

# More Japanese companies are releasing Integrated Reports, but opinions differ on how to consolidate disclosure documents

TOKYO, JAPAN, August 28, 2024 /EINPresswire.com/ -- A survey conducted by the QUICK ESG Research Center concluded that the main role of integrated reports, which are disclosed on a voluntary basis, is for companies to communicate value creation “stories.” The survey showed that this role for integrated reports seems to have remained unchanged even after it became a requirement to include sustainability information in statutory securities reports. On the other hand, METI’s Round Table Conference on “Ideal Approaches to Information Disclosure of Companies” (henceforward referred to as the Round Table) reported that many participants felt the goal should be to incorporate more information into one single statutory disclosure document.

Effective from the fiscal year ending March 2023, it became mandatory in Japan to disclose information on sustainability in annual securities reports. Following that, in May 2024, the ESG Research Center conducted a survey of the top 50 companies based on market capitalization to see whether they have introduced changes to integrated reports, in terms of purpose or positioning. We compared their integrated reports from the fiscal year ending March 2023 (the most recent year) and those of the preceding year. Little change was observed in over 40 companies that published integrated reports in both the most recent and previous fiscal years.

Most companies refer to the International Integrated Reporting Framework and Guidance for Collaborative Value Creation to formulate their integrated reports. The integrated reports serve to communicate companies’ unique value creation stories to a wide range of stakeholders from a mid-to-long-term perspective, encompassing financial and non-financial information. Some companies use integrated reports as a tool for dialogue with stakeholders. For example, Sumitomo Corporation (8053) described its integrated report for both the most recent and previous fiscal years as the “primary disclosure tool for (both financial and non-financial) corporate information that serves as a core medium for communicating the medium-to long-term growth story of the Group.”

Some of the top 50 companies began issuing integrated reports in the fiscal year ending March 2023. For instance, SMC Corporation (6273) issued its Integrated Report 2023 in the fiscal year ending March 2023; this replaced its Sustainability Report 2022, issued in the previous year.

The number of organizations issuing what is defined as an integrated report has increased more

than tenfold in a decade, up from just 90 organizations in 2013 when the International Integrated Reporting Framework was released.

The Round Table released an interim report on June 25. Two proposals were discussed: 1. A disclosure system that “preserves the important role of the integrated report”; and 2. A system in which annual securities reports and other reports are consolidated into one statutory disclosure document, along with the type of information that is commonly included in integrated reports. According to the Round Table report, a comparatively large number of participants favored proposal 2. Proposal 2 allows investors to obtain necessary information more easily because financial and non-financial information are disclosed consistently in a single document. It also eliminates the need for companies to duplicate and disclose similar information in various different ways.

Integrated reports contain unique information in a free format. For instance, Asahi Group Holdings (2502), which was not covered in the ESG Research Center’s survey, published its Integrated Report 2024 on May 31. This report includes the results of calculations using an “impact-weighted” accounting method, which translates social and environmental changes and impacts into monetary values. It may be that this kind of disclosure becomes possible precisely because it is voluntary and discretionary. Of course we demand efficiency and comparability in corporate disclosure, but creativity and originality are also vital considerations.

(Reported on July 1)

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