

Corporate Sustainability-related Information Disclosure for Sustainable Corporate Value Enhancement: Leveraging the Introduction of the SSBJ Standards

CSR Committee / Business Policy Forum, Japan
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Executive Summary

Background and Key Issues

- In recent years, sustainability challenges such as climate change and human rights have had a major impact on society as a whole and on corporate management. For corporations, sustainability challenges are critical management issues: depending on how a corporation responds, they may either erode corporate value or become drivers of sustainable value enhancement.
- With regard to sustainability-related information disclosure, the growing number of standards and requirements has increased the burden on corporations. At the same time, the purpose of corporate sustainability disclosure has not necessarily been sufficiently clarified. From the perspective of supporting investor decision-making, corporations are expected to provide comparable, high-quality disclosure of financially material information concerning sustainability challenges.

- Internationally, standards issued by the International Sustainability Standards Board (ISSB) are being adopted gradually. In Japan, the Sustainability Standards Board of Japan (SSBJ) issued standards aligned with the ISSB Standards in March 2025. The new legislation in Japan now provides for the phased mandatory application of the SSBJ Standards to disclosures in annual securities reports, and mandatory third-party assurance over such disclosures is also planned. The requirement applies to corporations with an average market capitalization of JPY 1 trillion or more. Corporations with an average market capitalization of JPY 3 trillion or more will initially be required to disclose information in accordance with the SSBJ Standards for fiscal years ending on or after March 31, 2027. The scope of the system may expand in the future, and its effects are also expected to spread through value chains.
- The SSBJ Standards require corporations to disclose “financially material risks and opportunities” for investor decision-making. In annual securities reports, corporations are expected to present governance, strategy, risk management, and metrics and targets in an integrated manner.
- If corporations disclose information solely with a view to complying with the statutory requirements, there is concern that such disclosure will not contribute to sustainable value creation. As comparable statutory disclosure becomes established, corporations must consider how to communicate—across different groups of information users—the

value they aim to create, the issues they prioritize, and the strategies and management practices that support them.

Part I: Fundamental Approaches to Sustainability Disclosure and Corporate

Responses to the SSBJ Standards

Chapter 1: Trends in Statutory Sustainability Disclosure and the Current Situation of Japanese Corporations

- Internationally, disclosure frameworks based on the ISSB Standards are being developed as a global baseline, whereas the regulatory environment remains fluid: the EU is simplifying its regime to reduce corporate reporting burdens, while the United States has seen a reversal in ESG policy.
- In Japan, meanwhile, as noted above, a Cabinet Office Ordinance that took effect in February 2026 established the phased introduction of the SSBJ Standards.
- Various surveys confirm that Japanese corporations have already expanded the volume of sustainability information disclosure in both statutory and voluntary disclosure. However, the results suggest that the disclosed information is not yet sufficiently organized in the relation between corporate value and management strategy in many cases.

Chapter 2: Fundamental Approaches to Corporate Sustainability Disclosure

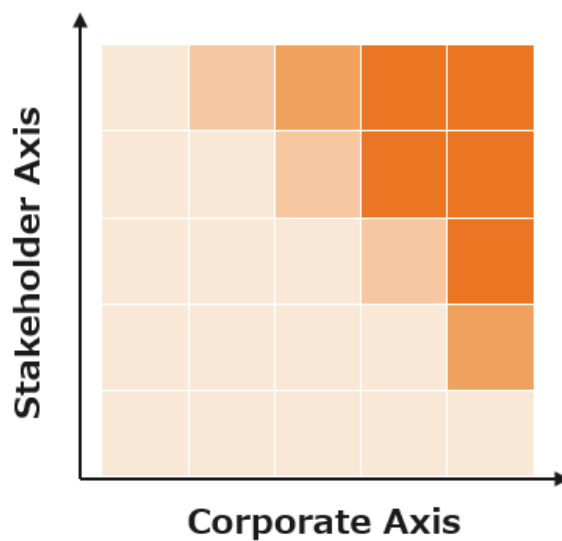
Strategy

- Corporate disclosure should not be viewed merely as a regulatory obligation; it is an essential element in securing corporate credibility. The key considerations are the intended recipients (information users) and the disclosure media.
- The principal information users should be shareholders and capital providers, business partners in the value chain, and employees. Current disclosure media include annual securities reports, integrated reports, sustainability reports, and ESG data books. A corporation's disclosure strategy determines which users it targets, what information needs it addresses, and how it combines statutory and voluntary disclosure.
- From the perspective of sustainable value creation, corporations need to synchronize social value creation through solutions to sustainability challenges with financial value creation through business opportunities and risk reduction, considering both short- and medium- to long-term time horizons. To this end, corporations must formulate and execute management strategies, evaluate and disclose results, and improve their actions.

Chapter 3: Approaches to Disclosure of “Materiality” in Light of the Requirements of the SSBJ Standards

(1) Meaning of the Term “Materiality” in Sustainability Disclosure

Chart: An Example of Axes to Identify Materiality Used by Japanese Corporations



(Original Material by CSR Committee, Business Policy Forum, Japan)

- Points of Usage in the Disclosures of Many Japanese Corporations
 - The 2018 GRI Guidelines and the methods used by many Japanese corporations to identify “materiality” are similar in that both use two assessment axes.
 - However, the methods used by many Japanese corporations differ from the definition in the current 2021 GRI Standards and from that in the IIRC Integrated Reporting Framework.

- In the selection methods used by Japanese corporations, the scope of significance assessed along the “corporate axis” varies by corporation and is often ambiguous—for example, whether it is limited to financial effects, includes intangible assets, or extends to environmental and social impacts.

[Detailed Explanation]

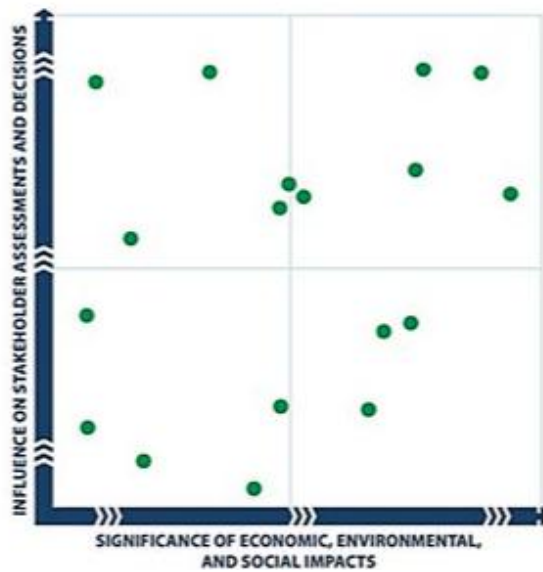
Comparison of Standards and Frameworks for Identifying “Materiality”

1. GRI

a) 2018 Guidelines (GRI Guidelines)

- The approach taken in the 2018 GRI Guidelines is similar to the materiality assessment criteria and selection methods used by many Japanese corporations in their disclosures, in that both employ a two-dimensional assessment framework.
- On the other hand, the current GRI Standards do not prescribe assessment criteria equivalent to those provided in the 2018 Guidelines.

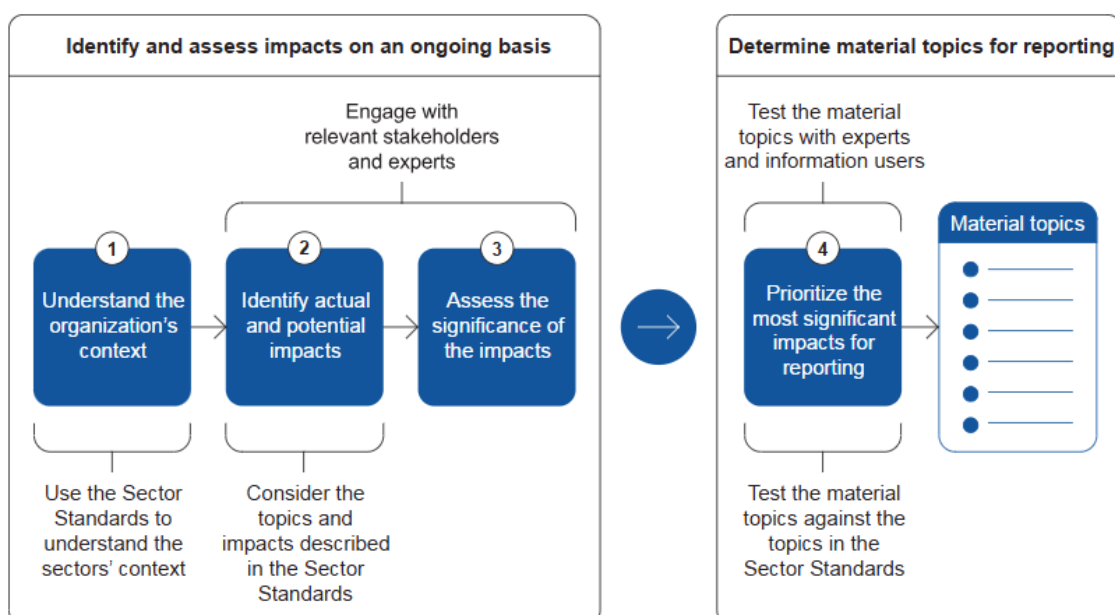
Chart: “Materiality” under the 2018 GRI Guidelines



b) “Identification Process” under the 2021 GRI Standards

- The 2021 GRI Standards present a process for identifying material topics by assessing the impacts on sustainability.

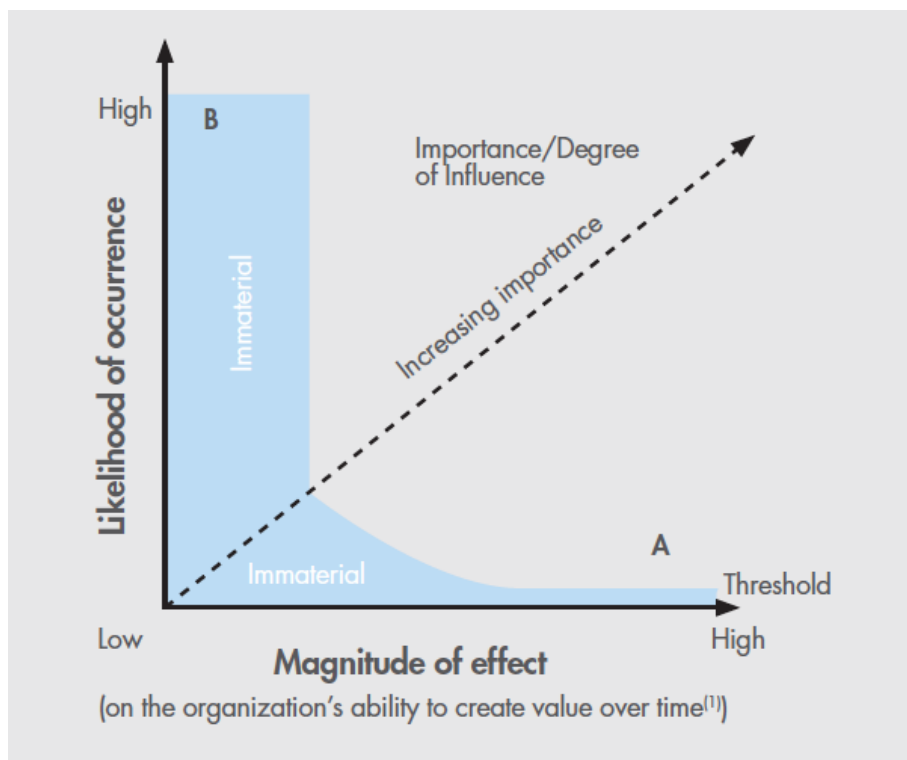
Chart: Process to Identify Material Topics under the 2021 GRI Standards



② IIRC Integrated Reporting Framework

- The IIRC Integrated Reporting Framework is a framework for disclosing information on matters that substantively affect an organization's ability to create value over the short, medium, and long term. It requires corporations to identify relevant matters by assessing them against two criteria, namely the magnitude of their effect and the likelihood of their occurrence, and to determine the materiality of those matters based on their relative significance.

Chart: Materiality Assessment under the IIRC Integrated Reporting Framework

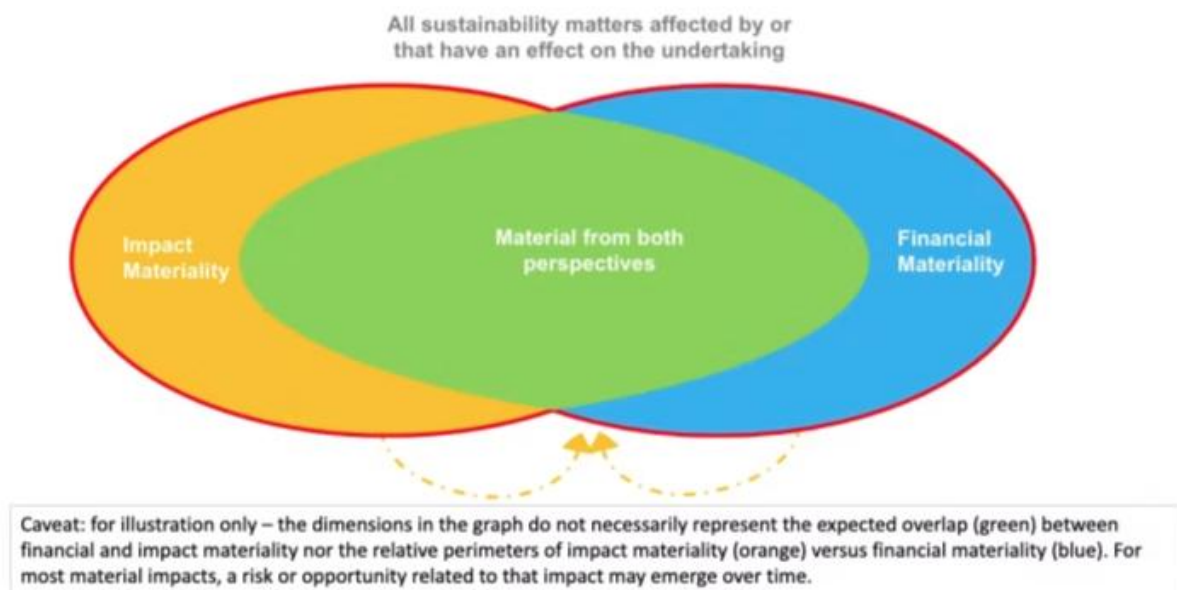


③ [Reference] Single Materiality and Double Materiality

- Although single materiality and double materiality are often explained in contrast to one another, they are not mutually exclusive concepts.
- Single materiality focuses on assessing financial effects. However, in order for a corporation to appropriately assess the financial effects of sustainability-related issues, it must first understand both the impacts it has on external stakeholders and society, and its dependencies on the external environment.
- Double materiality assesses issues from both the perspective of financial materiality and impact materiality. As indicated by European institutions, it is important to take into account the interrelationship between impact materiality and financial materiality.

Chart: Double Materiality (European Financial Reporting Advisory Group)

Figure 1(a). Double materiality - The scope is reflected by the red outline



(2) Approaches to “Materiality” and Sustainability Disclosure in Responding to the SSBJ Standards

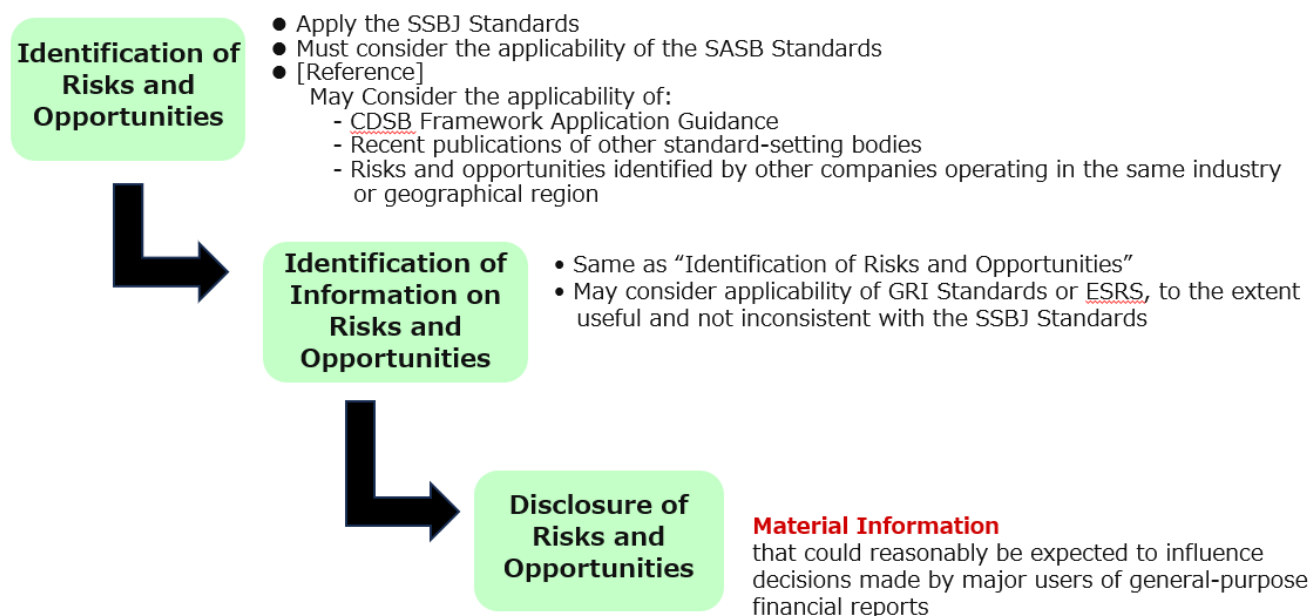
- When providing information disclosure consistent with the SSBJ Standards—primarily for shareholders and investors—a corporation needs to clarify the relationship between its “materiality” utilized so far and the “financially material risks and opportunities” required by the standards, and disclose information in accordance with the SSBJ requirements while also considering the SSBJ identification process and the SASB Standards.
- Accordingly, corporations that have already identified “materiality” should first clarify their own definition of the term. In many cases, they will then need to organize and disclose separately the “financially material risks and opportunities” required by the SSBJ Standards and the “materiality” used in recent years.
- To make disclosure effective, corporations should strategically adapt the presentation and content of information for each disclosure medium—or the information users associated with that medium.
- In particular, the content and methods of disclosure primarily intended for shareholders and capital providers are prescribed by the SSBJ Standards. The process for identifying sustainability-related risks and opportunities is specified in the section

entitled “Application of Sustainability Disclosure Standards.” An overview of this identification process is presented in the chart below.

Chart: Process for Identifying Sustainability-related Risks and Opportunities under the SSBJ Standards

Disclosure of Risks and Opportunities

Rules Established for the Process to Identify Risks and Opportunities



(Source: Material Prepared by Mr. Katsuya Kikuchi, Representative of Co-Creat Frontier LLC., based on the SSBJ Standards)

Chapter 4: Approaches to Specific Practical Issues in Responding to the SSBJ

Standards

- The principal practical issues in responding to the SSBJ Standards are: (1) data collection, reporting boundaries, and internal controls; (2) assessment and presentation of financial effects; and (3) third-party assurance.

- For data collection, reporting boundaries, and internal controls, challenges include expanding the scope on a consolidated basis, establishing systems that include overseas subsidiaries, standardizing data definitions, and introducing information collection systems. For financial effects, the focus is not only on precise quantification but also on how corporations connect risks and opportunities to management decisions. Third-party assurance can enhance the reliability of disclosed information, but the system should be operated reasonably so as to avoid excessive requirements and burdens.

Part II: Expectations of the Investment Community, Responses of

Corporations and Practical Issues Regarding the Introduction of the SSBJ

Standards

Note: Based on a survey of 23 leading corporations, members of the investment community, assurance providers, and other organizations, Part II summarizes the investment community's expectations, the responses of corporations and assurance providers, and related practical issues.

Chapter 5: Expectations and Challenges of the Investment Community Regarding Enhanced Statutory Disclosure of the Introduction of the SSBJ Standards

- Overall, the investment community views positively the prospect that the SSBJ Standards will improve the comparability and quality of sustainability information. However, the specific expectations placed on their introduction are not uniform.
- Long-term active investors are strongly interested in corporation-specific competitive advantages, growth opportunities, and the sustainability of value creation. Passive investors emphasize highly comparable information that supports engagement, including industry comparisons and identification of areas for improvement. ESG analysts focus on changes in corporate sustainability actions, comparisons of targets and performance, and links to corporate value, while ESG rating agencies primarily seek information that enables cross-company comparison under common assessment frameworks.
- In light of these differences, corporations need to formulate disclosure strategies by identifying the investors they prioritize. Key issues include distinguishing information for which comparability is required from information that explains corporation-specific strategy and the value creation story, and designing the respective roles of statutory and voluntary disclosure.

Chapter 6: Status of Sustainability Disclosure and Responses to the SSBJ Standards by Leading Corporations, and the Practical Challenges They Face

- Among corporations taking the lead in disclosure, there is a movement to treat compliance with the SSBJ Standards not merely as a regulatory response but as an opportunity to advance both disclosure and management. In reviewing material topics, some corporations are linking corporate purpose with material topics, expanding consideration of business opportunities, clarifying relationships between non-financial and financial KPIs, and linking management roles and remuneration to sustainability performance.
- Significant practical challenges remain. Although many corporations have begun gap analyses, common issues include clarifying the relationship between previously identified “materiality” and the “financially material risks and opportunities” under the SSBJ Standards, assessing financial effects, establishing data collection systems, preparing for assurance, and accelerating disclosure. Another critical issue is how to build a cross-functional, company-wide framework under management involvement rather than leaving the response to a single department.

Chapter 7: Responses and Challenges of Assurance Providers Regarding the Expansion of Sustainability Assurance Following the Introduction of the SSBJ Standards

- Assurance providers are developing practical guidance and human resources for sustainability assurance, while continuing to examine issues including how assurance

should address governance and risk management, consolidated scope, assurance boundaries, and consistency among regulatory systems. Corporations also recognize the need for sustainability assurance; the challenge is to operate the assurance system reasonably in light of costs and potential variations in judgment.

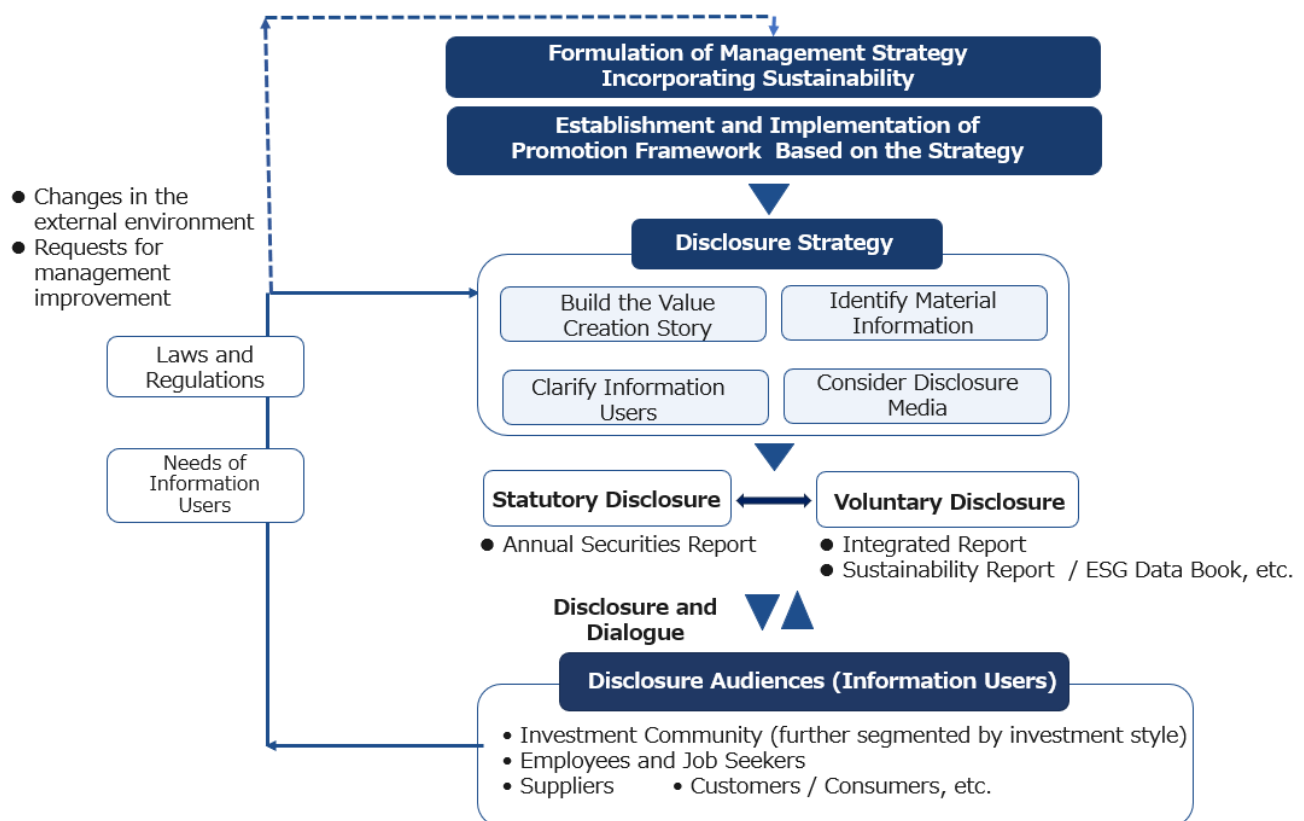
Part III: Recommendations

Chapter 8: Approaches to Sustainability Disclosure for Sustainable Corporate Value Enhancement, Taking the Introduction of the SSBJ Standards as an Opportunity

- The Committee views sustainability disclosure and stakeholder engagement not merely as regulatory compliance, but as a continuous improvement process for enhancing corporate value. There are two principal pathways from disclosure and engagement to corporate value.
 1. A pathway in which evaluations by the investment community and changes in the behavior of employees, customers, and others lead to enhancement of the corporation's value.
 2. A pathway in which the corporation improves its own management and practices through disclosure preparation and stakeholder engagement, and those improvements lead to enhanced corporate value.

- The key is to align the corporate cycle of disclosure, engagement, and improvement with the investment community's cycle of evaluation, engagement, and feedback, thereby creating a virtuous cycle of continuous improvement through an appropriate combination of statutory and voluntary disclosure.

Chart: Approaches to Disclosure of Sustainability Information for Enhancement of Sustainable Corporate Value under SSBJ Standards



(Original Material by CSR Committee, Business Policy Forum, Japan)

- Based on the above understanding, the Committee makes the following recommendations.

1. Corporations should establish a cross-functional, company-wide framework in which CFOs and other senior executives actively engage in advancing management strategy that incorporates sustainability and in implementing disclosure.

- Connecting sustainability disclosure to enhanced corporate value requires business strategy that incorporates sustainability challenges, together with implementation and management frameworks and internal controls. The CFO has a particularly central role in judging financial effects, investing in information systems, accelerating disclosure, and preparing for assurance. A cross-functional framework involving relevant departments is indispensable under coordination among the CEO, CFO, and the executive responsible for sustainability.

2. Corporations should identify the investors who are particularly important users of disclosed information and, through engagement before and after disclosure, operate a cycle for verifying and improving business strategy, management systems, and disclosure strategy.

- To connect disclosure to enhanced corporate value, corporations should identify the investors they prioritize and understand and verify investor information needs through engagement before and after disclosure. Insights gained from engagement with long-term asset owners, asset managers with deep sector knowledge, and investors with an

established engagement record should be fed back internally and used to improve both disclosure and management. Highly comparable disclosure, well-organized data structures, and data collection systems—including the use of AI—also provide the foundation for an effective corporate value enhancement process.

3. The investment community should proactively consider the form of disclosure it expects from corporations and provide feedback through engagement.

- The investment community has a role in proactively clarifying and communicating the form of disclosure it expects. It should clarify the information it emphasizes, its approach to materiality judgments and uncertainty in forward-looking information, the distinction between items requiring comparability and those requiring corporation-specific information, and the distinction between missing information that should be addressed and information whose omission can reasonably be tolerated. Feedback should be specific and prioritized rather than amounting merely to additional requests.

4. Regulators, business associations, and assurance providers should develop guidance that enhances the comparability of disclosure, including responses to the SSBJ Standards, with a view to strengthening corporate competitiveness.

- Comparable disclosure provides a common language for corporations and the investment community and a foundation for engagement that enhances corporate value. Regulators and related organizations should therefore develop guidance and good

practices addressing practical corporate challenges. Business associations are expected to support the development of industry-wide reference criteria suited to Japan's business environment, based on the SASB Standards, and to clarify investor needs by organizing common issues. Assurance providers should also indicate a direction for reasonable, purpose-aligned assurance practices while avoiding excessive assurance requirements.

5. Regulators should actively review institutional design, promote integration and alignment across regulatory systems, and create an environment in which corporate disclosure creates incentives.

- The coexistence of multiple systems, laws, and guidelines for sustainability disclosure concerning environmental matters, human capital, and other areas contributes to the practical burden on corporations. Regulators are expected to clarify the positioning of these systems and promote their integration and alignment, thereby improving disclosure effectiveness while taking corporate burdens into account. In light of differences from the EU and other jurisdictions, regulators should also continue reviewing the design and operation of the system with international harmonization and convergence in mind.

End

Member of CSR Committee of Business Policy Forum, Japan

(the chair)

Tetsuyuki Kagaya Professor, Graduate School of Business Administration,
Hitotsubashi University

(the committee)

Junko Fukuyama Environment & Social Solution Sect. Investor Relations & Corporate
Sustainability Dept., Sojitz Corporation

Tomoko Hasegawa Managing Director, Keidanren (Japan Business Federation)

Haruo Hatanaka ESG Strategy Specialist, ESG Strategy, ESG Division,
Kao Corporation

Yukio Hori Manager, Sustainable Management Office, Sompo Holdings, Inc.

Akihiro Inatsugi Executive Director, Sustainability Strategy, Bridgestone Corporation

Masahiro Ishino General Manager, CSR Section, Sustainability Department, Sony Group
Corporation

Koichi Kaneda Senior Specialist, Sustainability Innovation Department, Corporate
Headquarters, NTT DATA Group Corporation

Shigeki Matsui General Manager, Corporate Sustainability Strategic Management
Division, Strategic Corporate Value Enhancement Department., Toray
Industries, Inc.

Chikako Miyata Advisor (SDGs), ANA HOLDINGS INC.

Tomoko Ohishi Deputy General Manager, CSR Group, Sustainability Development
Department, Nissan Motor Co., Ltd.

Mari Sato General Manager, Sustainability Strategy, NICHIREI CORPORATION

Atsushi Shimizu Joint General Manager, Sustainability Planning Dept, SUMITOMO
MITSUI FINANCIAL GROUP

Yuuko Shiota Executive Officer, General Manager, Sustainability Department,
ESG Promotion Department, MARUI GROUP CO., LTD.

Mimi Togoe	Senior Manager, sustainability Division, CEO Office, Fujitsu Limited
Kazuyuki Uemura	General Manager, Special assistant to Group-CEO including External relations, Panasonic Holdings Corporation
Kiran Vachhani	Senior manager, Social Impact & Affairs, ASAHI GROUP HOLDINGS,LTD.
(Observer)	
Yohei Matsuda	Director , Corporate Accounting, Disclosure and CSR Policy Office, Economic and Industrial Policy Bureau
Yukihiro Sakamoto	Deputy Director , Corporate Accounting, Disclosure and CSR Policy Office, Economic and Industrial Policy Bureau
Yukiko Ishizuki	Assistant Director, Corporate Accounting, Disclosure and CSR Policy Office, Ministry of Economy, Trade and Industry
Hidemi Tomita	CEO, Institute for Sustainability Management
Erika Endo	Manager, Sustainability Group, Japan Foreign Trade Council, Inc.
(Secretariat)	
Tetsu Fukuoka	Director General, Business Policy Forum,Japan
Akira Kitabatake	General Manager, Planning & research div.,Business Policy Forum,Japan
Hiroaki Konishi	Senior Researcher, Planning & research div.,Business Policy Forum,Japan
Takeshi Nozawa	Researcher, Institute for Sustainability Management CEO, EcoNetworks Co.
Shiho Funahara	Researcher, Institute for Sustainability Management Researcher, EcoNetworks Co.
Moho Tsunoda	Researcher, Institute for Sustainability Management Researcher, EcoNetworks Co.