The IIRC welcomes comments on all aspects of the Discussion Paper from all stakeholders, whether to express agreement or to recommend changes. Your answers to the Consultation Questions, and any other comments you would like to make, should be submitted on this form (submitted electronically at end of document) or sent via email to dpresponses@theiirc.org.

For the purpose of analysis, you are asked to identify the organization to which you belong and where it is located. All comments received will be considered a matter of public record and will be posted on www.theiirc.org.

Comments should be submitted by Wednesday 14th December 2011.

Name	Nobuyuki Hiratsuka
Title	Director, Corporate Accounting, Disclosure and CSR Policy Office
Organization	Ministry of Economy, Trade and Industry
Country	Japan
Email	hiratsuka-nobuyuki@meti.go.jp,kobayashi-asako@meti.go.jp,hayashi-miyuki@m

Type of Stakeholder (please tick one as appropriate)

- ○ Academic
- ○ Analyst
- ○ Assurance Provider
- ○ Business
- ○ Consultant
- ◉ Government
- ○ Inter-Governmental Agency
- ○ Investor
- ○ Labour Representative
- ○ Non-Governmental Organization
- ○ Professional Body
- ○ Rating Agency
- ○ Standard Setter
- ○ Student
- ○ Think Tank
- ○ Trade or Industry Association
- ○ Other, please specify below

Key Points

If you wish to express any key points, or to emphasise particular aspects of your submission, or add comments in the nature of a covering letter, then the following space can be used for this purpose.

• The IIRC's efforts and activities have been consistent with METI's efforts and activities in this area and we appreciate this fact.
• It is necessary, in the first instance, to improve the communication from a medium-term perspective between companies and investors.
• It is necessary to ensure that companies have a high degree of flexibility in their reporting and that the manner in which they report is not prescribed by regulations.
• The effectiveness of the explanation of value creation mechanisms by reporters (companies) voluntary
• It is important to ensure that the preparation of integrated reporting does not become an objective in itself that the impact on actual corporate behavior is taken into consideration when developing the integrated reporting framework and that integrated reporting is such as to enable companies to make themselves more attractive to investors.

The World has Changed – Reporting Must Too (page 5 of the Discussion Paper)

Q1. (a) Do you believe that action is needed to help improve how organizations represent their value-creation process? Why/why not?

Yes.
• Given the heightened vulnerability of financial performance amidst the short-termism of financial markets, the emergence of resource and environmental issues at the global level, frequent occurrences of risk events that impact on corporate management, and the need for long-term corporate strategies that place emphasis, among others, on research and development activities, the action to make management and investors look at value creation from a longer-term perspective is needed.
• It should be noted, however, that conflicts could emerge between organizations or

Q1. (b) Do you agree that this action should be international in scope? Why/why not?

Yes.
• Companies that operate globally have already been reporting information to meet the needs of the markets in various countries across the world, and as a result, excessive information and the increase in the reporting burden for companies have become an issue. Therefore, the framework of integrated reporting should not be such as to impose on companies additional reporting requirements on top of what they already report, but it should be a framework where companies perceive benefits without increased costs so that they are induced to prepare integrated reporting on a voluntary basis. It is desirable in particular that the consistency of

Towards Integrated Reporting (page 6 of the Discussion Paper)

Q2. Do you agree with the definition of Integrated Reporting on page 6? Why/why not?

Yes.
• If the IIRC anticipates that an integrated report "will become an organization's primary report, replacing rather than adding to existing requirements", it should be necessary to avoid a framework that will result in additional reporting requirements for companies on top of what they already report, to coordinate with alternative frameworks for non-financial reporting that are currently being developed in parallel with integrated reporting, and to examine the costs and benefits of integrating reporting from the point of view of whether it will contribute to improving the communication between companies and stakeholders who mainly consist of

An International Integrated Reporting Framework (page 8 of the Discussion Paper)

Q3. Do you support the development of an International Integrated Reporting Framework? Why/why not?

Yes.
•However, the development of an International Integrated Reporting Framework should focus on improving the communication between companies and stakeholders who mainly consist of investors, and it should be ensured that the preparation of integrating reporting does not become an objective in itself. Although, in recent years, the demand from investors for the reporting of non-financial information has been gradually increasing, at this juncture, financial information is considered to be of greater importance and the demand for integrating financial and non-financial information is not so strong. To address these issues, it should be necessary

Q4. (a) Do you agree that the initial focus of Integrated Reporting should be on reporting by larger companies and on the needs of their investors? Why/why not?

Yes.
• Given that in Japan, too, those companies that have taken a progressive approach towards reporting tend to be more proactive in terms of explaining sustainable value creation processes to investors, we agree that the initial step towards corporate reporting from a longer-term perspective should focus on the needs of investors and the explanation of a company's value creation process that incorporates the environment and society into economic values and its relationship with various capitals (financial, manufactured, human, intellectual, natural and social). Although corporate values other than economic values that are

Q4. (b) Do you agree that the concepts underlying Integrated Reporting will be equally applicable to small and medium enterprises, the public sector and not-for-profit organizations?

• We agree with that at a conceptual level. However, SMEs and non-listed companies are not the same as large companies with respect to their attitudes towards sharing created values with their stakeholders because of the following differences.
1. Stakeholders of SMEs and non-listed companies do not consist mainly of investors.
2. SMEs and non-listed companies face management issues that are significantly different from those which listed companies face, such that there are risks for SMEs and non-listed companies that arise from the disclosure of financial information.
3. How SMEs and non-listed companies are incentivised to disclose information is different

Business Model and Value Creation (page 11 of the Discussion Paper)

Q5. Are: (a) the organization's business model; and (b) its ability to create and sustain value in the short, medium and long term, appropriate as central themes for the future direction of reporting? Why/why not?

Yes.
• It should be necessary to further examine whether the central themes presented in the discussion paper will improve corporate behavior so as to explain in a comprehensive manner companies' value creation processes and whether stakeholders who mainly consist of investors will find them persuasive.

Q6. Do you find the concept of multiple capitals helpful in explaining how an organization creates and sustains value? Why/why not?

• Although the concept of multiple capitals needs to be improved, we agree that it is essential to describe the business model and value creation mechanism. While the diagram shows six capitals that represent both input capitals and output values, capitals that are potentially contradictory with each other (e.g. natural and financial) are present at the same time, which could prevent discipline from being exercised to overcome the contradiction and hinder the development of integrated thinking by companies. It is better to place economic values at the centre of the model and present how a value creation process functions over time, which should clarify how corporate management incorporates social and environmental values and

Guiding Principles (page 12 of the Discussion Paper)

Q7. Do the Guiding Principles identified in the Discussion Paper provide a sound foundation for preparing an Integrated Report – are they collectively appropriate; is each individually appropriate; and are there other Guiding Principles that should be added? Why/why not?

• We theoretically agree with the Guiding Principles. However, as the IIRC goes ahead with the pilot programme and investor outreach, it will be necessary to take a flexible approach towards practical issues, so as to take into consideration the views of companies and investors to make further improvements.

Content Elements (page 15 of the Discussion Paper)

Q8. Do the Content Elements identified in the Discussion Paper provide a sound foundation for preparing an Integrated Report– are they collectively appropriate; is each individually appropriate; and are there other Content Elements that should be added? Why/why not?

• We theoretically agree with the Guiding Principles. However, as the IIRC goes ahead with the pilot programme and investor outreach, it will be necessary to take a flexible approach towards practical issues, so as to take into consideration the views of companies and investors to make further improvements.

What Will Integrated Reporting Mean for Me? (Reporting organizations – page 21, Investors – page 22, Policymakers, regulators and standard-setters – page 23, Other perspectives – page 24 of the Discussion Paper)

Q9. (a) From your perspective: Do you agree with the main benefits as presented in the Discussion Paper? Why/why not?

Yes.
• Amidst the short-termism of financial markets, the emergence of resource and environmental issues at the global level, frequent occurrences of risk events that impact on corporate management, and the need for long-term corporate strategies that place emphasis on research and development activities, corporate management from a medium to long-term perspective is required. We hope that integrated reporting will bring about improvement of the communication between medium to long-term oriented companies and investors.
• However, the development of an International Integrated Reporting Framework should focus

Q9. (b) From your perspective: Do you agree with the main challenges as presented in the Discussion Paper? Why/why not?

Yes.
• We agree that, amidst the international trend of increasing use of forecasts and estimates in accounting and increasing demand for accountability of companies in terms of environment and corporate governance, in addition to the objective of improving the communication between companies and investors and others, there is a need for safe harbours to address the stability of the audit environment and principles-based reporting.
• Integrated reporting should not be institutionalized in such a way that does not have impact on corporate behavior and does not help companies make themselves more attractive to

Q9. (c) From your perspective: Do you agree that Integrated Reporting will drive the disclosure of information that is useful for integrated analysis (from the perspective of investors)? Why/why not?

N/A

Future Direction (page 25 of the Discussion Paper)

Q10. (a) Do you agree that the actions listed in the Discussion Paper should be the next steps undertaken by the IIRC? Why/why not? Are there other significant actions that should be added?

• While the IIRC Roundtable has taken place in Japan, we are not yet able to say that the benefits of integrated reporting have become widely accepted. We think that it should be necessary for the IIRC to spend more time to consider how the communication between companies and investors can be improved and to gain their commitment to integrated reporting.
• The focus should be on the improvement of the communication between companies and stakeholders who mainly consist of investors, and it should be ensured that the preparation of integrating reporting does not become an objective in itself.

Q10. (b) What priority should be afforded to each action? Why?

• Investor outreach: Although the demand from investors for the reporting of non-financial information has been gradually increasing recently, at this juncture, financial information is considered to be of greater importance and the demand for integrating financial and non-financial information is not so strong. Therefore, investor outreach should be conducted first, and the costs and benefits of integrated reporting and the effectiveness of Guiding Principles and Content Elements should be examined from the point of view of whether integrated reporting will contribute to improving the communication between companies and investors.

Q11. Do you have any other comments that you would like the IIRC to consider?

• It is desirable that the consistency with the alternative reporting frameworks for non-financial information that are being developed in parallel with integrated reporting (the European Commission's directive for non-financial reporting, G4 developed by GRI, CCRF developed by CDSB, and others) is ensured and that a shift towards a principles-based accountability framework, which the IIRC and IFRS aim for, becomes something that is internationally shared and accepted.
• The strategy of the IIRC should be explained. Specifically, the earlier objective of presenting the IIRC's reporting framework to G20 has been withdrawn, but there has been no explanation by the IIRC and, as a result, confusion has emerged. Unless the IIRC has a vision with which to develop integrated reporting, companies will be unable to commit themselves to integrated reporting.
• While taking due care of companies that are participating in the pilot programme, the information about the activities of the IIRC, which has hitherto been not made publicly available, should become more openly available.
• It is desirable that the consistency, in terms of contents as well as the timeline of their development, with the alternative reporting frameworks for non-financial information that are being developed in parallel with integrated reporting (the European Commission's directive for non-financial reporting, G4 developed by GRI, CCRF developed by CDSB, and others) is ensured and that a shift towards a principles-based accountability framework, which the IIRC and IFRS aim for, becomes something that is internationally shared and accepted. Specifically, the European Commission noted regarding the coordination of the IIRC's strategy with EU policy that "Integrated financial and non-financial reporting represents an important goal for the medium and long term" in a renewed EU strategy 2011-14 for Corporate Social Responsibility, while "reference was also made to the principles currently being developed within the framework of the IIRC" in expert group on disclosure of non-financial information

Additional questions: These are NOT compulsory but will help with analysis if completed

I have provided feedback that reflects:

- ☐ Personal interest
- ☑ Interest of an organization, please provide the name of the organization:

Which best describes your involvement with sustainability reporting?
Please tick all that apply.

- ☑ Reporter (prepare a report for my own organization)
- ☑ Consultant (report preparer on behalf of a third party)
- ☑ Assurance provider
- ☑ Report reader (read reports for the purpose of evaluating or analyzing organizations)
- ☐ Other, please specify:

Please indicate how many years of experience you have with sustainability reporting:

- ○ No experience
- ○ Less than 1 year
- ○ 1-5 years
- ○ More than 5 years

Submit to the IIRC