

10 August 2022 (No. of pages:1 )

Japanese report: 09 Aug 2022

# Corporations Need to Link Human Capital to Corporate Strategy and Disclose the Information

## Will information disclosure in Annual Securities Reports (ASRs) effectively become mandatory?

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### Summary

- A framework requiring listed companies to disclose human capital is being developed. In 2021, the Corporate Governance Code was revised to include content that encourages human capital disclosure.
- The Working Group on Corporate Disclosure of the Financial System Council published a report in June 2022 (hereafter, the DWG Report). The DWG report proposes that the disclosure items in the Annual Securities Reports (ASRs) include a human resource development policy (such as the ensuring of diversity), and an internal environmental improvement policy that takes into account the importance of human resource strategies in enhancing corporate value over the medium to long term.
- Based on the recommendations of the DWG report, the human resource development policy and the internal environment improvement policy will be disclosed in ASRs when the company determines that the information is important to investors. Looking at the management plans and strategies of corporations, the majority of cases referred to the importance of human resource development. In terms of human resource development policy, it basically falls within the category of information that is important to almost all companies, and should be disclosed in ASRs.
- Until now, sustainability information disclosure has been conducted through collaboration among a wide range of departments, including planning, investor relations, sustainability, risk management, and finance. In the future, the HR department will be added to this list. It will be necessary to examine at an early stage what kind of description should be made, whether or not there are any data for which indicators should be disclosed, and how the scope should be covered (including those outside Japan).

Attention

This report is a summary translation. The official document is only in Japanese.

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