**Asia Sustainability Symposium**

# Advancing Sustainability Disclosure in Japan and Insights for Asia: Envisioning the Future of Human Capital Disclosure

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# Agenda

1. Introduction

2. Recent Progress in Japan’s Sustainability Reporting Framework

3. Human Capital Disclosure
   （1）International Trends and Japan’s Perspectives
   （2）Advancing Human Capital Disclosure for Corporate Value Creation

4. Conclusion

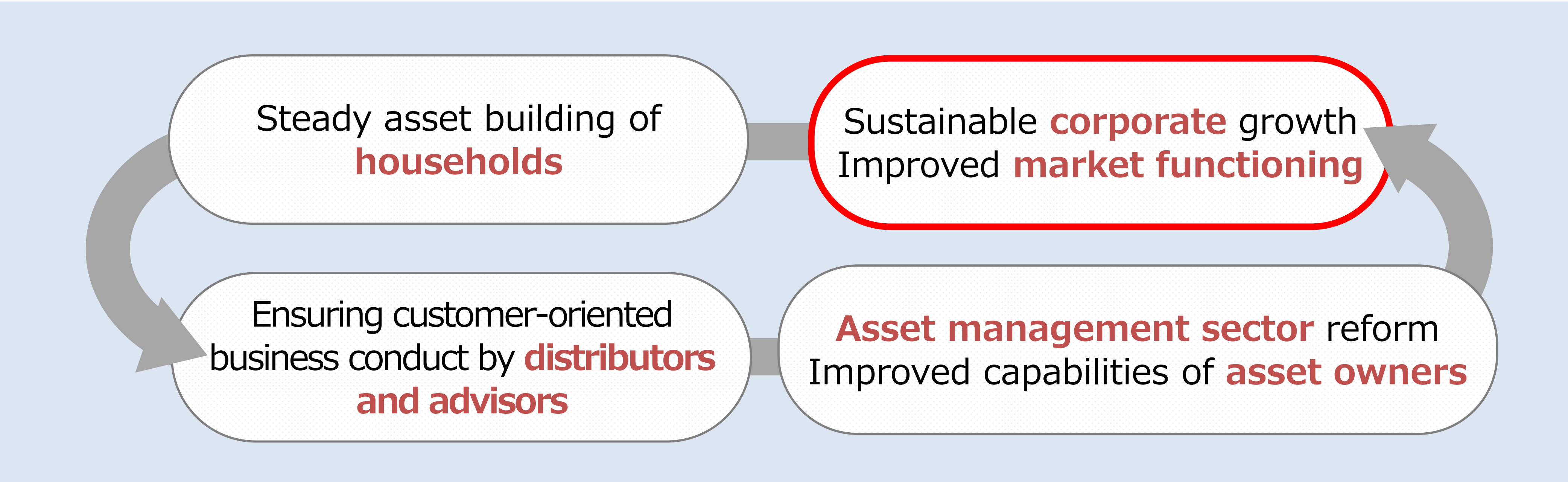
# 1. Introduction

# Promoting Japan as a Leading Asset Management Center

○ To overcome deflation and realize the transition to **a new growth economy,** Japanese government has been working intensively on **structural wage increases**, **growth investment through public-private cooperation** and **strengthening corporate profitability**.

○ In order to sustain this virtuous cycle of the economy, Japanese government has been promoting Japan as a leading asset management center.

➢ To this end, Japan is implementing initiatives aimed at various stakeholders in the investment value chain.




1. November 2022 : **Doubling Asset-based Income Plan**
2. April 2023 : **Action Program for Accelerating Corporate Governance Reform**
3. December 2023 : **Policy Plan for Promoting Japan as a Leading Asset Management Center**

# 2. Recent Progress in Japan's Sustainability Reporting Framework

# Jurisdictional Snapshot: Japan

- On 12 June 2025, the ISSB published the "Jurisdictional Snapshot," which illustrates the extent of application of the ISSB Standards across the globe. In Japan's Jurisdiction Snapshot, it is noted that the SSBJ Standards are functionally aligned with the ISSB Standards.

IFRS Sustainability

Updated 12 June 2025

**JURISDICTIONAL SNAPSHOT:**
Japan

*'In developing high-quality and internationally consistent sustainability disclosure standards, the SSBJ decided to align SSBJ Standards with the ISSB's IFRS Sustainability Disclosure Standards. Accordingly, the SSBJ decided to incorporate all the requirements of ISSB Standards into SSBJ Standards and to add, when considered necessary, any jurisdiction-specific alternatives entities can choose to apply.'*

*The IFRS Foundation is providing or indicated it intends to take for t disclosure requirements (or stan the application of IFRS S1 and proposed regulatory framework. provided herein. This overview r jurisdictional profile including as its regulatory approach to sustair*

## Proposed requirements

| | |
|---|---|
| **Name of framework or standards** | SSBJ Standards, which comprise:<br>(1) Universal Sustainability Disclosure Standard *Application of the Sustainability Disclosure Standards*<br>(2) Theme-based Sustainability Disclosure Standard No. 1 *General Disclosures*<br>(3) Theme-based Sustainability Disclosure Standard No. 2 *Climate-related Disclosures*<br><br>SSBJ and the ISSB concluded that SSBJ Standards are designed to provide outcomes functionally aligned with ISSB Standards. |

Source: https://www.ifrs.org/content/dam/ifrs/publications/sustainability-jurisdictions/pdf-snapshots/japan-ifrs-snapshot.pdf

# Jurisdictions Progress for Introducing ISSB Standards or ISSB-based Standards

- According to the data by IFRS Foundation, 39 jurisdictions (including Japan) have already decided to use or are taking steps to introduce ISSB Standards or ISSB-based Standards in their legal or regulatory frameworks.
- Together, these jurisdictions account for about 60% of global GDP, more than 40% of global market capitalisation, and about 60% of global greenhouse gas emissions.

## Philippines

The national standards (PFRS S1, S2) based on the ISSB standards have been mandatory in phases since January 2026.

## Malayasia

ISSB Standards have been fully adopted, and phased mandatory application has begun since January 2025.

## Singapore

ISSB-based climate-related disclosures have been mandatory in phases since January 2025.

## China

The national standards based on the ISSB standards were issued. (Basic: December 2024, Climate: December 2025) Application remains optional at this stage.

## South Korea

The national standards (KSSB 1, 2) based on the ISSB standards were issued in February 2026.
The mandatory effective date is scheduled to be determined in April 2026.

## Hong Kong SAR

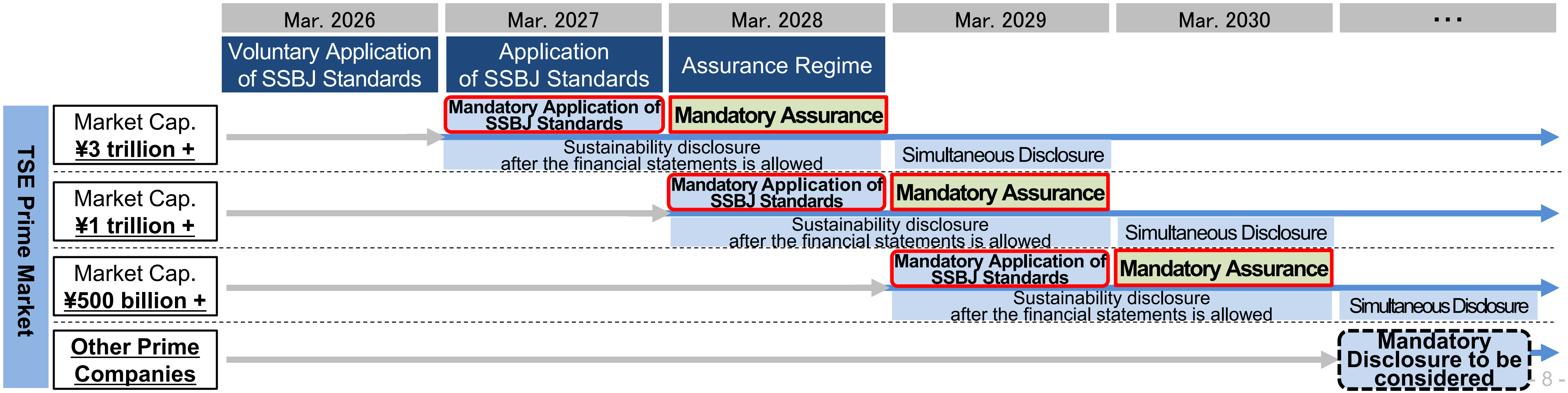
ISSB-based climate-related disclosures have been mandatory in phases since January 2025.

Source: Prepared by the JFSA based on materials from IFRS Foundation and national authorities

# Japan's Roadmap on Sustainability Disclosure and Assurance

Released
8 January 2026

| | |
|---|---|
| **Background and Issues** | ☐ Sustainability information on companies is important to investors for assessing corporate value in the mid- to long-term. Internationally, the sustainability disclosure standards (ISSB Standards) were issued in June 2023, while the Japanese sustainability disclosure standards (SSBJ Standards) followed in March 2025.<br>☐ Sustainability information disclosure is mandatory for listed companies. However, there remains a need not only to enhance comparability and usefulness of the information, but also to secure credibility for investor protection, in light of upcoming introduction of mandatory assurance. |
| **Application of Disclosure Standards** | ☐ Prime market-listed companies, promoting constructive dialogue with global investors, will be required to prepare annual securities reports in accordance with the SSBJ Standards, beginning with the largest companies by market capitalization.<br>☐ Application schedule based on market capitalization of prime market-listed companies:<br>i. ¥3 trillion or more: Fiscal year ending March 2027<br>ii. Between ¥1 trillion and ¥3 trillion: Fiscal year ending March 2028<br>iii. Between ¥500 billion and ¥1 trillion: Fiscal year ending March 2029<br>(Note1) Application for other prime market-listed companies will be determined later, based on disclosure practice and investor needs.<br>(Note2) Market capitalization will be determined by the average of the last five fiscal year-ends, dating from previous fiscal year-ends.<br>☐ As a transition relief, a company is allowed to report sustainability disclosures after the financial statements for two years. |
| **Assurance** | ☐ Mandatory assurance will begin one year after the mandatory application of the SSBJ Standards.<br>☐ The assurance scope will be limited to specified information disclosed in accordance with the SSBJ Standards for the first two years. Expansion of the assurance scope after the third year will be considered based on international practices.<br>☐ Assurance providers must be registered. Both audit firms and other entities may be eligible for registration, provided they meet requirements, including being a juridical person. (profession-agnostic approach) |



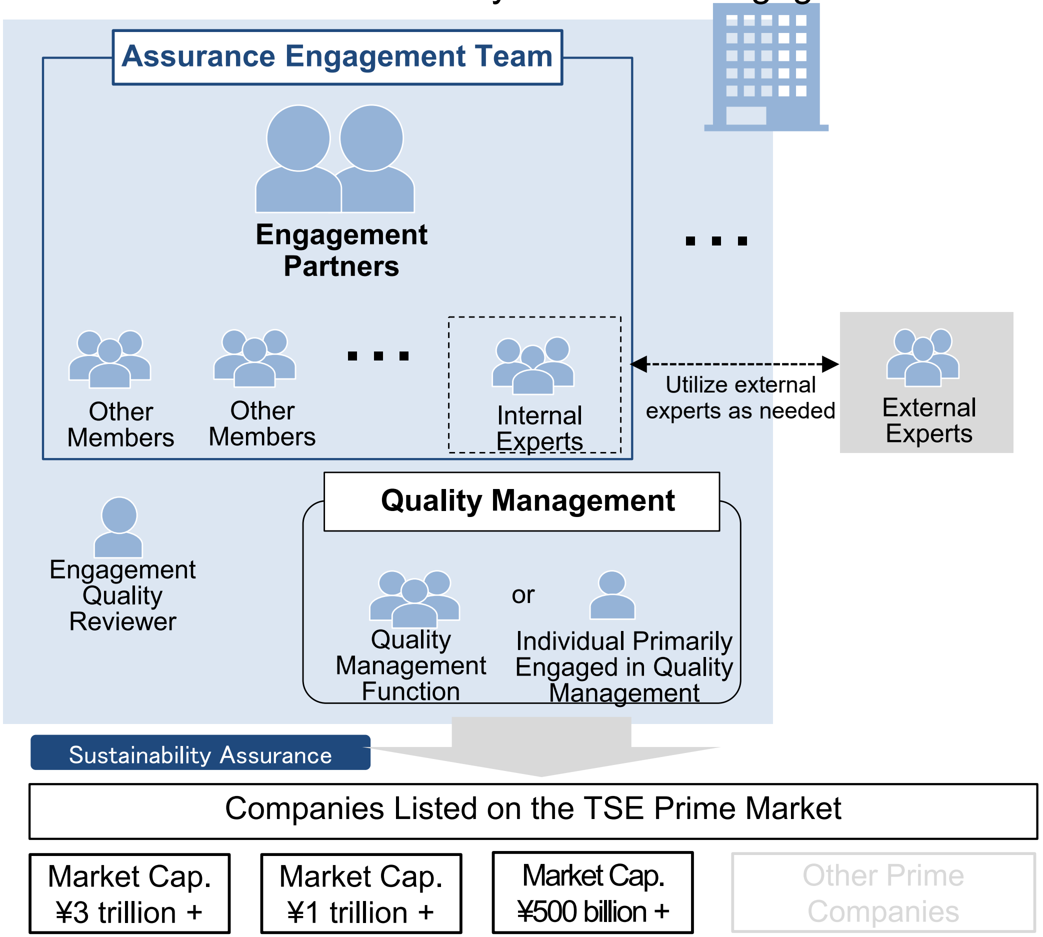
# Third-Party Assurance on Sustainability Information

- Certain TSE Prime Market-listed companies will be **required to disclose sustainability information in accordance with the SSBJ Standards in annual securities reports and obtain third-party sustainability assurance**. Assurance **needs** to comply with the standards, which are consistent with international standards(*1).
- Assurance practitioners **must be registered and must be a corporation**. **Both audit firms and other entities may be eligible for registration, provided they meet requirements**.(profession-agnostic approach)

## Overview of the Regulations on Registered Assurance Practitioners

| | |
|---|---|
| Requirements for Registration | ☐ Developing personnel systems, including assigning engagement leader (with the professional knowledge, experience, and competencies required for sustainability assurance) .<br>☐ e.g.) Establishment of the required operational systems, including a quality management function and a sufficient financial basis |
| Conduct Control | ☐ Compliance with obligations required under international standards (ethical & independence)<br>☐ e.g.) confidentiality, prohibitions on providing certain non-assurance engagements, engagement partner rotation<br>☐ Inspections and supervision of registered practitioners will, for the time being, be conducted by the JFSA. |
| Enforcement (*3) | ☐ Administrative sanctions for violations of laws and regulations by registered practitioners (such as administrative surcharges and business improvement orders).<br>☐ Civil liability for false "assurance", with a shifted burden of proof regarding intent or negligence. |

〔Overview of Sustainability Assurance Engagements〕




(*1) Assurance: ISSA5000, Quality Management: ISQM1, Ethics & Independence: IESSA

(*2) In certain cases, companies are exempt from civil liability for misstatements, where the burden of proof is shifted (the so-called "safe harbor" rule). In such cases, assurance providers will likewise be exempt from civil liability for false "assurance."

(*3) For voluntary assurance, an assurance report may be attached to annual securities reports, provided that; (1) the disclosed information is prepared in accordance with the SSBJ Standards;(2) the assurance is performed by a registered assurance provider; and(3) the assurance is conducted in accordance with standards that are consistent with international standards such as ISSA 5000.

# Japan's Initiative to Utilize ISSB Standards as a Global Passport

- On 20 February 2026, the FSA revised the Cabinet Office Ordinance to **allow large foreign companies covered by the regulation to prepare sustainability reports in accordance with the ISSB Standards**.
- We support ISSB's initiative to **facilitate ISSB Standards as a global passport** - it will reduce preparation costs and ease frictions in the system, leading to greater efficiency and more comparable information for both capital markets and preparers.

**Cabinet Office Order on Disclosure of Corporate Affairs, Article 19-9**

6. In applying the provisions of paragraph (1) or paragraph (2) to a foreign entity, the following foreign standards may, if recognized by the Commissioner of the Financial Services Agency, be deemed to constitute the generally accepted standards for the preparation and disclosure of sustainability information prescribed in paragraph (1):

(1) Standards that are consistent with the Sustainability Disclosure Standards*; and
(2) The International Sustainability Disclosure Standards (meaning the standards for the preparation and disclosure of sustainability information promulgated by the IFRS Foundation) and standards that are consistent therewith.

Large foreign companies covered by the regulation may prepare sustainability reports in accordance with either the SSBJ Standards or the ISSB Standards, including standards consistent with the ISSB Standards.

*These standards are specified as SSBJ standards in the official notice.*

# 3. Human Capital Disclosure

## （1）International Trends and Japan’s Perspectives

# Why Human Capital Disclosures Are Needed for Informed Investment Decision

- Investors tell us that financial statements alone do <u>not</u> provide the information necessary for making informed investment decisions related to human capital.

| Company A | |
|---|---|
| Revenue | 500 |
| Expenses* | 400 |
| Income | 100 |
| *Company A's Expenses include "Necessary Investments in Human Capital" but this is not shown in the financial statements. | |

| Company B | |
|---|---|
| Revenue | 500 |
| Expenses** | 400 |
| Income | 100 |
| **Company B's Expenses do **<u>not</u>** include "Necessary Investments in Human Capital" but this is not shown in the financial statements. | |

- When two companies in the same industry generate the same income and cash flows, their future growth and sustainability can differ depending on whether they make necessary investments in human capital. <u>However, financial statements do not provide this information.</u>
- Management may perceive human capital investments as mere expenses that can be minimized or postponed to increase short-term profit.
- Human capital investments affect not only short-term profit, but also long-term capital return to shareholders, accordingly, human capital disclosures contribute to constructive dialogue between investors and managements.

# What Human Capital Disclosures Are Needed for Informed Investment Decision

- Intangibles have become a key source of competitive advantage and a driver of sustainable corporate value creation. Among these intangibles, investment in human capital is one of the core elements.

**Human Capital Management Strategy**

- Investors need information on a company's human capital management strategy, including how the company views the necessary investments in human capital and its plans for future investment.
- Because the necessary investments differ depending on the company's business model and business strategy, investors want to understand whether—and how—the company's human capital management strategy is aligned with its business model and business strategy.
- Such information helps investors assess whether the company is making the investments in human capital that are needed to support sustainable value creation.

**Human Capital Metrics / Targets**

- Investors also require information about the targets associated with the human capital management strategy, as well as relevant metrics that show the company's progress toward those targets.
- Appropriate human capital metrics and targets vary depending on the nature of each company's human capital management strategy.

# Singapore’s Intangibles Disclosure Framework

- In 2023, Singapore’s Accounting and Corporate Regulatory Authority (ACRA) and the Intellectual Property Office of Singapore (IPOS) jointly released the Intangibles Disclosure Framework.
- The framework **identifies human capital** as one category of **intangibles** that companies should disclose, and recommends reporting across four pillars: strategy, identification, measurement, and risk management.”

| | STRATEGY | IDENTIFICATION | MEASUREMENT | MANAGEMENT |
|---|---|---|---|---|
| AIM | Disclose how intangibles contribute to business, strategy, and financial planning where such information is material. | Disclose the nature and characteristics of the intangibles that fit into the definition provided, and categorise them. | Disclose the performance metrics and drivers used to assess an enterprise’s intangibles where such information is material. | Disclose how an enterprise identifies, assesses, and manages the risks and opportunities of its intangibles. |
| RECOMMENDED DISCLOSURES | 1. Intangibles and their relationship to business activities and value creation<br>2. Intangibles and value creation from past-to-present<br>3. Intangibles and value creation from present-to-future<br>4. Intangibles and their role(s) in attaining a competitive advantage for the enterprise | 1. Description of the nature and characteristics of an intangible<br>2. Categorisation of intangibles<br>Intangibles should be classified into six categories:<br>a. Marketing-related<br>b. Customer-related<br>c. Artistic-related<br>d. Contract-related<br>e. Technology-related<br>f. Human capital-related | 1. Quantitative or valuation relevant metrics/drivers to assess the performance of intangibles<br>2. (Optional) Monetary value of intangibles | 1. Processes for identifying and assessing intangibles-related risks and opportunities<br>2. Processes for managing intangibles-related risks and opportunities<br>3. Integration between identifying, assessing, and managing intangibles-related risks and an enterprise’s overall risk management strategy |

Reference: IPOS/ACRA, Intangibles Disclosure Framework (September 2023)

# ISSB's Research Project on Human Capital

- In April 2024, the ISSB announced that it had launched a research project to explore disclosures related to risks and opportunities associated with "human capital", as well as "biodiversity, ecosystems, and ecosystem services".
- In April 2025, the ISSB presented a report summarizing the findings from Phase 1 of its human capital research project.

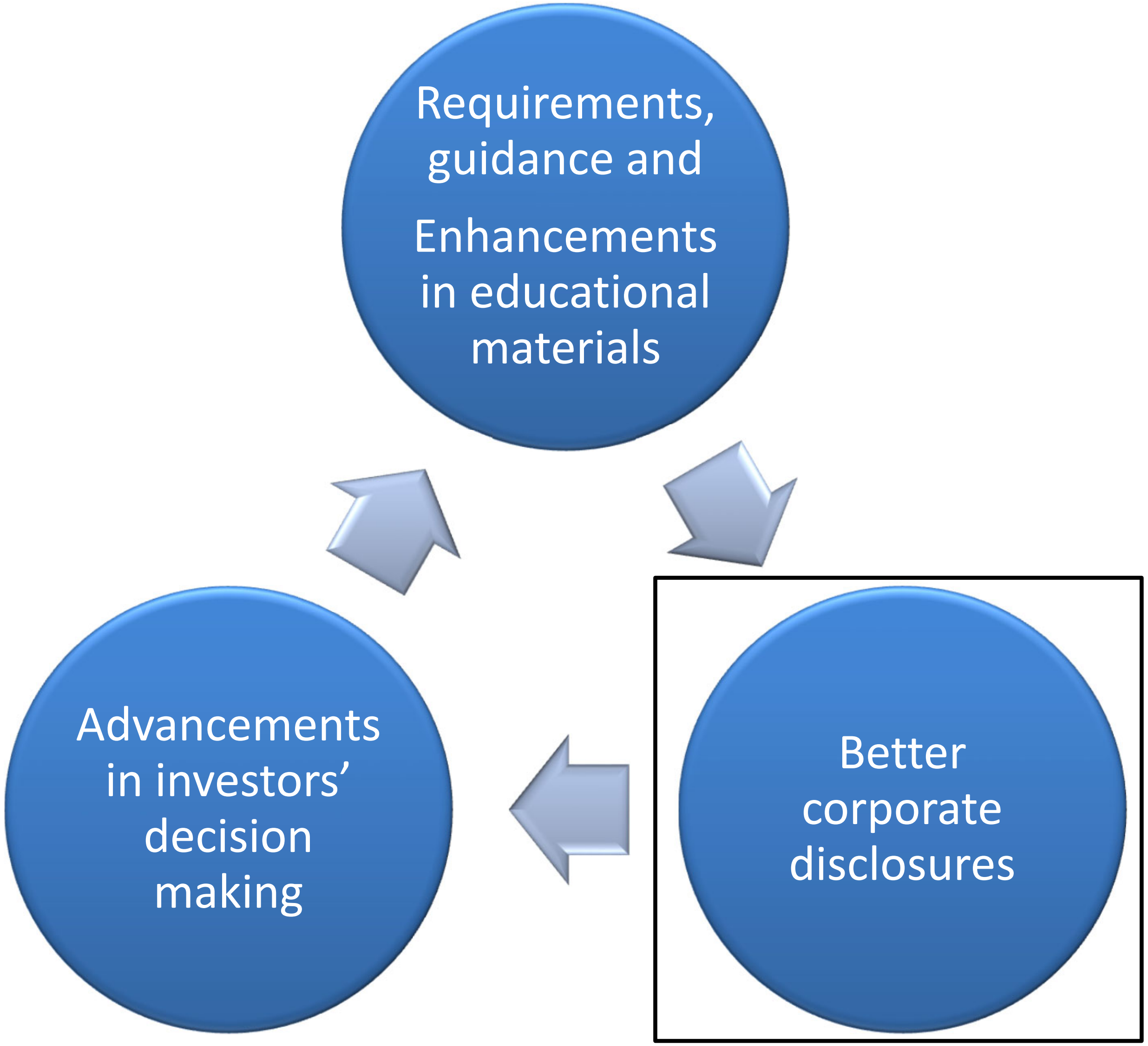
| *Summary of Findings from Phase 1 Research* | |
|---|---|
| Investors needs | **investors of all types and in all jurisdictions expressed strong interest** *in information about human capital-related risks and opportunities* |
| | the main drivers of investor interest in information on human capital-related risks and opportunities are **a desire to manage investment risk and to enhance returns** |
| Evidence of effects on an entity's prospects | **correlations are well-established between financial outcomes** and various aspects of an entity's human capital management, including **employee satisfaction, retention and development** as well as **working conditions in the value chain** |
| | investors suggest that other significant effects may be obscured by the lack of high-quality disclosure and resulting market mispricing |

Reference: April 2025 ISSB Board paper

## （２）Advancing Human Capital Disclosure for Corporate Value Creation

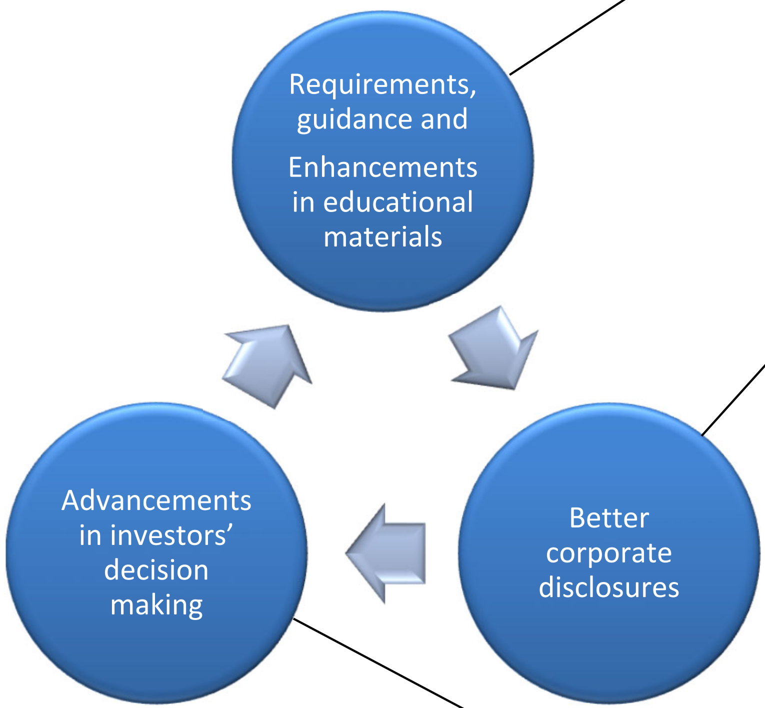
# Value Creation through Human Capital Disclosure

- In relation to human capital disclosure, positive cycle has developed in the Japanese capital market, where human capital disclosure requirements, guidance and enhancements in educational materials have led to better corporate disclosures and advancements in investors' decision making.



# Value Creation through Human Capital Disclosure

- Many Japanese companies have been issuing integrated reports for years. Accordingly, among various aspects of human capital disclosures, advanced developments have observed in relation to value creation.




- In Japan, mandatory disclosure of human capital information was introduced to listed companies for the fiscal year ended 31 March 2023, with "Cabinet Office Ordinance." Guidance for Human Capital Disclosure supplemented the requirements.
- As practice develops, educational materials, including reference materials containing good practices, have been enhanced.

↓

- Human capital disclosures contribute to better communication between preparers and investors, as it provides information related to corporate value creation.

↓

- Investors often use human capital disclosures in their investment decisions when assessing the feasibility of entities' business strategies.
- The investors' viewpoints have led to enhancements in educational materials, contributing to the further advancements in corporate disclosures.

# Overview of the Revised Guidance for Human Capital Disclosure

- In August 2022, the Guidance for Human Capital Disclosure—which outlines key considerations for human capital disclosures—was published in response to rising investor expectations for human capital (non-binding guidelines).
- Based on international standards and with the aim of further strengthening the linkage between business strategy and human capital management, the Guidance for Human Capital Disclosure was revised and published on 23 March 2026.
- The revised guidance is expected to serve as a useful reference in considering disclosures in the annual securities reports for the fiscal year ending March 2026 and thereafter.

## Guidance for Human Capital Disclosure (Previous version)

Business Model / Strategy

Human Capital Management Strategy

Human Capital Metrics / Targets

- The previous version did not necessarily specify how to disclose the human capital management strategy aligned with the business strategy.
- The latest developments in international standards (2023) were not reflected.

<Current State of Companies>

- In practice, corporate disclosures have often been limited to general terms—such as the ratio of women in management positions and employee engagement survey results—and in some cases do not include descriptions of how these matters are linked to the business strategy. Going forward, human capital disclosures will be considered in light of the new international standards.

## Guidance for Human Capital Disclosure (Revised version)

Business Model / Strategy

Human Capital Management Strategy

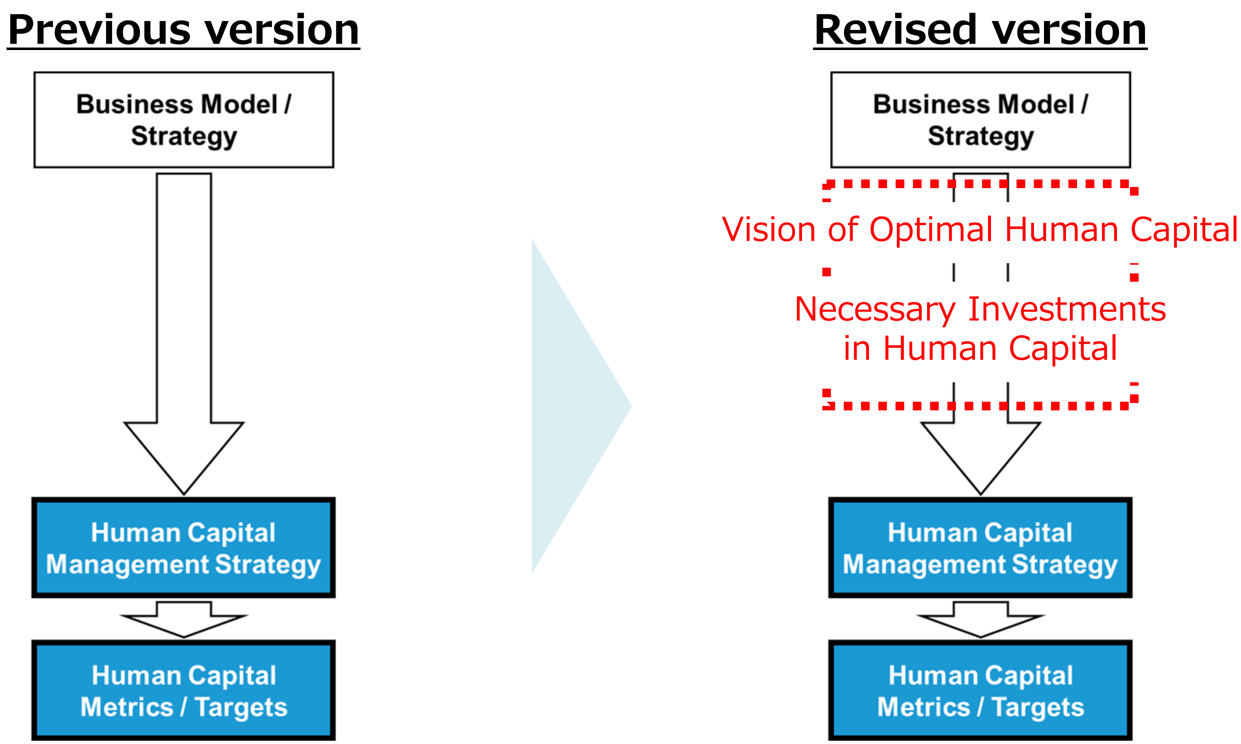
Human Capital Metrics / Targets

**Clarifying the approach for concretely disclosing the human capital management strategy aligned with the business strategy**

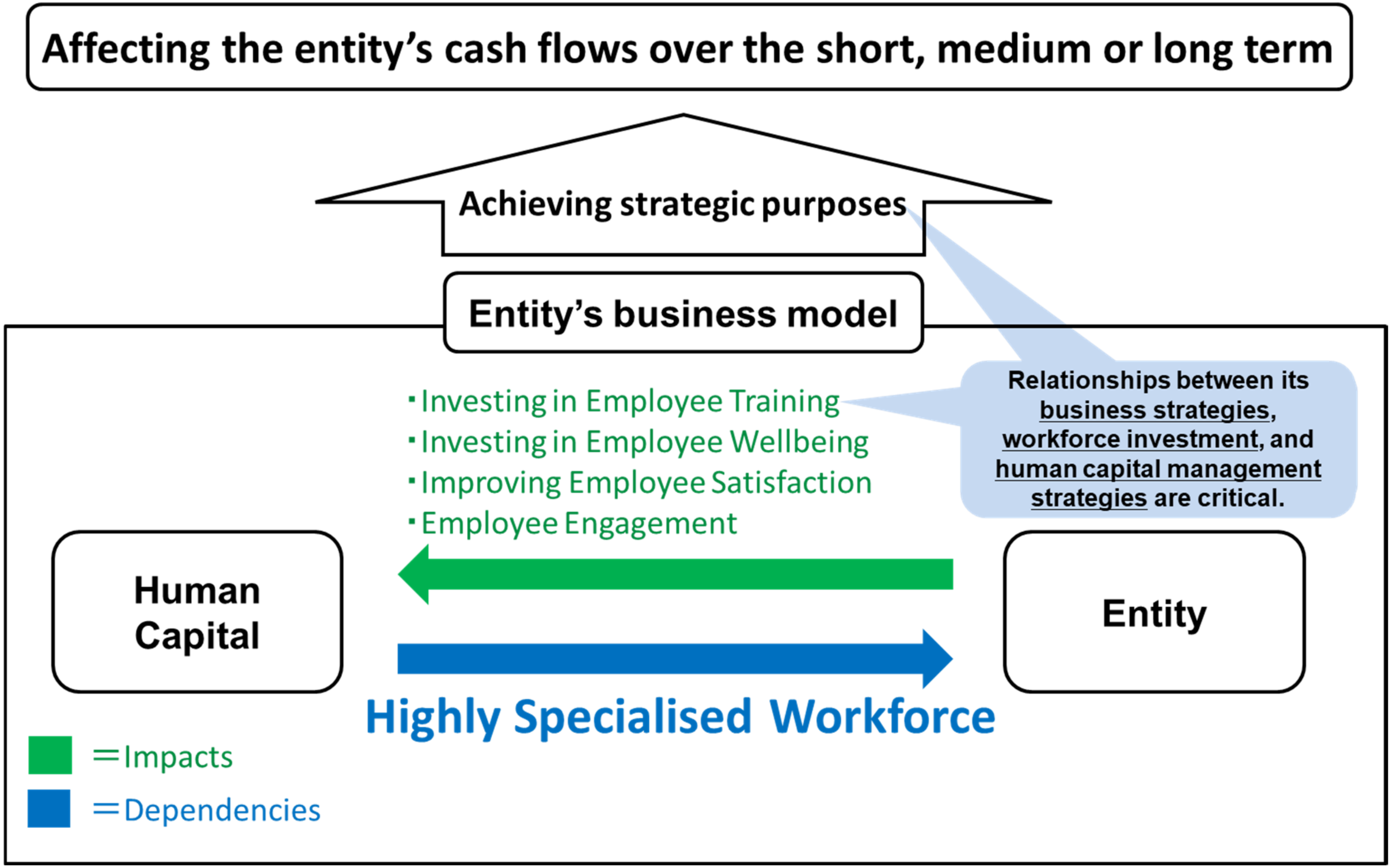
**Clarifying the approach for considering the disclosure based on the Four "Core Contents" of the SSBJ Standards (governance, strategy, risk management and metrics and targets)**

# Guidance for Human Capital Disclosure (Revised version)
# Alignment between Business Strategy and Human Capital Management Strategy (i)

- The revised version of the Guidance specify the approach to achieve the alignment between business strategy and human capital management strategy.
- As a result of the rapid advancement in innovative technologies, such as generative AI, the business environment and business processes are expected to change significantly.
- Accordingly, it is important for companies to have a clear “Vision of Optimal Human Capital” that enables the company to achieve its business strategy.
- By clarifying “Vision of Optimal Human Capital” and identifying the “Necessary Investments in Human Capital”, entities would be able to achieve the alignment between business strategy and human capital management strategy.



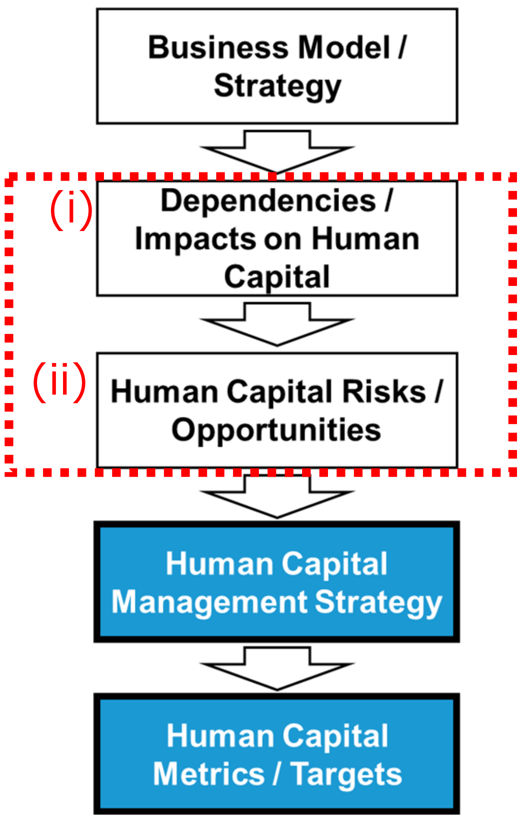
# Guidance for Human Capital Disclosure (Revised version)
# Alignment between Business Strategy and Human Capital Management Strategy (ii)




Source: Prepared by the FSA based on IFRS S1 Appendix B Application guidance, paragraphs B1–B3 (SSBJ Universal Sustainability Disclosure Standard "Application of the Sustainability Disclosure Standards" paragraphs BC69–BC71)

# Guidance for Human Capital Disclosure (Revised version)
# Alignment between Business Strategy and Human Capital Management Strategy (iii)

**Guidance for human capital disclosure (Revised version)**




- In light of the above, the Guidance for human capital disclosure (revised version) added two steps, that are, “dependencies and impacts on human capital” and “human capital-related risks and opportunities”. This approach is considered to be consistent with the approaches under the ISSB standards (IFRS S1 Appendix B paragraphs B1–B3).

(i): Dependencies and impacts on human capital

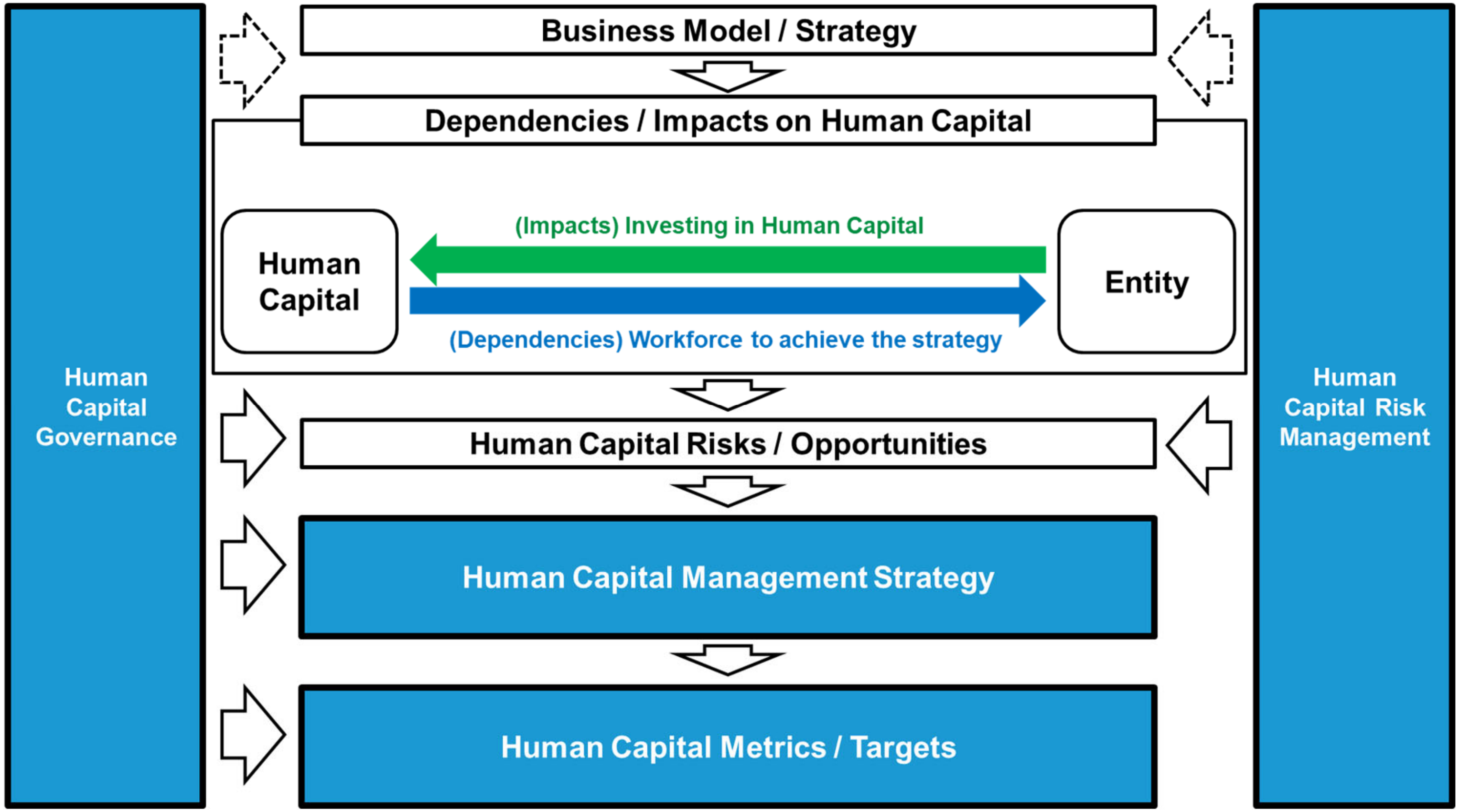
An entity’s achievement in its business strategy “depends” on whether it can secure the necessary human capital in light of the “vision of optimal human capital.” In order to secure necessary human capital, the entity makes the “necessary investments in human capital” and therefore has an “impact” on the human capital. This represents an interaction between the entity and human capital.

(ii): Human capital-related risks and opportunities

Clarifying this interaction is considered to contribute to identifying material human capital-related risks and opportunities that are critical to the entity.

# Overview of Human Capital Disclosure with the Four Core Contents

- Under the ISSB Standards, entities are required to provide disclosures based on the four core contents: governance, strategy, risk management, and metrics and targets. Among these contents, investors expect disclosures that align an entity's business strategy with its "(human capital management) strategy" and its "(human capital-related) metrics and targets".
- Furthermore, by providing disclosures on "governance" and "risk management" in a manner that is aligned with the entity's "(human capital management) strategy" and "(human capital-related) metrics and targets", the disclosures will align with the four core contents required under the ISSB Standards.




Note: The above provides an illustrative overview of approaches to human capital disclosure, with reference to the four core elements under the ISSB Standards. While the ISSB Standards include references to human capital, they do not prescribe specific disclosure requirements related to human capital.
Source: Prepared by the FSA with reference to the ISSB standards

# 4. Conclusion

## Shaping the Future of Sustainability Disclosure in Asia

Adoption of ISSB Standards as Global Baseline


Use of ISSB Standards as Global Passport

Human Capital as Corporate Value Creation

Promotion of Human Capital Disclosure from Asia

# Appendix

# (Reference) IFRS S1 Appendix B Application Guidance

- Appendix B of IFRS S1 explains sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects as follows:

B1 This Standard requires an entity to disclose information about all sustainability-related risks and opportunities that could reasonably be expected **to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term** (referred to as '**sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects**') (see paragraph 3).

B2 An entity's sustainability-related risks and opportunities arise out of the interactions between the entity and its stakeholders, society, the economy and the natural environment throughout the entity's value chain. These interactions—which can be direct and indirect—result from operating an **entity's business model** in **pursuit of the entity's strategic purposes** and from the external environment in which the entity operates. These interactions take place within an interdependent system in which an **entity** both **depends on resources and relationships throughout its value chain to generate cash flows** and **affects those resources and relationships through its activities and outputs**—contributing to the preservation, regeneration and development of those resources and relationships or to their degradation and depletion. These dependencies and impacts might give rise to sustainability-related risks and opportunities that could reasonably be expected to affect an entity's cash flows, its access to finance and cost of capital over the short, medium and long term.

B3 … Similarly, if an entity operates in a highly competitive market and requires a **highly specialised workforce to achieve its strategic purposes**, the entity's future success will likely depend on the entity's ability to attract and retain that resource. At the same time, that ability will depend, in part, on the **entity's employment practices**—such as whether the entity **invests in employee training and wellbeing**—and **the levels of employee satisfaction**, **engagement** and **retention**. These examples illustrate the close relationship between the value the entity creates, preserves or erodes for others and the entity's own ability to succeed and achieve its goals.