

IFRS Integrated Thinking & Reporting Conference

Keynote Speech by Hideki Ito, Commissioner,
the Financial Services Agency, Japan,
at the “IFRS Integrated Thinking & Reporting Conference”
on April 3, 2025

1. Introduction

Good morning, ladies and gentlemen.

I am Hideki Ito, Commissioner of the Financial Services Agency of Japan. It is a great privilege to welcome you all to the IFRS Foundation’s Integrated Thinking and Reporting Conference here in Tokyo. To our esteemed guests visiting from overseas—welcome to Japan.

(Joke)

Before we begin, I must confess that I have been grappling with sleepless nights lately. Some might attribute this to the inevitable effects of aging. However, in my case, the culprit

has been none other than cherry blossoms.

More than a thousand years ago, a renowned Japanese poet wrote, “If there were no cherry blossoms, our hearts would be at peace in spring.” For centuries, the Japanese have been captivated by the ephemeral beauty of cherry blossoms—their fleeting presence a poignant reminder of life’s transience.

Yet, in recent years, global warming has made the timing of their bloom increasingly unpredictable. Imagine traveling to Japan with great anticipation of witnessing their beauty, only to find barren branches lining the streets. That would be disheartening—perhaps even frustrating. Fortunately, tomorrow will be beautiful sunny day, and I am relieved.

Now, turning to the theme of today’s conference: “Unlocking the Value of Integration – Practical Ways to Advance High-

Quality Disclosure on Value Creation.”

The concept of integrated reporting centers on corporate value creation. I believe this perspective encourages the pursuit of truly meaningful disclosures—both for those who prepare financial reports and for those who rely on them. I hope today’s discussions will provide valuable insights into the role of value creation in corporate reporting.

(Joke 2)

By the way, today is April 3rd—two days after April Fool’s Day. Let me assure you that everything I say today is entirely genuine, with no embellishments or misrepresentations. What I share reflects the true stance of the Financial Services Agency.

2. Broader Trends in Corporate Reporting

In recent years, corporate reporting has undergone significant transformation on a global scale. Given this evolution, I believe it is timely to revisit the fundamental value of corporate reporting and the broader trends shaping its future.

Throughout history, financial reporting has played a central role in corporate disclosure. I have no doubt that it will continue to do so. However, as our society and economy undergo profound change, non-financial reporting has become an indispensable complement.

Challenges such as climate change and demographic shifts are reshaping the business landscape, introducing unprecedented uncertainty. In such an environment, investors must make informed decisions amid these

complexities. Naturally, their focus extends beyond historical financial data to include disclosures on corporate sustainability, long-term strategy, and broader non-financial factors.

In response to these shifts, securities regulators worldwide are actively exploring the future of corporate reporting.

At the FSA, we remain committed to fostering sustainable economic growth through a balanced approach—one that upholds fairness and transparency while invigorating the market. In alignment with this mission, I would like to share my perspective on the kind of corporate reporting that is truly needed to support Japan’s capital markets over the long term.

3. Japan’s Sustainability Reporting Regime

Like many other jurisdictions, Japan is actively engaged in discussions on the introduction of a sustainability reporting framework. While sustainability disclosures have traditionally been driven by voluntary initiatives, particularly among large corporations, this has led to a fragmented landscape—what some have described as an “alphabet soup” of standards. Recognizing the need for a globally consistent approach, the demand for a unified standard has grown significantly.

The FSA has supported the establishment of the International Sustainability Standards Board (ISSB) under the IFRS Foundation from the outset. We firmly believe that global alignment in sustainability reporting is critical for capital markets, corporations, investors, and stakeholders alike.

Equally important is the integration of financial and

sustainability reporting. By ensuring connectivity between these disclosures, we can provide investors with a more comprehensive and coherent understanding of corporate value. In this regard, the establishment of both the IASB and the ISSB under the IFRS Foundation represents a logical and necessary step.

In Japan, stakeholders have emphasized the importance of aligning with ISSB standards. As a result, the Sustainability Standards Board of Japan (SSBJ) recently finalized our national sustainability disclosure standards, ensuring a high degree of alignment with the ISSB framework.

To guide the implementation of these standards, the FSA has convened an expert working group. The current discussion focuses on a phased approach, beginning with large-cap companies listed on the Prime Market of the Tokyo Stock Exchange—a market segment dedicated to fostering

meaningful dialogue with global investors.

Regarding the timeline, we anticipate that Japan's largest listed companies will begin applying the standards for fiscal years ending March 2027. Meanwhile, Europe has already commenced sustainability disclosures for large listed companies from fiscal year 2024, and we understand that global investors are closely monitoring these developments. As we proceed, we will carefully consider stakeholders' perspectives, including potential transitional measures, to ensure a smooth and effective adoption of sustainability reporting in Japan.

Given that both IFRS S1 and the SSBJ standards incorporate elements of integrated reporting, I expect that the principle of value creation will remain at the forefront as companies disclose their sustainability-related information.

4. Human Capital

Next, I would like to touch on human capital—an essential pillar of sustainability, value creation, and corporate growth.

In manufacturing industries, a company's value creation may be driven by tangible assets—such as cutting-edge machinery—which are reflected on the balance sheet. However, in knowledge-based industries, the most valuable assets—intellectual property and human capital—often do not appear in financial statements. As the prominence of these industries grows, some investors have expressed concerns that traditional financial reporting alone no longer fully captures corporate value.

Investors seek meaningful disclosures on human capital

management strategies—particularly how companies cultivate and deploy talent to realize their business objectives. They also emphasize the need to track progress against these strategies.

For example, a company with a strategy to develop AI-driven products must have a corresponding plan to attract and retain AI talent. Transparent disclosures on both goals and progress in this regard would provide investors with valuable insights into the company's strategic execution.

Furthermore, connectivity between human capital information and financial reporting is critical. In this context, collaboration between the ISSB's human capital project and the IASB's initiative on intangible assets will play a pivotal role.

5. Corporate Governance

Corporate governance is another fundamental pillar of sustainable corporate value creation. The Corporate Governance Code, jointly developed by the FSA and the Tokyo Stock Exchange, aims to promote sustainable growth and enhance corporate value over the medium to long term.

Advancements in corporate reporting—including both sustainability and financial disclosures—will inevitably contribute to this goal. By incorporating information relevant to long-term value creation, these disclosures will facilitate deeper and more constructive dialogue between investors and companies.

Through such dialogue, we expect to see continuous improvements in corporate governance, ultimately leading to

more sustainable growth and enhanced corporate value over time.

6. Conclusion

I sincerely hope that today's conference serves as a catalyst for meaningful discussions on corporate value creation and the future of corporate disclosure.

May this gathering be a fruitful opportunity for all participants, and may our collective efforts drive progress toward a more transparent, sustainable, and forward-looking corporate reporting landscape.

Thank you very much for your attention.