KPMG
cutting through complexity

Survey of Integrated Reports in Japan 2014

Integrated Reporting Advisory Group
KPMG in Japan

Contents

Greetings

The rapid development of economic globalization is transforming the competitive environment of companies. Because management issues are becoming more complex, management's ability to make decisions, provide value through organizational activities, and build suitable relationships with stakeholders is one of the requirements for companies, as they enhance their medium to long term perspective to become respected and sustainable in society.

KPMG aims to support the resolution of business issues and to indicate specific measures to ensure the realization of such resolutions in this complex economic society. As part of this mission, we have been studying globally how companies communication with the capital markets should be developed since the beginning of this century. We believe that our concept of "Better Business Reporting" provides useful suggestions to Japanese companies trying to create a new presence within capital markets that are increasingly becoming borderless.

We have surveyed and analyzed 142 reports by Japanese companies in order to understand the current state of business reporting, which is the foundation for corporate communication. What we have seen is that companies are striving to explain their business activities objectively and to find a way to report them effectively. However, there are still many issues to be addressed to meet the expectations of the capital markets.

Together with the implementation of the Corporate Governance Code, Japanese companies are being increasingly expected to demonstrate "the ability to think", and to communicate internally and externally their thoughts, establishing a process which enables them to create value with a variety of stakeholders. I believe ongoing consideration of the communication method taking into account users of information, will become increasingly important, helping Japanese companies to increase their presence in the global economy, building on their fundamental strength to take a long term perspective.

We will continue to conduct the same survey in the future to study the progress made towards supporting better capital markets. Your opinions and comments are always welcome. We hope that this survey is helpful.

Chairman of KPMG in Japan

Tsutomu Takahashi

Executive Summary

In order to realize, corporate value in the markets over the mid-to-long term appropriately, it is important for companies to present a clear overview of their strategy and efforts to achieve high performance in the future as well as to provide reliable financial information.

Head of KPMG Japan
Integrated Reporting Advisory Group

Masayuki Sawada

Inclusive approach to value creation

Companies have been encouraged to change their forms of accountability due to increasing uncertainty. Financial information based on the conventional accounting standards summarize the results of transactions recorded during a reporting period, presents past performance, and provides existing shareholders with a basis to help them judge the fulfillment of management’s stewardship responsibility .

On the other hand, investors, including potential shareholders, are eager to obtain information that enables them to assess corporate value, including information to determine the potential impact of corporate value. Investors expectations regarding the provision of information to enable proper decision making over the mid-to-long term is increasing. At the same time, this presents a strategic challenge for companies to create the most optimal value in the market over the medium-to-long term.

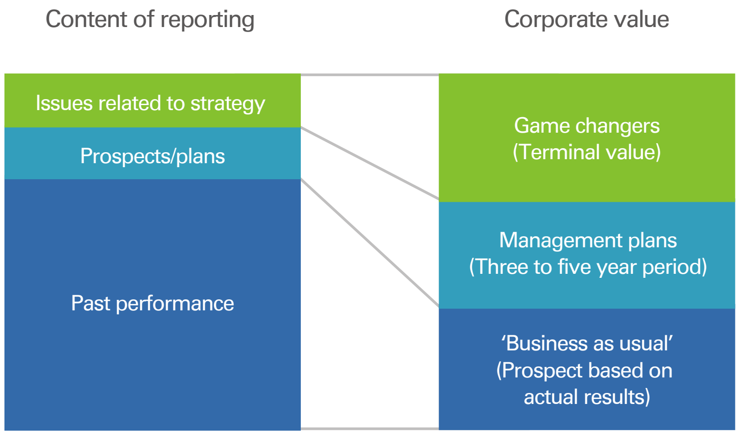
Under a stable management environment, it had been reasonable to predict future corporate value based on the past financial performance. However, in an environment where inconsistent growth occurs on a frequent basis due to innovation, predicting medium-to-long term corporate value from past performance is becoming less relevant. To take the full picture of value creation from the past into the future, reporting needs to evolve to provide: (i) a reasonable disclosure of the present non-financial information that supports future corporate value, (ii) future oriented measures based on past performance, and (iii) information to obtain understanding from relevant parties to make (i) and (ii) possible.

Business reporting has to respond to various objectives for creating a better capital market, and the established framework of financial reporting needs to be improved to achieve this. The final objective of financial reporting should not be conforming with regulations. Rather, based on such regulations, companies should endeavor to explain the overview of value creation. Integrated reporting has the potential to become one of the best methods to provide this overview of value creation.

Information on potential opportunities and risks derived from the change in business environment, as well as the impact to future outlook is extremely important for purposes of evaluating corporate value. However, such information at times is not explained adequately, or even if it is provided, it is usually provided at investors' meetings where investers can have less confidence in the reliability of such information compared to that of annual reports. Information that is important for investment decisions should be disclosed with higher quality. We believe that providing inclusive information related to value creation through the narrative description in an annual report is appropriate.

Specifically, in order to describe the overview of value creation, first, a report should be structured so that it is centered on the entity specific business model. Then factors of value creation with respect to long-term value, especially material management resources, governance, performance indicators, and future prospects, should be described. This could help to correct the short-termism of capital markets shifting the discussion away from short-term performance fluctuations.

Information currently disclosed in an annual report tends to focus on short-term factors affecting corporate value. As a result, a communication gap exits with the investors who require information for evaluating corporate value over the longer term. Hence, corporate value may not be appropriately assessed. Integrated reporting could provide the basis for engagement between management and investors to share a common understanding of the drivers of an entity's sustainable growth.



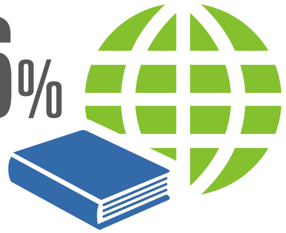
*Source: The KPMG survey of business reporting P4

The number of companies that have issued an Integrated Report in 2014 is

Increase of 46 companies from 2013

The number of companies that have mentioned the IIRC framework in their reports is

26%



The number of pages of an integrated reports ranging

from 31 to 60 pages

were most largest, comprising up to 42% of companies.

42%

of integrated reports include the company's business model.

Summary of survey outcomes

This survey was made based on the 142 companies which are listed in the "List of Japanese Companies Issuing Integrated Reports in 2014", published by the ESG Communication Forum. Of the 142 companies, 130 companies are listed on the First Section of the Tokyo Stock Exchange (herein after referred to as "TSE"), and 85% report revenue of at least JPY100 billion, demonstrating that relatively large companies are making an effort to publish integrated reports. Forty eight companies have titled their reports as "Company name + Report" and another 45 companies have titled their reports as "Annual Report", which makes up the majority of the surveyed companies. However, there were 15 companies which have titled their reports as "Integrated Report".

26% of the companies had made reference to the International Integrated Reporting Framework of the International Integrated Reporting Council (hereinafter referred to as "IIRC") in their reports. Even companies which have not explicitly mentioned the IIRC integrated reporting framework in their reports, also appear to take a certain amount of interest in the IIRC framework, evidenced by the fact that ideas from the IIRC framework are reflected in their reports.

The number of pages of half the surveyed companies were 60 pages or under. Based on this fact, it can be considered that companies are making an effort to deliver their messages concisely and clearly.

Due to the issuance of integrated reports, 75% of the surveyed companies have not issued CSR reports. It can be assumed that many of the companies have merged their CSR reports with their integrated reports. On the other hand, the remaining 25% of the companies have issued CSR reports and data books which provide more detailed CSR information.

Fifty nine companies out of the 142 companies (42%) have described their business model in their integrated reports. The IIRC Integrated Reporting Framework mentions that the description of the business model is an important content of the integrated report, and judging from the fact that more than a few companies have attempted to disclose their business models, companies are beginning to understand that the description of the business model explains their business activities in a logical way and is an effective way to show the overview of corporate value.

The percentage of companies creating an independent section on risk information was

49%

The percentage of KPIs provided that were non-financial was only:

26%

Largest range of number of KPIs disclosed as highlights information was

21~30 KPIs

Which consisted of 62 companies

51% of the companies' corporate governance section was

4 pages or less

Out of the 59 companies disclosing their business models, 24 companies have explained the relevance of their capitals. The concept of capitals is referred in the IIRC integrated reporting framework. Describing the relevance between the business model, and the capitals is important for the understanding of the business model. Furthermore, 13 of the 24 companies have provided descriptions of their capitals.

49% percent of the companies created an individual section providing risk information which specified and explained their risks. The average volume of risk information was 2.2 pages, and the average number of risks disclosed was 11. Investors need to understand all risks which have an impact on their investment decisions, and the possibility of such risks to occur and its impact, as well as the company's risk management policy and current situation. However, based on our survey, only few companies have described such matters.

Of the 142 companies we surveyed, 134 companies disclosed highlights information, and the largest range regarding the number of Key Performance Indicators (KPIs) disclosed were in the 21-30 range. Regarding the breakdown of the disclosed KPIs by capitals, 74% was related to financial capital and KPIs related non-financial capitals are still very few. Even among the companies that disclosed non-financial KPIs, these KPIs often did not relate to material factors regarding value creation. This result indicates the possible existence of issues with companies' planning process and performance management.

Of the 131 companies we surveyed, 67 companies (51%) provided 4 pages or less on corporate governance, resulting in a relatively brief disclosure. We compared the average number of pages by organizational structures: for companies with auditors (77 companies) the average number of pages was 3.2, whilst for companies with committees (9 companies) it was 6.2 pages. The implication of this result may be considered that the company's understanding of the importance of governance, its effort to create a unique governance structure and its willingness to explain it to external parties, is reflected on the volume of information disclosed.

Due to the enactment of the Japanese Corporate Governance Code, we anticipate that future disclosure regarding corporate governance will improve.

Issuance of Integrated Reports

Many Japanese companies have taken an interest in integrated reporting, and have begun to issue integrated reports. In 2014, 142 companies have issued the integrated reports, which was a significant increase compared to 92 companies in 2013.

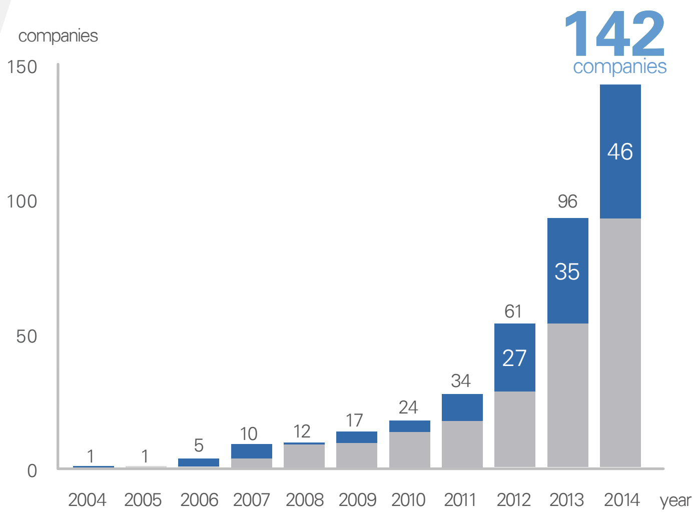


Figure 1: Changes in the number of issuing companies

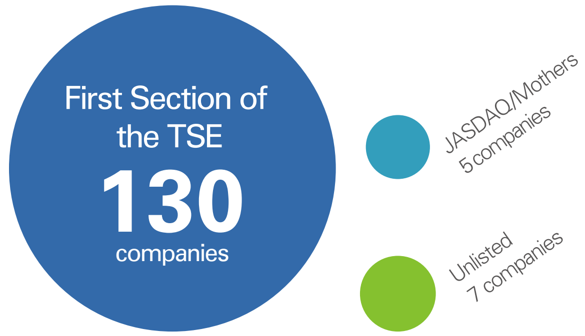


Figure 2: Listing market of issuer companies

1 Issuing companies and its characteristics

1. Changes in the number of reporting companies

The number of companies issuing integrated reports was 142 in 2014 and surpassed that of the previous year, which was 96 companies (Figure 1). The number of integrated reports remained at a low level until 2010 with turning point in 2011. In 2014, the number of companies issuing integrated reports increased dramatically, most likely due to the release of the IIRC integrated reporting framework in December 2013. Furthermore, we predict that the number of companies issuing integrated reports will continue to grow as result of increased recognition of the importance of engagement between companies and investors in the capital market.

2. Listing market of issuer companies

We found that 130 companies which was 92% of the companies issuing integrated repots were listed on the First Section of the TSE (Figure 2). Taking into consideration that integrated reports are prepared mainly for providers of financial capitals, such as shareholders and investor, this can be said to be a natural trend. Due to the implementation of the Stewardship Code and Corporate Governance Code, it can be predicted integrated reporting will continue to expand to companies listed on JASDAQ or Mothers, for the purpose of better information disclosure and engagement with investors.

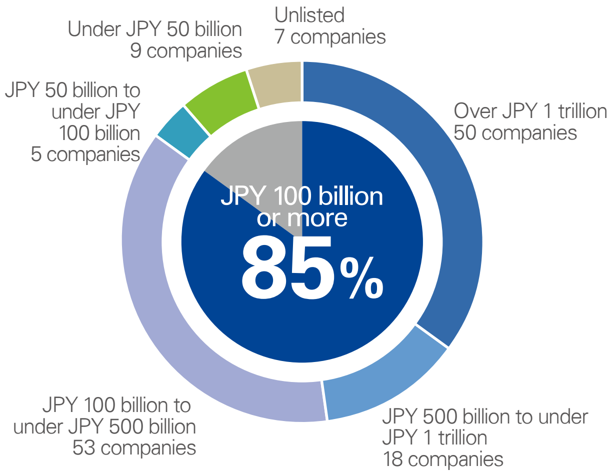


Figure 3: Revenue of issuing companies

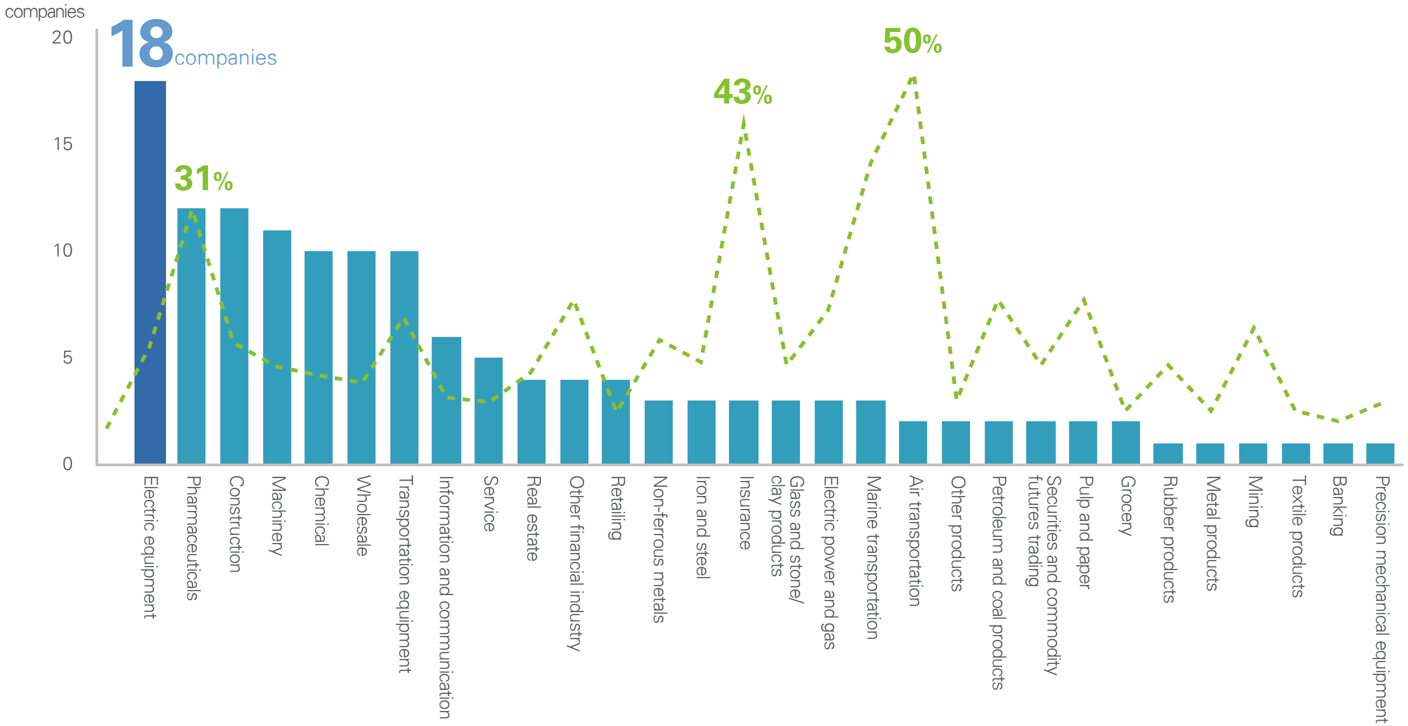


Figure 4: Industries of issuing companies and ratio within the industry

3. Size of issuing companies

We have surveyed the revenue figures of the companies issuing integrated reports and found that 85% of the companies had more than JPY 100 billion in annual revenue (Figure 3). This shows the current situation that companies with relatively large revenue amounts tend to make efforts in issuing integrated reports.

50 of the companies issuing integrated reports had revenue of over JPY 1 trillion. Since there are approximately 140 companies with revenue of over JPY 1 trillion listed on the First Section of the TSE, this represents one third of such companies (Source: website of the TSE). It could be said that companies with solid resources, such as human resources, as well as large scale companies with complex businesses tend to find more value in integrated reporting.

4. Industries of issuing company

The industries of the companies issuing integrated reports are widely varied (Figure 4). In terms of number of companies, the electric equipment industry was the largest, with 18 companies. However, in terms of ratio compared to the total number of companies listed on the First Section of the TSE, it could be said that the air transportation industry (50%), the insurance industry (43%), and the pharmaceuticals industry (31%) are active in the preparation of integrated reports.

Pharmaceuticals industry companies have several reasons for their pro-active approach; 1) they have conventionally disclosed mid-to-long term research and development information widely in its "pipe line information"; 2) it is easy to directly connect its products and services to social responsibility; and, 3) its business model is easier to describe compared to that of conglomerate industries. On the other hand, since both the air transportation and the insurance industries are comprised of fewer listing companies, this may have resulted in the large reporting percentage.

It is important for each company to consider carefully who the targeted audience is and what they want to report in their integrated reports. Companies need not try to do something similar to other companies within an industry. On the other hand, since integrated reporting by its nature, conveys the company's mid-to-long term value creation process to shareholders and investors, as can be seen in the pharmaceutical industry (such as the requirement of large investments which should be evaluated over the mid-to-long term period, difficulty in obtaining short term results, etc.), the level of implementation may vary depending on the unique situation of each industry.

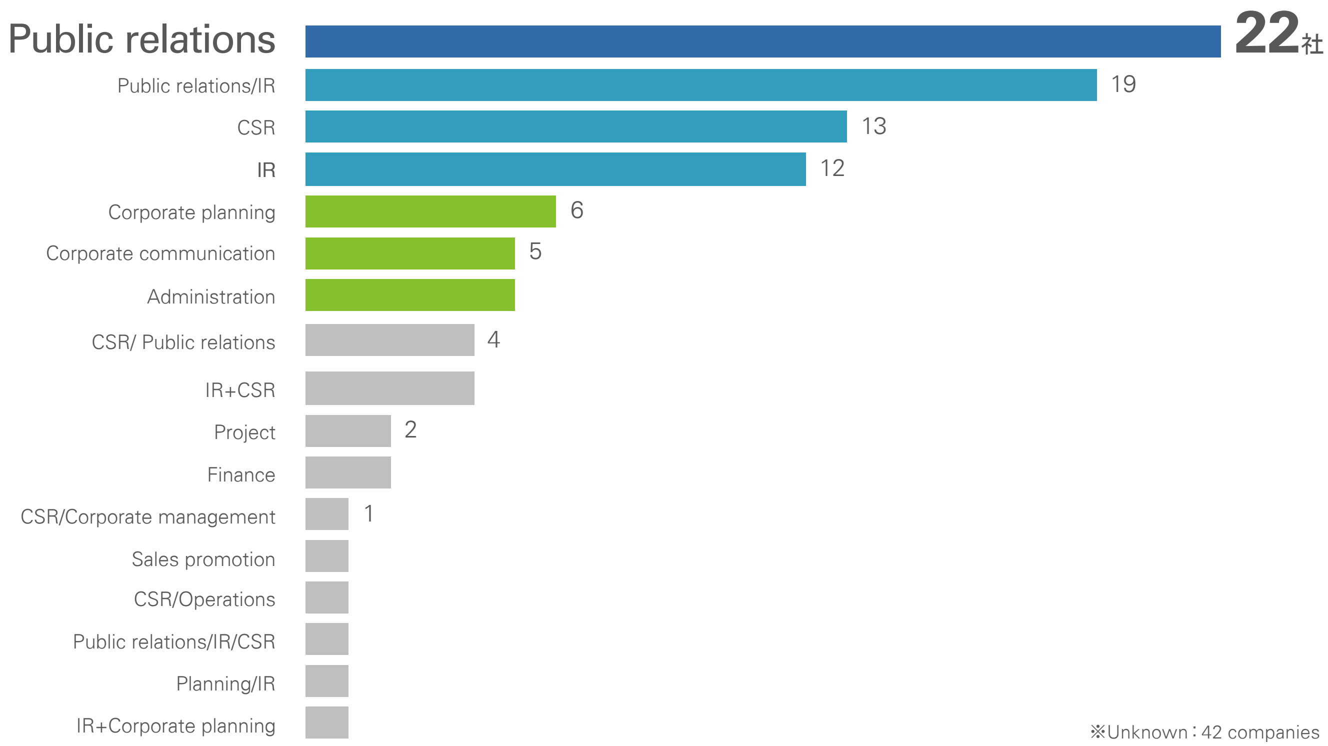


Figure 5: Departments issuing integrated reports

5. Departments issuing integrated reports

Most companies issue their reports through their public relations department, while others do so through their Investor Relations (IR), and Corporate Social Responsibility (CSR) departments (Figure 5).

Some companies consider integrated reporting to be a part of IR, while others consider it to be a part of CSR, or in some cases, the public relations department will act as the coordinator. After the issuance of a first integrated report, there is a high possibility that companies will reconsider which department will responsible, when they update their reports.

However, our survey conveyed a more important point. We have found that there is a wide variety in the organizational format among companies.

For instance, there are companies which combine public relations and IR, or combine CSR and IR, while in other cases, CSR is established as part of the business management department.

We analyze that this is not an issue related to integrated reporting, but is the result of many Japanese companies not having a sufficient organizational form to support corporate communication. It could be said that integrated reports are issued based on procedures established in the past, where reports and documents created by companies are being prepared by various departments.

Companies will need to operate on a cross-functional basis within their organizations, under the environment of diverse stakeholders and diverse means of communication, such as websites and social network, in addition to the traditional paper based reports or communication through media. We believe that the challenges for Japanese companies are to specify internal and external stakeholders, to determine the communication method for engagement with such stakeholders, to conduct a strategic corporate communication and to establish an organization which enables each company to address such challenges.

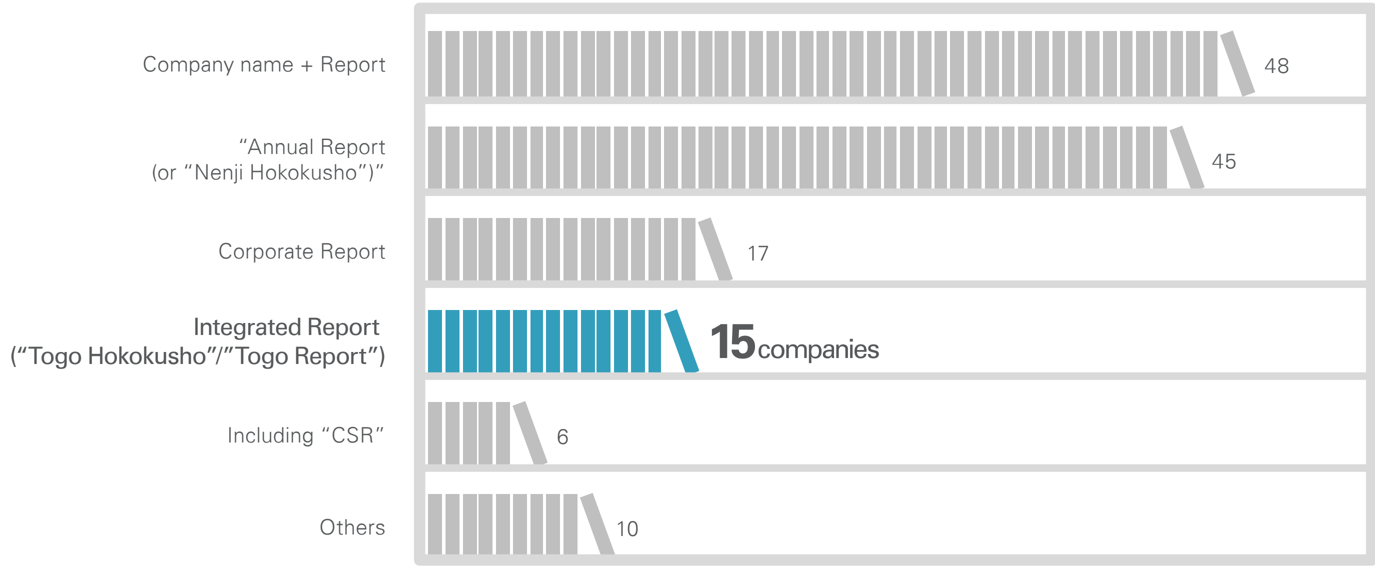


Figure 6: Title of reports

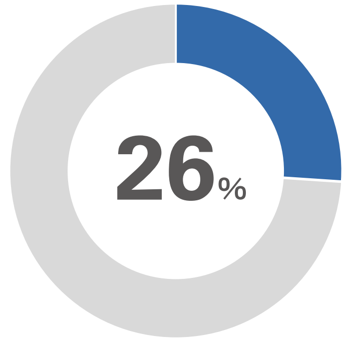


Figure 7: Number of companies referring to and complying with the IIRC Integrated Reporting Framework

2 Overview of reports

1. Title of integrated reports

For the title of integrated reports, 48 companies have titled their reports "Company name + Report" and 45 companies have titled their reports "Annual Report", which make up the majority (Figure 6).

On the other hand, 15 companies have titled their reports using the word "Integrated" ("Togo" in Japanese) such as "Togo Hokokusho" and "Togo Report." This number has increased in 2014 compared to merely four companies in 2013. We assume that this increase was the result of companies directly trying to convey that the disclosed contents and messages are based on integrated reporting.

Readers may also take a fresh interest if the reports are titled "Integrated Reports", compared to if the report was titled as a convetional "Annual Report." For this reason, those companies should be prepared that the integration of financial and non-financial information, together with the connectivity of the content will be more strongly expected.

2. Reference to IIRC Integrated Reporting Framework

One quarter of the companies have made a reference to the IIRC Integrated Reporting Framework, which was released in December 2013 (Figure 7), and only one company stated in its report that it has "complied with" the Framework.

However, it appears that more companies have been influenced by the Framework according to our survey of their reports in 2014. The fundamental concepts and content elements of the IIRC Framework, such as "value creation", "six capitals", and "business model", could be seen in various parts of the reports. In the next year, we expect that more companies will state in their report that they have "referred to" or "complied with" the Framework.

Although there are no restrictions in stating that the companies have "referred to" the Framework, companies should note that adherence to the requirement of the IIRC Framework is required in order to state that they have "complied with" the Framework.

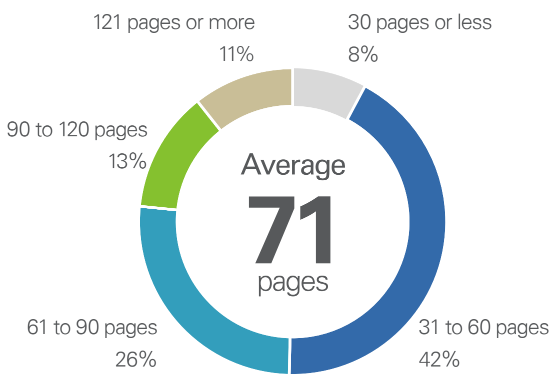


Figure 8: Number of pages of integrated reports

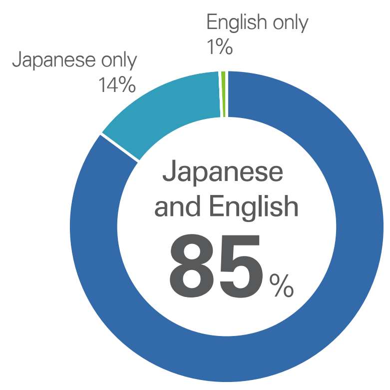


Figure 9: Issuance of English integrated reports

3. Volume of integrated reports

Based on our survey, the average volume of integrated reports was 71 pages (Figure 8). However, companies within the "31 to 60 pages" range were the largest and half of the companies issued reports under 60 pages.

Considering the average number of pages of the Japanese securities reports which mainly report financial information is around 150 pages, this is a significant decrease. This is the result of companies making an effort to deliver their messages in an understandable and concise manner. On the other hand, we noted that companies with lengthy reports tended to include footnotes to the financial statements in their integrated reports. It is up to the company to reduce the number of pages by excluding the footnotes, or to enrich its financial information by including footnotes.

Many companies issuing concise reports provide links to related information, for readers requiring more information.

4. Language of integrated reports

Most companies issue integrated reports in both Japanese and English (Figure 9). Traditionally, although CSR reports have often been prepared in both Japanese and English, many companies have issued their annual reports only in English as they believed that the majority of their readers are foreign investors. We assume that due to the issuance of integrated reports and the resulting inclusion of additional information which were not disclosed in existing medium, many companies have begun to prepare reports in both Japanese and English in order to avoid the information gap between the English annual report and the disclosures made in Japanese.

In addition, some companies have issued their reports in 3 languages, such as Chinese, Korean, etc. For companies where the targeted readers are not only their shareholders and investors, but also their employees and business partners, the language of reports will depend on the global business situation of each company.

Specifying the readers of the integrated report should be done, in order to determine the language which enables management to convey their message across the countries.

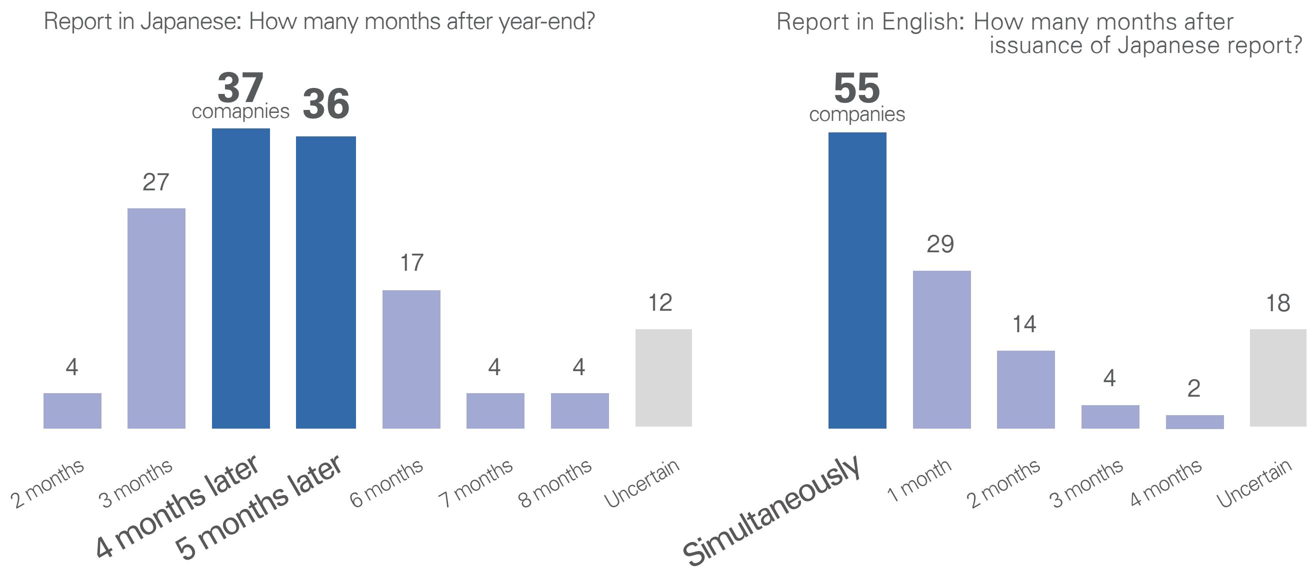


Figure 10: Timing of issuance of integrated reports

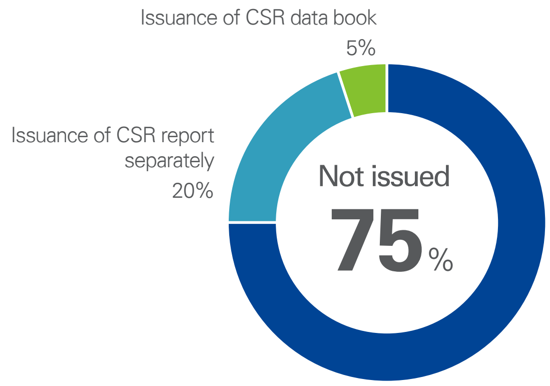


Figure 11: Issuance of CSR reports

5. Timing of issuance of integrated reports

Many companies issue reports in Japanese around four to five months after their fiscal year-end (left-hand side graph in Figure 10).

For example, for March year-end companies, reports will be issued in July or August. In other words, the reports are issued one to two months after the general meeting of shareholders, which is typically held in June. Compare this to documents related to financial results, although timeliness is not such a priority for integrated reports, companies make an effort to issue them as soon as possible.

Upon preparation of reports, although financial information may be obtained relatively earlier, for many companies, preparation of data on environment and safety requires more time. In addition, as reports are prepared under the governance and management structure approved at the general meetings of shareholders, the timing cannot be easily be changed.

Most companies issue their reports in English at the same time the Japanese reports are issued (right-hand side graph in Figure 10). Many companies target to issue their reports at the same time because companies feel that there is a large benefit to communicate messages to overseas, in a simultaneous manner.

Even if they are unable to issue reports in Japanese and English simultaneously due to translation issues, it is important to determine the timing of issuance of the English reports, taking into consideration the schedule of IR meetings for overseas investors.

6. Integrated reports followed by CSR reports

Most of the companies do not issue CSR reports, which amounted to 75% of the surveyed companies (Figure 11) . This shows that after the issuance of the integrated report, companies have made the integrated report as the singular disclosure medium.

On the other hand, we found that several reports have included almost all information from the conventional CSR reports. It can be presumed that for such companies they are still at the stage of merely combining financial reports and CSR reports, instead of explaining the company's value creation process by connecting financial information and non-financial information.

Integrated reports can be presented in a more integrated, concise, and understandable manner with regard to financial and non-financial information by consideration of materiality. On the other hand, we are concerned that if companies use integrated reports as an alternative to CSR report, relevant information to a wide variety of stakeholders which had been made through a CSR report, may become less understandable. Thus, it may be necessary to use CSR reports or data books as supplementary information to integrated reports.

Column 1 – from the KPMG Survey of Business Reporting

Conciseness of reports

1. Typical size

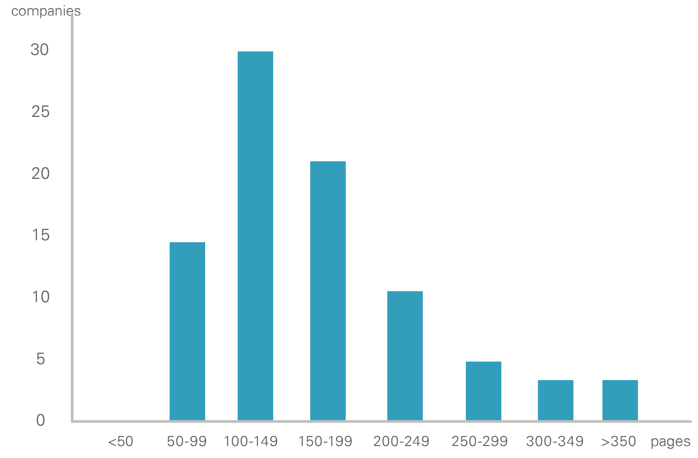
As business activities become more complex and the range of stakeholders increase, companies are required to disclose further information. Although companies endeavor to collect, aggregate, and organize large amounts of information, such information is not disclosed in an integrated manner, and as a result, the messages companies really want to communicate are not properly conveyed. The primary purpose of issuing an integrated report is to resolve this issue and in its Guiding Principles, the IIRC's Framework includes "materiality" and "conciseness". When preparing reports, many companies must first address the simple question of what is the proper volume of a report?

Most of the 90 companies surveyed in "The KPMG survey of business reporting" have prepared reports in the range of 50 to 200 pages. In this survey, we selected the reports of large companies with regard to market capitalization as well as relatively smaller companies with sales of approximately JPY10 billion in five industries (manufacturing, retail, pharmaceuticals, telecommunication, and energy and natural resources) across 10 countries (Australia, Canada, Denmark, France, Japan, Norway and Sweden [combined], South Africa, the United Kingdom, and the United States). Large companies' reports had been an average of 57 pages longer than those of smaller companies. This was because large companies devoted an additional 27 pages to the business description and 19 pages to the financial statements.

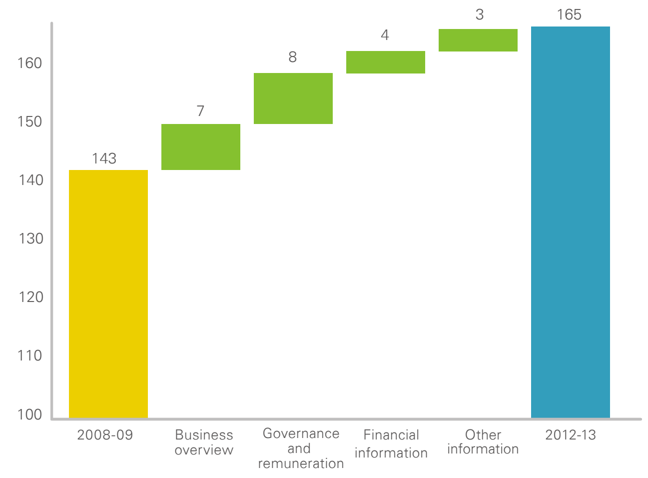
We do not believe that there is an ideal number of pages for an annual report; the number of pages should be as large as it needs to be and not larger. Companies should avoid repetition and carrying over past information which is no longer useful. Companies should understand that what is important is not the size of the report, but to avoid the risk that readers may miss important information as a result of too many unnecessary information.

2. Increasing number of pages

In "The KPMG survey of business reporting," KPMG International compared the newest reports of the same company to that of reports issued five years ago. The results show that the length of reports increased 3% on average, which equaled to almost 22 pages. The increase largely related to the changes in the number of pages in the business description section, especially in large companies. Whilst this has added to the volume of reports, companies are providing future-oriented information, it is also a step towards re-balancing the weight of reporting, enabling a more forward-looking perspective which that can be provided by the financial information alone. The current growing focus on corporate governance and executive remuneration is expected to increase the length of reports.



Size of reports



Factors increasing information

Disclosure of business model

A business model should describe the company's business story. Through the interrelation with the business model, isolated KPIs may be described in relation to each other.

1 Role of a business model

The IIRC integrated reporting framework defines a business model as "a system of transforming inputs, through its business activities, into outputs and outcomes that aims to fulfill the organization's strategic purposes and create value over the short, medium and long term." The Framework points out that an explicit identification of the key elements of the business model; the use of a diagram highlighting key elements, supported by a clear explanation of the relevance of those elements to the organization; and connection to information covered by other content elements, will enable a more effective and understandable description of the business model. We believe that there are three key points in describing the business model:

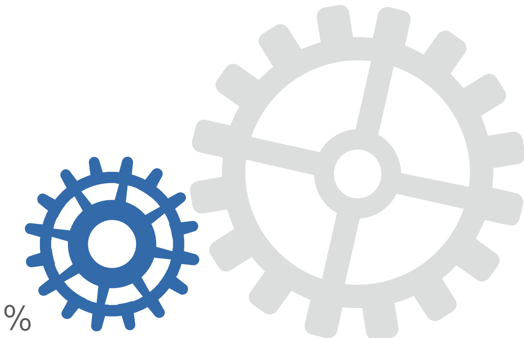
1) The description of the business model aligns with management's view of significant factors of value creation.

2) All aspects that are expected to have a significant impact on prospects in the mid to long term are addressed.

3) Sufficient detail is provided to give effective context.

A business model fulfilling the above requirement provides a good basis of integrated reports, which get to the heart of the business. Isolated KPIs may be interrelated through the description of the business model. Although it is difficult for companies to explain every important matter that impacts the business, readers can evaluate the potential impact of arising matters when provided with the information required to understand the background.

Due to the benefits above, we believe that many companies are striving to disclose their business models with ingenuity. Based on "The KPMG survey of business reporting" which surveyed annual reports of 90 companies across 10 countries over the past five years, 21% of the companies utiluse diagrams to explain their business models.



21%

(n=90 companies)

(Source: The KPMG survey of business reporting, 2014)

Percentage of companies utlizing diagrams to explain their business models

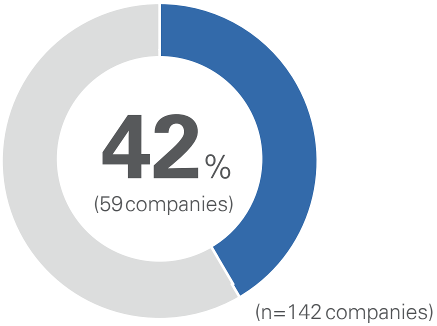


Figure 12: Companies disclosing their business models

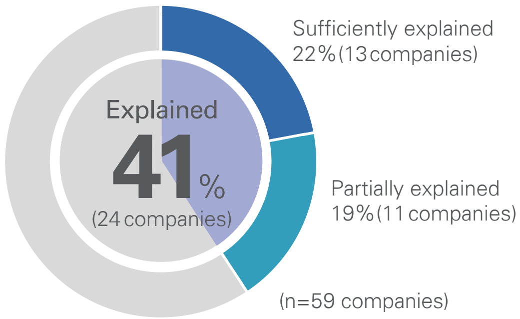


Figure 13: Business models and capital

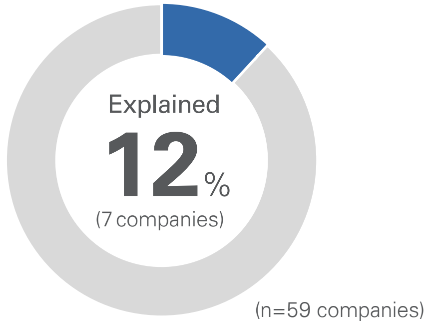


Figure 14: A long-term approach in the business model

2 Disclosure

In Japan, 59 companies or 42% of 142 companies explain their business models in their integrated reports (Figure 12). Although there is no established methodology or interpretation of the business model, more Japanese companies are attempting to disclose this information due to increased recognition of the importance of putting the business model the centre of an integrated report, for the structural presentation of business activities and overview of value creation.

Generalizing practice is difficult due to the wide variety of approaches adopted. However we found relatively many companies utilized the "octopus model" of the Framework in their disclosure and descriptions of business process. Some companies conducted a SWOT analysis to each business division, and explained their major capitals, business activities, and value generated by each division, together with their strategies. The challenges for conglomerates will be the selection of material business portfolios and the explanation of its synergy effects.

3 Quality of disclosed information

1. Relevance between the business model and capital

Of 59 companies that disclosed their business models, 24 companies (41%) explained its relevance to capital (Figure 13). The Framework classifies capital into six categories: financial, manufactured, intellectual, human, social and relationship, and natural. While some companies merely listed their capital in these six categories consistent to the Framework, 13 companies provided further detail of capitals. To improve the connectivity of information, we suggest; to identify key capitals which are value creation drivers; to logically form the overview of value creation based on management's view of interdependence/interconnection with other elements; and to structure the integrated report in a way that reflects this.

2. A long-term approach to the business model

Of 59 companies that disclosed their business models, only 7 companies (12%) explained its long-term outlook (Figure 14). Under rapidly changing business environment, changing the business model in response to expected changes, is necessary for long term value creation. This is the reason why the Framework requires the disclosure of the company's outlook of potential impacts to its business model and future performance as a result of challenges and uncertainties it is likely to face.

Disclosure of risk information

Better disclosure of risk information enables an organization to address significant risks, maintaining value for stakeholders, and taking advantage of risks as opportunities.

1 Issues pertaining to the disclosure of risk information

KPMG believes that better disclosure of risk information does not involve listing items that have an unfavorable impact on businesses in order to fulfill the regulatory requirements. Rather, it entails explaining how companies address significant risks and maintain value for stakeholders.

"The KPMG survey of business reporting" reported several challenges, such as, the relevance of some risks identified to shareholder value being limited, and limited information for readers to evaluate the potential impact of risks and how the company is responding.

KPMG recommends the following three steps for better disclosure of risk information:

1 Focus

- Risks highlighted are the most relevant for an understanding of business prospects.
- Risks of not achieving business opportunities are covered, as well as risks of loss.
- Key risks are readily distinguished from less relevant compliance disclosures.

Risks most related to shareholder value are easily identifiable.

2 Context

- The part of the business potentially affected by the risk is identifiable.
- Information provided helps readers to form their own views on the potential impact of the risk after mitigating actions.

Potential impact on the business can be evaluated if the risk crystallises.

3 Linkage

- Governance disclosures show how the Board manages the risk and explains the level of risk it chooses to accept.
- Progress indicators show the steps being taken to manage the risk.
- Risk indicators show the extent to which risk drivers have been reduced.

Method and steps being taken to manage risks can be grasped.

(Source: The KPMG survey of business reporting, 2014)

Three steps for better disclosure of risk information

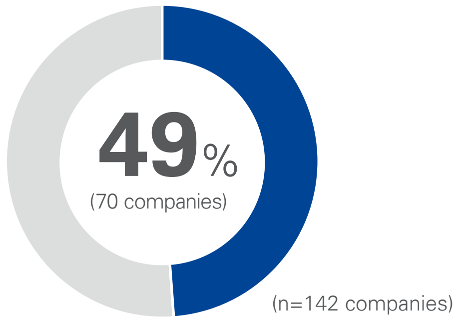


Figure 15: Companies with an independent risk information section

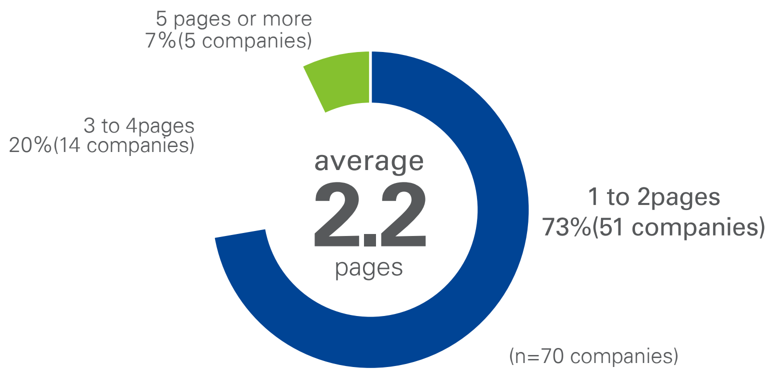


Figure 16: Number of pages related to risk information

2 Disclosure

1. Disclosures of risk information

Disclosure of risk information is generally made in the following two ways: one is to mention specific risks in the governance and risk management section within the CSR report; and the other is to explain the risks identified as impacting the decision of investors, such as those business risks in disclosed in the securities report.

The former tends to explain the overall risk management system and consideration of risks is made as issues pertaining to compliance violation and a business continuity plan in the event of a disaster. The latter tends to focus on the effect on financial performance, since such information is considered to be important for investment decisions.

We surveyed whether companies created an independent section in their reports on risk information based on our hypothesis that if companies consider risk information to be important, they will disclose this as an independent section. Even if an independent section was created, we did not include companies that merely explained their overall risk management structure without identifying specific risks. Our findings showed that, 70 companies (49%) out of 142 had an independent section for risk information (Figure 15). Although business risks are disclosed in securities reports, half of the companies did not disclose them in their integrated reports.

2. Number of pages related to risk information

The number of pages devoted to risk information was: less than two pages for 51 companies (73%) ; three to four pages for 14 companies (20%) and five or more pages for 5 companies (7%).

Even for companies disclosing risk information, a certain number of companies disclosed generic risk information which might apply to any company. We believe such kind disclosure is not sufficient in terms of both quality and quantity.

Investors are eager to understand all significant risks which affect the underlying assumption of their future cash flow targets, and the possibility of occurrence and the impact of such risks.

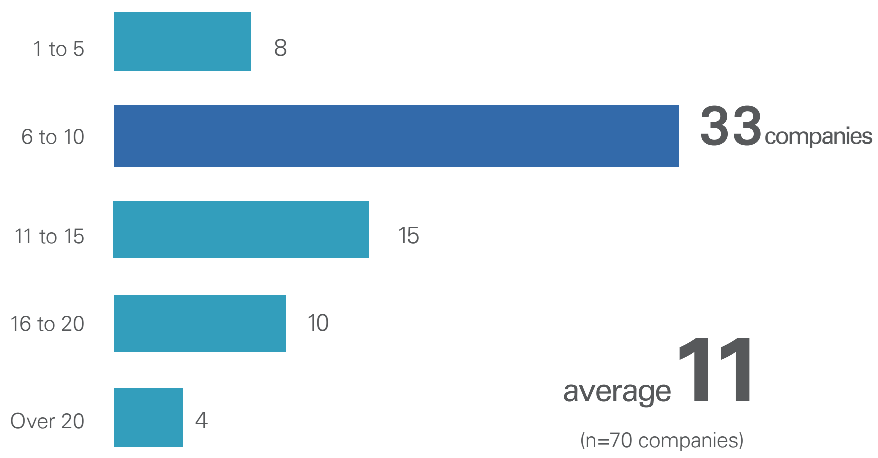


Figure 17: Number of risks disclosed

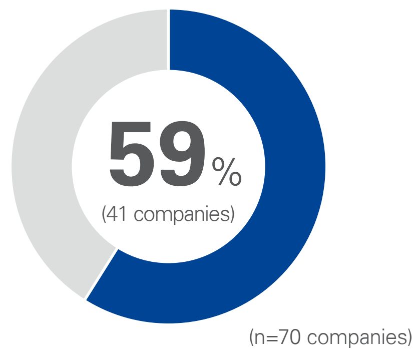


Figure 18: Risks specific to the organization

If companies can identify material risks related to value creation, explain the potential impact of these risks and how management will respond to such risks, and produce data which shows that risks are controlled appropriately, this could give investors more confidence in their forecasts and hidden shareholder value will come to light.

3 . Number of risks disclosed

The average number of risks disclosed was 11, with the minimum number of 4 and maximum number of 27 (Figure 17). Material risks vary considerably depending on circumstances and the complexity of the business of each company. When the number of risks disclosed is too many, it will be difficult to assess which risk is material. Therefore, it will be helpful if management's materiality determination policy is also provided.

Although risks disclosed by companies were highly relevant to shareholder value, very few companies specifically explained the potential impact, risk management policy, and the progress in managing such risks. Following good disclosure examples, we believe that disclosure of management's risk assessment will be a challenge for the future.

Financial institutions commonly recognize risks as credit risks, market risks, liquidity risks, and operational risks, and perform quantitative risk evaluation from the asset liability management perspective.

3 Quality of disclosed information

We studied the quality of the disclosed information for the 70 companies with an independent section on risk information.

1. Risk specific to the organization

41 (59%) out of 70 companies identified at least 1 risk specific to the organization, which could be said that such companies had made an effort to provide information for the report reader to understand the potential impact of risks (Figure 18). For the remaining 29 companies (41%), although relevance to the value creation of the organization could be presumed, disclosed information was not always effective to understand the risk specific to the organization, due to the generic nature of the

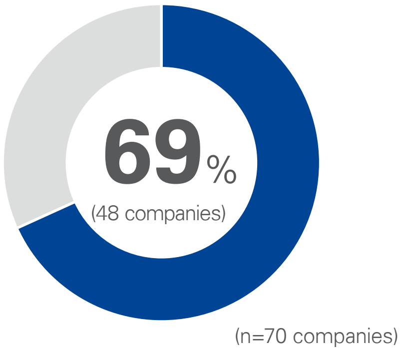


Figure 19: Explanations on relevance to shareholder value

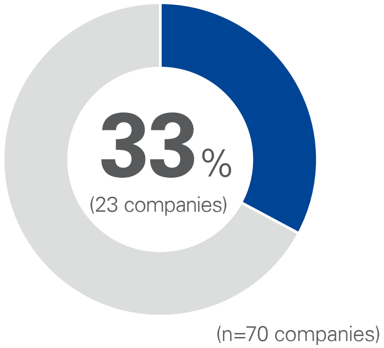


Figure 20: Disclosure of potential impact of risks

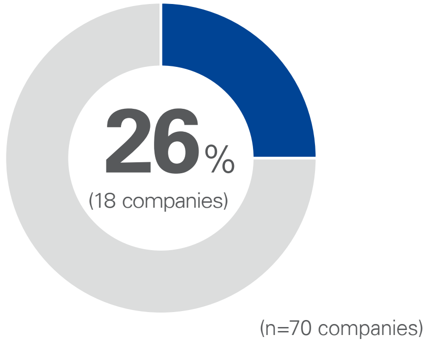


Figure 21: Risk management policy and its progress

description.We assume that this is the result of disclosure being made for the purpose of adherence to regulatory requirements by "copying" the disclosures of other companies.

2. Relevance to shareholder value

We surveyed the relevance between identified risks and shareholder value and 48 companies (69%) reported risks highly relevant to shareholder value, while the remaining 22 companies (31%) reported risks which relevance to shareholder value was not clear, due to the generic nature of their descriptions. It should be noted that, the degree of appropriate disclosure will differ depending on who the reader will be, since there may be situations where relevance of risk to shareholder value could be understood with only limited information, depending on the reader's level of knowledge and experience in the organization's industry (Figure 19).

3. Disclosure of potential impact of risks

Although 23 companies (33%) described the potential impact of risks, the remaining 47 companies (67%) merely gave a generic explanation such as, "Our performance and financial status may be affected" and did not provide detailed analysis of risks.

Furthermore, for the 23 companies which provided descriptions of the potential impact of the risks, they did not provide them for all the identified risks. While quantitative analysis, such as the fluctuation of the exchange rate or the price of raw materials were specifically provided, qualitative information, such as the intensification of the competitive environment and innovation were generically described (Figure 20).

4. Addressing risks

Although 18 companies (26%) explained their risk management policies and specific steps being taken, 52 companies (74%) only provided an overview of their risk management policies. Thus, it could be said that sufficient information is not disclosed for readers to understand how organizations address material risks and evaluate the extent to which value to stakeholders is maintained.

Moreover, even for companies providing descriptions of its risk management, detailed explanations are only provided for some of the risks, thus, the assessment of how the company responds to risks are not clear for several of the risks (Figure 21).

Column 2 – from the KPMG Survey of Business Reporting

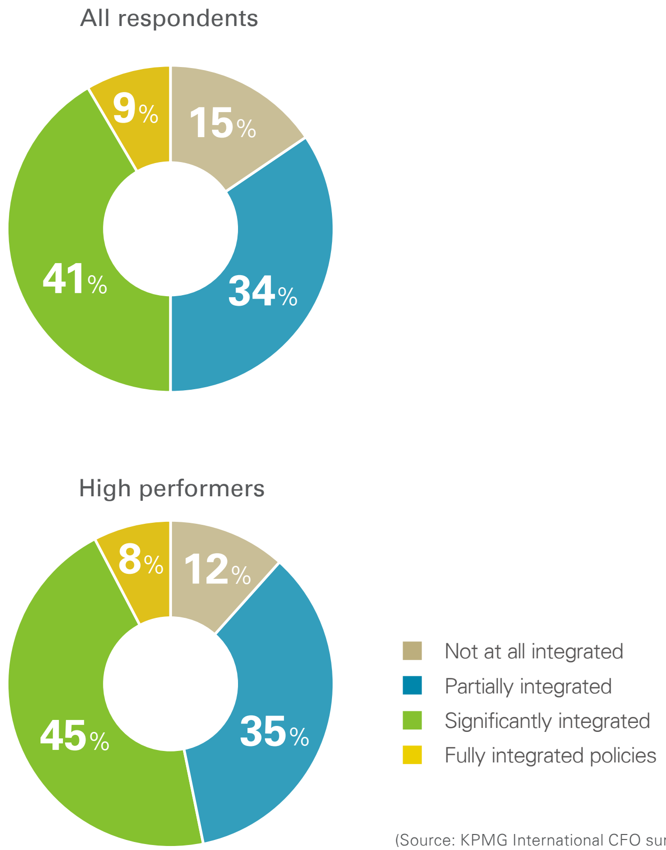
Breaking down the silos

We have observed that even companies issuing integrated reports in an effort to apply integrated thinking, face challenges regarding disclosure of risk information, such as the potential impact of risks and how companies respond to them. This implies that the risk-management structure in an organization is not integrated.

For example, both the finance and risk management departments take great interest in risk management, as they have the responsibility to balance risks and returns. It is possible that alignment between these departments are not made owing to differences in the culture, technical terms, and systems.

KPMG believes that breaking this silo would allow companies, in the short and long term, to establish an advanced reporting process for better management of risks and returns within an acceptable range, which will result in increased competitiveness of companies.

If the finance and risk management departments can align their objectives, business activities and processes; establish common prioritization and responsibilities; as well as strengthen their cooperation through improved communication, companies could obtain a better understanding of true profitability across the business in terms of capital used and risks taken. Furthermore, it could also support a risk-weighted capital allocation method that is aligned with the organization's strategies and commercial opportunities. Further alignment with other departments, such as HR, IT, marketing, compliance, etc., could help the organization become more aware of different stakeholder needs, paving the way for more integrated reporting.



(Source: KPMG International CFO survey 2013)

To what degree are the finance and risk management functions and processes aligned in your organization?

Disclosure of performance information

KPIs should be consistent with the key drivers of value creation. In addition, it is essential that KPIs facilitate integrated thinking and are compatible with the company's materiality and business model.

1 Better performance reporting

Disclosing KPIs that quantitatively measure the achievement of strategic targets and results is helpful. In addition, reporting will be more convincing if measures are supported by specific narrative information. Additionally disclosed KPIs should be consistent with the drivers of value creation.

The KPMG Survey of Business Reporting highlighted a number of challenges to align those KPIs, which have a high priority in the business to performance reporting.

- Many KPIs do not address the key drivers of value creation.
- Where operating KPIs were provided, it was often over one or two aspects of the organization's business model.
- Matters raised elsewhere in the report-such as the implementation of key business strategies or risk management activity are often not followed up with performance information.
- Measures are often provided at a level that does not align with investors' decision-making processes.

In order to address the above challenges the following three steps for better performance reporting are suggested:

1 Address the key drivers of value creation

- Performance measures address the most significant drivers of value in the business model, including the extent to which critical business resources have been developed and protected.

KPIs for the most significant aspects of shareholder value can been seen.

2 Provide measures relevant to business prospects

- Leading indicator of performance are provided as well as, or in place of lagging measures of financial outcomes.
- Measures address progress in managing risk and implementing strategy together with operational outcomes.

Leading indicators of performance that help readers form their own views over future prospects can be seen.

3 Align measures with investor decision making

- KPIs address the specific parts of the business where the risks and opportunities lie (rather than business-wide).
- Sufficient context is provided to enable the potential impact on different parts of the business to be assessed.

The measure enables the assessment of the business value and its prospects.

(Source：The KPMG survey of business reporting, 2014)

Three steps for better performance reporting

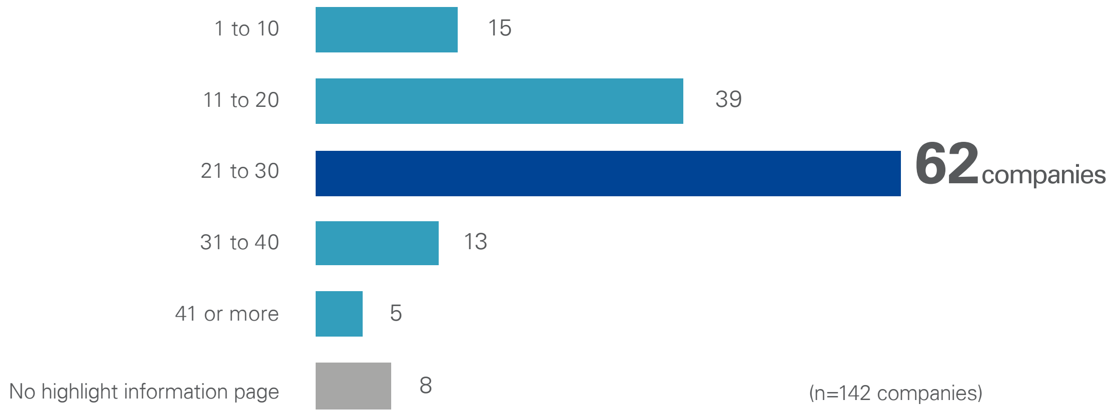


Figure 22: Number of disclosed KPIs by capital

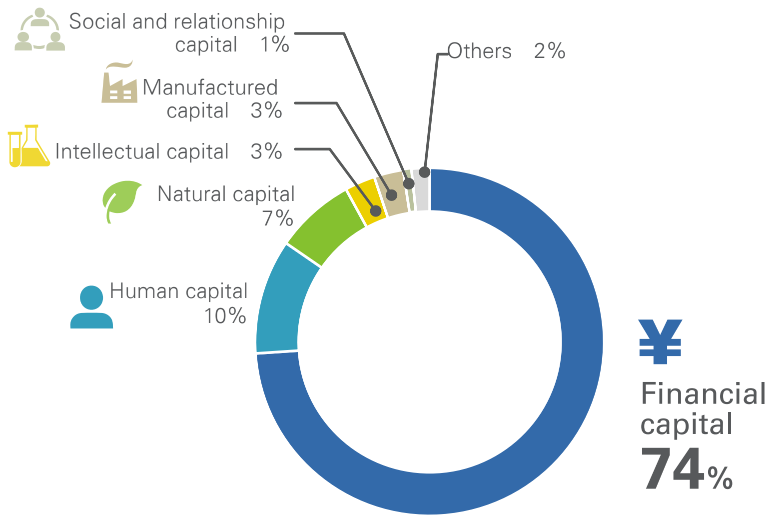


Figure 23: Disclosed KPIs by capital

2 Disclosure

Various KPIs are disclosed in several sections of integrated reports. We surveyed KPIs that are summarized at the beginning or end of the integrated reports to focus solely on important KPIs.

134 companies (94%) of the 142 companies surveyed disclosed this information, with most companies disclosing between 21 and 30 KPIs (including financial KPIs) (Figure 22).

Although most companies seem to disclose many KPIs, we observed that three quarters of the KPIs were related to financial capitals (Figure 23). We hope that disclosure of non-financial KPIs will increase in the future.

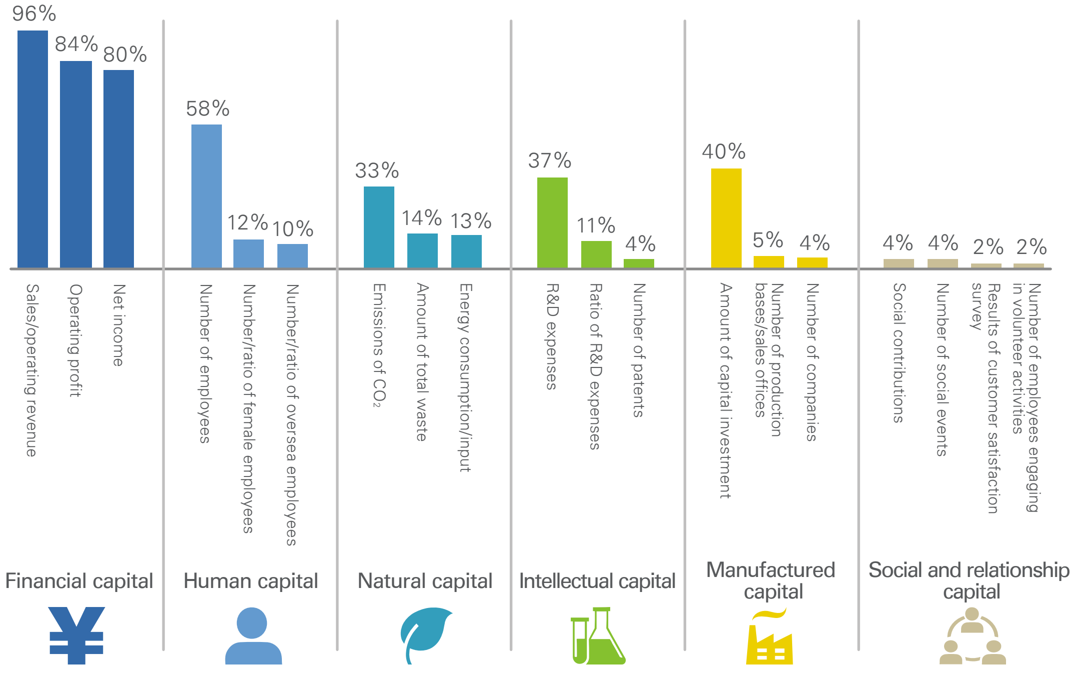


Figure 24: Top three disclosed KPI by capital

3 Quality of disclosed information

While surveying the reports, we classified the disclosed KPIs into six categories based on the classification of capital in the IIRC Integrated Reporting Framework. The top three disclosed KPIs by capital are shown in Figure 24.

Since most of the disclosed KPIs related to financial capital were familiar, we did not find interesting results in our survey. Further, key indicators for making investment decisions, such as return on equity (ROE), dividends per share, and earnings per share, were largely disclosed. Although past financial KPIs were sufficiently disclosed, we believe that the challenge will be how future information such as targets and outlook will be disclosed.

For non-financial KPIs, those related to human capital and natural capital have greater frequency of disclosure (Figure 23 on the previous page).

However, we believe that the value of employee information will be enhanced by providing information related to employee attributes, such as specific occupations with skills essential to creating value rather than only providing the absolute number of employees. For this reason, companies disclosing the number of female and overseas employees are disclosing more value-added information. Moreover, some companies disclosed these information as KPIs linked to the corporate missions or strategies.

The top three KPIs related to natural capital are CO_2 emissions, total amount of waste, and amount of energy consumption. Particularly, CO_2 emissions are commonly disclosed because they have been globally recognized as a crucial issue. By disclosing CO_2 information, companies can demonstrates that they have an understanding of its social mission and have been implementing activities related to corporate social responsibility (CSR) (Figure 24).

Since the concept of social and relationship capital has been unfamiliar, there are no established KPIs and its relevance to value creation is unclear. However, since social capital is crucial to the intellectual economic society, we believe that further developments will occur in this area. Although KPIs related to natural, social, and relationship capital are not necessarily tied to business strategies, there may be cases where companies disclose such information as challenges associated with being a member of the social community,

Column 3 – from the KPMG Survey of Business Reporting

Gaps in performance reporting

1. Major factors for value creation

KPMG's Audit Committee Institute asked nearly 1,500 audit committee members from around the world to identify drivers long-term valuues that were most important to their business strategy. Our reporting survey shows that many companies are not providing performance measures on these drivers. For example, only 7% of the companies surveyed provided a measure of cosutomer focus or satisfaction, yet 56% of the audit committee members rank it as one of the most important drivers of performance (see below figure). Many companies touch on these issues in their business reviews but it is done at such a high level that comments might apply to any business in the industry. The lack of objective performance measures means it is difficult to identify those companies that are making genuine progress in managing their longer term prospects.

2. Asking the right question

One of the biggest challenges in drafting narrative reporting lies in identifying the right questions to answer. This requires an understanding of both the operational realities of the business and the perspective of an investor who is assessing the business value implications. However, in practice, the report is often prepared in isolation from both. It is extremely difficult to achieve a high level of business and investor relevance with today's function-led approach to reporting. One of the early lessons from the implementation of integrated reporting in South Africa is that without organization wide leadership, reports can quickly become disjointed collections of specialist subjects that need to be slimmed down and refocused in subsequent years.

	Top three drivers of value creation	Companies providing related operating KPIs
Operational efficiency	66 %	21 %
Customer focus	56 %	7 %
Supply chain	42 %	8 %
Brand & reputation	42 %	2 %
R&D	41 %	15 %
Culture	37 %	19 %
Talent management	12 %	17 %

(Source: The KPMG survey of business reporting, 2014)

Disclosures of major drivers of value creation and relevant KPIs

Disclosure of corporate governance

According to the Japanese corporate governance code, corporate governance is a structure that ensures transparent, fair, timely, and decisive decision-making by companies. To promote appropriate engagement with investors, addressing proper disclosure such as integrated reporting becomes imperative.

1 Corporate Governance Code in Japan

1. Background

In March 2015, the Japanese Financial Services Agency ("FSA") and the TSE announced "The Council of Experts Concerning the Corporate Governance Code". A joint secretariat was created by FSA and the TSE, which announced the "Corporate Governance Code (final proposal) – Seeking Sustainable Corporate Growth and Increased Corporate Value over the Mid-to-Long Term" (hereinafter referred to as "Code"). The Code was drafted based on "The Japan Revitalization Strategy" approved by the Cabinet in 2014 and was introduced to revitalize the Japanese economy that had been sluggish for a long period. The Code established corporate governance as a structure for transparent, fair, timely and decisive decision-making by companies. The Code aims to achieve not only "defensive governance" such as preventing conflict of interest and excess risk taking by the management but also "growth-oriented governance" respecting the interests of stakeholders, including shareholders. This is the distinguishing characteristic of the Code in Japan. The Japanese code adopts the method of "Comply or Explain" and "Principles Based Approach" which present ideal corporate governance and standards rather than stipulate detailed regulations. Under this approach, companies are expected to think and act autonomously to achieve the realization of their management policies and strategies over the mid-to-long term value creation, and to demonstrate a highly effective corporate governance structure through their communication with their stakeholders - mainly shareholders - regarding their corporate governance structure.

2. Required disclosure

In June 2015, the Code was adopted as a listing requirement by the TSE. Companies will be reporting their "comply or explain" status in various corporate communication, especially in the corporate governance report. The disclosures required in the corporate governance report are;

- Direction (management philosophy), strategy, and plan
- Basic initiation and policy on corporate governance
- Policies and procedures to determine remuneration to management and directors
- Policies and procedures to elect management and nominate the candidates of directors and audit and supervisory board members
- Reasons for the election of management and nomination of directors and audit and supervisory board members
- Criteria for evaluating independence of external directors
- Consideration of the knowledge, experience, balance of ability, diversity and size of the board of directors
- Additional services performed by directors and audit and supervisory board members
- Training policy for directors and audit and supervisory board members
- Policy on establishing a structure to promote a constructive engagement with shareholders
- Policy on share holding for business relations and the exercise of voting rights
- Framework of procedures on related party transactions
- Results of feasibility evaluation of board of directors

3. Future disclosure of governance

We surveyed the disclosure status of items required by the Code but we did not find any reports which had sufficient disclosures on corporate governance, as the reports predated the release of the announcement of the Code. Thus, our focus was to analyze the correlation between companies actively taking initiatives on governance and those companies which are not.

We anticipate in the coming years that disclosures on corporate governance will be further improved not only in corporate governance reports but also in integrated reports. It might be partially possible to comply with the Code superficially and improve disclosures on corporate governance. However, corporate value is not created by such superficial compliance. In order for corporate governance to become an important factor of the companies' value creation story, companies should readdress their management philosophy, business model, and objectives and consider the strategies to achieve such goals. Companies need to approach corporate governance as a means to conduct a transparent, fair, timely and decisive business operation.

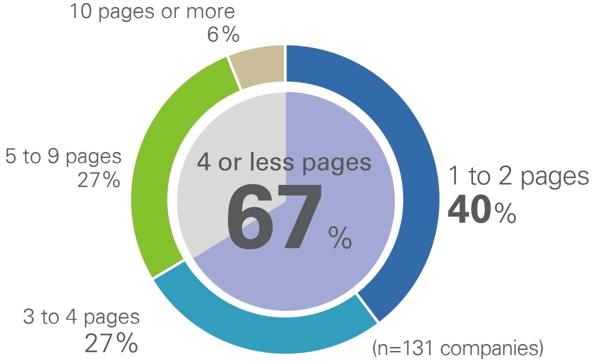
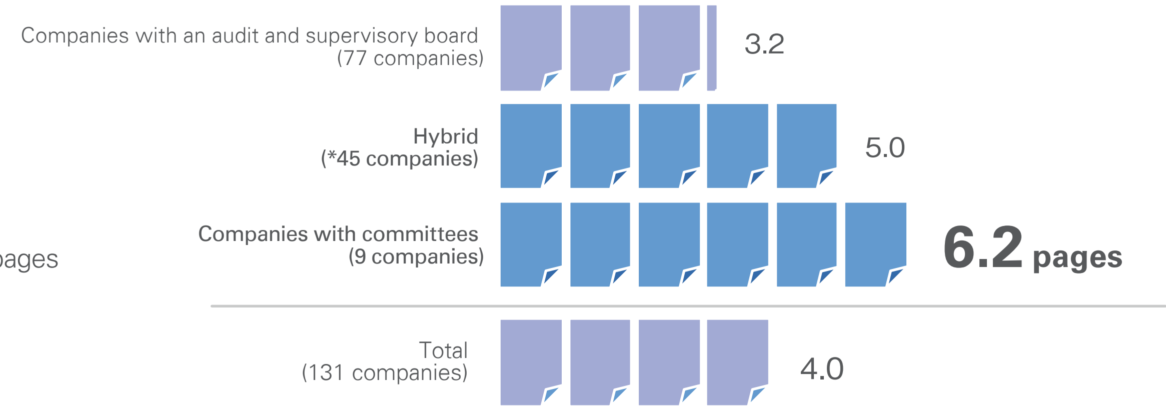


Figure 25: Number of pages devoted to the corporate governance section



* "Hybrid" company refers to a company with an audit and supervisory board, which has a compensation committee or a nominating committee, or both such committees to act as the voluntary advisory council of the board of directors (actual name of the committees may differ among companies)

Figure 26: Average pages by type of organization

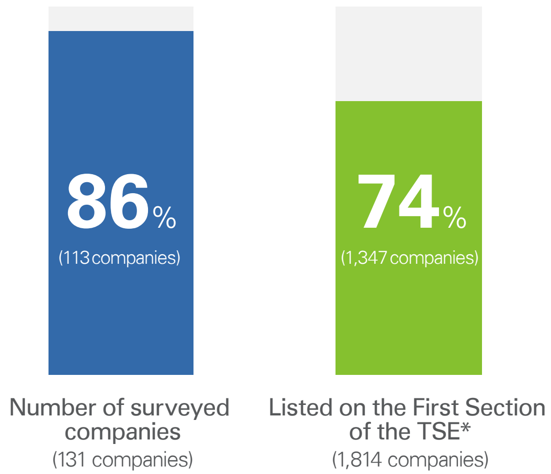
2 Disclosure

1. Size of disclosure of governance information

Of the 142 companies, our survey on corporate governance disclosures was made based on 131 companies. We excluded 9 companies that did not have an independent section devoted to governance and two audit firms. We found that 67% of the companies had 4 pages or less for disclosures on corporate governance (Figure 25).

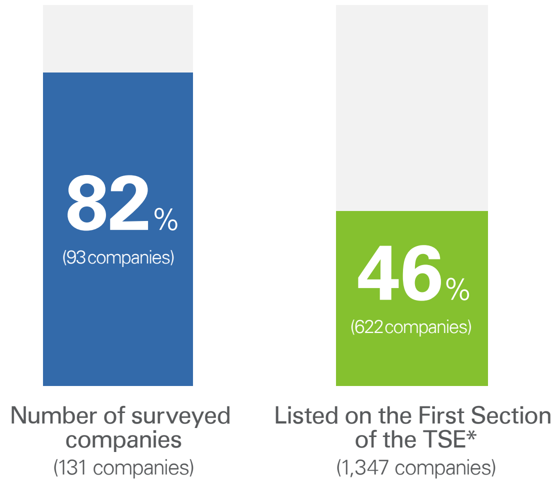
On comparison of the average number of pages, "hybrid" companies (which are companies with an audit and supervisory board, that have a compensation committee or a nominating committee, or both such committees to act as the voluntary advisory council of the board of directors), had an average of 5 pages, while companies with committees had an average of 6 pages. The implication of this result could be said that the company's understanding of the importance of governance, its effort to create a unique governance structure and its willingness to explain it to external parties, is reflected on the volume of information disclosed. (Figure 26).

However, we do not say that companies with an audit and supervisory board are inferior to companies with committees. Rather, what is most important is for each company to establish a governance structure which best fits the company and to be able to explain to investors why this structure had been chosen.



*Data of the companies listed on the First Section of the TSE is based on "Data and circumstances of external directors elected by the companies listed on the Tokyo Stock Exchange <definite report>" released by the TSE on July 25, 2014.

Figure 27: Percentage of companies electing external directors.



*Data of the companies listed on the First Section of the TSE is based on "Data and circumstances of external directors elected by the companies listed on the Tokyo Stock Exchange <definite report>" released by the TSE on July 25, 2014.

Figure 28: Percentage of companies electing more than one external director.

3 Election of external directors

Of the 1,814 companies listed on the First Section of the TSE, 1,347 (74%) have elected external directors. Of the 131 target companies in our survey, 113 companies (86%) have elected external directors, resulting in a slightly higher percentage compared to the TSE (Figure 27). With regard to the election of more than one external directors, there is a noticeable difference between the TSE and our survey. Of the 1,347 companies listed on the First Section of the TSE that have elected external directors, 622 companies (46%) have elected more than one directors, while 93 companies (82%) of have done so in our survey (Figure 28).

The companies in our survey seem more advanced in this area, as a result of the increasing global trend to have more than one external director, in addition to our target companies being more open minded to external views. However, it is not simply a matter of increasing external directors. Since Japan has a unique governance structure, called the audit and supervisory board (Kansayakukai in Japanese), it is important to distinguish the role of the audit and supervisory board and the external directors, and to explain what kind of role the audit and supervisory board has in the governance structure.

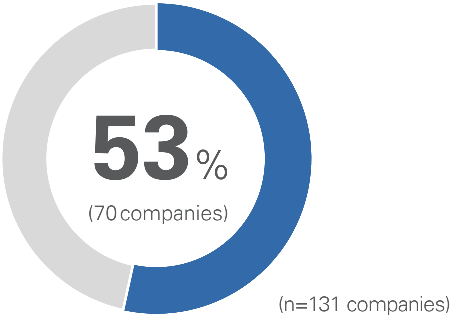


Figure 29: Percentage of companies disclosing executive compensation

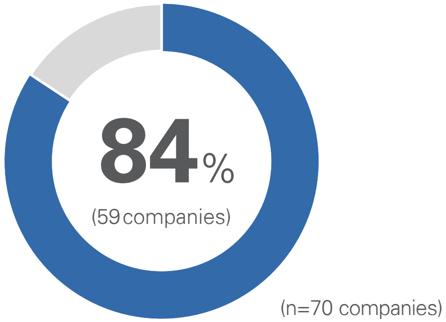


Figure 30: Percentage of companies disclosing how executive compensation is determined

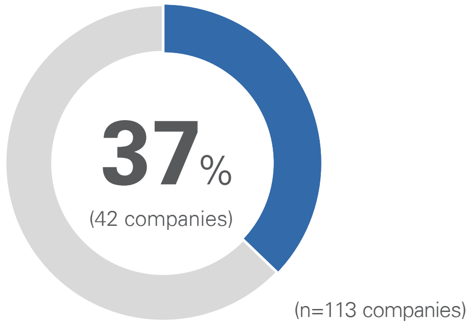


Figure 31: Percentage of companies disclosing the skills of external directors (including the reason for election)

4 Quality of disclosed information

1. Directors' compensation

Of the 131 companies surveyed, 70 (53%) disclosed directors' compensation in their integrated reports (Figure 29). Although directors' compensation is disclosed in the securities report, it is not disclosed in many integrated reports. This could be said that it is a signal that companies consider that directors' compensation is not an important factor for value creation, in other words, directors' compensation is not structured as an appropriate management incentive.

In addition, 59 (84%) out of 70 companies disclosed how directors' compensation was determined; however, they merely mentioned the existence of the variable component. Except for a few exceptions, we did not observe any detailed explanation being offered regarding the relationship between directors' compensation and value creation over the mid-to-long term, as mentioned in the IIRC Framework (Figure 30).

For other countries, there may be issues related to the distorted incentive structure which might potentially lead to "conflict of interests" between management and shareholders. In Japan, as can be seen from the fact that the Code aims to achieve a "growth-oriented governance" rather than the conventional "defensive governance", the issue lies in the compensation structure which does not promote appropriate risk-taking, resulting in companies not being able to take timely and decisive decisions. We believe that companies to share a common objective of creating value over the mid-to-long term with investors and to reach an understanding of where the issues with directors' compensation lie.

2. Election of directors

Of the 113 companies electing external directors, 42 (37%) disclosed the reasons for election and their skills (Figure 31). However, the companies only provided an overview of experiences and skills, most companies did not explain how they were aligned with their strategic objectives.

Not limited to external directors, investors are interested in knowing whether the board of directors possesses the skills and leadership to achieve the company's strategic objectives as a whole. Therefore, it is important for companies to describe the reasons for election and the experiences and skills as a director.

Closing remarks

Challenges and future forms of business reporting

Head of KPMG AZSA LLC Research Department
International Integrated Reporting Council (IIRC) Ambassador

Tatsumi Yamada

In Chapter 5 of the Japanese "Corporate Governance Code" which was announced in March 2015, the necessity of engagement with shareholders and a healthy entrepreneurship for the sustainable corporate growth based on shareholders' needs are stated. On the other hand, Chapter 2 emphasizes the importance of engagement with various stakeholders, including employees, customers, business partners, creditors, and local communities. In particular, the importance of creating mid-to-long term corporate value for the various stakeholders and addressing the challenges related of corporate sustainability, such as social and environmental issues is highlighted. This concurs with the six capitals mentioned in the IIRC Framework - financial, manufactured, intellectual, human, social and relationship, and natural capitals - and with the IIRC's emphasis on the importance of creating value through these capitals. It could be said that internal and external institutions and experts in the business reporting world are pointing out the importance of corporate sustainability through the creation and increase of value.

On the other hand, our survey of 142 companies found that companies disclosing business models addressing their long term sustainability was only 59 companies (41%) and out of the 59 companies, only 24 (40%) described the relevance to its capitals. Furthermore, with regard to KPIs, only 26% of the surveyed companies disclosed non-financial KPIs.

Based on these results on current corporate reporting, we believe that although companies are highly interested in value creation of financial capitals, awareness towards value creation for stakeholders which are not shareholders is not sufficient. Thus, it could be said that companies' interests are reflected in their disclosure. Since companies are highly interested in value creation of financial capitals, the importance of achieving ROE of 8% or more is emphasized and if a company's average ROE is 5% or less in the past 5 years, it is widely considered that such companies have low capital productivity.

In contrast, for corporate value creation of human, social and relationship, and natural capitals defined in the IIRC Framework, due to the lack of widely accepted measurement standards, the level of recognition by management is not sufficient. To support more comprehensive disclosure by the companies, we hope that the recognition of the importance of the value creation of non-financial capital will increase and an internationally accepted common measurement standard will be developed.

Survey methodology

1 Background and objectives of this survey

In December 2013, the International Integrated Reporting Council (IIRC) announced the IIRC Framework. This Framework gives a guideline for creating integrated reports, and further development is expected. According to the survey conducted by the ESG Communication Forum, 142 companies issued reports in 2014. The formats in which they were issued are varied and range from integrated annual and CSR reports to expanded CSR reports, and reports focused on the IIRC Framework.

Furthermore, the formulation of "Japan's Stewardship Code," "Ito Report," and the Corporate Governance Code, which prompted the recognition by companies on the importance of sufficient information disclosure and engagement with investor, is expected to encourage further promote integrated reporting and integrated reports.

KPMG Japan Integrated Reporting Advisory Group surveyed and analyzed the tendency of the 142 companies that issued integrated reports in 2014 and the contents of such reports.

2 Survey methodology

It is difficult to clearly determine whether the reports issued by companies are integrated reports, and the number of companies declaring their reports to be integrated reports are still very few.

Therefore, for our survey, we chose the 142 companies in the "List of Japanese Companies Issuing Integrated Reports in 2014" issued by the ESG Communication Forum. We thank the Forum for allowing us to use this data.

List of Japanese Companies issuing Integrated Reports in 2014

Source: ESG Communication Forum HP (http://www.esgcf.com/archive/a_repo.html)

AEON Financial Service Co.,Ltd.
AHRESTY CORPORATION
AISIN SEIKI CO.,LTD.
AKEBONO BRAKE INDUSTRY CO.,LTD.
AMITA HOLDINGS CO.,LTD.
ANA HOLDINGS INC.
Asahi Glass Company,Limited
ASAHI INDUSTRIES CO.,LTD.
ASAHI KASEI CORPORATION
ASKA Pharmaceutical Co.,Ltd.
Astellas Pharma Inc.
Azbil Corporation
Chiome Bioscience Inc.
Chubu Electric Power Company,Inc.
CHUGAI PHARMACEUTICAL CO.,LTD.
Clarion Co.,Ltd.
DAI-DAN CO.,LTD.
DAIICHI SANKYO COMPANY,LIMITED
DAITO TRUST CONSTRUCTION CO.,LTD.
Daiwa Securities Group Inc.
DENKI KAGAKU KOGYO KABUSHIKI KAISHA
Development Bank of Japan Inc.
ECHO ELECTRIC CO., LTD
Eisai Co.,Ltd.
EY Japan
FamilyMart Co.,Ltd.
Freund Corporation
FUJI ELECTRIC CO.,LTD.
Fuji Heavy Industries Ltd.
Fujikura Ltd.
FUJITSU LIMITED
Furukawa Electric Co., Ltd.
Hitachi Chemical Company,Ltd.
Hitachi Construction Machinery Co.,Ltd.
Hokuetsu Kishu Paper Co.,Ltd.
HORIBA, Ltd.
Hulic Co., Ltd.
Idemitsu Kosan Co.,Ltd.
IINO KAIUN KAISHA, LTD.
INPEX CORPORATION
ITOCHU Corporation
ITOCHU ENEX CO.,LTD.
ITOCHU Techno-Solutions Corporation
Japan Airlines Co.,Ltd.
Japan Exchange Group, Inc.
JFE Holdings, Inc.
J-OIL MILLS, INC.
JVC KENWOOD Corporation
KAJIMA CORPORATION
KANADEN CORPORATION
KANSAI PAINT CO.,LTD.
Kawasaki Heavy Industries, Ltd.
Kawasaki Kisen Kaisha, Ltd.
KDDI CORPORATION
KITZ CORPORATION
KOMATSU LTD.
KUBOTA CORPORATION
Kurimoto, Ltd.
KYOWA EXEO CORPORATION
Kyowa Hakko Kirin Co., Ltd.
Lawson,Inc.
LEOPALACE21 CORPORATION
LIXIL Group Corporation
Marubeni Corporation
MEIDENSHA CORPORATION
MEIJI Holdings Co.,Ltd.
Mitsubishi Chemical Holdings Corporation
Mitsubishi Corporation
Mitsubishi Heavy Industries, Ltd.
Mitsubishi Tanabe Pharma Corporation
Mitsubishi UFJ Lease & Finance Co.,Ltd.
MITSUI & CO.,LTD.
Nabtesco Corporation
NAGASE&CO., LTD.
NEC Capital Solutions Limited
NEC Corporation
NHK SPRING CO.,LTD.
NICHICON CORPORATION
Nihon Unisys, Ltd.
NIKON CORPORATION
Nippon Shinyaku Co.,Ltd.
NIPPON TELEGRAPH & TELEPHONE CORPORATION
Nippon Yusen Kabushiki Kaisha
NITTO DENKO CORPORATION
NOMURA Co.,Ltd.
Nomura Holdings, Inc.
Nomura Real Estate Holdings,Inc.
Nomura Research Institute, Ltd.
NTN CORPORATION
NTT URBAN DEVELOPMENT CORPORATION
OBAYASHI CORPORATION
OHARA INC.
Oji Holdings Corporation
OMRON Corporation
PENTA-OCEAN CONSTRUCTION CO.,LTD.
POLA ORBIS HOLDINGS INC.
PricewaterhouseCoopers Aarata
RICOH COMPANY,LTD.
ROHM COMPANY LIMITED
S.T.CORPORATION
Sanki Engineering Co.,Ltd.
SATO HOLDINGS CORPORATION
SCREEN Holdings Co.,Ltd.
SEGA SAMMY HOLDINGS INC.
Shikoku Electric Power Company,Inc.
Shionogi & Co.,Ltd.
Shiseido Company,Limited
SHOWA DENKI CO. LTD
SHOWA SHELL SEKIYU K.K.
Sojitz Corporation
Sompo Japan Nipponkoa Holdings, Inc.
SUMITOMO CORPORATION
Sumitomo Dainippon Pharma Co., Ltd.
SUMITOMO LIFE INSURANCE COMPANY
Sumitomo Riko Company Limited
Sun Messe Co.,Ltd.
TAISEI CORPORATION
Takeda Pharmaceutical Company Limited
Takenaka Corporation
The Dai-ichi Life Insurance Co.,Ltd.
The Kansai Electric Power Company,Inc.
TODA CORPORATION
TOKYO DOME CORPORATION
TOPPAN PRINTING CO.,LTD.
TOPY INDUSTRIES,LIMITED
TOSHIBA CORPORATION
TOTO LTD.
TOYO CONSTRUCTION CO.,LTD.
TOYO ELECTRIC CORPORATION
TOYODA GOSEI CO.,LTD.
TOYOTA BOSHOKU CORPORATION
TOYOTA INDUSTRIES CORPORATION
TOYOTA TSUSHO CORPORATION
TS TECH CO.,LTD.
TSUBAKIMOTO CHAIN CO.
ULVAC, Inc.
UNITED ARROWS LTD.
WACOAL HOLDINGS CORP.
Yamaha Motor Co.,Ltd.
YASKAWA Electric Corporation
YOSHINOYA HOLDINGS CO.,LTD.
ZEON CORPORATION

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