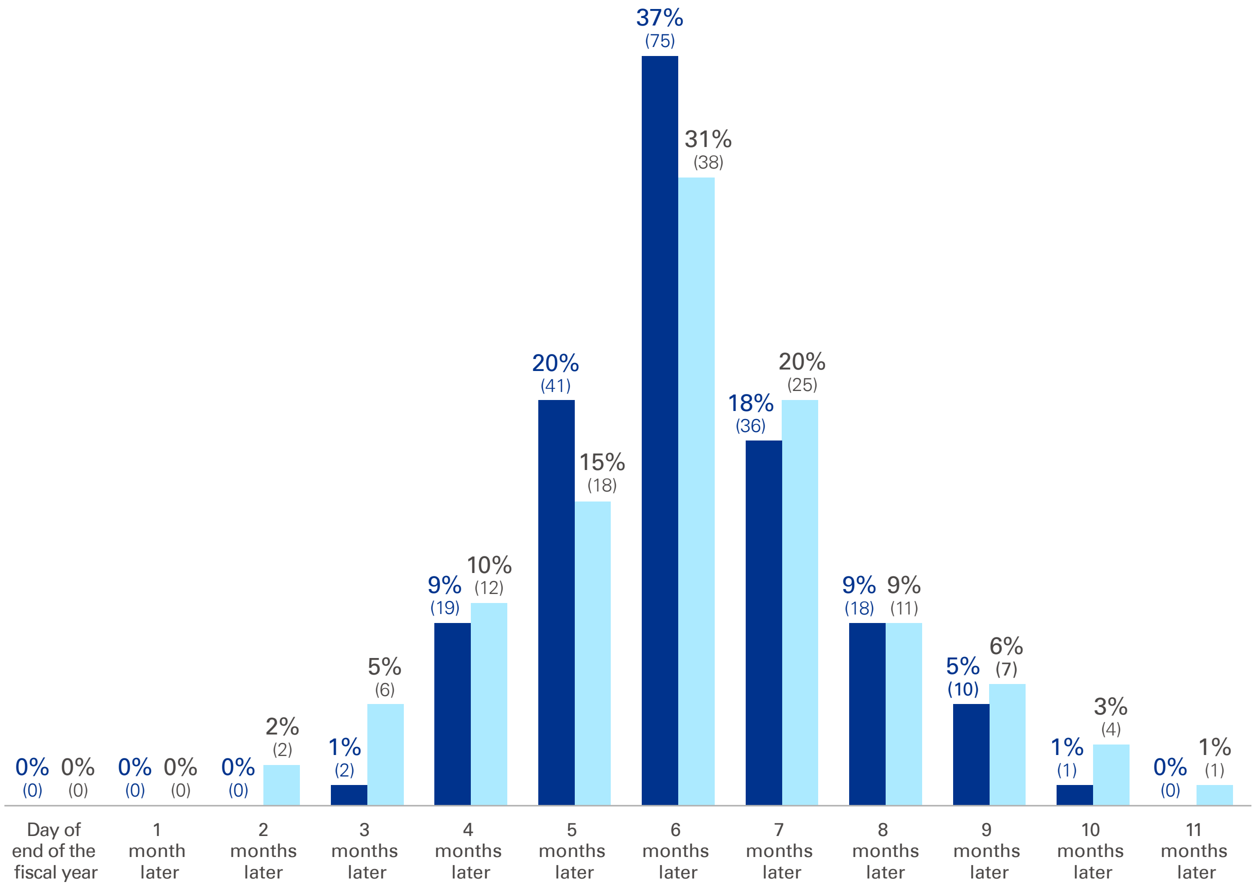
- Of the 204 companies that issued integrated reports covered by our survey, 37% of the 202 companies, with the exception of two companies that only issued a web version of their report, release the report six months after the fiscal year-end. This was the most common timing. Only 1% of companies issued their reports within three months of the fiscal year-end, which is the deadline for submission of securities reports.
- We observed a similar trend in published sustainability reports. Specifically, 31%—the most common response—of the 124 companies that issued sustainability reports do so six months after the fiscal year-end. Only 7% issued them within three months of the fiscal year-end, the deadline for submission of securities reports (2% did so within two months and 5% within three months) (Figure 2-1).

* However, ISSB decided at a meeting in November 2022 that, as a transitional relief, annual sustainability-related financial disclosures based on the IFRS Sustainability Disclosure Standards will not be required until the release of earnings for the first half (first two quarters) of the following fiscal year.

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

Integrated reports
Sustainability reports

( ): number of companies
Companies issuing reports
n=(202) Integrated reports (excluding two that only issued a web version of their report)
n=(124) Sustainability reports (report that differs from integrated reports, annual reports and governance reports which primarily includes sustainability information; this includes reports that go by the name "data book," etc.)



Source: *Survey of Corporate Reports in Japan 2022*, KPMG in Japan

Timing of reporting sustainability information
(cont'd)

Many 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 adequately established as they are for financial reporting.

Going forward, as sustainability information has a greater impact on assessing credit and investments, we think that investors will require that sustainability information be disclosed at the same time as financial statements. This is because investors want to know the connectivity of sustainability information and financial information by applying sustainability information to the business context and what it means in terms of impact on corporate value and financial impact. Companies need to prepare to bring forward the release of sustainability information, such as introducing systems for information collection, designing work flows, and building internal controls.

Spotlight 05

Trends in IFRS Sustainability Disclosure Standards

On March 31, 2022, ISSB released an exposure draft for IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* (hereafter, "S1 Standards") and an exposure draft for IFRS S2 *Climate-related Disclosures* (hereafter, "S2 Standards"). ISSB will reconsider these exposure drafts based on the public comments they receive, and is expected to release the S1 Standards and S2 Standards at the end of the second quarter of 2023.

At a meeting held in December 2022, ISSB made a preliminary decision on the agenda that should be prioritized in discussions regarding the two-year work plan. This presents the three themes other than climate-related risks covered by the S2 Standards and the possibility of a joint project with the International Accounting Standards Board (IASB). ISSB plans to gather information based on the Request for Information in the first half of 2023, and to begin considering the specific standards it will prioritize for development after this information has been analyzed.

(1) Biodiversity, ecosystems and ecosystem services

(2) Human capital (with an initial focus on diversity, equity and inclusion)

(3) Human rights (with an initial focus on labour rights and communities' rights in the value chain)

(4) Connectivity in reporting based on the IASB's Management Commentary project* and the Integrated Reporting Framework

The IFRS Sustainability Disclosure Standards aims to function as a comprehensive global baseline. It proposes a building block approach and assumes that requests by regulatory authorities will be added in line with a particular country or region's needs. Disclosure that simply blindly follows the standard's requirements cannot convey the information that companies want to communicate to stakeholders. They must disclose a story that shows the path to improved corporate value and make strategic preparations. Going forward, some countries and regions may require assurance for sustainability information in order to ensure the credibility of the information disclosed. Companies need to establish a system that enables them to provide credible information and pair it with their processes for preparing their sustainability reporting.

Taichi Tamura

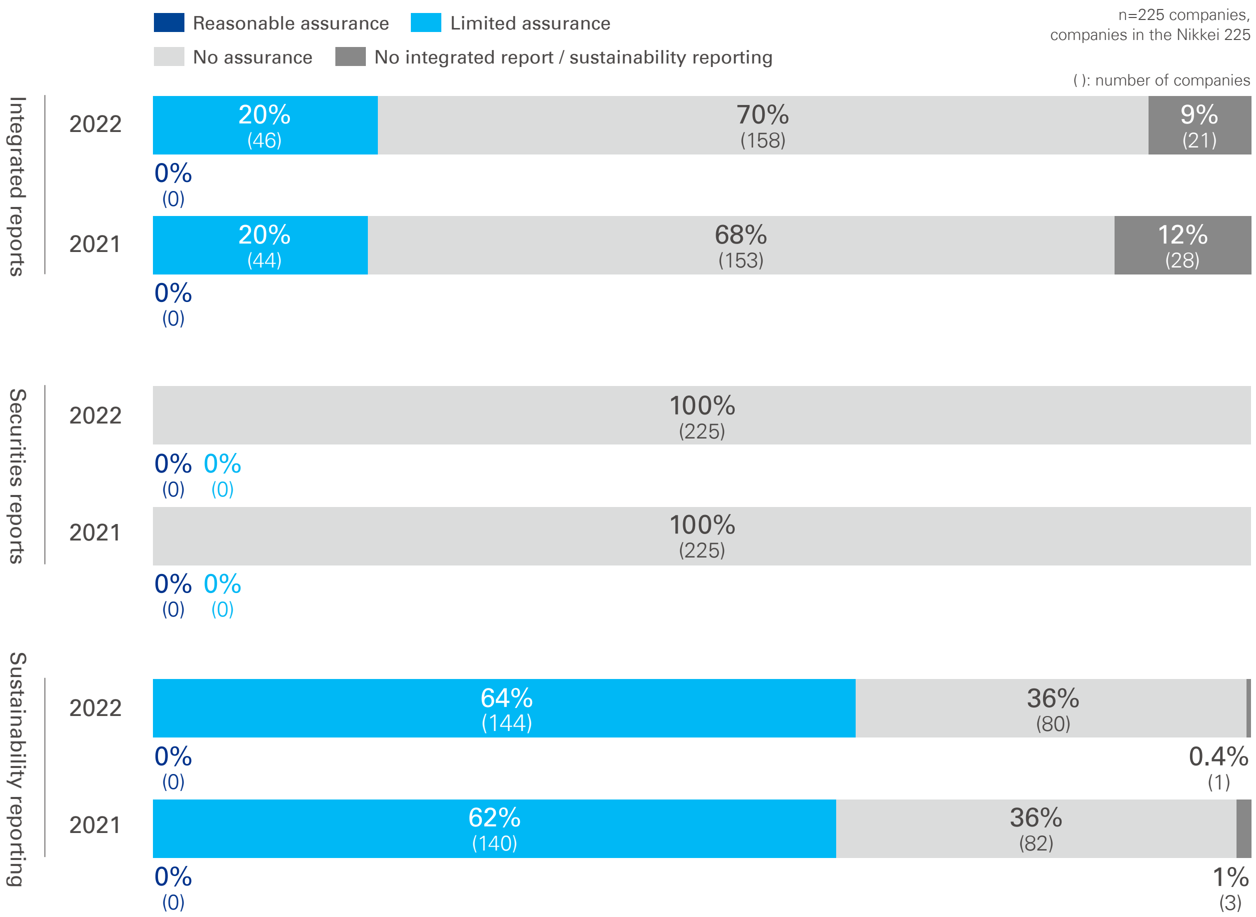
* IASB released an Exposure Draft in May 2021 to comprehensively revise the IFRS Practice Statement 1 *Management Commentary*. At present, IASB is examining opinions on this draft and is holding discussions to finalize the revisions.

Improving the credibility of sustainability information

We are seeing more cases in which the information provided by companies, particularly metrics listed in integrated reports and sustainability reporting, are verified by a third party, In the fiscal 2022 survey, we found that 64% of companies received third-party verification for some of the metrics listed in their sustainability reporting (Figure 2-2). However, all of these were limited assurance engagements,* with no cases in which reasonable assurance was provided.

* Assurance is divided into reasonable assurance and limited assurance. 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 2022*, KPMG in Japan

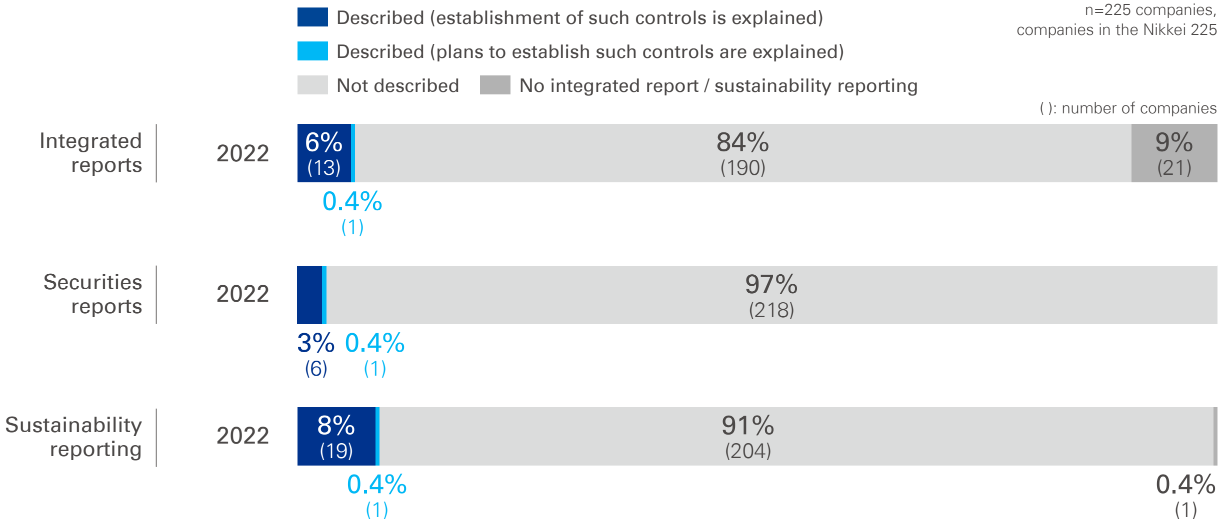
Improving the credibility of sustainability information (cont'd)

Each company chooses 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.

Also noteworthy, the EU's Corporate Sustainability Reporting Directive (CSRD) requires that companies receive third-party assurance for their sustainability information. This move toward the institutionalization of third-party assurance is gaining ground globally, with a shift from limited assurance to reasonable assurance also anticipated (see Spotlight 06 on page 29).

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, only a minority of companies have explained that they set up adequate internal controls for sustainability information. Our survey found that less than 10% of companies have 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).

Figure 2-3 Internal controls related to sustainability information



Source: *Survey of Corporate Reports in Japan 2022*, KPMG in Japan

Improving the credibility of sustainability information (cont'd)

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, as recommended by ICGN (see Spotlight 03 on page 23).

Spotlight 06

Regulatory trends in Europe's sustainability reporting

In November 2022, the European Commission (EC) gave final approval to the Corporate Sustainability Reporting Directive (CSRD), a directive that revises the existing directive on corporate sustainability reporting. CSRD strengthens the disclosure rules for non-financial reporting in the current Non-financial Reporting Directive (NFRD) to shift toward the sustainable economy to which the European Union (EU) aspires. Companies are required to report in a more detailed way on a wide range of sustainability issues, such as the environment, society, human rights and governance factors. These requirements will gradually go into effect at different times depending on the size of the company, starting in fiscal 2024.

In conjunction with the finalization of CSRD, the European sustainability reporting standards (ESRS), which stipulate the specific information that should be disclosed, were also developed, and in November 2022, the final draft based on public consultation was submitted to the EC by the European Financial Reporting Advisory Group (EFRAG). The interim draft for the ESRS released then consists of two cross-cutting standards and 10 topical standards (known as E5, S4, G1, etc.). The ESRS draft is unique in that it requires that companies report on double materiality (a concept that considers not only the financial impact that a sustainability issue would have on the company, but also the impact that corporate activity has on the environment and society). The ESRS draft is expected to be evaluated by the EC and be adopted by June 2023. In addition to the ESRS draft that was submitted, standards for each sector will be developed over the next few years.

In addition to expanding disclosure information, the CSRD requires third-party assurance to ensure the credibility of sustainability information. In the near term, limited assurance will be accepted, but in a few years, companies will have to shift to reasonable assurance (see page 27).

CSRD has significantly expanded the scope of companies that these standards will apply to, and they may be applied to the local EU corporations of Japanese companies and Japanese corporate groups with large sales operating in the EU. The issues that such firms would have to address are extremely wide ranging, and the companies that may be required to apply these standards should begin considering these issues in the near term.

Katsurako Yamada

Spotlight 07

Regulatory trends in information disclosure related to climate change in the US

The US's SEC is responding to growing requests from investors in recent years for the disclosure of information on climate risks, cyber security and human capital by revising the current disclosure regulations. In particular, in March 2022, the SEC released a draft regulation requiring that all SEC registered companies (including foreign private issuers) reinforce and standardize their disclosure of climate-related information in their annual reports.

The information types that these regulations identify for disclosure include some of the same areas as required by the TCFD Framework, including climate-related governance, risk management, strategies, and metrics and targets, but they also specify more detailed disclosures.

Specifically, the SEC regulations would mandate that, when disclosing financial information, companies must disclose the impact for both physical risks and transition risks (absolute value of negative impact and positive impact) for each item presented in basic financial statements when the impact due to physical risks and transition risks exceeds a certain threshold. In addition, the regulations would also mandate that companies disclose a breakdown of expenditures related to these physical and transition risks (capitalized items and expensed items). Compared to the existing standards and disclosure frameworks, they go much further on disclosure in financial statements. In addition, in MD&A disclosure, the SEC regulations would mandate the disclosure of Scope 1, 2 and 3 greenhouse gas emissions, calculated based on the GHG protocol definition. Accelerated filers and large accelerated filers would be required to provide an attestation report from an independent attestation provider for Scope 1 and Scope 2 greenhouse emission data, applied in phases. It should also be noted that the level of attestation would be shifted in stages from limited assurance to reasonable assurance.

The draft regulations released by the SEC, if adopted, would have a significant impact on the current disclosure carried out by SEC registrants. We will be keeping a close watch on trends going forward, including the final regulations based on the comments received on this draft.

Ken Aoki

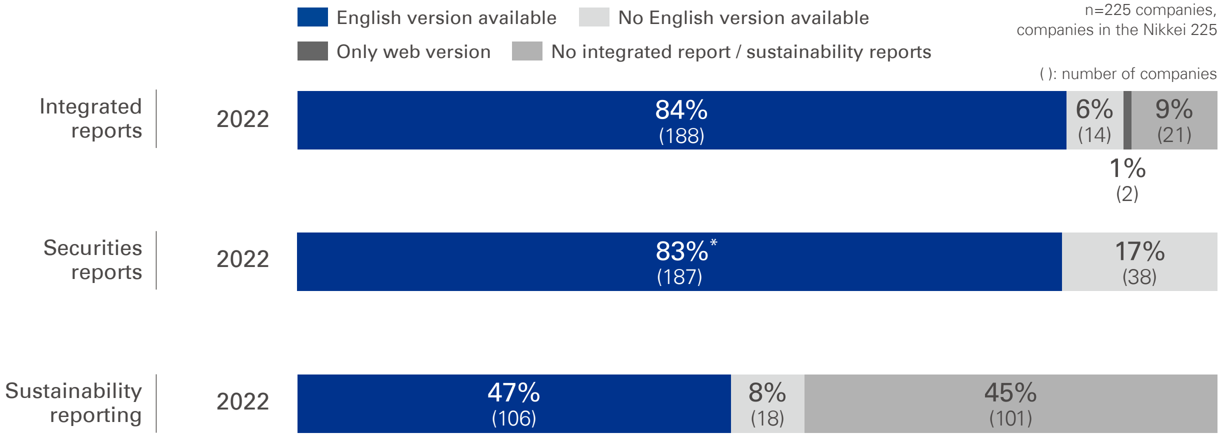
Disclosure in English

Foreign investors who invest in Japan's capital markets are increasingly asking for information disclosure in English, and many companies are providing various types of information in English. In a report Japan's Financial System Council released on June 13, 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 reporting in English, as well as the timing of issuance.

We found that, of integrated reports, securities reports, and sustainability reports, 84% of companies issued integrated reports in English, which was the highest, followed by 83% of companies issuing securities reports. At the same time, only 47% of companies released sustainability reports in English (Figure 2-4).

Companies need to disclose their securities reports in English even more, given the aforementioned report by the Working Group on Corporate Disclosure.

Figure 2-4 Companies that issue English reports (as of end-January 2023)



*We considered companies to have issued an English version of their securities report if they issued an English version of their entire securities report or a partial excerpt (including only financial statements) as an English booklet. However, we did not include companies that only issue English versions of the Earnings report.

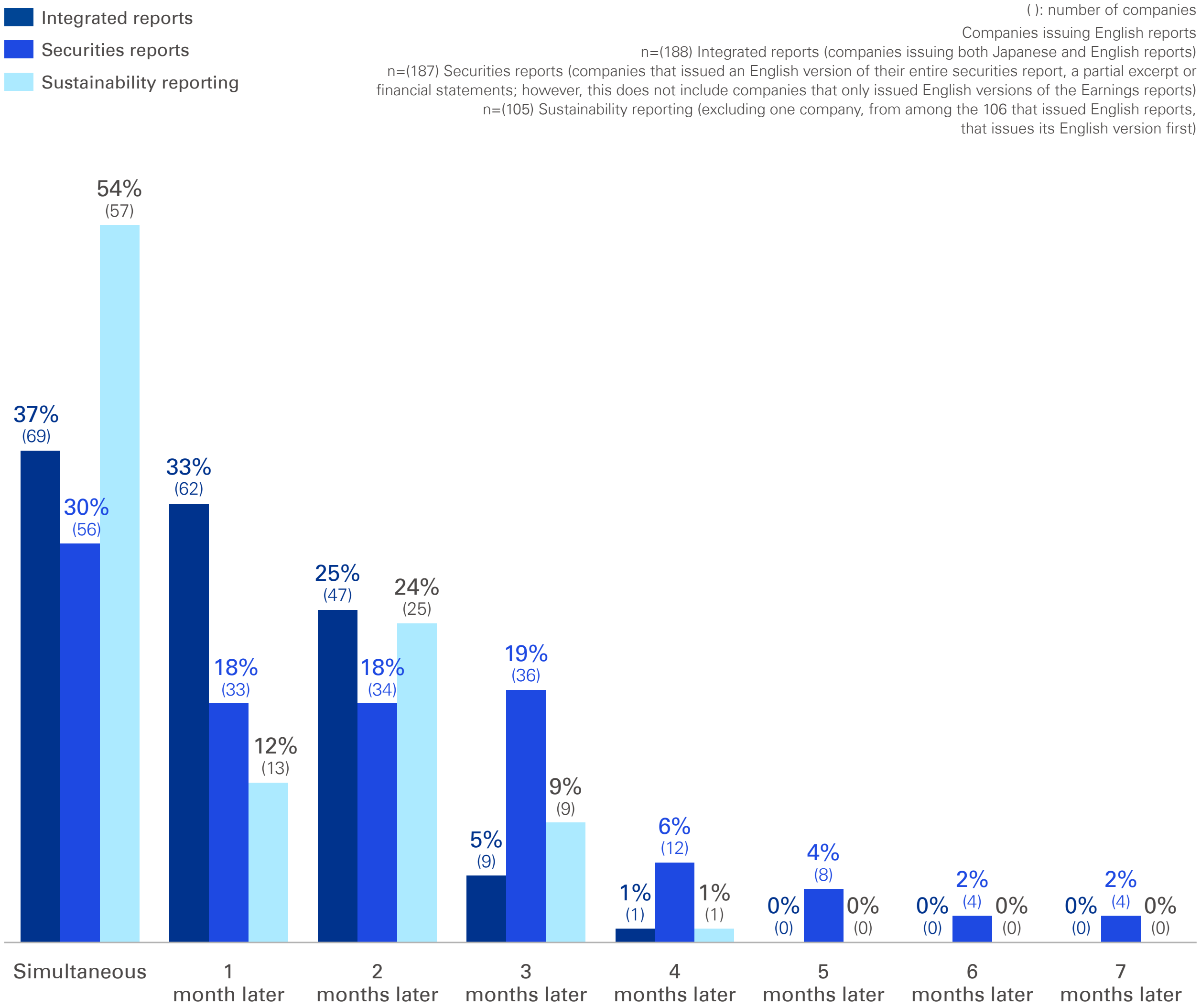
Source: *Survey of Corporate Reports in Japan 2022*, KPMG in Japan

Disclosure in English (cont'd)

In this survey, we looked at the timing of the issuance of English reports. The most common among the possible practixes was that companies released their English reports at the same time as their Japanese reports, which shows that many companies consider foreign institutional investors and strive to ensure fairness among investors. We found that 54% of companies issuing sustainability reports in English did so at the same time as they issued their Japanese version. However, only 37% of companies issued their integrated reports at the same time, and only 30% their securities reports (Figure 2-5).

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

( ): number of companies
Companies issuing English reports
n=(188) Integrated reports (companies issuing both Japanese and English reports)
n=(187) Securities reports (companies that issued an English version of their entire securities report, a partial excerpt or financial statements; however, this does not include companies that only issued English versions of the Earnings reports)
n=(105) Sustainability reporting (excluding one company, from among the 106 that issued English reports, that issues its English version first)



Source: *Survey of Corporate Reports in Japan 2022*, KPMG in Japan

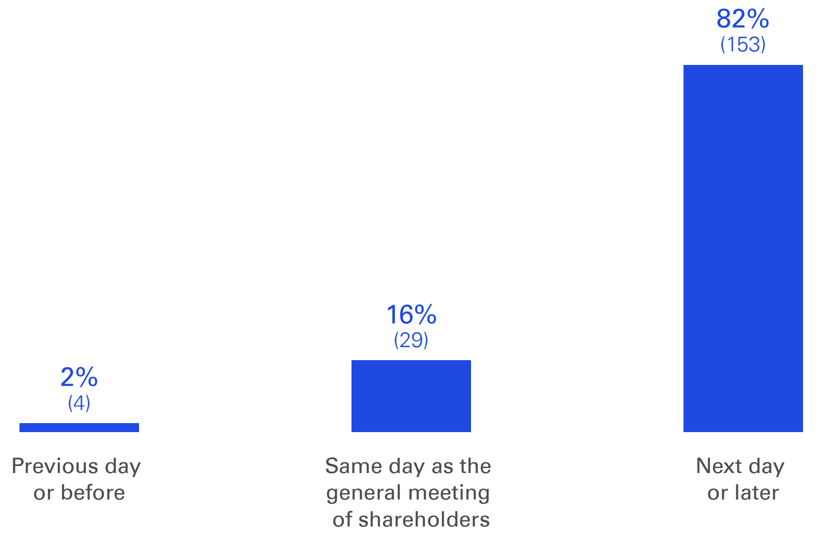
Disclosure in English (cont'd)

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 (see Spotlight 03 on page 23). However, few companies in the Japanese market meet these expectations, and this survey found that only 2% of companies released the English version of their securities report before their general meeting of shareholders. Only 16% of companies released English versions of their securities report on the same day as the general meeting, which clearly demonstrates that they still face difficulties in meeting the expectations of foreign institutional investors (Figure 2-6).

The expansion of English disclosure was also discussed at the Follow-up Council on the reorganization of market segments, and on January 30, 2023, the Tokyo Stock Exchange suggested that English disclosure be made mandatory in the Prime Market, and TSE will decide and announce the contents to be made mandatory in the fall of 2023.

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

( ): number of companies
Companies issuing English reports
n=(186) Securities reports (excluding one of the 187 companies that issued English reports that had not yet had their 2022 general meeting of shareholders due to a change in the period of their fiscal year)



Source: *Survey of Corporate Reports in Japan 2022*, KPMG in Japan

Good practice

Ensuring fairness among investors by actively disclosing information in English

One company issued Japanese and English versions of its securities report, integrated report and sustainability report on the same day. Furthermore, its English securities report was not merely excerpts from its Japanese securities report, but the same content as the Japanese version. It was also released on the same day as the general meeting of shareholders.

This company's efforts were particularly impressive in that they not only ensure fairness between Japanese and foreign investors and are likely to attract globally institutional investors, but also demonstrate in a real way that they value dialogue with stakeholders.

Spotlight 08

Regulatory trends in sustainability information disclosure in Japan

As the move to mandate sustainability information disclosure picks up globally, Japan is also expanding the scope of information that must be disclosed. The Corporate Governance Code, revised in June 2021, states that, when disclosing management strategies, initiatives on sustainability issues should be disclosed. In particular, the Code recommends that companies listed on the Prime Market improve the quality and quantity of disclosure on climate change risks and revenue opportunities based on TCFD or an equivalent framework.

In addition, the revised Cabinet Office Ordinance on the Disclosure of Corporate Affairs (hereafter, "Revised Cabinet Ordinance"), announced in January 2023, established new requirements to include a section on the approach to and initiatives on sustainability in securities reports, and also requires sections on governance and risk management. In addition, strategies, metrics and targets are to be disclosed, given their materiality for companies. In particular, of these sustainability issues, human capital and diversity policies on developing human resources, including ensuring diversity among employees, policies on establishing the internal environment, and metrics for these policies must be noted in sections on "strategies" and "metrics and targets." The Act on the Promotion of Women's Participation and Advancement in the Workplace requires that, when releasing data on the percentage of management positions held by women, the percentage of men taking childcare leave, and any gap in average wages between men and women, these metrics must be noted in the section on "employee conditions." Based on the expansion of requirements to include this kind of sustainability information, the report submitted by the Working Group on Corporate Disclosure in December 2022 states that sustainability information disclosed in securities reports will likely have to receive third-party assurance in the future.

The aforementioned Cabinet Ordinance on Revisions will apply to securities reports starting in the fiscal year ending in March 2023. The time to prepare for this change is limited, but given the growing need among investors, we expect that companies will soon be disclosing even better information on their own initiatives and related metrics.

Toshikazu Takeuchi

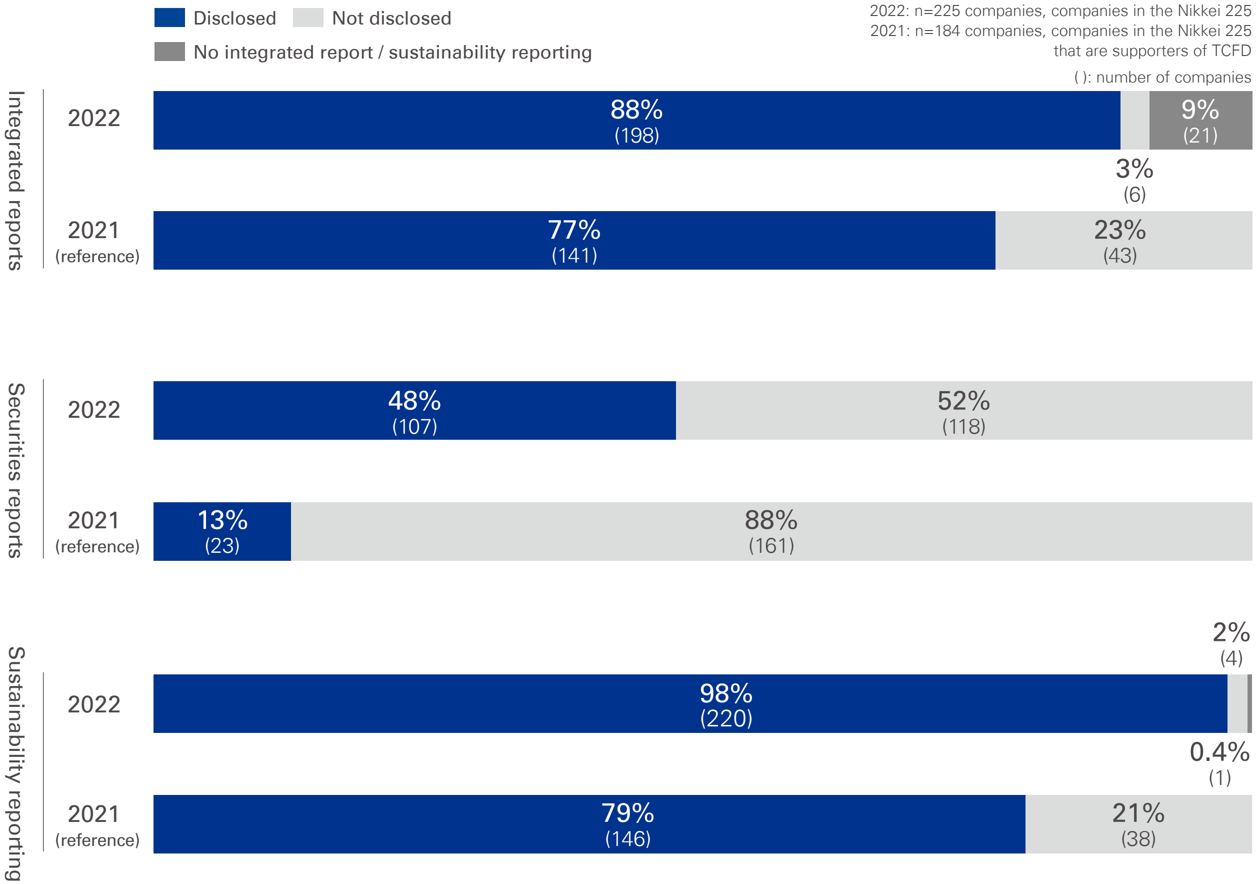
Climate change-related information

Although disclosure in line with TCFD recommendations has increased, companies are not actively disclosing GHG emission data in securities reports

Following revisions in Japan's Corporate Governance Code in June 2021, companies listed on TSE's Prime Market are now expected to augment the quality and volume of information disclosed based on the TCFD or an equivalent framework in their corporate governance reports, which are to be submitted without delay after their general meeting of shareholders held on or after April 4, 2022. We surveyed these reports on the assumption that more companies are now disclosing information based on TCFD recommendations.

We found that, of the 11 areas that the TCFD recommendations identify for disclosure, 98% of companies mention at least one of these areas in their sustainability reporting, followed by 88% in their integrated reports but only 48% in their securities reports (Figure 3-1). These percentages were up across all three types of reporting, even compared to the previous years' surveys of companies that disclosed in line with the TCFD recommendations.

Figure 3-1 Disclosure in line with TCFD recommendations



Source: *Survey of Corporate Reports in Japan 2022*, KPMG in Japan

Although disclosure in line with TCFD recommendations has increased, companies are not actively disclosing GHG emission data in securities reports (cont'd)

The TCFD recommendations ask that companies who will be more significantly affected by climate change provide information related to climate change in their annual financial reports. Even the revised Cabinet Office Ordinance on the Disclosure of Corporate Affairs , released in January 2023, states that companies should disclose sustainability-related information in their securities reports (disclosure in line with the TCFD recommendation framework if addressing climate change is material to their business). At present, the percentage of companies disclosing this information is higher for voluntary report formats than for securities reports. However, as the disclosure of information related to climate change shifts from a voluntary to a mandatory requirement, we expect to see more disclosure in securities reports in the future.

Next, we looked at the disclosure of 11 items that the TCFD recommendations propose for disclosure (in this survey, we divided GHG emissions into two categories: scopes 1 and 2; and scope 3, thus we reviewed a total of 12 areas).

Our survey found that, although a high percentage of sustainability reporting and integrated reports discuss GHG emissions, this issue had the lowest inclusion rate, of all the 12 areas, in securities reports.

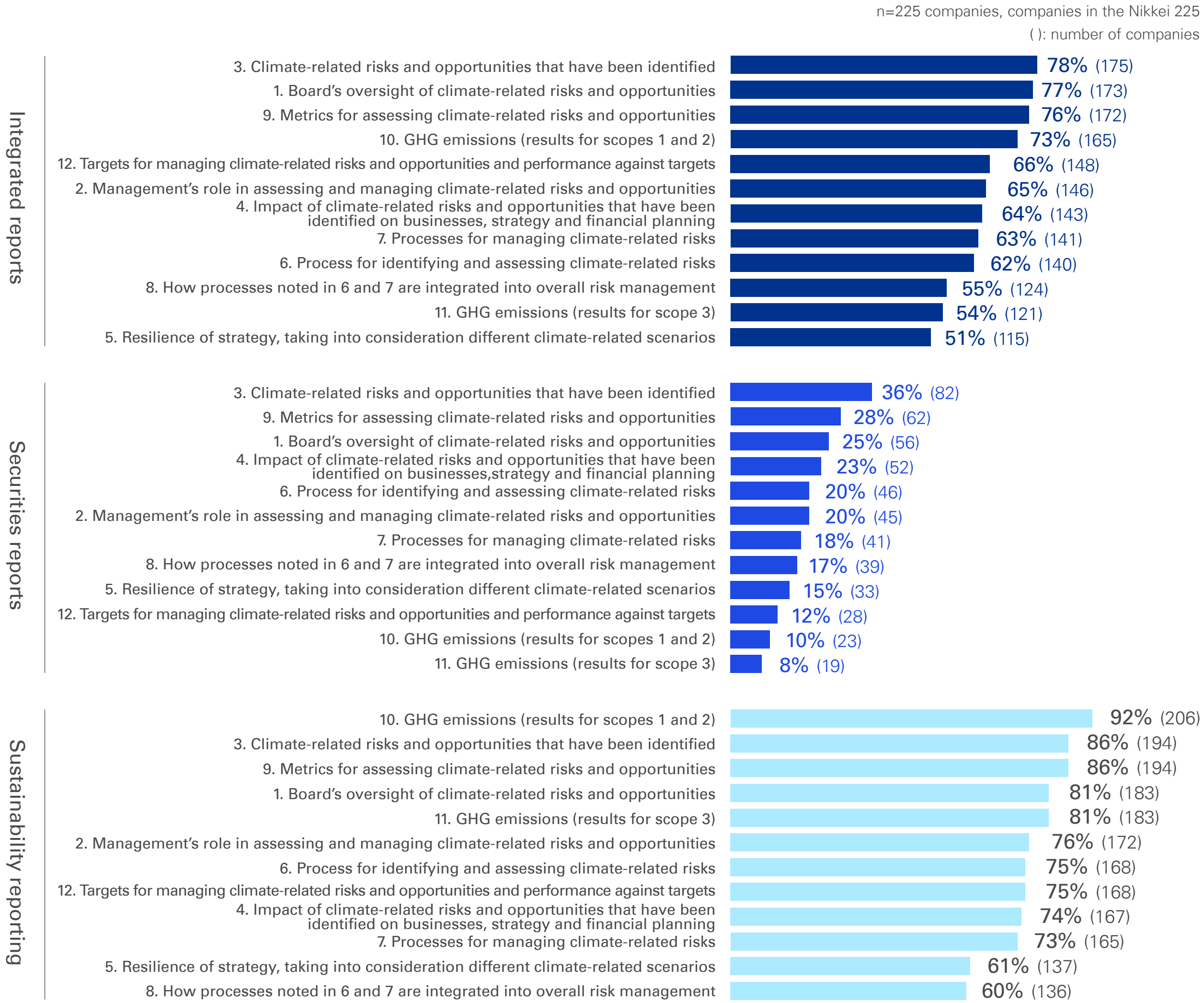
Survey items (Refer to the areas recommended for disclosure in TCFD recommendations)

1. Board's oversight of climate-related risks and opportunities
2. Management's role in assessing and managing climate-related risks and opportunities
3. Climate-related risks and opportunities that have been identified
4. Impact of climate-related risks and opportunities that have been identified on businesses, strategy and financial planning
5. Resilience of strategy, taking into consideration different climate-related scenarios
6. Process for identifying and assessing climate-related risks
7. Processes for managing climate-related risks
8. How processes noted in 6 and 7 are integrated into overall risk management
9. Metrics for assessing climate-related risks and opportunities
10. GHG emissions (results for scopes 1 and 2)
11. GHG emissions (results for scope 3)
12. Targets for managing climate-related risks and opportunities and performance against targets

Although disclosure in line with TCFD recommendations has increased, companies are not actively disclosing GHG emission data in securities reports (cont'd)

The percentage of reports that included information on "10. GHG emissions (results for scopes 1 and 2)" and "11. GHG emissions (results for scope 3)" respectively was, from highest to lowest, 92% and 81% for sustainability reporting, 73% and 54% for integrated reports, and 10% and 8% for securities reports (Figures 3-2 and 3-3). One reason for this is that almost all integrated reports and sustainability reporting are released after securities reports have been submitted (see Figure 2-1 on page 25), and compiling the GHG emission data for the same reporting period as used for financial statements by the time securities reports have to be submitted can be difficult pragmatically. The *Principles Regarding the Disclosure of Narrative Information (Appendix)—Disclosure of Sustainability Information*, released together with the revised Cabinet Ordinance, state that companies are expected to proactively disclose scope 1 and 2 GHG emissions in their securities reports, while individual companies may make their own decisions on its materiality. In the event that they decide not to include this information, the *Principles* expect them to explain this decision and the rationale. Even if the company does not have enough time to compile and disclose GHG emission data for the same reporting period as the financial statements, it is important that companies show a willingness to actively provide information that contributes to constructive dialogue with investors by providing information in line with their own conditions, such as disclosing estimates or information from the previous fiscal year and clearly explaining these limitations.

Figure 3-2 Figure 3-2 Disclosure in line with TCFD recommendations (by type of reporting)



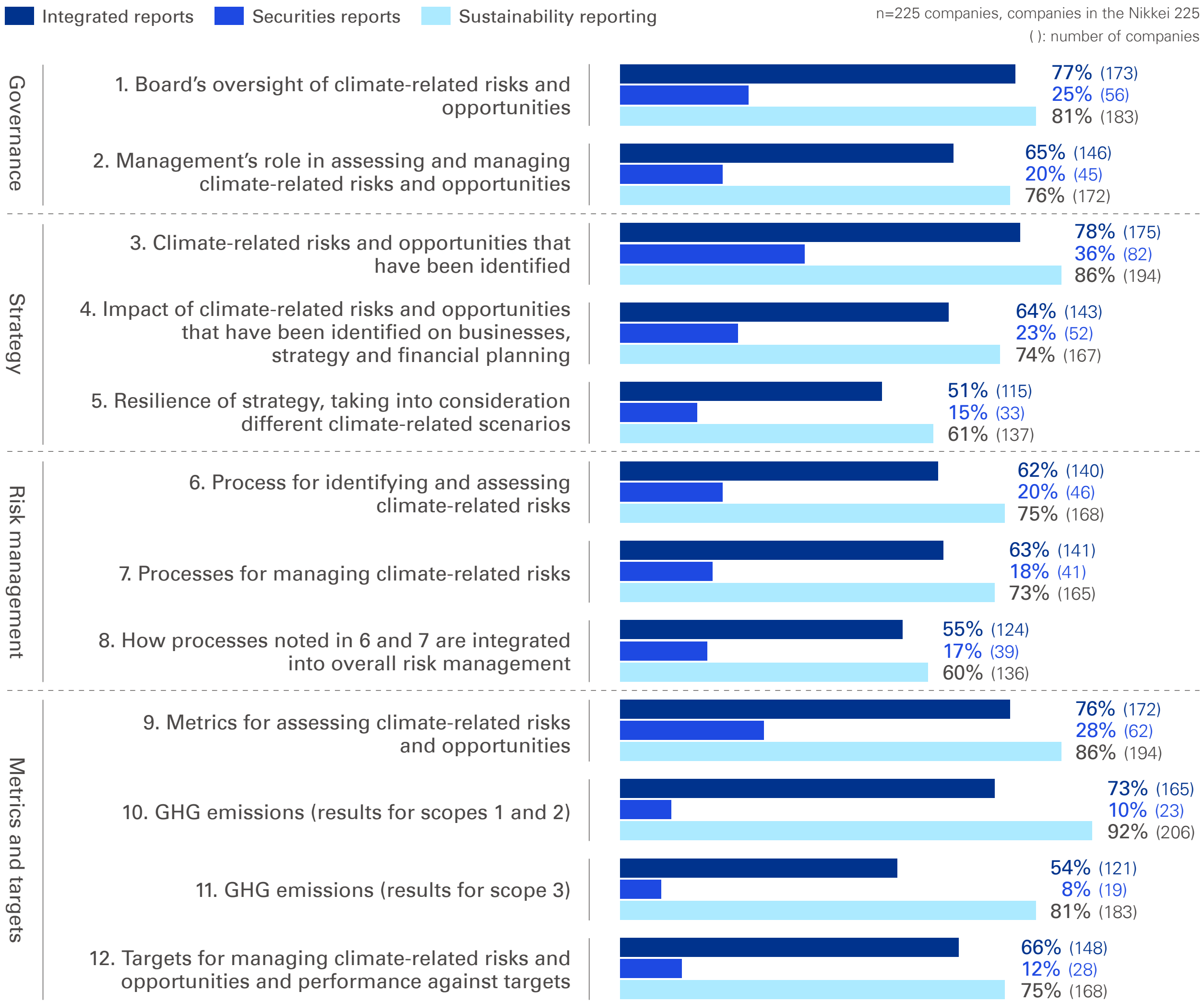
Source: *Survey of Corporate Reports in Japan 2022*, KPMG in Japan

Although disclosure in line with TCFD recommendations has increased, companies are not actively disclosing GHG emission data in securities reports (cont'd)

Other than GHG emissions, the percentage of reports that included information on “5. Resilience of strategy, taking into consideration different climate-related scenarios” and “8. How processes noted in 6 and 7 are integrated into overall risk management” respectively was low for all three types of reporting, as in the previous year. Even in sustainability reporting, which had the highest inclusion rate for these two issues, the percentage was only 60% (Figures 3-2, 3-3). Many companies gave results of their analysis by scenario, but vague language was often used when it came to discussing the resilience of their strategies, such as indicating the extent of the impact (high, medium, low, etc.) on the company’s business and current and future finances and income. When it comes to discussing “5. Resilience of strategy, taking into consideration different climate-related scenarios,” companies should explain the effects of the impact of climate change, whether the company is sustainable, and if it is not, what steps it is taking, including changes to its business model, to improve resilience.

Moreover, on risks identified in their scenario analysis, many companies did not clearly explain how they consider and manage those risks within their overall risk management process. Companies cannot simply manage the risks they identify on an individual basis, but must include them within a comprehensive risk management system as specific risk factors that could potentially impair the company’s ability to create sustainable value. Together with risk factors that have previously been included in risk management, companies should also show that directors and management have built mechanisms to identify climate-related risks, as well, in an integrated way.

Figure 3-3 Disclosure in line with TCFD recommendations (by area)

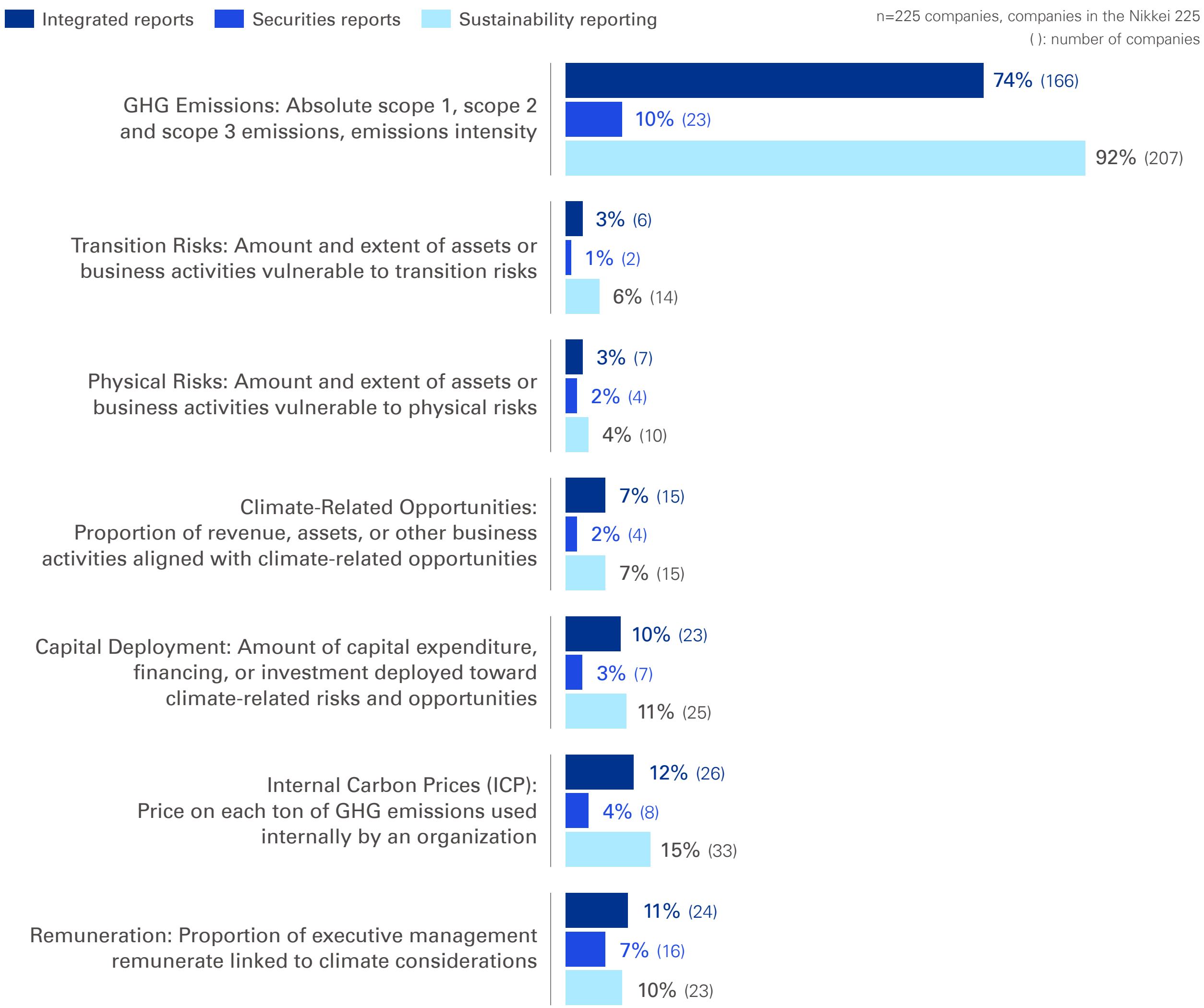


Source: *Survey of Corporate Reports in Japan 2022*, KPMG in Japan

Using appropriate metrics to measure climate change-related risks and opportunities and clearly conveying the situation

Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures and *Guidance on Metrics, Targets, and Transition Plans*, released by TCFD in October 2021, lists seven cross-industry, climate-related metric categories along with example metrics, including GHG emissions, as recommended disclosures. The climate-related metrics are effective proxy indicators that enable companies to measure climate-related opportunities and risks. They are also important input information that enables users to estimate the financial impact and make decisions. Of these seven categories, in *Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures*, TCFD states that scope 1 and 2 GHG emissions should be disclosed by all organizations "independent of a materiality assessment." In contrast, it recommends that scope 3 GHG emissions and categories other than GHG emissions be disclosed in line with materiality. As of this survey, disclosure was limited for all types of reporting (Figure 3-4).

Figure 3-4 Disclosure in TCFD's cross-industry climate-related metric categories



Source: *Survey of Corporate Reports in Japan 2022*, KPMG in Japan

Using appropriate metrics to measure climate change-related risks and opportunities and clearly conveying the situation (cont'd)

- **Transition risks, physical risks**

More reports discuss the impact on business, but only a low percentage of companies provided data as listed in *the Guidance*, such as the amount and extent of assets and business activities vulnerable to these risks. These metrics would indicate a company's potential financial vulnerabilities, such as the possibility of impairment losses and stranded assets, changes to product and service demand, and the cost of business interruptions. Even in sustainability reports, which had the highest disclosure rate, only 6% and 4%, respectively, provided metric categories for transition risks and physical risks.

- **Climate-related opportunities**

As with the results on risk, few companies clearly specified the proportion of revenue, assets or business activity aligned with climate-related opportunities as a metric indicating the anticipated transition path and medium- and long-term revenue trends. Even in integrated reports and sustainability reporting, which had the highest percentage, only 7% of companies provided this information.

- **Capital allocation**

Disclosure of the amount of capital expenditure deployed to address climate-related risks and opportunities helps to show the extent of the impact on corporate value in the medium to long term. Only 11% of companies disclosed in their sustainability reporting the amount or proportion of capital expenditure, financing or investment deployed to address climate-related risks and opportunities, and even fewer disclosed this in other report types.

- **Internal carbon prices (ICP)**

The price on each ton of GHG emissions used internally is basic information for the analysis of the financial impact, and aids users' understanding of risk and opportunity assessment and the validity of strategic resilience. Fifteen percent of companies included this information in their sustainability reporting, and fewer disclosed this in other report types. Of the seven metric categories, this one had the highest disclosure percentage.

- **Remuneration**

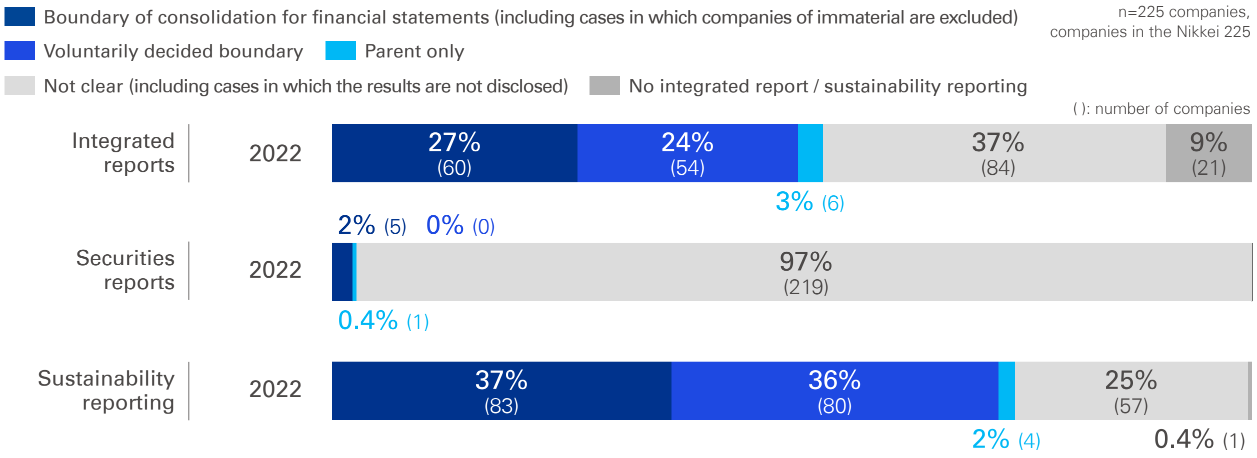
Policies on deciding executive management remuneration serve as incentives toward achieving the goals. Disclosing remuneration design shows the extent to which management is aware of the impact of climate change and is managing the company accordingly. *The Guidance* lists the "weighting of climate goals on long-term incentive scorecards for Executive Directors" and "weighting of performance against operational emissions' targets for remuneration scorecard" as examples. However, the percentage of reports disclosing this information was low, and was only 11% even for integrated reports, which had the highest disclosure rate.

As information disclosure aligned with the TCFD framework becomes more institutionalized, it is crucial that companies are aware of their risks and opportunities related to climate change at the same time taking a close look at what must be disclosed. Companies should refer to the seven metric categories in considering what metrics are appropriate to measure their own risks and opportunities, and then use these metrics to clearly convey their own situation as they understand it.

Boundary of GHG emission calculations is not necessarily consistent with scope of consolidation in financial statements

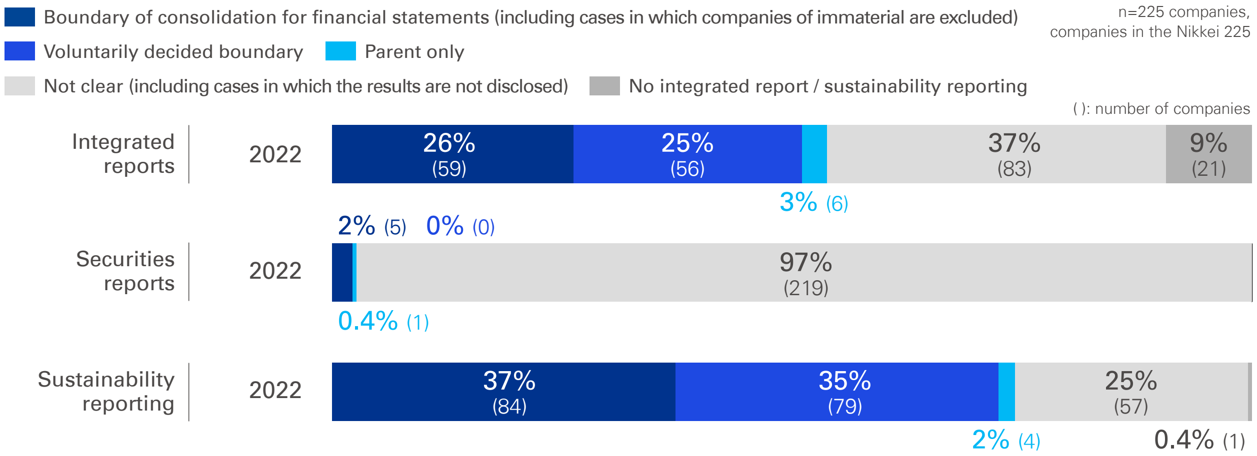
In Europe and the US, regulators are considering making the disclosure of GHG emissions mandatory, and even in Japan, the revised Cabinet Office Ordinance recommends the active disclosure of scope 1 and 2 GHG emissions. In sustainability reporting, which had the highest percentage of companies disclosing GHG emission information, over 90% of companies disclosed their GHG emissions reduction targets and scope 1 and scope 2 GHG emissions (Figures 3-2, 3-3, 3-4, and 3-8), but the boundary of these calculations did not necessarily match the consolidation scope of financial statements. Looking at the boundaries for scope 1 and scope 2 emissions in sustainability reporting, which had the highest disclosure rate for GHG emissions, the reporting boundaries were consistent with the boundary of financial consolidation for only 37% of companies. Around 35% of the companies employed voluntarily decided boundaries, 2% reported only on the non-consolidated parent company, and 25% did not clearly indicate the boundary (Figures 3-5 and 3-6).

Figure 3-5 Boundaries for GHG emissions (Scope 1)



Source: *Survey of Corporate Reports in Japan 2022*, KPMG in Japan

Figure 3-6 Boundaries for GHG emissions (Scope 2)



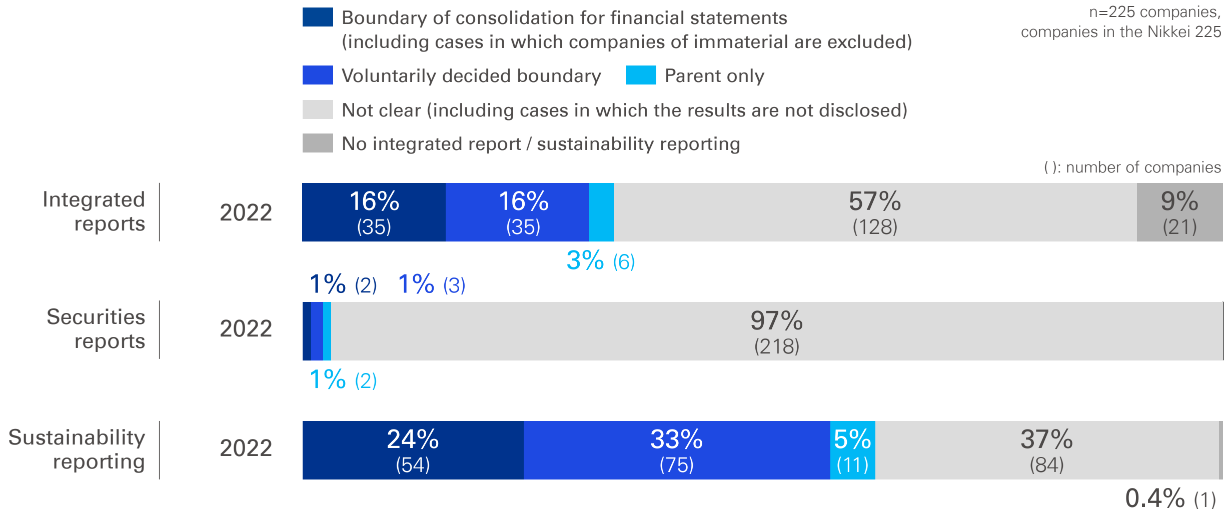
Source: *Survey of Corporate Reports in Japan 2022*, KPMG in Japan

Boundary of GHG emission calculations is not necessarily consistent with scope of consolidation in financial statements (cont'd)

In addition, if we include scope 3 as well, the boundary was consistent with the scope of financial consolidation in only 24% of sustainability reporting, and the remaining over 70% of companies disclosed information with boundaries that differed from the boundary of financial consolidation or did not clearly indicate the boundaries (Figure 3-7). However, it is worth noting that companies are gradually expanding the boundary they employ when calculating all three scopes.

Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures states that GHG emissions should be calculated in line with the GHG Protocol methodology to allow for aggregation and comparability across organizations and jurisdictions. The revised Cabinet Office Ordinance also states that information on consolidated companies should be provided in the newly required "Approach to and Initiatives on Sustainability" section in securities reports, and that disclosure on GHG emissions should be provided on a consolidated basis. Information with the same boundaries as consolidation used in financial statements should be disclosed to provide comparable information that helps investors make decisions. Companies are expected to accurately explain their situation. If providing information on a consolidated basis is difficult, as noted in the aforementioned FSA's approach in response to public comments, companies can explain this and disclose information within a voluntarily decided boundary, and gradually expand the boundary they employ when making their calculations.

Figure 3-7 Boundaries for GHG emissions (Scope 3)

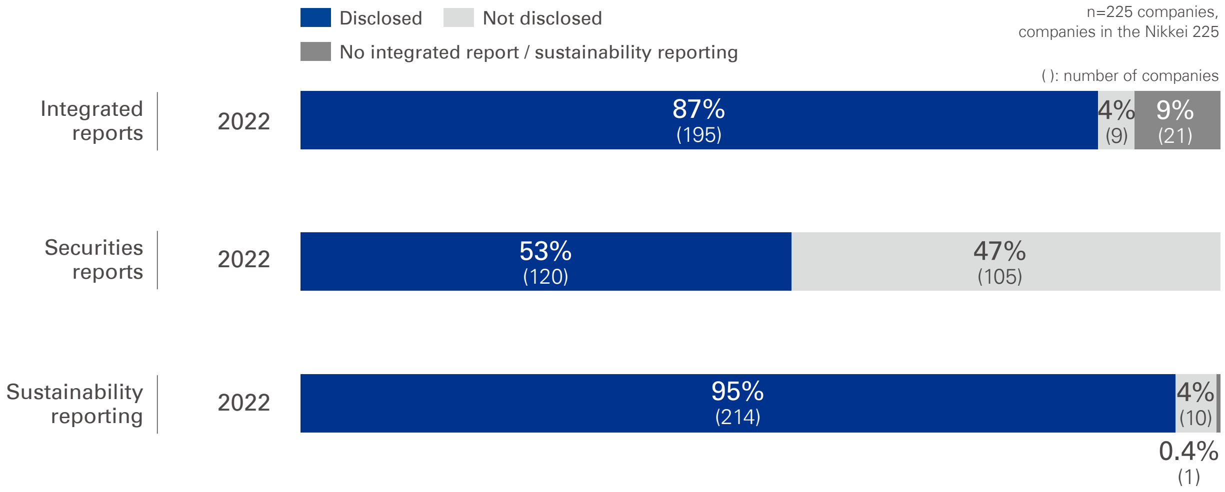


Source: *Survey of Corporate Reports in Japan 2022*, KPMG in Japan

Disclosure of GHG emissions reduction targets

Companies whose business activities will be significantly affected by climate change are increasingly aware that climate change is an important management issue and that they need to take company-wide initiatives and cooperate on this issue across their overall value chain. For this reason, there has been progress in disclosing GHG emissions reduction targets as an indicator of a company's efforts to address these management issues. In particular, 95% of companies listed their GHG emissions reduction targets in their sustainability reporting (Figure 3-8).

Figure 3-8 Disclosure of target for GHG emissions reduction

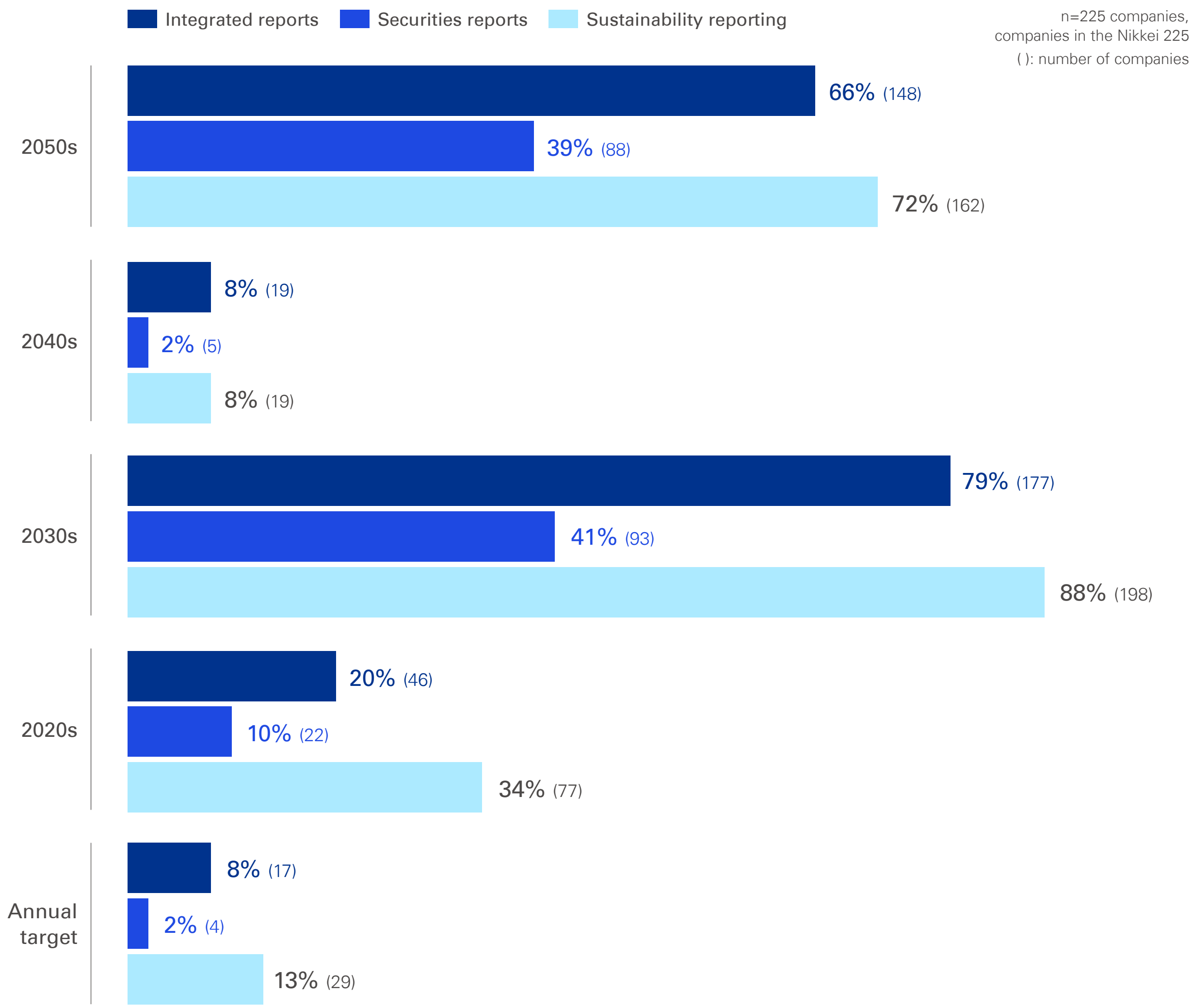


Source: *Survey of Corporate Reports in Japan 2022*, KPMG in Japan

Disclosure of GHG emissions reduction targets
(cont'd)

Many set 2030 or 2050 as their GHG emissions reduction target year, which is consistent with the fiscal years that the Japanese government uses for its medium-term and long-term targets for GHG emissions reductions (Figure 3-9).

Figure 3-9 Target year for GHG emissions reduction



Source: *Survey of Corporate Reports in Japan 2022*, KPMG in Japan

Spotlight 09

Demands made at COP27

The 27th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP27) was held in Sharm el-Sheikh, Egypt from November 6 to 20, 2022. Japan dispatched Minister of the Environment Akihiro Nishimura, and officials from other relevant agencies also participated.

On the last day of the conference, the Sharm el-Sheikh Implementation Plan was agreed at the COP27 Summit. This plan seeks to reinforce climate change measures in all areas.

Some observers were disappointed that this plan did not go further on the issue of GHG emissions reduction, particularly for developed countries, given that the 2030 target to ensure that climate change stays below 1.5°C was not reinforced beyond what was agreed at COP26.

Nevertheless, significant progress was made on the issue of losses and damages. The establishment of the COP27 fund for loss and damage (provisional name) was particularly noteworthy. New financial measures were taken to provide support for losses and damage suffered by countries that are financially vulnerable, this fund was set up as part of this effort, and a transition committee was established to prepare recommendations for its operations ahead of COP28.

In addition, representatives from the different countries pledged to provide over USD230 million in total for the Global Goal on Adaptation (GGA). Egypt, the chair of the summit, asked that companies prepare adaptation plans, which could spur the construction of infrastructure in developing countries and the sharing of energy-related products and technology.

UN Secretary-General António Guterres stated that companies and countries that have made net-zero pledges must follow through on them, and demanded that companies and countries take specific actions to reduce GHG emissions. We believe that expectations will now be focused on actual actions and results, not just declarations and plans.

Eiji Kurashige

Discuss investment in human capital and management's thoughts on human resource strategies in the form of a story

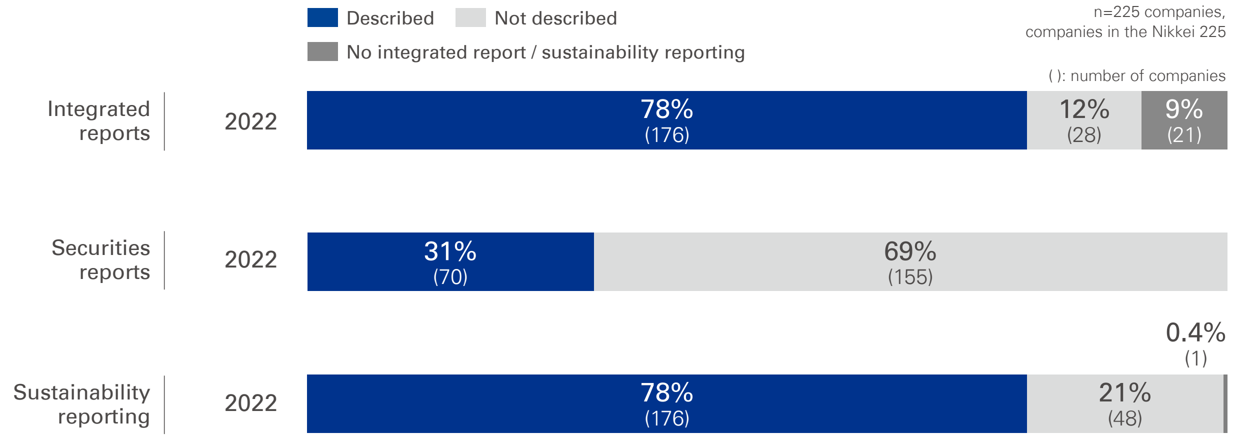
Intangible assets are an increasingly important part of corporate value. Stakeholders, and investors in particular, are increasingly interested in management's thoughts on intangible assets and the human capital that is at their center. Corporate managers are expected to see employees not as a labor force, but as human capital that is the source of the company's competitive advantages and can create value. They should build into their strategies the type of investments they make in human capital and how they leverage their human capital, and then implement those strategies to fulfill the value creation story.

With this background, there has been progress in discussing and mandating disclosure about human capital and diversity in Japan, as well. In June 2021, when the Corporate Governance Code was revised, the code included a principle on disclosure of investments in human capital, policies aimed at ensuring diversity and their implementation status. In addition, the Cabinet Office Ordinance on Partial Revisions to the Cabinet Office Ordinanc on Disclosure of Corporate Information (hereafter, "revised Cabinet Office Ordinance"), released in January 2023, proposed that securities reports, starting with those covering the fiscal year ending in March 2023, be required to include human capital development policies, including policies designed to secure diversity, policies on establishing an internal environment for human capital, metrics consistent with these policies, and a description of targets and progress.

Discuss investment in human capital and management's thoughts on human resource strategies in the form of a story (cont'd)

Given these trends in Japan's disclosure system, we looked at whether companies are describing their policies on human capital. The percentage of companies that wrote about their policies on management and core employees, their human capital development policies, and/or their policies on establishing an internal environment for human capital (hereafter, "policies on human capital") was a high 78% for integrated reports and sustainability reporting, but was only 31% for securities reports. This shows that the voluntary reports have taken the lead in providing such explanations (Figure 4-1). Taking a closer look only at companies that identified securing and making the most of human capital as material, we found that, from highest to lowest, 99% of sustainability reporting included this information, 96% of integrated reports and 62% of securities reports. The deeper a company's understanding of the relationship between human capital and corporate value, the more likely they are to describe their policies (Figure 4-2).

Figure 4-1 Policies on human capital



Source: *Survey of Corporate Reports in Japan 2022*, KPMG in Japan

Figure 4-2 Policies on human capital by companies that identified human capital as a material matter

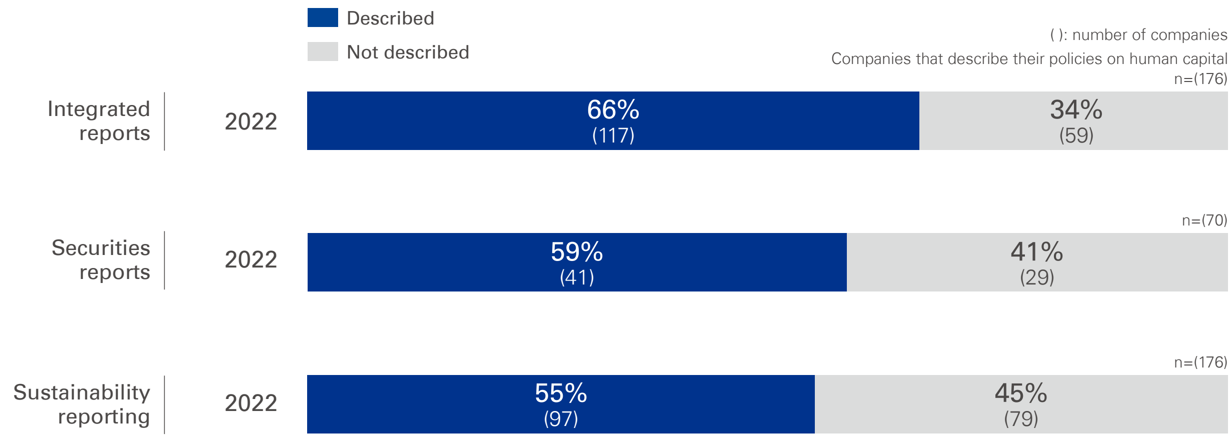
Source: *Survey of Corporate Reports in Japan 2022*, KPMG in Japan

Discuss investment in human capital and management's thoughts on human resource strategies in the form of a story (cont'd)

In addition, using the Cabinet Office's *Guidelines on Making Human Capital Visible*, we reviewed companies that described their human capital policies from the following three perspectives to determine the relationship with their management policies and strategies and the status of their initiatives in order to assess if their reports told a story from the perspective of directors and management.

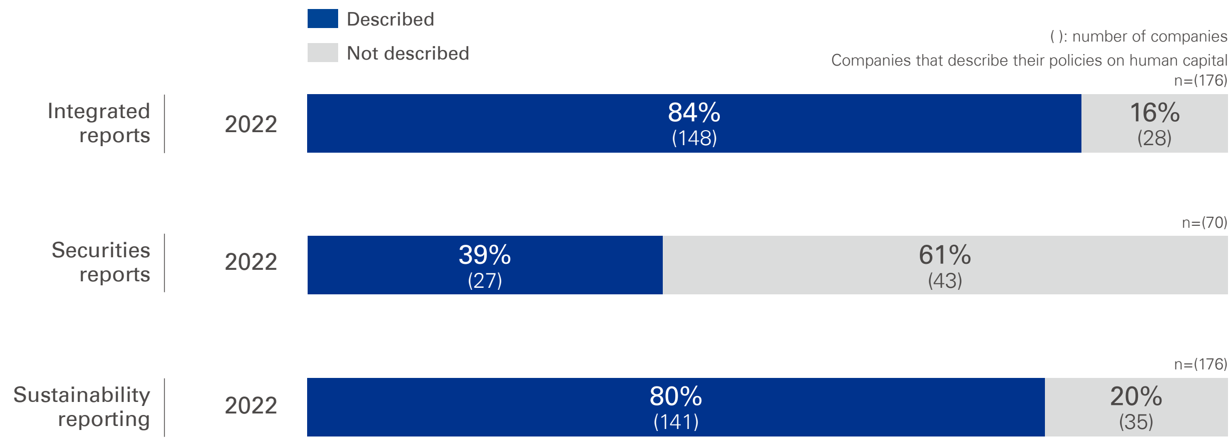
- Is the relationship with the material risks and opportunities facing the company and long-term earnings and competitiveness clearly laid out? (Figure 4-3)
- Does the company consider its vision (objective) and the metrics that need to be monitored? (Figure 4-4)
- Are the explanations clear and logical, based on detailed discussion at the director and management level? (Figure 4-5)

Figure 4-3 Relationship with the material risks and opportunities facing the company and long-term earnings and competitiveness



Source: *Survey of Corporate Reports in Japan 2022*, KPMG in Japan

Figure 4-4 Vision (objective) and metrics that need to be monitored



Source: *Survey of Corporate Reports in Japan 2022*, KPMG in Japan

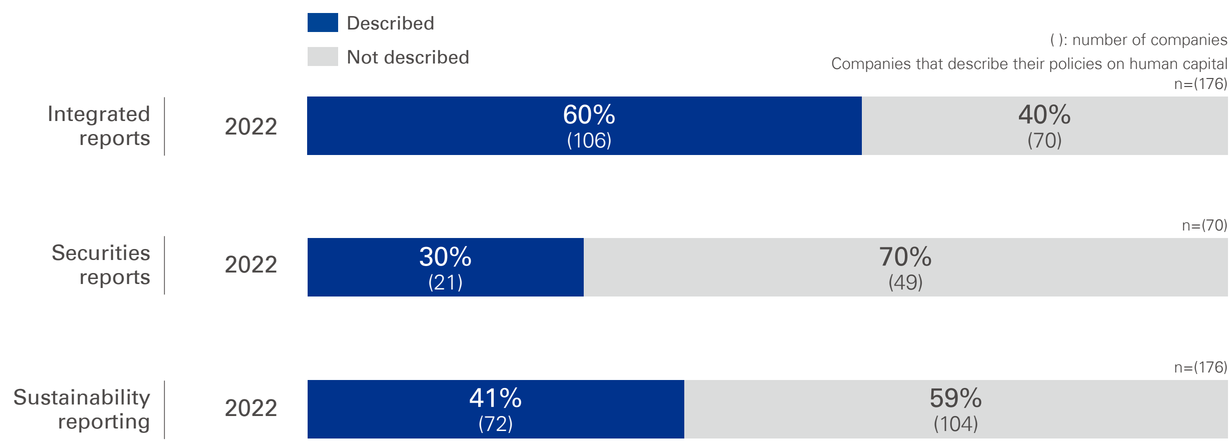
Discuss investment in human capital and management's thoughts on human resource strategies in the form of a story (cont'd)

The percentage was the highest for integrated reports for all these types of explanations. Integrated reports are a suitable medium for explanations of the value created based on decisions made taking into account various forms of capital, including human capital, and for describing the company's value creation capacity. It makes sense that explanations of human capital are more complete in integrated reports than in the other two formats.

As with expectations over information disclosure laid out in the *Guidelines on Making Human Capital Visible*, even the *Report of the Working Group on Corporate Disclosure*, which formed the basis for the revised Cabinet Office Ordinance, designated the following two areas as disclosure items, and requires explanations of how human capital and diversity lead to corporate value.

- Human Resource Development Policy (including securing diversity) and Policies on Establishing Internal Environment based on the materiality of human resource strategies in raising medium- and long-term corporate value
- Metrics that are consistent with the aforementioned policies (input, outcome, etc.), their objectives and progress in line with each company's conditions

Figure 4-5 Clear and logical explanations based on detailed discussion at the director and management level



Source: *Survey of Corporate Reports in Japan 2022*, KPMG in Japan

Discuss investment in human capital and management's thoughts on human resource strategies in the form of a story (cont'd)

The revised Cabinet Office Ordinance requires that securities reports discuss human capital starting with those covering the fiscal year ended in March 2023. However, given the intent of this system, it is not enough to simply list all the disclosure items. First of all, companies need to accurately understand the background for these revisions, in light of the *Report of the Working Group on Corporate Disclosure* and the *Guidelines on Making Human Capital Visible*. In clarifying the role of human capital in the value creation story and laying out management's thoughts on human capital strategies and investment in human capital in a way that is consistent with management strategies, companies need to explain human capital policies and related metrics in a narrative format. Only when accompanied by such explanations, can companies achieve useful information disclosure that meets the needs of information users.

Spotlight 10

Ban on products made using forced labor

In September 2022, the Japanese government published its Guidelines on Respecting Human Rights in Responsible Supply Chains. These were prepared in line with international standards such as the UN Guiding Principles on Business and Human Rights, so there are no inconsistences in the content (Result of the Public Comment Procedure on the draft *Guidelines on Respecting Human Rights in Responsible Supply Chains* (in Japanese), No. 78).

These guidelines call for the implementation of human rights due diligence in order to eliminate forced labor. Would human rights due diligence alone be sufficient to eliminate all forced labor? It may actually be very difficult to accomplish, since, although companies can and do demand improvements, responses and help of business suppliers who may be using abusive labor practices, no longer doing business with such suppliers is still seen as a last resort, and companies are normally reluctant to take that step. As a result, even suppliers that may be violating human rights through forced labor can continue to generate sales and income.

Making it impossible for companies that violate human rights to generate sales and income would require not only demands that companies improve their activities through human rights due diligence, but that they put restrictions on the distribution of their products and remove them from the market.

With this in mind, in September 2022 the EU released a proposed regulation that would ban the distribution of products made with forced labor in EU markets (*Regulation on prohibiting products made with forced labour on the Union market*).

This regulation would (1) prohibit products made with forced labor from being placed on the EU market; (2) ban their export from the EU market; (3) ban their import into the EU market; and (4) dispose of products made with forced labor that are already circulating in the EU market (with the exception of cases in which the product is already held by the end-user).

The scope of this regulation is not limited to a particular country or industry, but includes products made in any country or industry in the world. This means that Japanese companies must also go further in addressing human rights issues in their supply chains.

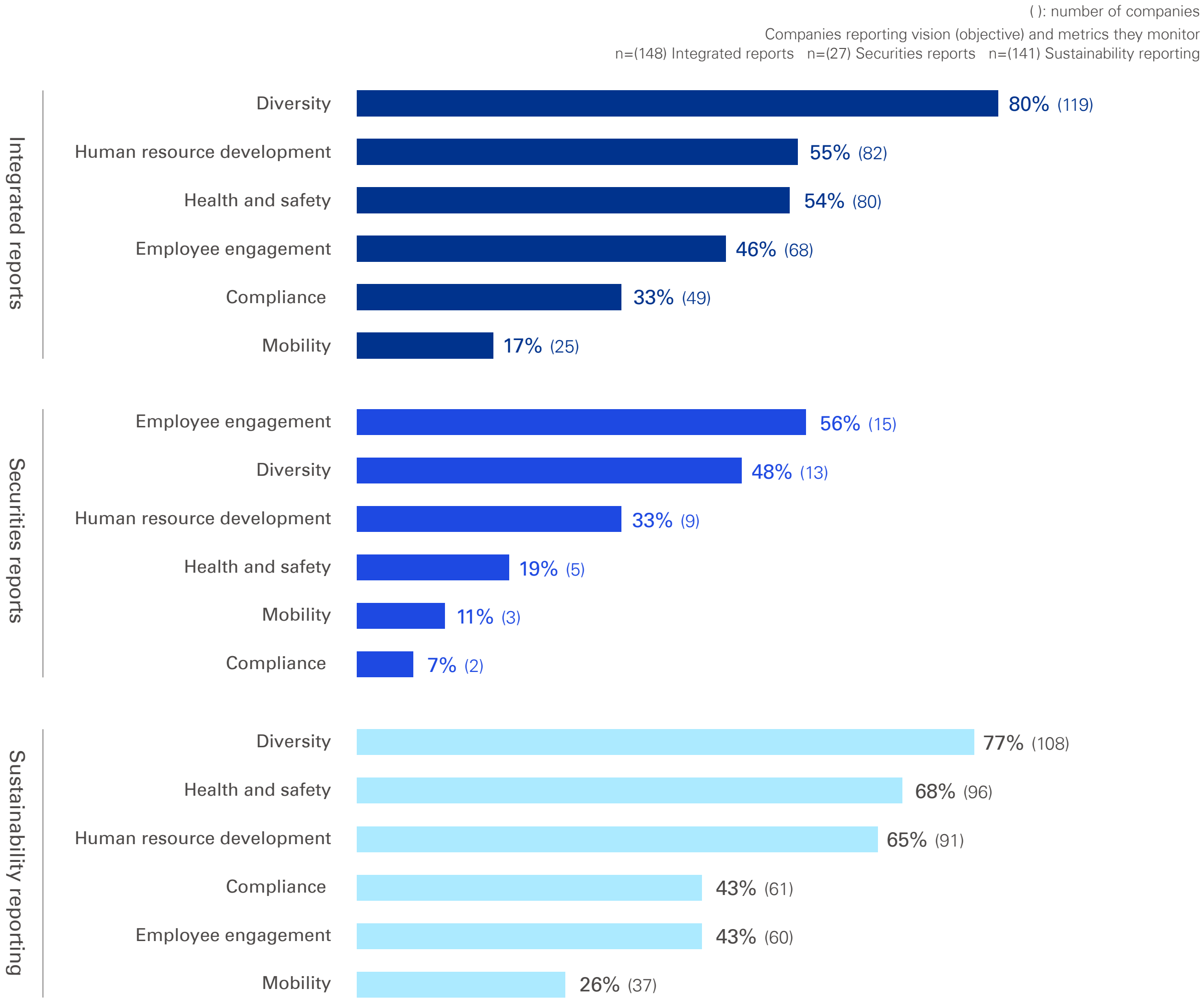
Shunji Kato

Differentiate from other companies by adding unique reports and insights to required disclosure

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, so that investors can assess medium- and long-term corporate value. However, as with the *Guidelines on Making Human Capital Visible*, if the content on human capital stops at simply complying with disclosure requirements, then it would only meet the bare minimum. Companies need to involve management in independently considering the kind of report content that would best show how investments in human capital and human capital strategies are positioned and how they are related within that company's unique value creation story.

In addition to these three metrics that the revised Cabinet Office Ordinance has indicated for disclosure, we defined metrics that companies reported on their own as broadly-defined "unique metrics" and reviewed the content provided and those metrics. This revealed that most of the companies which explained their vision (objective) and the metrics they use to monitor it, reported unique metrics. The most common category of unique metrics in these reports was "diversity," data on which was provided in 80% of integrated reports and 77% of sustainability reporting. In securities reports, 56% of companies reported data on "employee engagement" (Figure 4-6). In making human capital visible, companies are beginning to show an independent stance on reporting.

Figure 4-6 Unique metrics



Source: *Survey of Corporate Reports in Japan 2022*, KPMG in Japan

Differentiate from other companies by adding unique reports and insights to required disclosure
(cont'd)

The *Guidelines on Making Human Capital Visible* classify unique initiatives, metrics and disclosure into two categories.

- Initiatives and disclosures that are unique in and of themselves.
- Although the disclosed information might be the same as that provided by other companies, the company's own strategy and business model significantly affected the reason that it was chosen for disclosure (a unique reasoning).

In this survey, as noted earlier, we took a broad definition of the former category and ascertained the extent to which reports included unique metrics and their substance, but the latter category is also important. Even the *Points to Note on Disclosure of Corporate Affairs (Guidelines on Disclosure of Corporate Affairs)* notes that companies can include "voluntary additional information that would facilitate investors' understanding" (No. 5-16-3) when noting the three metrics listed in the disclosure items. Even if these are metrics that fall under disclosure rules, companies need to not only disclose the actual figure, but explain what meaning each metric has for the company and add the company's own insights. These insights will help readers understand the factors that set one company apart from another. Moreover, in addition to explanations, it shows that the company takes a proactive approach to using corporate reports to raise value.

Good practice

Explained thinking of management on the purpose of human capital investments in a way that is integrated with management strategy

A securities report that explained the company's investment plan for human capital provided an example of an investment in growth needed to implement management strategy. This company laid out its outlook for changes in the business environment and then explained, with specifics, the shift in its business model for the medium term and the necessary human capital and work reforms needed to achieve this shift. In addition, the company explained that it would strengthen its management foundations to achieve these reforms by working on developing its human resources, hiring talented people, and reforming its core systems, and that it would allocate about 20% of its overall growth investments to these efforts.

The *Report of the Working Group on Corporate Disclosure* states that it is urging augmentation of non-financial information on human capital and diversity because it "aims to ensure that both companies and investors see human investments as assets and share a sense that human investment is the foundation for sustainable value creation." Laying out why investments are made in human capital in a way that is integrated with management strategy makes for a report that is effective in fostering this kind of shared awareness.

Spotlight 11

Worsening social inequality and initiatives designed to tackle it

In recent years, COVID-19, climate change, advances in technology, conflicts and other phenomena have exacerbated inequality within nations, as distinct from that between nations, to expand. There is a growing sense that this social inequality threatens the health of the economy and society. Social inequality refers to the unequal treatment suffered due to age, gender, disabilities, race, ethnicity, origins, religion, economic status or other factor, and rectifying such inequality is one of the SDGs.

When the problem of inequality worsens, dissatisfaction with the government and public institutions heightens, and this leads to conflict between groups, polarization and the loss of social cohesiveness. It can cause lower productivity and a decline in consumption and growth for companies, and it can make the supply chain unstable, all of which can lead to systemic business risks.

Accordingly, companies are expected to play a role in tackling social inequality by setting up the right workplace environment, providing products and services needed for daily life, and calling for the government and business partners in the supply chain to make changes. Initiatives to address social inequality would build the faith truly needed for long-term sustainable growth and also enhance stability, as well as attract more ESG capital from investors and financial institutions.

In the US, some shareholders and other stakeholders are calling for companies to carry out "civil rights audits." These audits would be carried out by a third party such as an attorney to determine whether racial discrimination or harassment within the company are causing social inequality.

According to the World Business Council for Sustainable Development (WBCSD), social inequality is one of the three critical challenges facing the world, along with the climate emergency and nature loss. Currently, following in the footsteps of the Taskforce on Nature-related Financial Disclosures (TNFD), a project has been started to form the Task Force on Inequality-related Financial Disclosures (TIFD), and this shows how seriously the issue of social inequality is being taken.

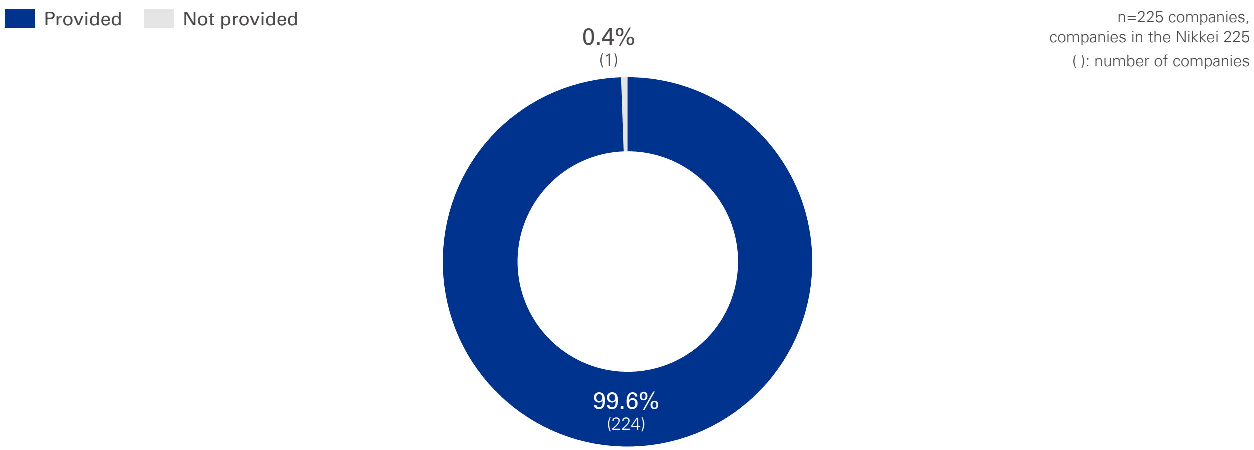
Tomomi Hori

Overview of sustainability reporting

This section is based on the information provided in pages under the name “sustainability” on company websites.

Of the 225 companies making up the Nikkei 225 Index which we surveyed, 224 have a section of their website dedicated to sustainability information, under names such as “sustainability,” “ESG,” “CSR,” “environment” or “society” (Figure 5-1).

Figure 5-1 Companies providing sustainability information on their websites



Source: *Survey of Corporate Reports in Japan 2022*, KPMG in Japan

Overview of sustainability reporting (cont'd)

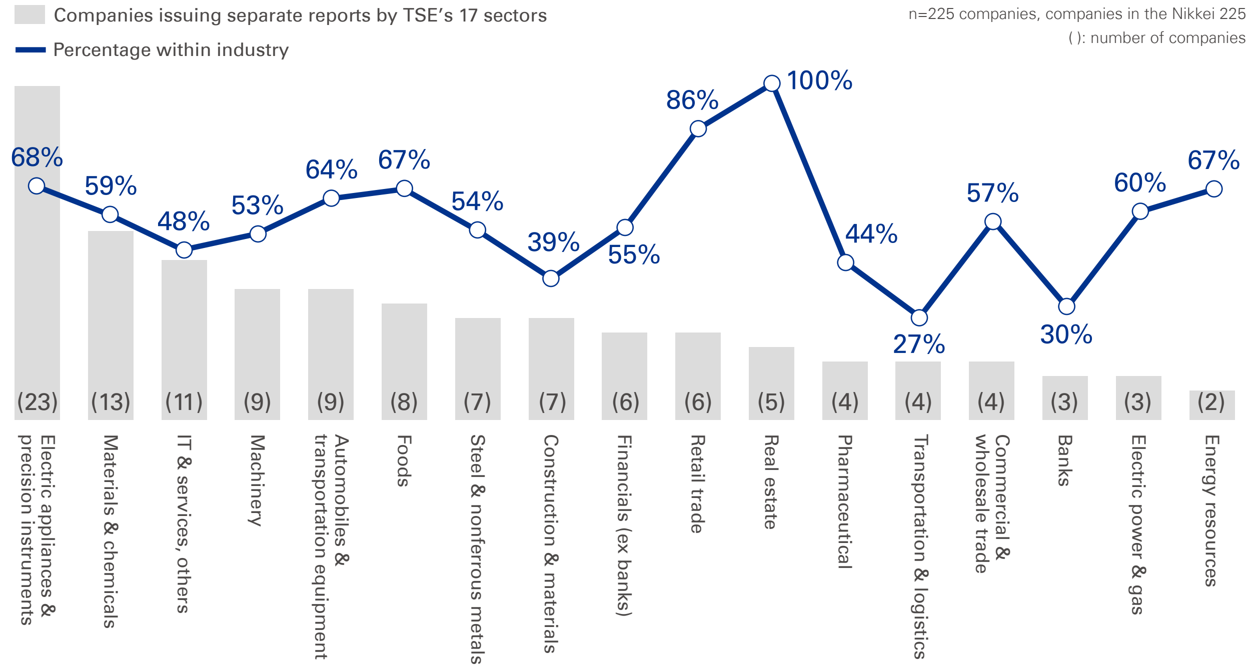
Of those surveyed, 55% published separate sustainability reports (excluding reports covered by our survey of integrated reports), down 4% from the previous year (Figure 5-2).

With 91% of the companies making up the Nikkei 225 publishing integrated reports (see the index attributes of companies issuing integrated reports on page 68), the sustainability information that is material for individual companies is consolidated in integrated reports with the aim of conveying the value creation story of the organization overall. We see a trend toward consolidating information related to the environment and society that draws broad public interest on a website, which makes it easier to add data and update figures in a more timely manner. Looking at the percentage of separate sustainability reports issued by industry, we find that, at the top, 100% of companies in the real estate industry publish separate reports and 86% of retail companies do so (Figure 5-3). The number of companies that belong to these industry categories is relatively low, but the real estate industry has a high impact on the environment, and in the retail industry, changes in consumer awareness translate into buying behavior and directly lead to business, so this industry is proactive in sharing information on environmental and social issues.

Figure 5-2 Separate sustainability report

Source: *Survey of Corporate Reports in Japan 2022*, KPMG in Japan

Figure 5-3 Separate sustainability report by industry



Source: *Survey of Corporate Reports in Japan 2022*, KPMG in Japan

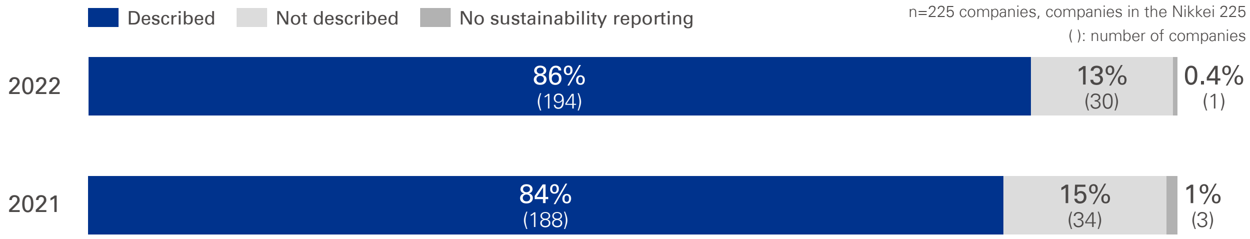
Water resources

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. Japan, which imports a significant amount of food and industrial products, relies heavily on overseas water resources.

Of the companies we looked at, 86% reported on consumption (absolute) of water resources (Figure 5-4). Information users who are aware of water-related risks want to understand what kinds of water risks companies face and how they are addressing these risks. However, few companies wrote about the underlying awareness of water risks (and opportunities) behind their report or disclosed water consumption with breakdowns for each region with different water stresses. Since the severity of water stress differs by region, exposure to water risks also differs by the area in which the company operates and its supply chain. We think it is important to refer to the Aqueduct Water Risk Atlas, a tool for assessing water risk provided by the World Resources Institute, to provide information for each region with different water stress and explain related information.

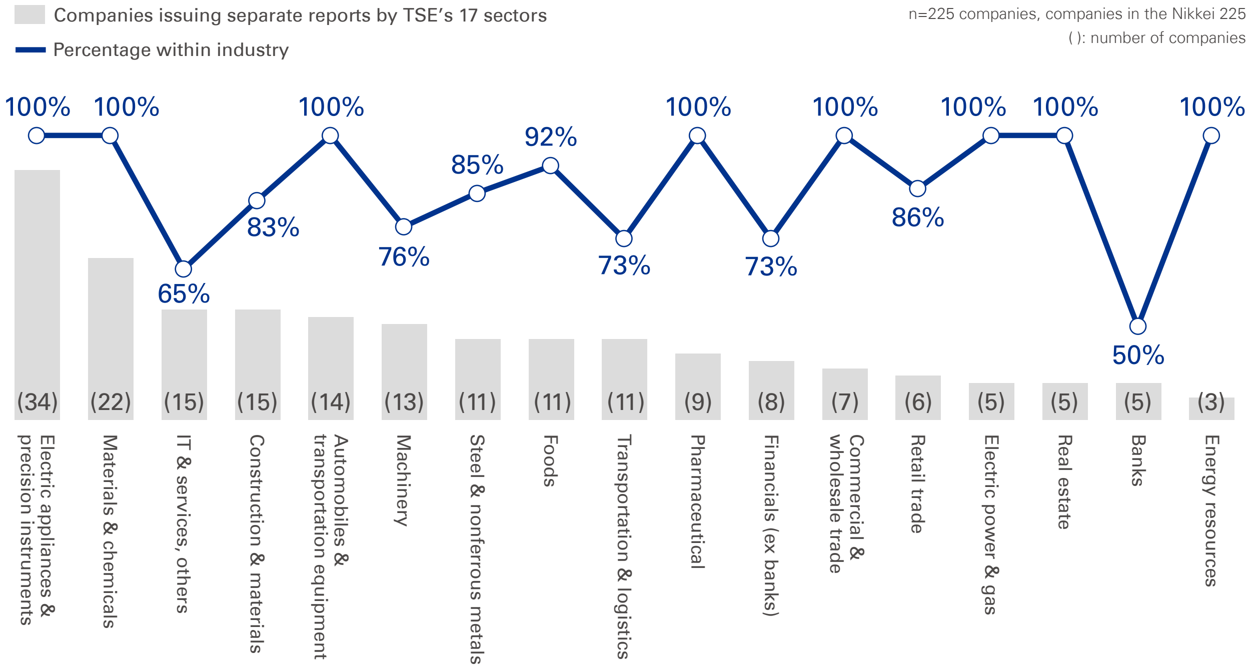
By industry, all companies in the electric appliances & precision instruments, materials & chemicals, automobiles & transportation equipment, pharmaceutical, commercial & wholesale trade, electric power & gas, real estate, and energy resources sectors reported their water consumption (absolute) (Figure 5-5).

Figure 5-4 Water consumption (absolute)



Source: *Survey of Corporate Reports in Japan 2022*, KPMG in Japan

Figure 5-5 Water consumption (absolute volume) by industry

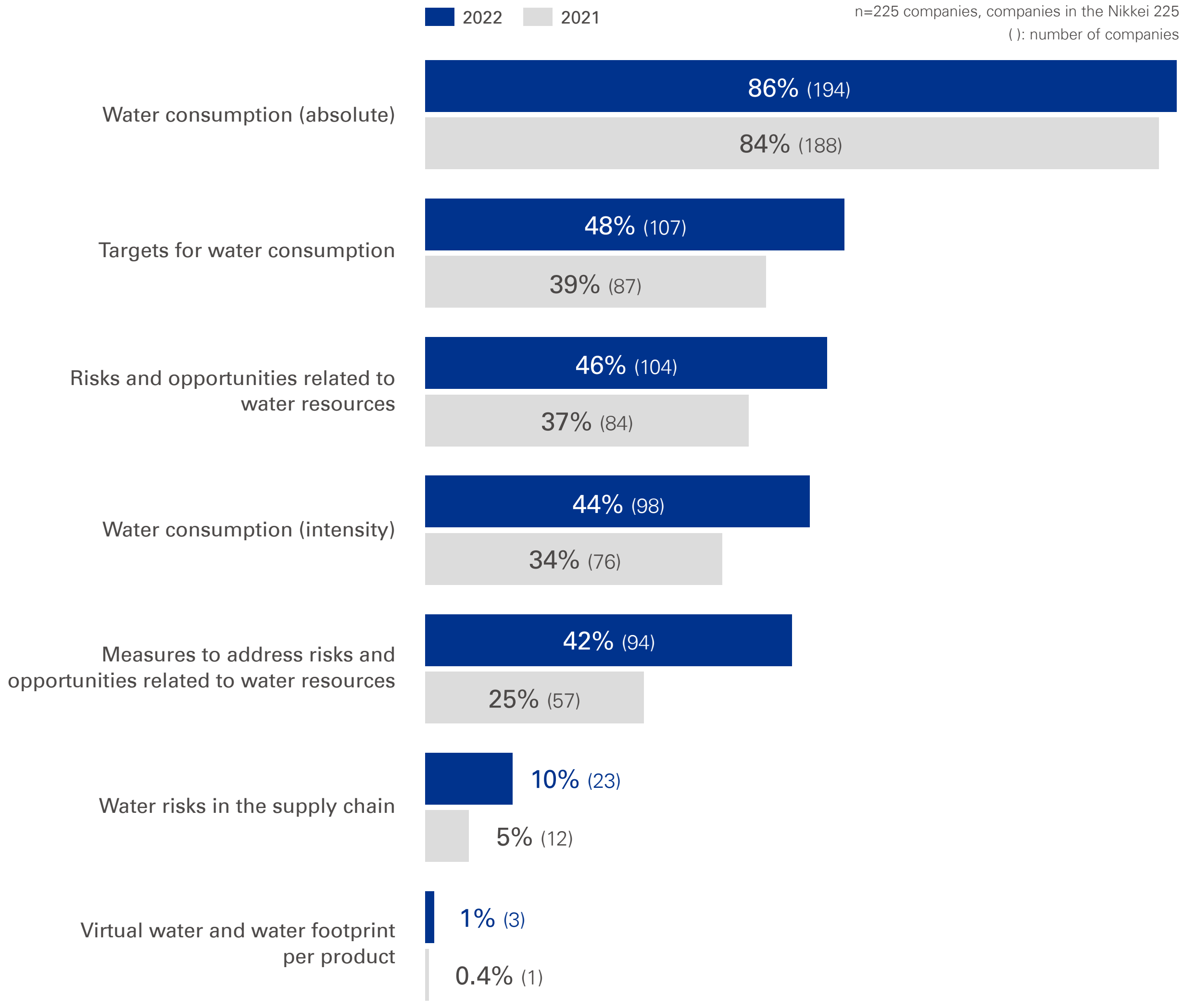


Source: *Survey of Corporate Reports in Japan 2022*, KPMG in Japan

Water resources (cont'd)

86% of companies reported data on the absolute volume of water consumption, but fewer than half reported on targets for reduction, awareness of risks and opportunities related to water, and related countermeasures (Figure 5-6). Few companies indicated their water consumption by intensity or provided metrics related to other water risks. Water stress is listed as the tenth greatest risk in the Eurasia Group's report on the Top Risks 2023, and we expect water shortages to be a serious risk factor across global supply chains. Companies are expected to assess the impact that water stress has on business and report on water resources.

Figure 5-6 Reports related to water resources

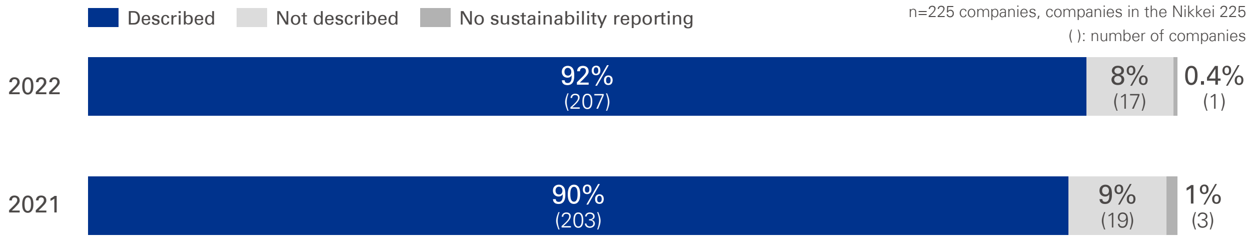


Source: *Survey of Corporate Reports in Japan 2022*, KPMG in Japan

Human rights

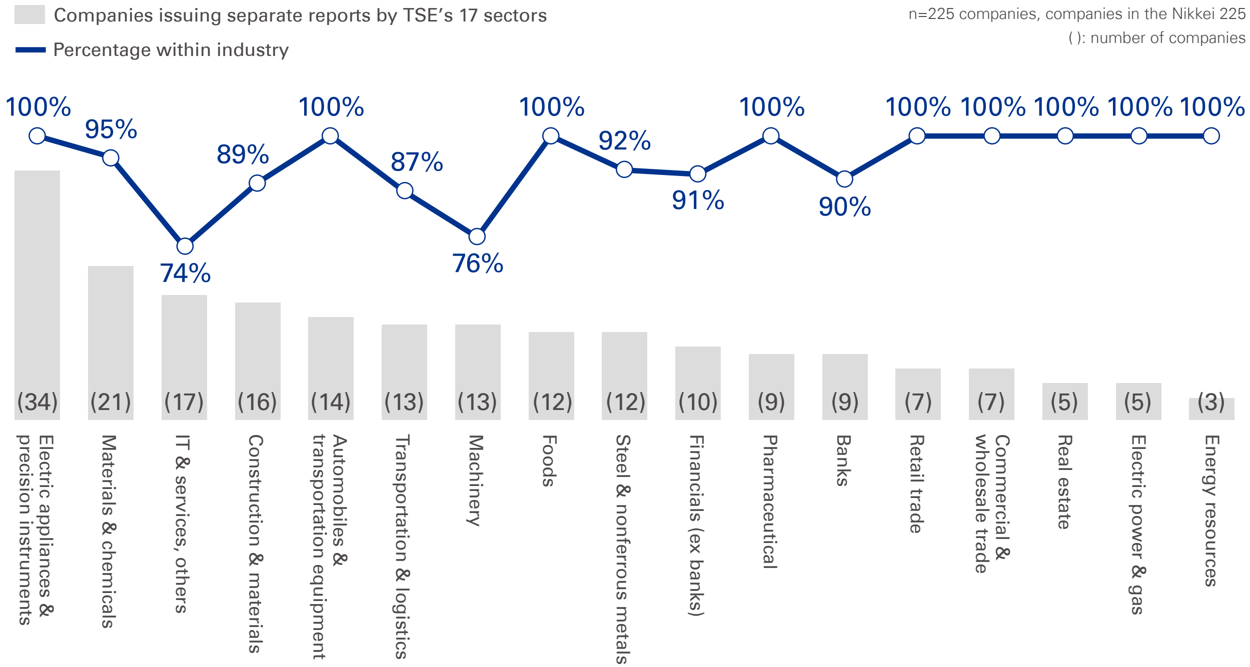
The percentage of companies laying out their basic policies and commitments on human rights was 92%, as in the previous year (Figure 5-7). By industry, 100% of the companies in the nine sectors of electric appliances & precision instruments, automobiles & transportation equipment, food, pharmaceutical, commercial & wholesale trade, real estate, electric power & gas, and energy resources provided this information (Figure 5-8). While 57% of companies determined that human rights was a material issue and discussed it in their sustainability reporting (see Figure 1-2 on page 11), over 90% of companies reported their basic policies and commitments on human rights issues. This shows that, even if human rights issues do not necessarily have a large impact on their business, an awareness that respect for human rights is a prerequisite for conducting business as a corporate citizen is broadly shared.

Figure 5-7 Human rights policy/commitment



Source: *Survey of Corporate Reports in Japan 2022*, KPMG in Japan

Figure 5-8 Human rights policy/commitment by industry



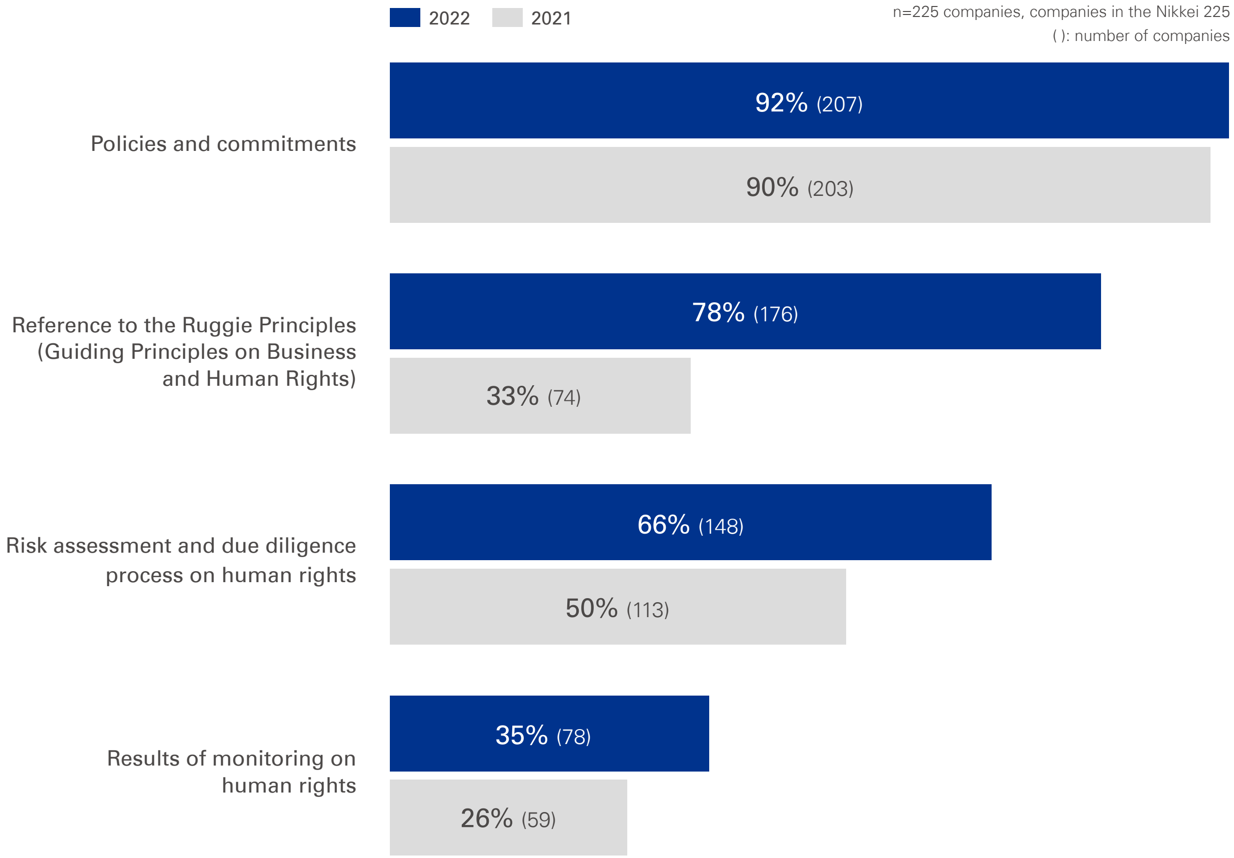
Source: *Survey of Corporate Reports in Japan 2022*, KPMG in Japan

Human rights (cont'd)

Reports covering initiatives to ensure the prevention of human rights violations have been on the rise since the previous year, but the number is not yet very substantial. More than 60% of companies report on risk evaluations of human rights and the human rights due diligence process, but only 35% of companies reported on the results of their human rights monitoring (whether human rights had been violated) (Figure 5-9).

In recent years, public demands that respect for human rights be a part of corporate activity have heightened, with Europe in particular passing regulations requiring that companies carry out human rights due diligence. Companies are being asked to go beyond simply presenting their policies and commitments, and instead to communicate with stakeholders about how they respond to their impact on human rights. To meet these requests, companies should explain the series of steps they take, such as their assessment of the overt and latent impact on human rights, measures taken to prevent and reduce the negative impact, and the monitoring they do to ensure that these measures are being implemented effectively.

Figure 5-9 Description related to human rights

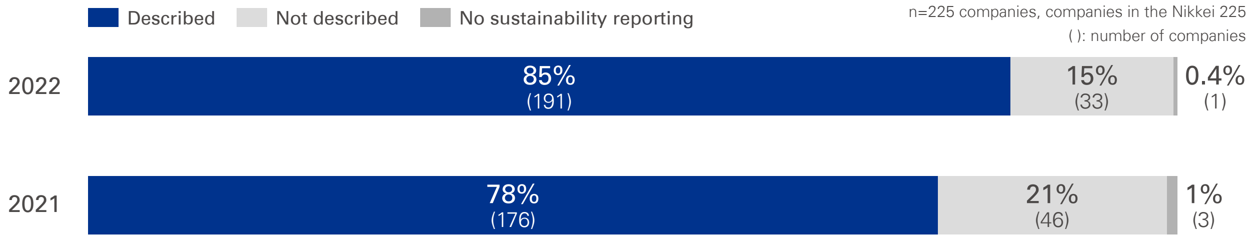


Source: *Survey of Corporate Reports in Japan 2022*, KPMG in Japan

Supplier assessment

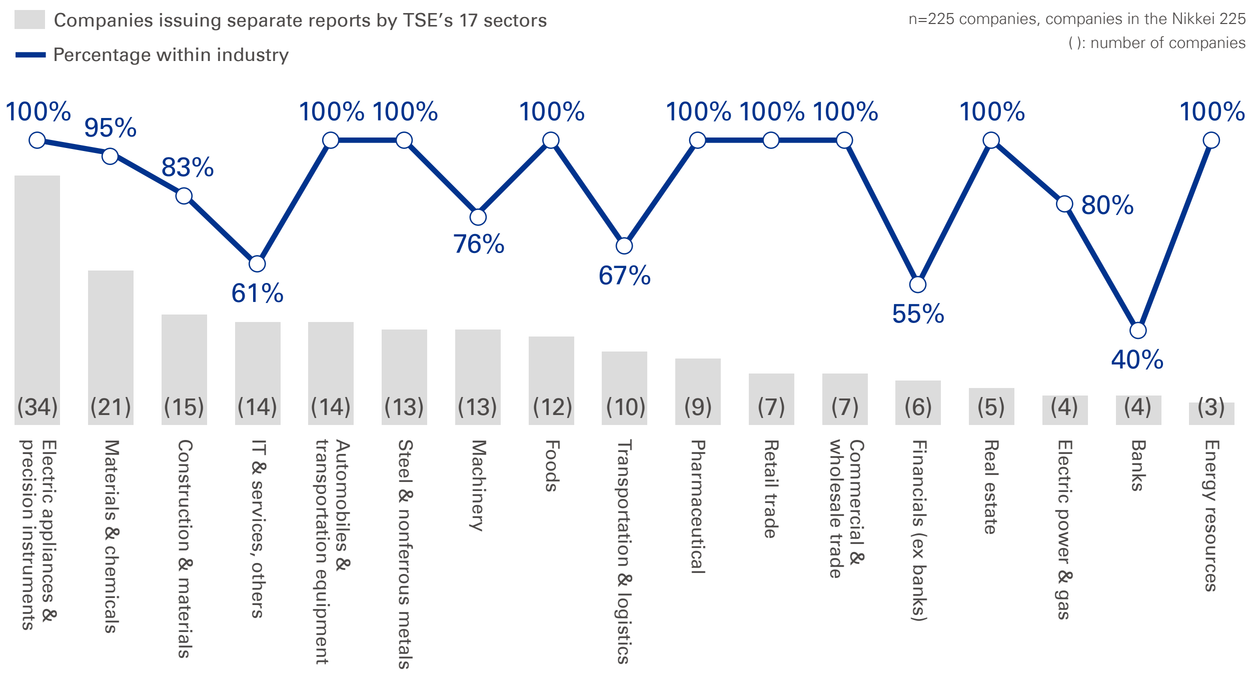
In the EU, regulations are being passed to prevent human rights violations along the supply chain, and in Japan as well, in September 2022 the government established the *Guidelines on Respecting Human Rights in Responsible Supply Chains* (see Spotlight 10 on page 50). A substantial number of companies have established supplier codes of conduct or guidelines, and this trend has reaffirmed the importance of supplier management, and 85% of companies referred to supplier codes of conduct (Figure 5-10). By industry, all of the companies in the nine sectors of electric appliances & precision instruments, automobiles & transportation equipment, steel & nonferrous metals, food, pharmaceutical, retail trade, commercial & wholesale trade, real estate, and energy resources provided information on supplier codes of conduct and guidelines (Figure 5-11). Many of these are industries that tend to be affected by changes in the preferences of consumers who select products manufactured with responsible procurement.

Figure 5-10 Supplier code of conduct



Source: *Survey of Corporate Reports in Japan 2022*, KPMG in Japan

Figure 5-11 Supplier code of conduct by industry

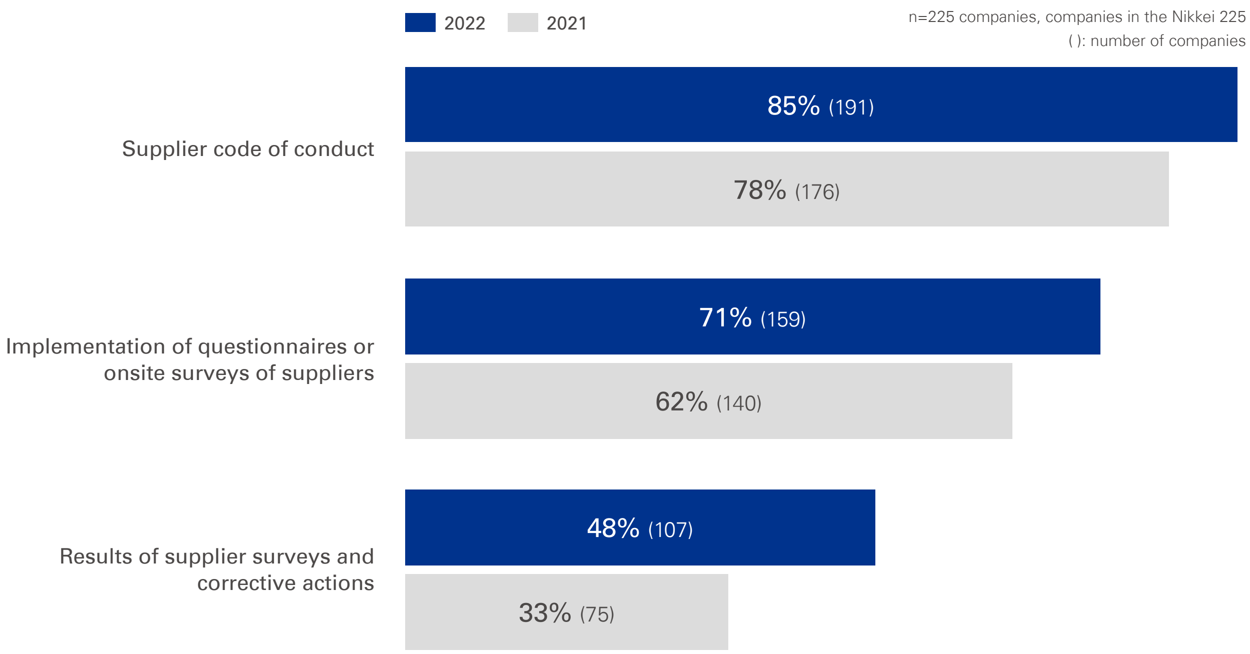


Source: *Survey of Corporate Reports in Japan 2022*, KPMG in Japan

Supplier assessment (cont'd)

In addition, 71% of companies gave questionnaires to suppliers or conducted on-site surveys and reported on this. However, only 48% of companies reported on the results of supplier surveys and remediation measures (Figure 5-12). Companies should not only explain the code of conduct intended to ensure that suppliers share the same policies as the organization and the status of supplier surveys, but also explain the risks that they identified as a result of these surveys, the issues they discovered, and the countermeasures and remediation measures that were taken. Companies should lay out the responsible actions they take across the value chain and discuss their ability to manage risks, and add more specific explanations related to supplier evaluations.

Figure 5-12 Reports related to evaluation of suppliers



Source: *Survey of Corporate Reports in Japan 2022*, KPMG in Japan

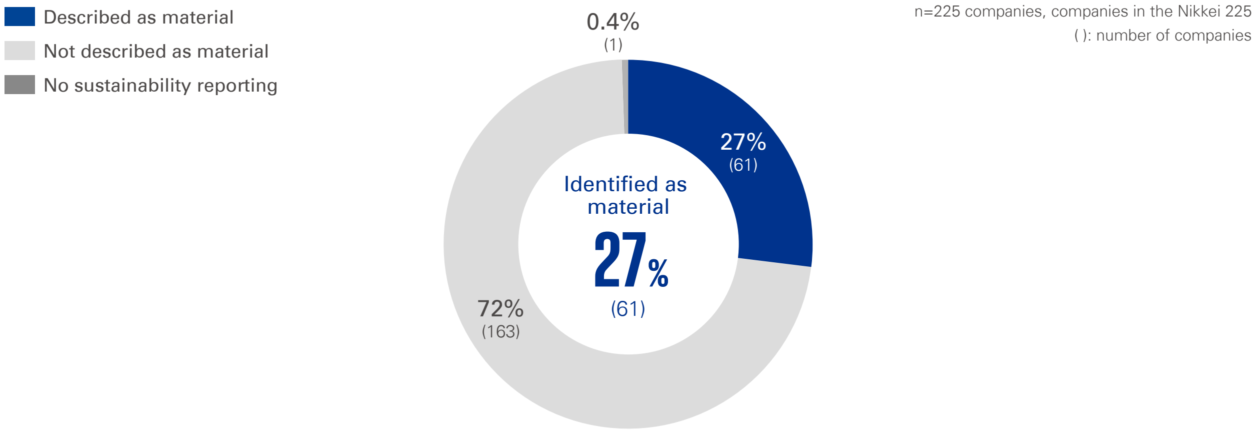
Biodiversity and natural capital

In 2022, the Taskforce on Nature-related Financial Disclosures (hereafter, TNFD) released a beta framework on disclosure related to biodiversity, and in December, the UN Biodiversity Conference (COP15) was held to set new targets for nature conservation ahead of 2030. This made 2022 a year in which awareness of the impact that loss of biodiversity would have heightened.

Twenty-seven percent of companies stated that biodiversity and natural capital was a material issue (Figure 5-13). In addition, the percentage of companies either identified biodiversity and natural capital as a material issue or had a section specialized to biodiversity and natural capital in their sustainability reports, and presented targets and achievements related to biodiversity was 39%(Figure 5-14). At present, not many companies identified factors related to the loss of biodiversity and natural capital have a major impact, but there are more companies reporting on biodiversity, reflecting public demands.

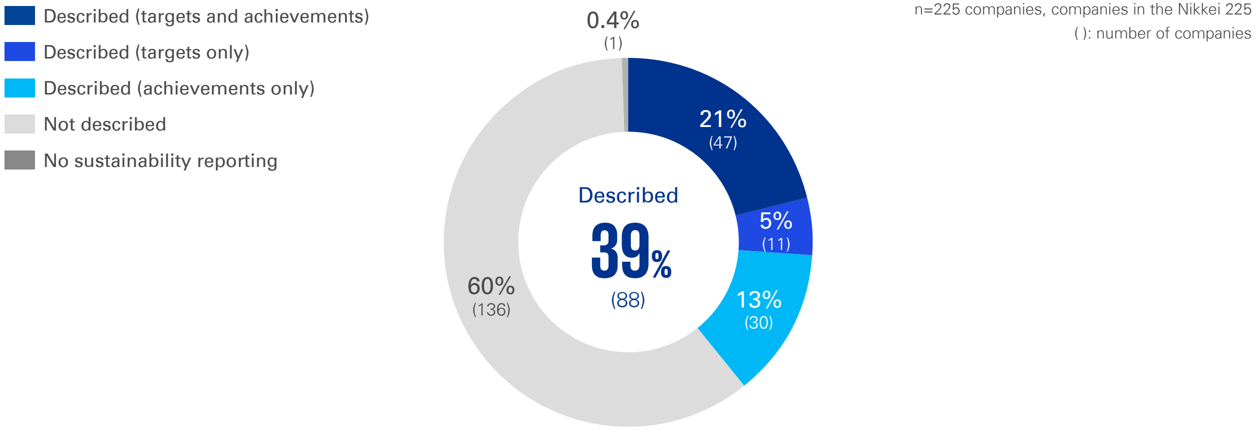
Companies that have determined that biodiversity and natural capital are material issues are expected to set targets for monitoring the existing or potential impact, record their achievements, and present their outlook and response.

Figure 5-13 Companies that identified that biodiversity and natural capital are material issues



Source: *Survey of Corporate Reports in Japan 2022*, KPMG in Japan

Figure 5-14 Targets and achievements related to biodiversity and natural capital



Source: *Survey of Corporate Reports in Japan 2022*, KPMG in Japan

Spotlight 12

Framework for disclosure of risks related to biodiversity and nature

Given the market's expectation that, when addressing nature-related risks and opportunities, related factors should be factored into financial and business decisions, similar to climate change, in 2021 the Taskforce on Nature-related Financial Disclosures (TNFD) was established. The TNFD aims to be aligned with the vision of the post-2020 biodiversity framework of the Convention on Biological Diversity (CBD).

In March 2022, TNFD began releasing the beta framework for managing and disclosing nature-related risks and opportunities. After the release of v0.4 in March 2023, the final version (v1.0) is planned for release in September 2023. TNFD's recommendations focus on four thematic areas (governance, strategy, risk & impact management, metrics & targets), and by ensuring that the disclosure recommended by TNFD is aligned with the TCFD recommendations, the organization intends to promote and encourage integrated disclosure. However, the TNFD has added extra individual items to the beta framework.

At COP15, held December 7-19, 2022, the Kunming-Montreal Global Biodiversity Framework (GBF), with its four goals and 23 targets for biodiversity to be achieved by 2030, was adopted. Of these, Target 15 calls for large and transnational companies and financial institutions to disclose their risks, dependencies and impacts on biodiversity due to business. We think expectations for TNFD will rise, going forward.

TNFD aims for its framework to be consistent with the new sustainability disclosure standards being developed by ISSB, and is cooperating, having declared support for the *Exposure Draft IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information*, developed by ISSB. In future consultation and framework development phases, TNFD plans to collaborate with the US's SEC and EU regulators.

As awareness of biodiversity and nature-related risks increases, we will have to monitor TNFD's development going forward.

Takayuki Kaji

Spotlight 13

Viewpoint 2 - Thoughts on concerns about the term “ESGs”

Unfortunately, it has to be admitted that overuse of the words “ESG” and “sustainability” has led to many disadvantages. We could say the same of the term “SDGs,” as well. Originally, these terms referred to different concepts, and although this has not actually changed, the terms are often used as if they mean the same thing. This has not only resulted in confusion, but has also led to negative impacts and even imbalanced political movements.

We need to reaffirm that “ESG” is an acronym that stands for environment, society and governance. We need to consider what exactly has led to the term “ESG” being manipulated to the extent it has. After all, issues caused by changes in the environment and society that form the very foundation of people’s lives are having a growing impact and have become even more severe, so that they no longer qualify as mere risks, but must be addressed as systemic risks.

Risk management is an issue for corporate management in any era, and the need for enterprise risk management has been known for a long time now. However, a tendency toward merely reactive, measures and decisions made from a short-term perspective is quite common. This is illustrated by the boilerplate descriptions of “risk management,” no matter the type of report.

ESG, and environmental and social issues in particular, is related to many elements in a complex way that a single company cannot fully address on its own, such as a company’s business model and domain, as well as geopolitics and accessible technology. Many companies state that they prioritize their relationship with the environment and society and that they will achieve their purpose by making contributions. If this is the case, then the company needs to analyze the relationship between the E and S aspects and its own business, and then make decisions accordingly. However, at present, although the E and S elements may be considered in terms of how they affect the company’s output and outcomes and how business activities affect the environment and society, consideration of their relationship with the management resources and input that need to be dedicated to achieve strategies is insufficient. There is reason to be concerned that companies are considering inputs but not output and outcomes, even as ESG elements become risk and opportunity factors.

ESG factors are nothing more than elements, so it is important to consider the overall picture of how they play within a business model.

What about the term “sustainability”? First of all, we should consider what kind of sustainability we are talking about. What exactly is it that we are trying to make sustainable? If the implications are not clear, then no matter what word is used, communication will not be successful.

The sustainability of nature, companies and people faces an urgent crisis. Society and values need to change to break out of this situation, and this awareness itself will ensure that the current movement will actually lead to human well-being.

Without being manipulated by words, people need to take responsibility for their own actions with a long-term perspective. Each individual needs to be aware of this need, especially with so many concerned that the terms ESG and sustainability are being whitewashed.

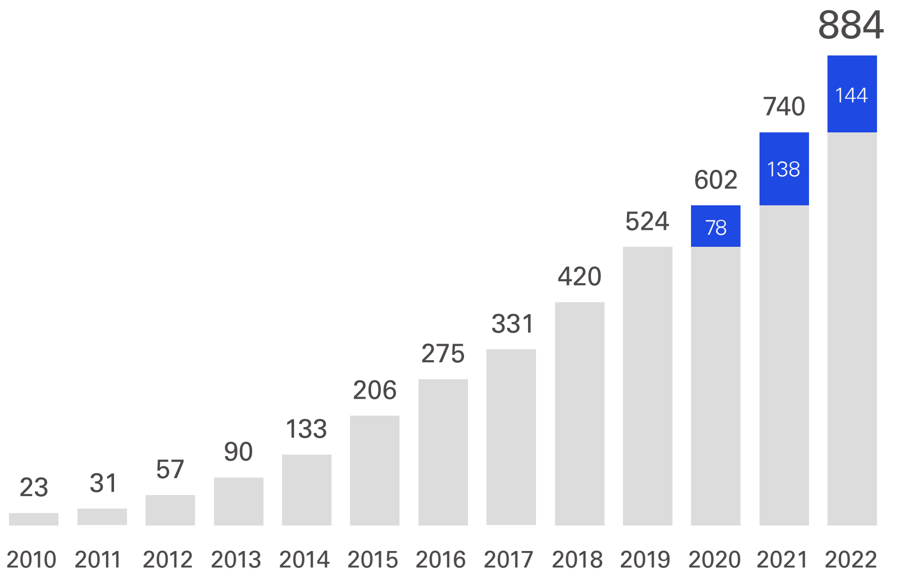
Yoshiko Shibasaka

Survey of integrated report

About the Issuing Companies

Number of Japanese Organizations issuing self-declared integrated reports

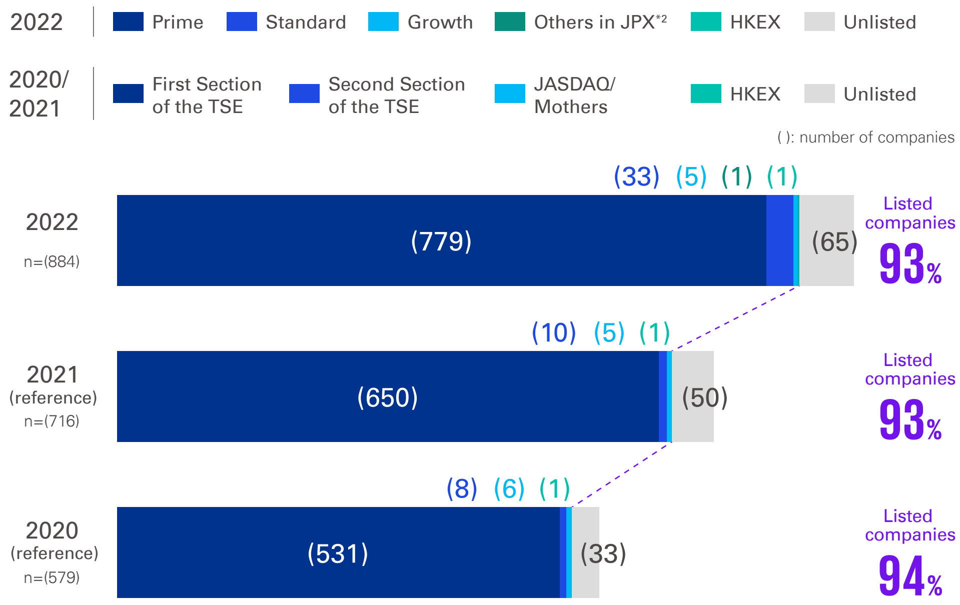
In 2022, 884 organizations issued integrated reports. This was an increase of 144 from the previous year, about the same level of increase as the previous year. The number has doubled in just four years, from 420 organizations issuing integrated reports in 2018.



Source: *List of Japanese Organizations Issuing Self-Declared Integrated Reports 2022*, Corporate Value Reporting Lab

Listing market of issuing companies[*1]

When the TSE's market classification was revised in April 2022, the breakdown of the TSE listing markets changed somewhat for issuing companies. However, over 90% of companies issuing integrated reports were listed companies, about the same as in typical years.



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

Source: *Survey of Corporate Reports in Japan 2022*, KPMG in Japan

Number of issuing organizations

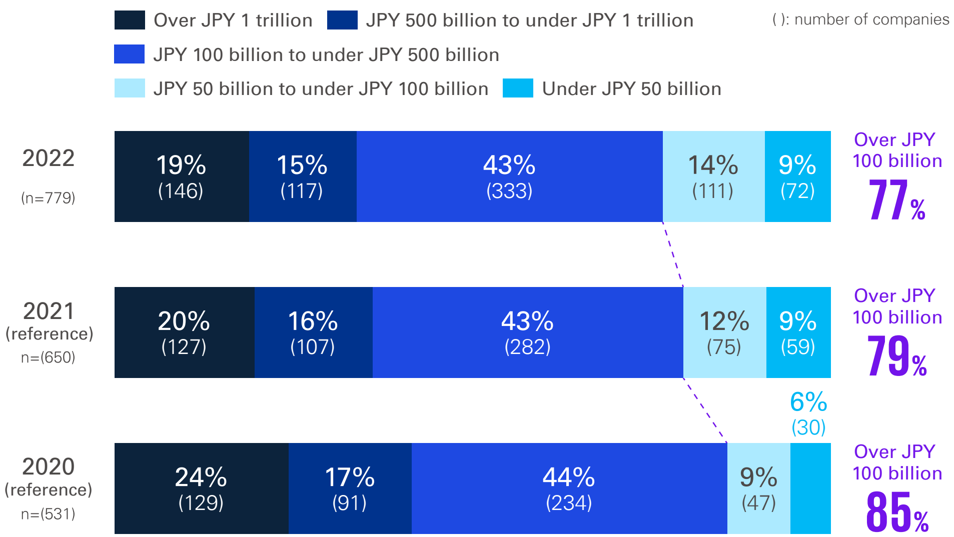
Past comparative data in this survey is based on the number of organizations issuing reports at the time of each survey (excluding "Number of Japanese organizations issuing self-declared integrated reports"). Therefore, the number of organizations issuing reports in past surveys diverged from the number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

Reference: The number of issuing companies at the time of the survey (as of December 31)
2020: 579 companies
2021: 716 companies

About the Issuing Companies

Percentage of issuing companies by sales for companies listed on TSE Prime Market*

Of companies issuing integrated reports and listed on TSE's Prime Market, 77% had sales of 100 billion yen (approximately 7.5 billion USD) or more. This percentage is down 2 points from the percentage of companies with sales of 100 billion yen or more that issued integrated reports and were listed on the First Section of the TSE in the previous year (79%). This shows that progress has been made in the issuance of integrated reports by companies with less than 100 billion yen in sales this year (2021).



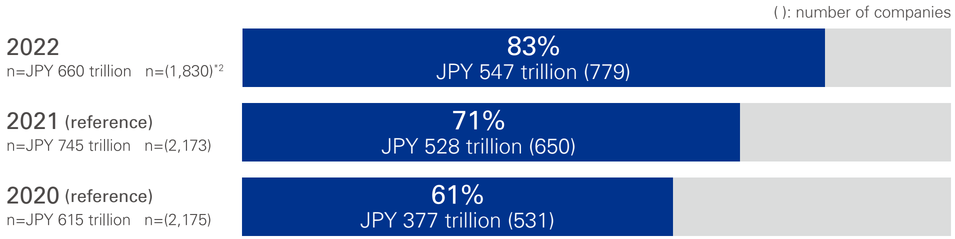
* This data pertains to the listing market as of end-September of each survey year and the size of sales in the most recent fiscal year. In 2020 and 2021, the data is for the sales of issuing companies listed on the First Section of the TSE.

Source: *Survey of Corporate Reports in Japan 2022*, KPMG in Japan
Sales collated by KPMG based on *Kaisha Shikiho* ("Japan Company Handbook") New Year 2023 Edition (released on December 16, 2022) and information released by the companies themselves.

Percentage of issuing companies by market capitalization of companies listed on TSE Prime

The market capitalization of the 779 companies issuing integrated reports accounted for 83% of the total market capitalization of the 1,830 companies listed on the TSE Prime Market as of the end of September 2022, up 12 percentage points from the previous year. The percentage of listed companies issuing integrated reports was also up over the previous year, by 13 percentage points to 43%. With both the total market capitalization and number of companies increasing at a faster rate than they did in the previous year, it is clear that issuance of integrated reports has increased among companies with a wide range of market caps.

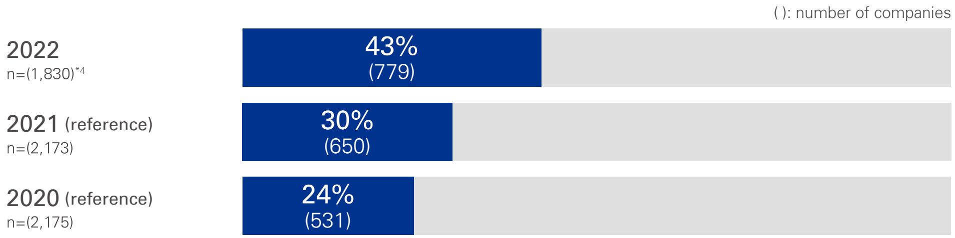
Percentage of total market capitalization*1



*1 Data refers to listing market and market capitalization as of the end of September in each survey year. Data for 2020 and 2021 refers to the percentage of issuing companies by market capitalization of companies listed on the TSE's First Section.
*2 1,830 Japanese companies excluding a foreign company out of 1,831 companies listed on the Prime Market as of the end of September 2022.

Source: *Survey of Corporate Reports in Japan 2022*, KPMG in Japan

Percentage of issuing companies*3



*3 Listing market as of the end of September in each survey year. Data for 2020 and 2021 refers to the percentage of issuing companies listed on the TSE's First Section.
*4 1,830 Japanese companies excluding a foreign company out of 1,831 companies listed on the Prime Market as of the end of September 2022.

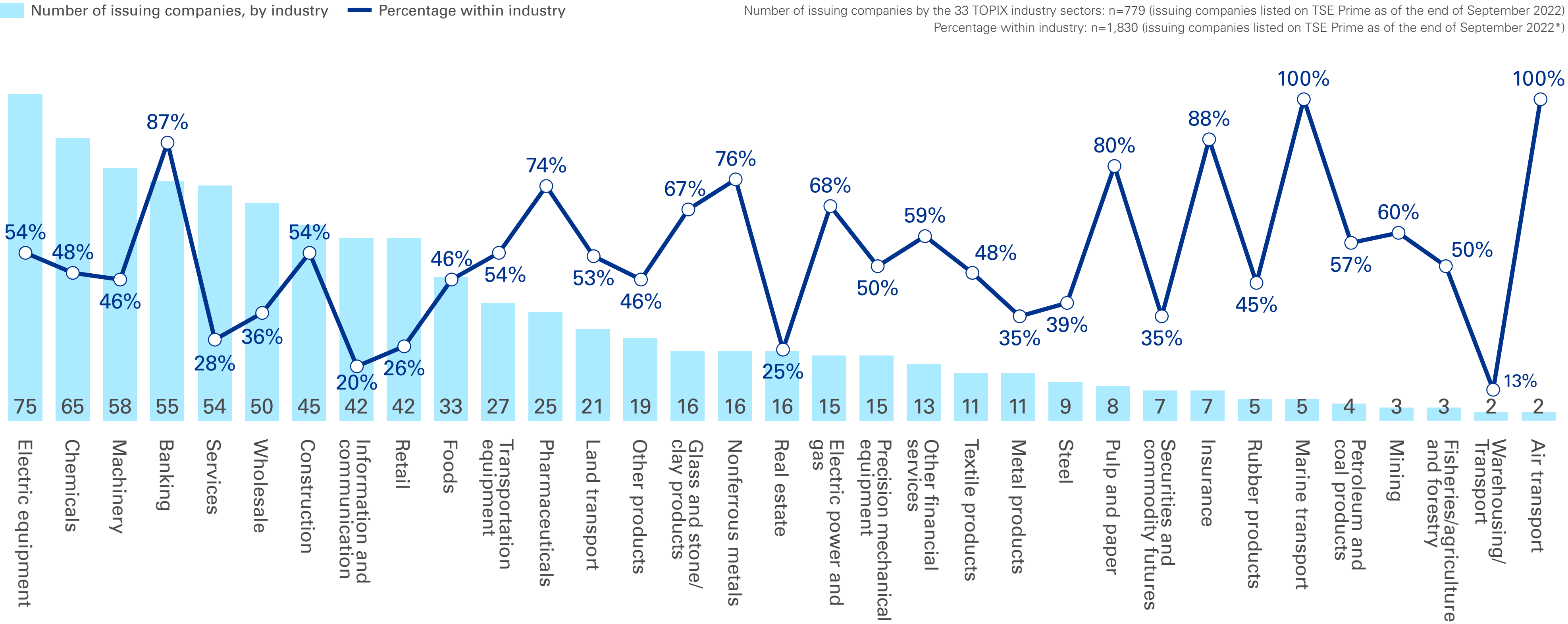
Source: *Survey of Corporate Reports in Japan 2022*, KPMG in Japan

About the Issuing Companies

Number and percentage of issuing companies by sector for companies listed on TSE Prime Market

By sector, issuing companies were primarily from the electronic appliances, chemicals, machinery, banking, and service industries. The wholesale trade industry had accounted for the fifth highest number of issuing companies in the previous year, but the service sector replaced it this year. By percentage within industry, the marine transportation, air transportation (100% for the two), insurance (88%), banking (87%), and pulp and paper (80%) had the highest percentage. The pharmaceutical and electric power and gas sectors had high percentages before, but were replaced by banking and pulp and paper this year.

Number of issuing companies by the 33 TOPIX industry sectors: n=779 (issuing companies listed on TSE Prime as of the end of September 2022)
Percentage within industry: n=1,830 (issuing companies listed on TSE Prime as of the end of September 2022*)



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

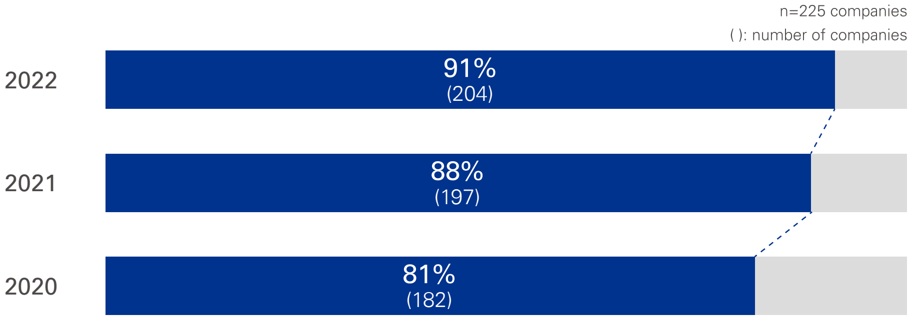
Source: *Survey of Corporate Reports in Japan 2022*, KPMG in Japan

About the Issuing Companies

Index attributes of issuing companies

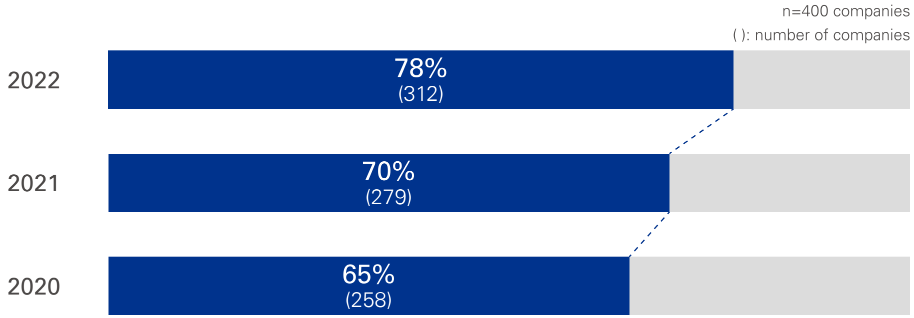
The percentage of issuing companies making up the Nikkei 225 exceeded 90%, at 91%. The percentage of issuing companies included in the JPX-Nikkei Index 400 continues to increase, and stood at 78%.

Nikkei 225 component percentage



Source: *Survey of Corporate Reports in Japan 2022*, KPMG in Japan

JPX-Nikkei Index 400 component percentage



Source: *Survey of Corporate Reports in Japan 2022*, KPMG in Japan

About the Integrated Reports

Title of reports

There were 679 organizations that issued reports under the title “integrated report,” which is a very high number. In addition, although previously classified under “other,” we collated titles including “value” separately this time, noting that 14 report titles included the word “value.” More organizations are trying to reflect the kind of value they are trying to create and how they are creating it in the title of their reports.

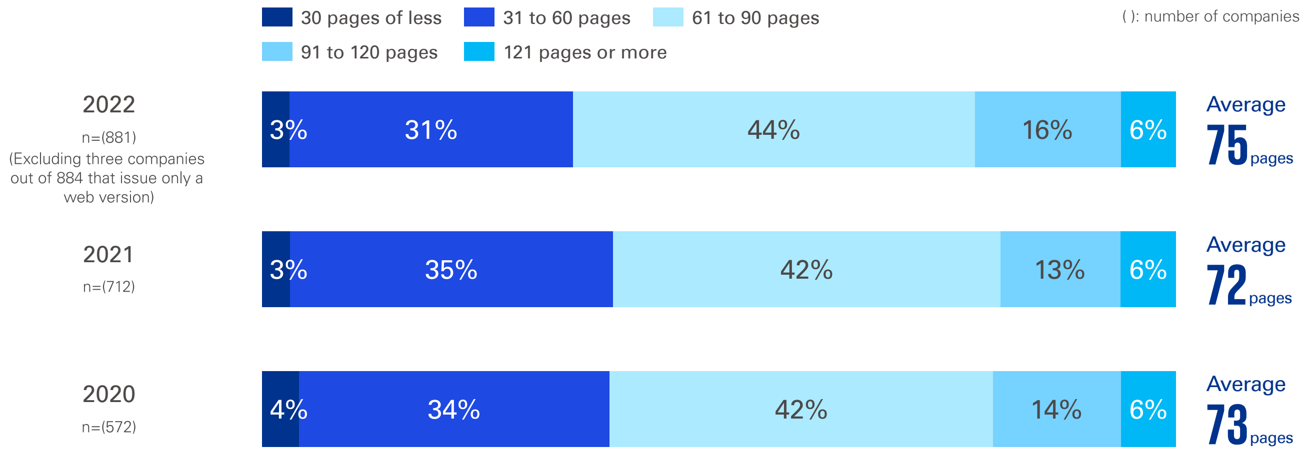
*“A title including ‘Value’” was included in the survey starting in 2022.

Source: *Survey of Corporate Reports in Japan 2022*, KPMG in Japan

About the Integrated Reports

Page volume

The average number of pages increased by three pages to 75 pages. Reports with 91-120 pages increased by 3 points and reports with 61-90 pages increased by 2 points, showing that the content of reports has increased over the past year.



Source: *Survey of Corporate Reports in Japan 2022*, KPMG in Japan

List of Nikkei 225 companies as of October 2022

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

List of Japanese Organizations Issuing Integrated Report in 2022

Source : Corporate Value Reporting Lab

ACOM CO., LTD.
ACSL Ltd.
Adastria Co., Ltd.
ADEKA CORPORATION
Advance Create Co., Ltd.
ADVANEX INC.
ADVANTEST CORPORATION
AEON CO., LTD.
AEON DELIGHT CO., LTD.
AEON Fantasy Co., LTD.
AEON Financial Service Co., Ltd.
AEON Mall Co., Ltd.
Aflac Incorporated
AGC Inc.
AHRESTY CORPORATION
Aica Kogyo Company, Limited
AICHI STEEL CORPORATION
AIDA ENGINEERING, LTD.
AIN HOLDINGS INC.
AIR WATER INC.
AIRDO Co., Ltd.
AIRPORT FACILITIES Co., LTD.
AirTrip Corp.
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.
AMUSE INC.
ANA HOLDINGS INC.
ANEST IWATA Corporation
ANRITSU CORPORATION
AOKI Holdings Inc.
Aoyama Zaisan Networks Company, Limited
Aozora Bank, Ltd.
ARATA CORPORATION
AS ONE CORPORATION
ASAHI BROADCASTING GROUP HOLDINGS CORP.
Asahi Group Holdings, Ltd.
Asahi Holdings, Inc.
ASAHI INTECC CO., LTD.
ASAHI KASEI CORPORATION
ASAHI KOGYOSHA CO., LTD.
Asahi Mutual Life Insurance Company
ASHIMORI INDUSTRY CO., LTD.
ASICS Corporation
ASKA Pharmaceutical Holdings Co., Ltd.
ASKUL Corporation
Astellas Pharma Inc.
Astena Holdings Co., Ltd.
Ateam Inc.
AUTOBACS SEVEN CO., LTD.
AVANT GROUP CORPORATION
Axial Retailing Inc.
Azbil Corporation
AZ-COM MARUWA Holdings Inc.
BALNIBARBI Co., Ltd.
Bandai Namco Holdings Inc.
Bank of The Ryukyus, Limited
BELLSYSTEM24 HOLDINGS, INC.
Benesse Holdings, Inc.
BeNext-Yumeshin Group Co. (currently Open Up Group Inc.)
BIC CAMERA INC.
BIPROGY 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 Japan Railway Company
Chiba University of Commerce
Chino Corporation
Chiyoda Corporation
CHORI CO., LTD.
Chubu Electric Power Company, Inc.
Chuetsu Pulp & Paper Co., Ltd.
CHUGAI PHARMACEUTICAL CO., LTD.
Citizen Watch Co., Ltd.
CKD Corporation
CL Holdings Inc.
CMIC HOLDINGS Co., Ltd.
CMK CORPORATION
COLOPL, Inc.
COMANY INC.
COMSYS Holdings Corporation
Concordia Financial Group, Ltd.
CONEXIO Corporation
COSMO ENERGY HOLDINGS COMPANY, LIMITED
COSMOS Pharmaceutical Corporation
Credit Saison Co., 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.
DAIICHI JITSUGYO CO., LTD.
Dai-ichi Life Holdings, Inc.
DAIICHI SANKYO COMPANY, LIMITED
DAIKEN CORPORATION
DAIKIN INDUSTRIES, LTD.
DaikyoNishikawa Corporation
Daio Paper Corporation
Daishi Hokuetsu Financial Group, Inc.
DAITO TRUST CONSTRUCTION CO., LTD.
DAIWA HOUSE INDUSTRY CO., LTD.
Daiwa Securities Group Inc.
DeNA Co., Ltd.
Denka Company Limited
DENSO CORPORATION
DENTSU GROUP INC.
DESCENTE, LTD.
Development Bank of Japan Inc.
Dexerials Corporation
DIC Corporation
dip Corporation
DKS Co. Ltd.
DMG MORI CO., LTD.
DN HOLDINGS CO., LTD.
DOWA HOLDINGS CO., LTD.
DTS CORPORATION
DUSKIN CO., LTD.
DyDo GROUP HOLDINGS, INC.
DYNAM JAPAN HOLDINGS Co., Ltd.
E.J Holdings Inc.
E-AERA
East Japan Railway Company
East Nippon Expressway Company Limited
EBARA CORPORATION
EBARA Foods Industry, Inc.
Eco's Co, Ltd.
EDION Corporation
Eidai Co., Ltd.
Eisai Co., Ltd.
EIZO Corporation
ELAN Corporation
Electric Power Development Co., Ltd.
en Japan Inc.
ENEOS Holdings, Inc.
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.
FIDEA Holdings Co. Ltd.
FISCO Ltd.
FP CORPORATION
Freund Corporation
FUJI CORPORATION
FUJI ELECTRIC CO., LTD.
FUJI OIL HOLDINGS INC.
FUJI OOZX Inc.
Fuji Pharma Co., Ltd.
FUJI SEAL INTERNATIONAL, INC.
FUJICCO CO., LTD.
FUJIFILM Holdings Corporation
Fujikura Ltd.
FUJITSU GENERAL LIMITED
Fujitsu Limited
Fukuoka Financial Group, Inc.
Fukuoka REIT Corporation

List of Japanese Organizations Issuing Integrated Report in 2022

Source : Corporate Value Reporting Lab

FUKUSHIMA GALILEI CO.LTD.
FULLCAST HOLDINGS CO., LTD.
Funai Soken Holdings Incorporated
FURUKAWA CO., LTD.
Furukawa Electric Co., Ltd.
FUTABA CORPORATION
FUTABA INDUSTRIAL CO., LTD.
Fuyo General Lease Co., Ltd.
GLORY LTD.
GMO Payment Gateway, Inc.
GOLDWIN INC.
GS Yuasa Corporation
G-TEKT CORPORATION
GUNZE LIMITED
H.I.S.Co., Ltd.
H.U. Group Holdings, Inc.
H2O RETAILING CORPORATION
HAKUHODO DY HOLDINGS INCORPORATED
HAMAMATSU PHOTONICS K.K.
Hamamatsu University School of Medicine
Hankyu Hanshin Holdings, Inc.
HANWA CO., LTD.
HAPPINET CORPORATION
HASEKO Corporation
HAZAMA ANDO CORPORATION
HEIWA PAPER CO., LTD.
HEIWA REAL ESTATE CO., LTD.
HEIWADO CO., LTD.
Hibiya Engineering, Ltd.
HIOKI E.E. CORPORATION
HIRATA Corporation
Hirogin Holdings, Inc.
HIROSE ELECTRIC CO., LTD.
Hiroshima University
HISAMITSU PHARMACEUTICAL CO., INC.
Hitachi Construction Machinery Co., Ltd.
Hitachi Metals, Ltd.
Hitachi Transport System, Ltd.
Hitachi Zosen Corporation
Hitachi, Ltd.
Hitotsubashi University
HOCHIKI CORPORATION
Hodogaya Chemical Co., Ltd.
HOGY MEDICAL CO., LTD.
Hokkaido Electric Power Company, Inc.
Hokkaido University
Hokkaido University of education
HOKKO CHEMICAL INDUSTRY CO., LTD.
Hokkoku Financial Holdings, Inc.
Hokuetsu Corporation
Hokuhoku Financial Group, Inc.
Hokuriku Electric Power Company
HONDA MOTOR CO., LTD.
HONDA TSUSHIN KOGYO CO., LTD.
H-ONE CO., LTD.
HORIBA, Ltd.
HOSHIZAKI CORPORATION
Hosiden Corporation
House Foods Group Inc.
HOYA CORPORATION
Hulic Co., Ltd.
IBIDEN CO., LTD.
ICHINEN HOLDINGS CO., LTD.
IDEC CORPORATION
Idemitsu Kosan Co., Ltd.
IHI Corporation
IINO KAIUN KAISHA, LTD.
Inabata & Co., Ltd.
Incorporated Administrative Agency Japan Housing Finance Agency
INFRONEER Holdings Inc.
INPEX CORPORATION
Insource Co., Ltd.
Internet Initiative Japan Inc.
I-PEX Inc.
ISEKI&CO., LTD.
Isetan Mitsukoshi Holdings Ltd.
ISF NET, Inc
ISHIHARA SANGYO KAISHA, LTD.
ISUZU MOTORS LIMITED
ITO EN, LTD.
ITOCHU Corporation
ITOCHU ENEX CO., LTD.
ITOCHU Techno-Solutions Corporation
ITOCHU-SHOKUHIN Co., Ltd.
ITOHAM YONEKYU HOLDINGS INC.
ITOKI CORPORATION
IWATANI CORPORATION
Iwate University
IZUMI CO., LTD.
J.FRONT RETAILING Co., Ltd.
JAC Recruitment Co., Ltd.
JACCS CO., LTD.
JANOME Corporation
Japan Airlines Co., Ltd.
Japan Aviation Electronics Industry, Ltd.
Japan Best Rescue System Co., Ltd.
JAPAN CASH MACHINE CO., LTD.
Japan Exchange Group, Inc.
Japan Petroleum Exploration Co., Ltd.
JAPAN POST BANK Co., Ltd.
JAPAN POST HOLDINGS Co., Ltd.
JAPAN POST INSURANCE Co., Ltd.
JAPAN PULP AND PAPER COMPANY LIMITED
JAPAN SECURITIES FINANCE CO., LTD.
JAPAN TOBACCO INC.
JCR Pharmaceuticals Co., Ltd.
JEOL Ltd.
JFE Holdings, Inc.
JGC HOLDINGS CORPORATION
J-OIL MILLS, INC.
Joshin Denki Co., Ltd.
JSP Corporation
JSR CORPORATION
JTEKT Corporation
JUKI CORPORATION
Juroku Financial Group, Inc.
JVCKENWOOD Corporation
KADOKAWA CORPORATION
KAGA ELECTRONICS CO., LTD.
KAGOME CO., LTD.
KAJIMA CORPORATION
KAKEN PHARMACEUTICAL CO., LTD.
KAMEDA SEIKA CO., LTD.
KANADEN CORPORATION
KANAMOTO CO., LTD.
KANDENKO CO., LTD.
KANEKA CORPORATION
KANEMATSU CORPORATION
KANEMATSU ELECTRONICS LTD.
Kanro Inc.
KANSAI PAINT CO., LTD.
Kao Corporation
Kawasaki Heavy Industries, Ltd.
Kawasaki Kisen Kaisha, Ltd.
KDDI CORPORATION
Keihan Holdings Co., Ltd.
Keihanshin Building Co., Ltd.
Keikyu Corporation
KENKO Mayonnaise Co., Ltd.
Kewpie Corporation
KH Neochem Co., Ltd.
KIKKOMAN CORPORATION
KING JIM CO., LTD.
Kintetsu Department Store CO., Ltd.
Kirin Holdings Company, Limited
KISSEI PHARMACEUTICAL CO., LTD.
KITZ CORPORATION
KOBAYASHI PHARMACEUTICAL CO., LTD.
Kobe Steel, Ltd.
Kobe University
KOEI TECMO HOLDINGS CO., LTD.
KOITO MANUFACTURING CO., LTD.
KOKUYO CO., LTD.
KOMATSU LTD.
KOMEDA Holdings Co., Ltd.
KOMORI CORPORATION
KONDOTEC INC.
KONICA MINOLTA, INC.
Konoike Transport Co., Ltd.
KOSE Corporation
KPMG in Japan
KPP GROUP HOLDINGS CO., LTD.
K'S HOLDINGS CORPORATION
KUBOTA CORPORATION
Kumagai Gumi Co., Ltd.
Kumamoto University
KURARAY CO., LTD.
Kurimoto, Ltd.
Kurita Water Industries Ltd.
KYB Corporation
KYOCERA CORPORATION
Kyodo Printing Co., Ltd.
KYOEI STEEL LTD.
Kyokuto Boeki Kaisha, Limited
KYOKUYO CO., LTD.
KYORIN Holdings, Inc.
Kyosan Electric Manufacturing Co., Ltd.
Kyoto University
Kyowa Kirin Co., Ltd.

List of Japanese Organizations Issuing Integrated Report in 2022

Source : Corporate Value Reporting Lab

KYUDENKO CORPORATION
Kyushu Electric Power Company, Inc.
Kyushu Financial Group, Inc.
Kyushu Railway Company
Lawson, Inc.
LECIP HOLDINGS CORPORATION
LEOPALACE21 CORPORATION
LIFE CORPORATION
Link and Motivation Inc.
LINTEC Corporation
Lion Corporation
LIXIL Corporation
MABUCHI MOTOR CO., LTD.
MAEDA KOSEN CO., LTD.
Makino Milling Machine Co., Ltd.
Makita Corporation
MANDOM CORPORATION
Marubeni Corporation
MARUDAI FOOD CO., LTD.
Maruha Nichiro Corporation
Marumae 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
Megachips Corporation
MEGMILK SNOW BRAND Co., Ltd.
MEIDENSHA CORPORATION
Meiji Holdings Co., Ltd.
Meiji Yasuda Life Insurance Company
Menicon Co., Ltd.
METAWATER Co., Ltd.
MIE UNIVERSITY
Milbon Co., Ltd.
MINEBEA MITSUMI Inc.
MIRAIT 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 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 UFJ Financial Group, Inc.
MITSUI & CO., LTD.
Mitsui Chemicals, Inc.
Mitsui E&S Holdings Co., Ltd.
Mitsui Fudosan Co., Ltd.
Mitsui Mining & Smelting Company, Limited
Mitsui O.S.K. Lines, Ltd.
MITSUI-SOKO HOLDINGS Co., Ltd.
Mitsuuroko Group Holdings Co., Ltd.
MIURA CO., LTD.
MIXI, Inc.
Miyagi University of Education
Mizuho Financial Group, Inc.
Mizuho Leasing Company, Limited
Mochida Pharmaceutical Co., Ltd.
Monex Group, Inc.
Money Forward, Inc.
Morinaga & Co., Ltd.
MORINAGA MILK INDUSTRY CO., LTD.
MOS FOOD SERVICES, INC.
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.
NEC Capital Solutions Limited
NEC Corporation
NEC Networks & System Integration Corp.
Net One Systems Co., Ltd.
NEXTAGE Co., Ltd.
NGK INSULATORS, LTD.
NGK SPARK PLUG CO., LTD.
NH Foods Ltd.
NHK SPRING CO., LTD.
NICHIAS CORPORATION
NICHICON CORPORATION
NICHIREI CORPORATION
NICHIREKI CO., LTD.
NIDEC CORPORATION
NIFCO INC.
NIHON CHOUZAI Co., Ltd.
NIHON KOHDEN CORPORATION
Nihon M&A Center Holdings Inc.
Niigata University
NIKKISO CO., LTD.
NIKKO CO., LTD.
NIKON CORPORATION
NIPPN CORPORATION
Nippon Carbon Co., Ltd.
NIPPON CHEMI-CON CORPORATION
NIPPON CHEMIPHAR CO., LTD.
Nippon Electric Glass Co., Ltd.
NIPPON EXPRESS HOLDINGS, INC.
NIPPON GAS CO., LTD.
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 Yusen Kabushiki Kaisha
Nishimatsu Construction Co., Ltd.
Nishi-Nippon Financial Holdings, Inc.
Nissan Chemical Corporation
Nissha Co., Ltd.
NISSHIN SEIFUN GROUP INC.
Nisshinbo Holdings Inc.
NISSIN FOODS HOLDINGS CO., LTD.
Nissui Corporation
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
NOMURA Co., Ltd.
Nomura Holdings, Inc.
Nomura Real Estate Holdings, Inc.
Nomura Research Institute, Ltd.
NORITAKE CO., LIMITED
NORITZ CORPORATION
North Pacific Bank, Ltd.
NS Solutions Corporation
NS United Kaiun Kaisha, Ltd.
NSK Ltd.
NTN CORPORATION
NTT DATA CORPORATION
OBAYASHI CORPORATION
OBIC Co., Ltd.
Odakyu Electric Railway Co., Ltd.
OHARA INC.
OILES CORPORATION
Oji Holdings 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.
ORGANO CORPORATION
ORIENTAL LAND CO., LTD.
Oriental Shiraishi Corporation

List of Japanese Organizations Issuing Integrated Report in 2022

Source : Corporate Value Reporting Lab

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.
OUTSOURCING Inc.
OYO Corporation
P.S.Mitsubishi Construction Co., Ltd.
PALTAC CORPORATION
Pan Pacific International Holdings Corp.
Panasonic Holdings Corporation
PARAMOUNT BED HOLDINGS CO., LTD.
PARK24 Co., Ltd.
PC DEPOT CORPORATION
PENTA-OCEAN CONSTRUCTION CO., LTD.
PERSOL HOLDINGS CO., LTD.
PIGEON CORPORATION
POLA ORBIS HOLDINGS INC.
Prima Meat Packers, Ltd.
PRONEXUS INC.
PwC Japan Group
RAITO KOGYO CO., LTD.
RAKSUL INC.
Rakuten Group, Inc.
Recruit Holdings Co., Ltd.
Rengo Co., Ltd.
Resona Holdings, Inc.
RESORTTRUST, INC.
RICOH COMPANY, LTD.
RICOH LEASING COMPANY, LTD.
RIKEN CORPORATION
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
SAKATA INX CORPORATION
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.
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 Homes Corporation
Sanyo Special Steel Co., Ltd.
SAPPORO HOLDINGS LIMITED
SATO HOLDINGS CORPORATION
SAWAI GROUP HOLDINGS Co., Ltd.
SBI Holdings, Inc.
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.
SEIKITOKYU KOGYO CO., LTD.
SEIKO EPSON CORPORATION
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 Bank, Ltd.
SG HOLDINGS CO., LTD.
Sharp Corporation
SHIBAURA MACHINE CO., LTD.
SHiDAX CORPORATION
Shiga University
SHIGA University of medical science
Shikoku Electric Power Company, Inc.
SHIMA SEIKI MFG., LTD.
Shimadzu Corporation
SHIMANE University
SHIMIZU CORPORATION
Shin Nippon Air Technologies Co., Ltd.
SHIN NIPPON BIOMEDICAL LABORATORIES, LTD.
SHINAGAWA REFRACTORIES CO., LTD.
Shin-Etsu Chemical Co., Ltd.
Shinkin Central Bank
ShinMaywa Industries, Ltd.
Shinsei Bank, Limited (currently SBI Shinsei Bank, Limited)
Shinsho Corporation
Shinshu University
Shionogi & Co., Ltd.
Shiseido Company, Limited
SHOFU INC.
Showa Denko K.K. (currently Resonac Holdings Corporation)
Showa Sangyo Co., Ltd.
SIIX CORPORATION
SINANEN HOLDINGS CO., LTD.
Sintokogio, Ltd.
SKY Perfect JSAT Holdings Inc.
SKYLARK HOLDINGS CO., LTD.
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 Company, Limited
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
Sun Messe Co., Ltd.
SUNDRUG CO., LTD.
Suruga Bank Ltd.
SUZUKEN CO., LTD.
SWCC SHOWA HOLDINGS CO., LTD.
SYSMEX CORPORATION
T&D Holdings, Inc.
TACHIBANA ELETECH CO., LTD.
TADANO LTD.
TAIHEIYO CEMENT CORPORATION
TAIHO KOGYO CO., LTD.
TAIJU LIFE INSURANCE COMPANY LIMITED
Taikisha Ltd.
TAISEI CORPORATION
TAISHO PHARMACEUTICAL HOLDINGS CO., LTD.
TAIYO HOLDINGS CO., LTD.
TAIYO YUDEN CO., LTD.
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.
TANSEISHA CO., LTD.
TBS HOLDINGS, INC.

List of Japanese Organizations Issuing Integrated Report in 2022

Source : Corporate Value Reporting Lab

TDK Corporation
TechnoPro Holdings, Inc.
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 WOOL TEXTILE CO., LTD.
The Kansai Electric Power Company, Inc.
The Keiyo Bank, Ltd.
The Kiyo Bank, Ltd.
The Musashino Bank, Ltd.
The Nanto Bank, Ltd.
THE NIPPON ROAD CO., LTD.
THE NISSHIN OILLIO 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 SHIGA BANK, LTD.
THE SHIMANE BANK, LTD.
THE SHIZUOKA BANK, LTD.
(currently Shizuoka Financial Group, Inc.)
THE TOHO BANK, LTD.
The University of Electro-Communications
The University of Tokyo III / GSII
The Yamagata Bank, Ltd.
The Yamanashi Chuo Bank, Ltd.
The Yokohama Rubber Company, Limited
TIS Inc.
TOA CORPORATION
TOA ROAD CORPORATION
TOAGOSEI CO., LTD.
TOBISHIMA CORPORATION
TODA CORPORATION
TOEI ANIMATION CO., LTD.
TOHO Co., Ltd.
TOHO GAS CO., LTD.
TOHO TITANIUM COMPANY, LIMITED.
Toho Zinc Co., Ltd.
Tohoku Electric Power Company, Inc.
Tohoku University
TOKAI CARBON CO., LTD.
Tokai National Higher Education and Research System
TOKAI RIKA CO., LTD.
Tokai Tokyo Financial Holdings, Inc.
Tokio Marine Holdings, Inc.
Tokushu Tokai Paper Co., Ltd.
Tokuyama Corporation
Tokyo Century Corporation
TOKYO DOME CORPORATION
Tokyo Electric Power Co. Holdings, Inc.
Tokyo Electron Limited
TOKYO GAS CO., LTD.
Tokyo Institute of Technology
Tokyo Kiraboshi Financial Group, Inc.
Tokyo Medical and Dental University
TOKYO OHKA KOGYO CO., LTD.
TOKYO SEIMITSU CO., LTD.
Tokyo Tatemono Co., Ltd.
TOKYU CONSTRUCTION CO., LTD.
TOKYU CORPORATION
Tokyu Fudosan Holdings Corporation
TOMONY Holdings, Inc.
TOMY COMPANY, LTD.
TOPCON CORPORATION
TOPPAN INC.
TOPY INDUSTRIES, LIMITED
TORAY INDUSTRIES, INC.
TORIDOLL Holdings Corporation
TOSHIBA CORPORATION
TOSHIBA TEC CORPORATION
TOSOH CORPORATION
TOTETSU KOGYO CO., LTD.
TOTO LTD.
TOWA CORPORATION
TOWA PHARMACEUTICAL CO., LTD.
TOYO CONSTRUCTION CO., LTD.
TOYO ENGINEERING CORPORATION
TOYO INK SC HOLDINGS CO., LTD.
TOYO KANETSU K.K.
Toyo Seikan Group Holdings, Ltd.
TOYO TANSO CO., LTD.
TOYOBO CO., LTD.
TOYODA GOSEI CO., LTD.
Toyohashi University of Technology
TOYOTA BOSHOKU CORPORATION
TOYOTA INDUSTRIES CORPORATION
TOYOTA MOTOR CORPORATION
TOYOTA TSUSHO CORPORATION
transcosmos inc.
TRE HOLDINGS CORPORATION
Tri Chemical Laboratories Inc.
TRUSCO NAKAYAMA CORPORATION
TS TECH CO., LTD.
TSUBAKIMOTO CHAIN CO.
TSUKISHIMA KIKAI CO., LTD.
Tsukuba Bank, Ltd.
TSUMURA & CO.
TWINBIRD CORPORATION
UACJ Corporation
UBE Corporation
ULVAC, Inc.
UNICHARM CORPORATION
UNITIKA LTD.
University of the Ryukyus
University of Tokyo
USEN-NEXT HOLDINGS Co., Ltd.
USHIO INC.
USS Co., Ltd.
UT Group Co., Ltd.
Utsunomiya University
Uzabase, Inc.
VITAL KSK HOLDINGS, INC.
WACOAL HOLDINGS CORP.
WAKACHIKU CONSTRUCTION CO., LTD.
WELCIA HOLDINGS CO., LTD.
West Japan Railway Company
WILL GROUP, INC.
YAMADA HOLDINGS CO., LTD.
Yamagata University
Yamaguchi Financial Group, Inc.
YAMAHA CORPORATION
Yamaha Motor Co., Ltd.
YAMATO HOLDINGS CO., LTD.
YAMAZEN CORPORATION
YAOKO CO., LTD.
YASKAWA Electric Corporation
YASUHARA CHEMICAL CO., LTD.
YKK AP Inc.
YKK Corporation
Yokogawa Bridge Holdings Corp.
Yokogawa Electric Corporation
Yokohama National University
YOKOREI CO., LTD.
YOKOWO CO., LTD.
YOROZU CORPORATION
YOSHINOYA HOLDINGS CO., LTD.
YOTAI REFRACTORIES CO., LTD.
YUASA TRADING CO., LTD.
YUSHIN PRECISION EQUIPMENT CO., LTD.
Z Holdings Corporation
ZENKOKU HOSHO Co., Ltd.
ZEON CORPORATION
ZIGExN Co., Ltd.
ZOJIRUSHI CORPORATION
ZOZO, Inc.

Glossary

CBD	Convention on Biological Diversity
COP15	The 15th meeting of the Conference of the Parties (held in Montreal, Canada, in 2022)
COP26	The 26th session of the Conference of the Parties (held in Glasgow, Scotland, UK, in 2021)
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 (scheduled to be held in Dubai, UAE, in 2023)
CSRD	Corporate Sustainability Reporting Directive
EC	European Commission
EFRAG	European Financial Reporting Advisory Group
ESG	Environmental, social and governance
ESRS	European Sustainability Reporting Standards
EU	European Union
GBF	Global Biodiversity Framework
GHG	Greenhouse Gas
GRI	Global Reporting Initiative
IAASB	International Auditing and Assurance Standards Board
IASB	International Accounting Standards Board
ICGN	International Corporate Governance Network
IIRC	International Integrated Reporting Council
ISSB	International Sustainability Standards Board
NFRD	Non-Financial Reporting Directive 2014/95/EU
SDGs	United Nations Sustainable Development Goals
TCFD	Task Force on Climate-related Financial Disclosures
TNFD	Taskforce on Nature-related Financial Disclosures
US SEC	United States Securities and Exchange Commission
VRF	Value Reporting Foundation
WBCSD	World Business Council for Sustainable Development

Afterword

Achieving sustainable value creation

In 2022, we saw a rapid acceleration of momentum driving the development of standards related to sustainability reporting. ISSB issued two draft reports, the Financial System Council released the *Report of the Working Group on Corporate Disclosure*, CSRD was issued in the EU, and beta frameworks was issued by TNFD, to name just a few of the many examples. Companies have often asked us what new topics they will have to disclose information on, following climate change, and which standards they will have to address and to what extent, in order to make their reporting processes efficient.

In these conditions, in this ninth survey, we put even more effort than before in considering what areas we should survey to ensure that readers could understand the outcome of Japanese companies' corporate reports thus far and the issues they face going forward. We wanted the survey results to help everyone trying to create more meaningful reports. As a result, we focused on materiality, the foundation when managing a company to create sustainable value based on a company's own purpose, and an effective starting point when considering the content of corporate reporting. This is because analyzing what is material for the company, evaluating the various impacts from this perspective, and connecting this to the management's decision-making creates a solid backbone for the company's story, no matter what reporting standards are used. This process can lead to a better reporting.

We are convinced that better reporting not only has a positive effect on corporate management, but also helps to resolve the issues facing our society. In 2013, we had the opportunity to interview Mr. Paul Druckman, who was then CEO of IIRC, which had released the *International Integrated Reporting Framework*. In this interview, Mr. Druckman said that "reporting impacts behavior"—in other words, aiming for better reporting has an impact on a company's actions. We can help create a virtuous cycle in which a shared view of what values the company sees as important and how it will effectively utilize its limited resources to amplify these values is firmly entrenched within the organization, and in which this view is utilized in meaningful dialogues with stakeholders outside of the organization and then fed back to management.

Humanity has arrived at an era in which sustainability is the goal and companies are being asked to raise sustainable value through resolving social and environmental issues. We think that the fast pace driving the development of reporting standards for sustainability information is motivated by the aspiration to create a virtuous cycle of better reporting and better management.

In this survey, in addition to the research focused on materiality, we also looked at key points regarding how Japan's corporate reports, including both sustainability information and financial information, are meeting the expectations of overseas and domestic investors, and how companies are adapting to advances in reporting to be more useful in investor decision-making. These points included English language disclosure, speeding up the timing of the disclosure of sustainability information, and third-party assurance for improving credibility of information. We also looked at issues which will be discussed in greater detail in the future, such as climate change, human capital and diversity, so that we can examine changes over the next few years.

We hope this report will help ensure that corporate reporting become a meaningful endeavor that achieves the objectives of all those involved in organizations trying to create sustainable value.

April 2023
KPMG Sustainable Value Services Japan

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Introduction of KPMG Sustainable Value Services Japan

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

Register now c.m.kpmg.or.jp/plus

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