



Integrated Reports in Japan 2017

Yoshiko SHIBASAKA, KPMG

**Safe and Ethical Cyberspace, digital assets and risks:
*How to assess the intangible impacts of a growing phenomenon?***

The World Conference on Intellectual Capital for Communities

UNESCO, June 14&15 2018



Integrated Reports in Japan 2017

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June 15, 2018

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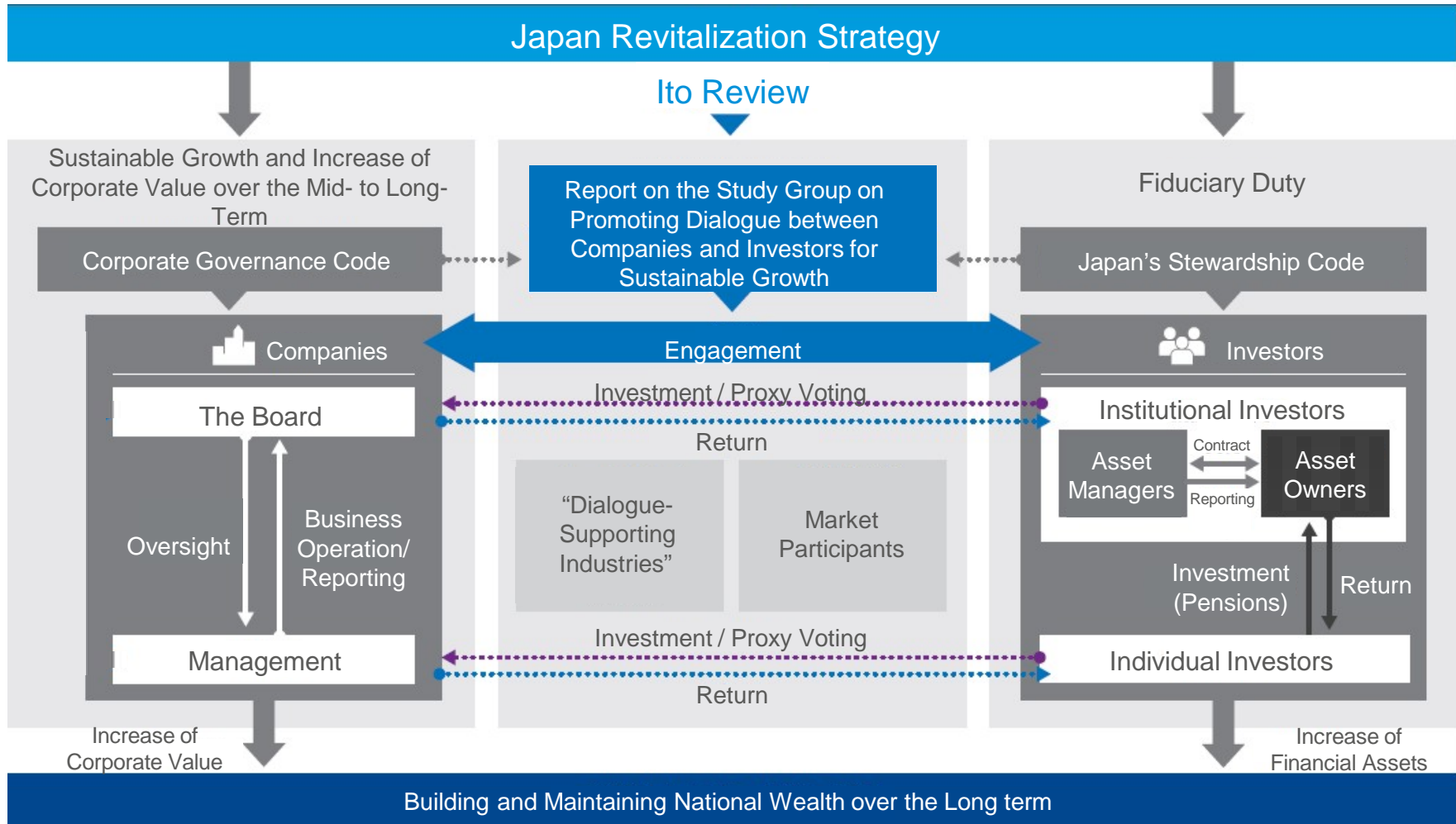
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01

Movements in Japan
- an Overview

Overall Optimization of the "Investment Chain"



Current Issues to Corporate Disclosures

- ❑ To furnish necessary information to investors adequately, accurately, clearly and in a timely manner.
- ❑ To promote dialogue between companies and investors

Enhancing financial and narrative (non-financial) information

For providing investors with more insights regarding long-term vision, trends, and analysis of companies

Providing corporate governance information for constructive dialogues

How to enrich governance-related information, including cross-share holdings and executive remuneration, to promote constructive dialogues between investors and companies.

Assuring reliability and timeliness of information

What information should be included in order to enhance reliability and timeliness of disclosure

Others

Accessibility of XBRL data, English translation etc.

Source: Japan FSA



02

Basic Information

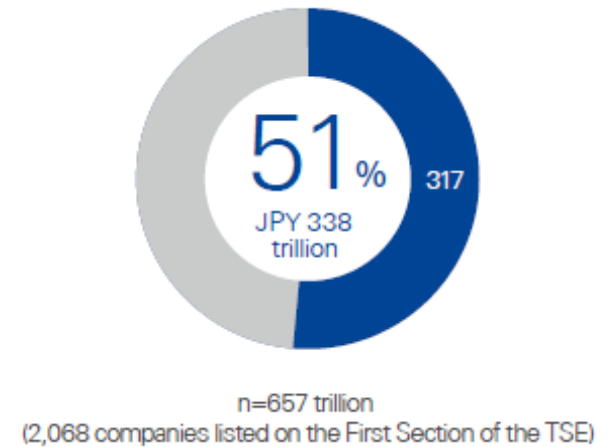
Basic information

Number of Japanese companies issuing Self-Declared Integrated Reports

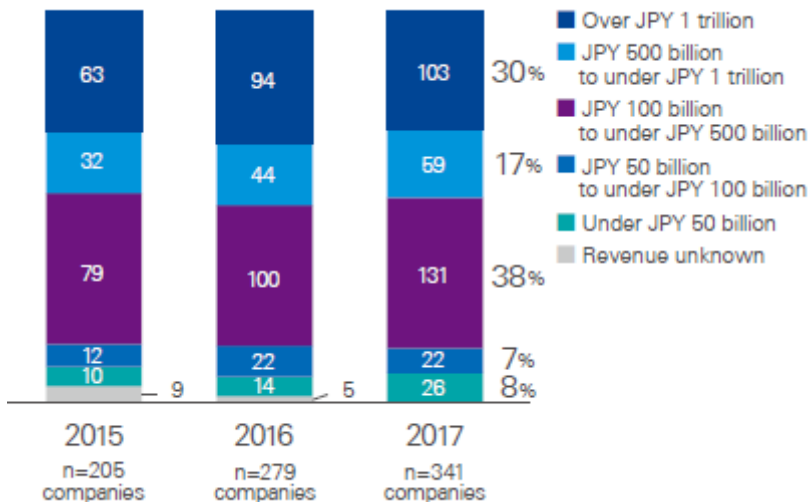


- ✓ Introduction of Corporate Governance Code is one of causes to steadily increase.
- ✓ Major companies have issued the integrated report.
- ✓ Increased involvement of the corporate planning department.

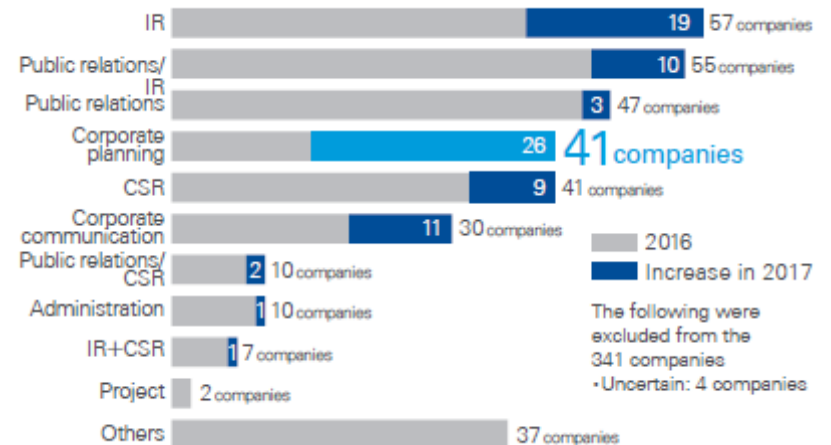
Percentage in total market capitalization



Revenue of issuing companies



Departments in charge of issuing integrated reports





03

Our Recommendations

Three recommendations- for communicating more robust value creation story

1

Explain the financial strategy to make the value creation story credible
“Communicate a more robust value creation story with the financial strategy”

2

Present and explain the material matters being considered in management decisions
“Present the issues the company sees as material to its medium- to long-term value creation”

3

Identify and present the non-financial elements related to medium- to long-term value creation
“Present non-financial indicators relevant to the value creation story to deepen reader understanding”

Communicate a more robust value creation story with the financial strategy

Figure 1-1: Matters described in the CEO message

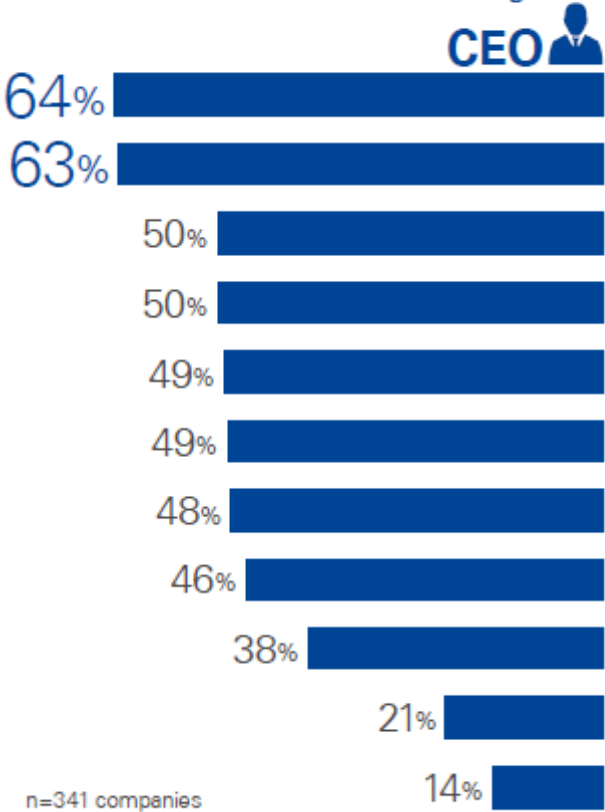
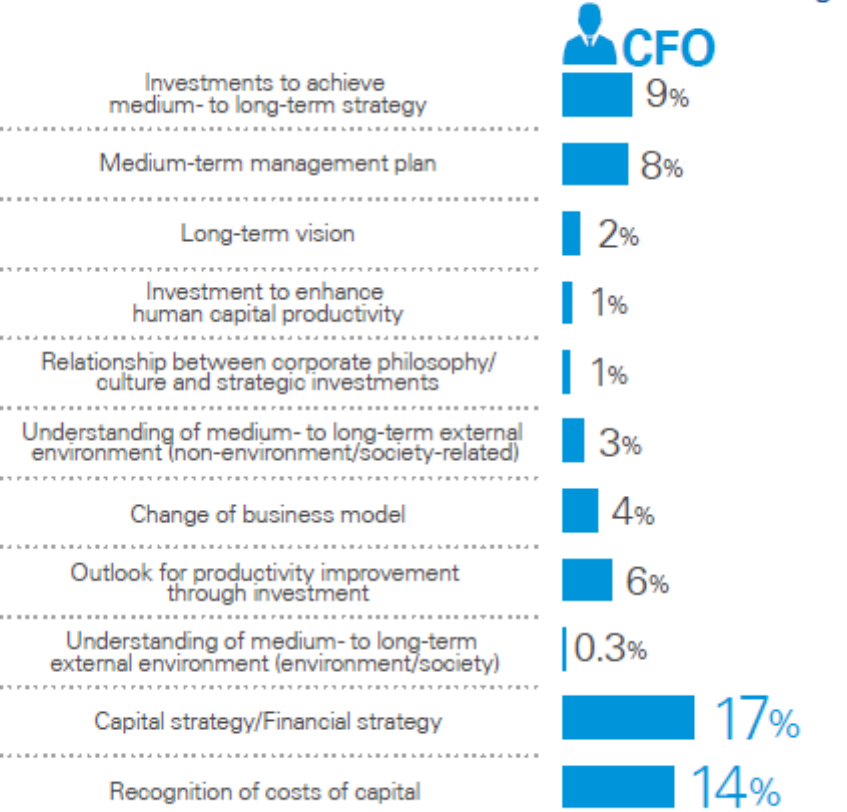


Figure 1-2: Matters described in the CFO message



Present the issues the company sees as material to its medium- to long-term value creation

Figure 4-1:
Companies that disclose "materiality"

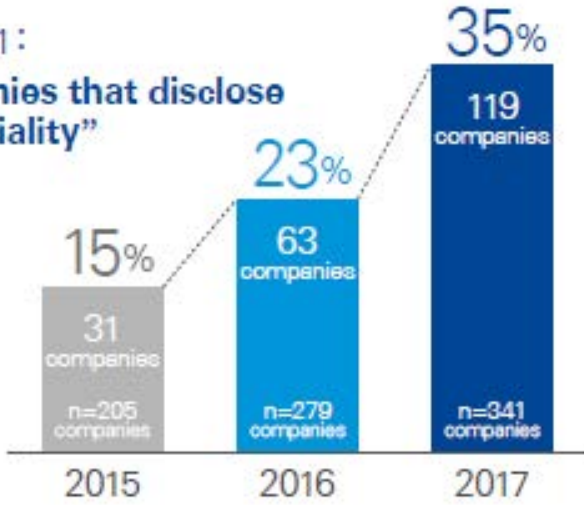
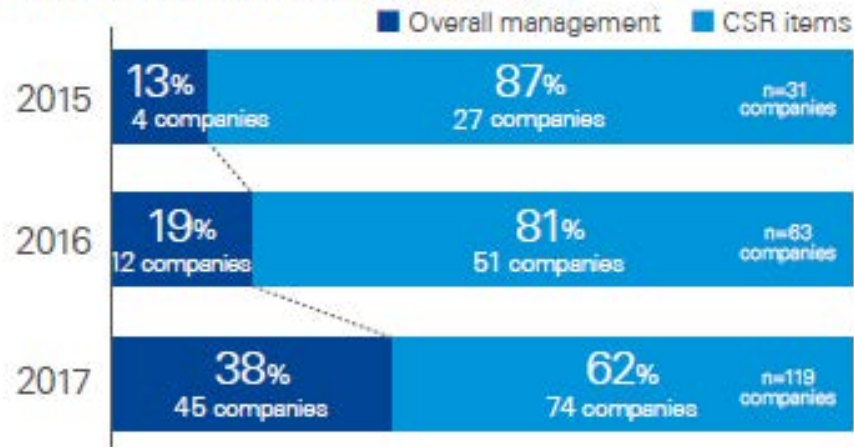


Figure 4-2:
Target of materiality assessment



Management involvement in the materiality assessment process



Present the issues the company sees as material to its medium- to long-term value creation

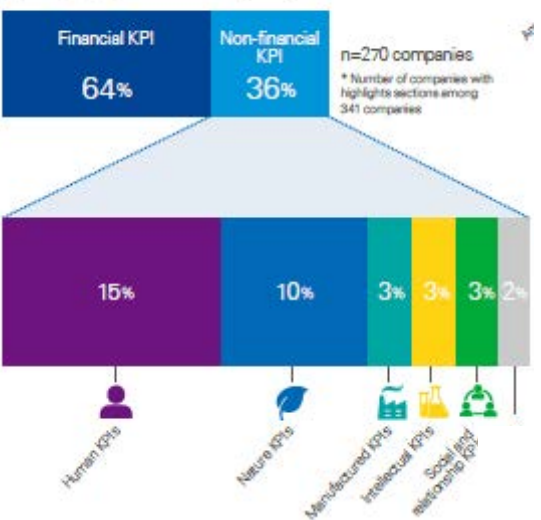


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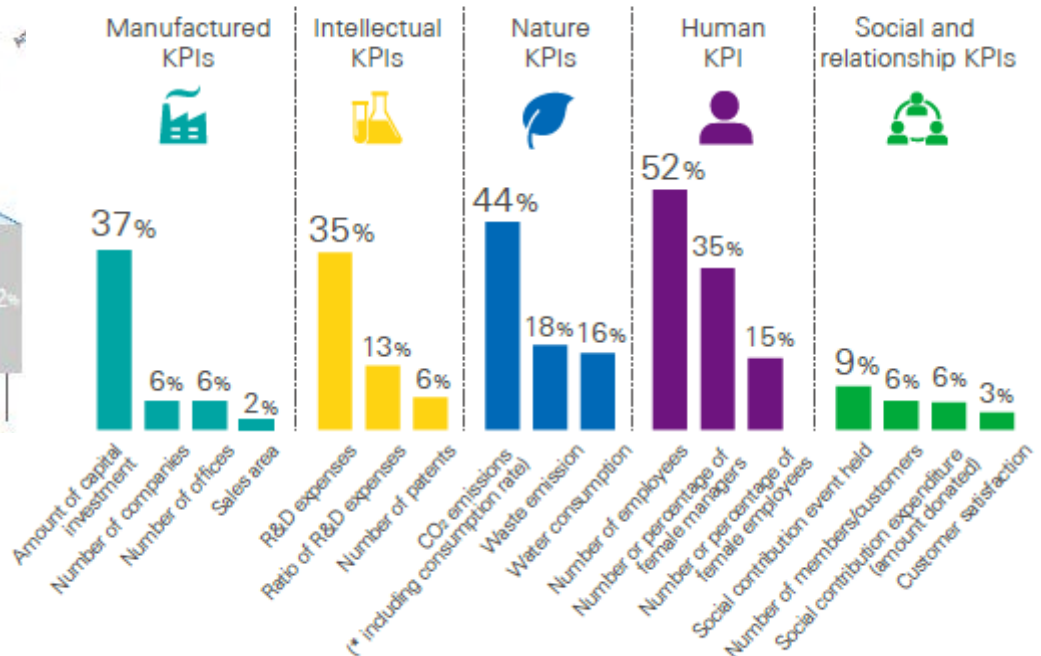
G network of independent member firms

Present non-financial indicators relevant to the value creation story to deepen reader understanding

Figure 6-1 : Percentage of KPIs disclosed in highlight section, by capital



Top 3 non-financial KPIs disclosed in the highlights section

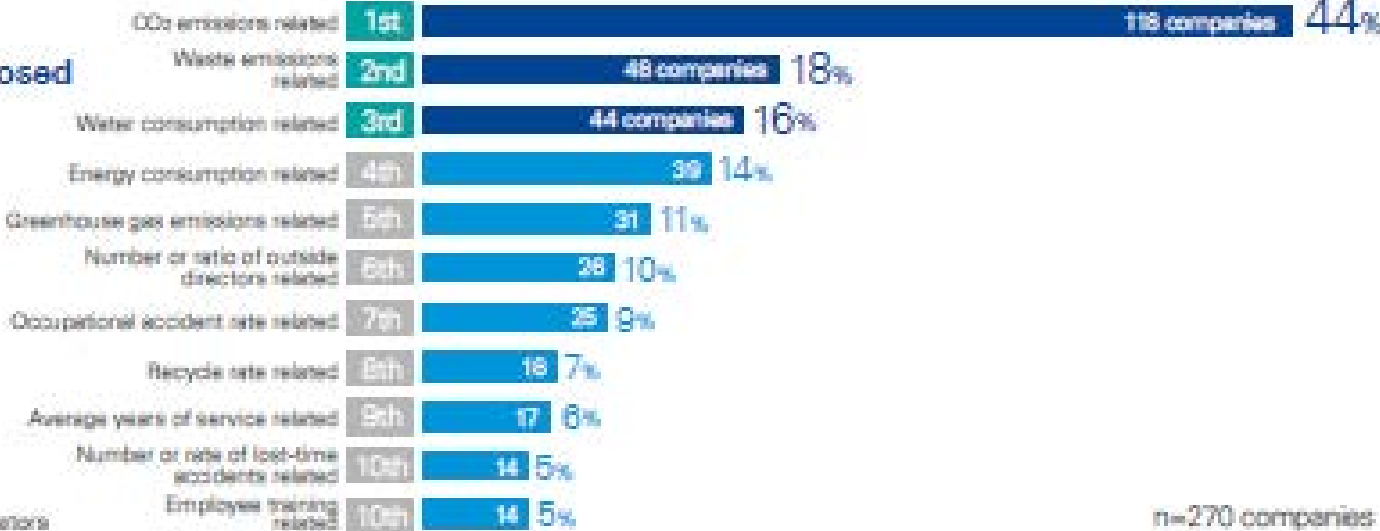


n=270 companies

Present non-financial indicators relevant to the value creation story to deepen reader understanding

Figure 6-7:

Top 10 indicators disclosed in the ESG index



* KPMG categorized what appeared to be common in FTSE and MSCI indicators



04

Next Step

Integrated Reporting for Sustainable Corporate Value Creation

1. As a tool to promote insightful communications

- Considered investors' philosophy as a significant audience
- Prepared by shared interests and common language (e.g. capital cost, shareholders return)
- Well-organized reporting structure and dev

2. Reliability and Transparency

- Mentioned negative elements and included any matrixes in the top management' message
 - Included non-financial KPIs (e.g.SASB)
 - Evaluated by audiences and reasonable 3rd party's comments.
- Assurance for integrated reports (future?)

3. Top management Leadership

- Informed top managements' Commitment and purpose
- Discussed and promoted by the board
- As the management tool for CEO
- Developed the long-term strategy (not mid-term) based on materiality

4. "Total optimization " and integrated

- Discussed by cross-functional approach, and reviewed business cycle and time horizon.
- Considered from both of contribution for social issues and opportunity for increasing corporate value. (e.g. SDGs)
- Integrated CSR to business process re-considerations and strategy





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