



Introduction to the SSBJ

30 March 2023

Sustainability Standards Board of Japan

The observations and comments made in this presentation are those of the presenter, and do not necessarily reflect the views of the Sustainability Standards Board of Japan.



Agenda

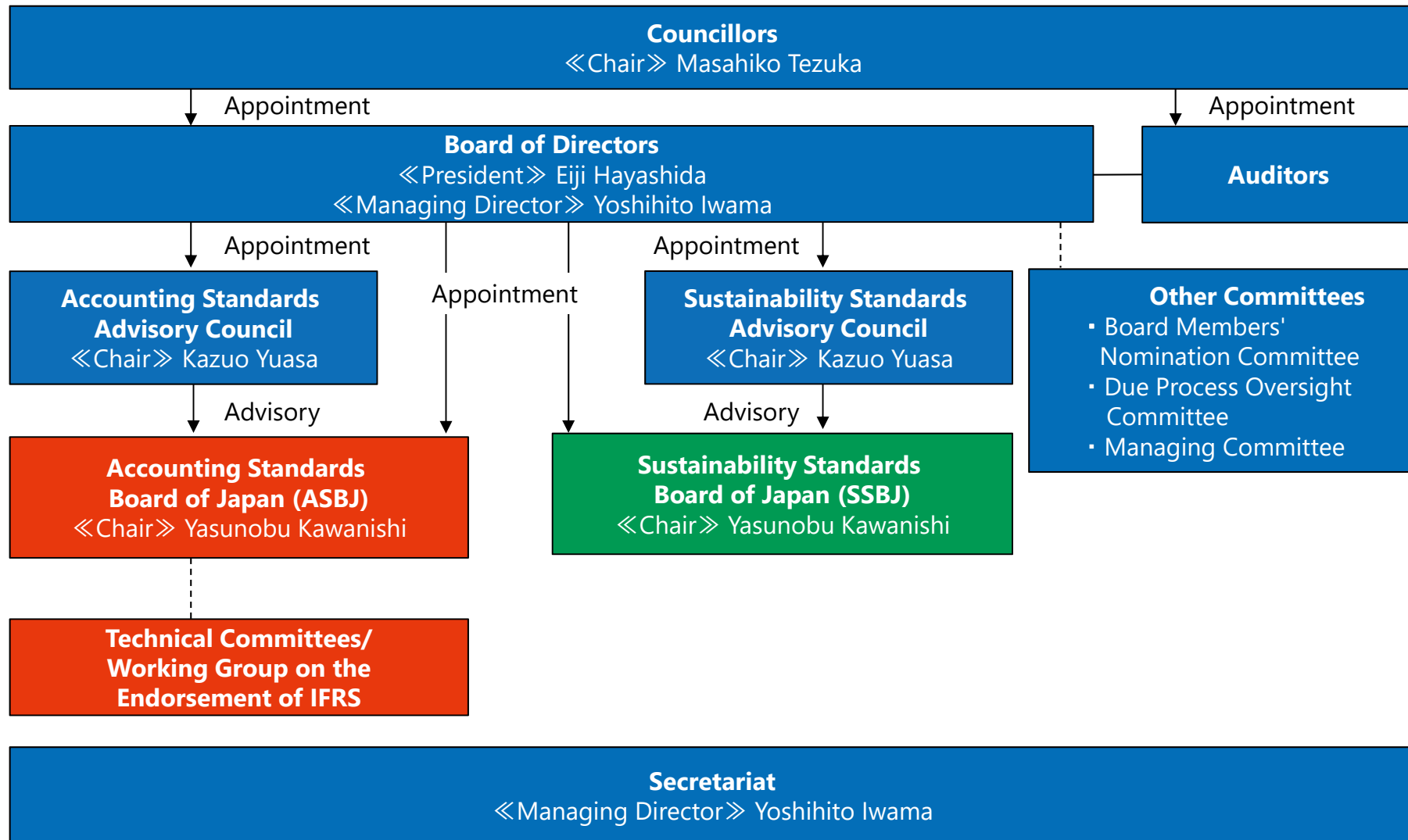


- 1. Overview of the FASF**
- 2. Sustainability Disclosures in Japan**
- 3. Sustainability Standards Board of Japan**



Overview of the FASF

Structure of the FASF/ASBJ/SSBJ



Overview of the Financial Accounting Standards Foundation (FASF) (1)



- ◆ **Founded in July 2001 as a private-sector organisation**
- ◆ **Membership (as of 8 March 2023)**
 - ◆ **4,064 corporate members and 259 individual members**
 - ◆ **Corporate members include listed companies as well as accounting/audit firms**
 - ◆ **Membership is voluntary, but more than 90% of listed companies are members**
 - ◆ **The Tokyo Stock Exchange encourages listed companies to become a member of the FASF, and discloses listed companies that are not members on its website**

Overview of the Financial Accounting Standards Foundation (FASF) (2)



Income (Membership Fee)

- ◆ **JPY 1,467 million (approx. EUR 10 million) for the fiscal year ending March 2022**
 - ❖ **Annual fee is JPY 300,000 (approx. EUR 2,070) per unit for a corporate member**
- ◆ **The fee of the companies in the Prime Market* will be raised to JPY 500,000 (approx. EUR 3,450) from the fiscal year 2023 to secure funding for the SSBJ**

Contributions

- ◆ **The FASF is the sole contributor to the IFRS Foundation representing the Japanese accounting community**
- ◆ **Contributions to the IFRS Foundation account for approx. one fifth of the FASF's income from membership fees**

*On 4 April 2022, Tokyo Stock Market was restructured into three new market segments, 'Prime', 'Standard', 'Growth', refer to the following pages in this presentation

Market Restructuring in April 2022



Japan's Corporate Governance Code requires to:

- develop a basic policy and disclose initiatives regarding the company's sustainability
- enhance the quality and quantity of climate-related disclosure based on TCFD recommendations or equivalent international frameworks (for Prime Market listed companies)

Source: <https://www.jpx.co.jp/english/equities/market-restructure/market-segments/index.html>



Accounting Standards Used in Japan

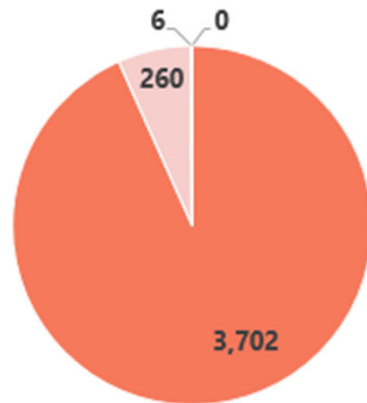


(as of 31 December 2022)

Accounting Standard	Number of Companies Adopted	Share based on Number of Companies	Market Cap. (in JPN tn)	Share based on Market Cap.
Japanese GAAP	3,702	93.2%	368	52.1%
IFRS	260	6.6%	322	45.7%
US GAAP	6	0.2%	15	2.2%
JMIS*	None	–	–	–
Total	3,968	100.0%	705	100.0%

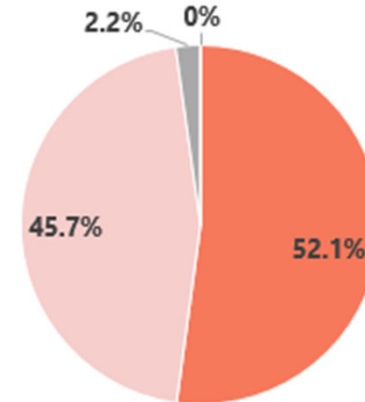
*Japan's Modified International Standards

Number of Companies



■ Japanese GAAP ■ IFRS ■ US GAAP ■ JMIS

Market Cap.



■ Japanese GAAP ■ IFRS ■ US GAAP ■ JMIS



Market Segments and Accounting Standards

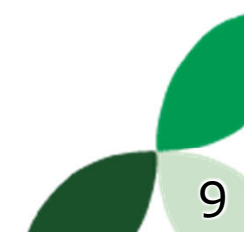


- Nearly half of the listed companies on the Tokyo Stock Exchange are listed in the Prime Market. These companies account for more than 95% of the market capitalisation of the Tokyo Stock Exchange.

Number of Companies			
(Total)	Prime	Standard	Growth
3,968	1,838	1,451	516
	46.3%	36.6%	13.0%
J GAAP	87.9%	98.8%	95.2%
IFRS	11.8%	1.2%	4.8%
US GAAP	0.3%	N/A	N/A

Market Cap. (JPN tn)			
(Total)	Prime	Standard	Growth
705	676	22	7
	95.9%	3.1%	1.0%
J GAAP	50.2%	97.9%	91.6%
IFRS	47.5%	2.1%	8.4%
US GAAP	2.3%	N/A	N/A

Source: <https://www.jpx.co.jp/english/equities/market-restructure/market-segments/index.html>
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A vertical decorative border on the left side of the page, composed of overlapping leaf shapes in various shades of green and yellow. The leaves are arranged in a repeating pattern, creating a sense of growth and nature.

Sustainability Disclosures in Japan

Enhancing sustainability disclosures (1)

- 🌱 In January 2023, the Financial Services Agency (FSA) announced new rules to enhance **sustainability disclosure** in the **Annual Securities Report (ASR)**, which is the **statutory report** to be filed under Japanese securities laws
 - ◆ The new rules are effective for ASRs covering the fiscal year ending March 2023 and onwards.
- 🌱 The FSA's new rules include the following:
 - ◆ **Within the ASR**, companies are required to disclose sustainability information **in a new section**
 - ◆ In this section, companies are required to disclose sustainability information based on the **4 components** of the **TCFD recommendations**
 - ❖ **'Governance'** and **'Risk Management'** are required to be disclosed by all companies
 - ❖ **'Strategy'** and **'Metrics and Targets'** are disclosed subject to materiality judgements by companies

 The FSA also requires to disclose information related to the following:


 **Human capital**

 'Human resource development policies' and 'Policies on improving workplace environment' will be added to the items that are required to be disclosed

 **Diversity**

 'Gender pay gap', 'Ratio of women in managerial positions' and 'Ratio of male workers taking childcare leave' will be added to items that are required to be disclosed

 **Functioning of the Board of Directors**

 **More detailed disclosure** (eg frequency of meetings, attendance and specific agenda items) **will be required for the activities of the Board of Directors, the Nomination Committee and the Remuneration Committee**

Delegation of Standard-Setting Authority

- ◆ FSA regulations state that **accounting standards** that are developed by **an organisation** that meets **specified criteria** are considered to be part of **Japanese GAAP**
 - ◆ The **ASBJ** is the only organisation which the FSA confirmed to have met the criteria
 - ◆ The ASBJ's mandate is limited to **financial statements** - information **outside** the financial statements (including Management Commentary) is currently regulated by the FSA
- ◆ The FSA is currently in the process of developing **a similar regulation** for **sustainability reporting in Japan**
- ◆ SSBJ will develop SSBJ standards in accordance with the regulatory framework



Sustainability Standards Board of Japan

Establishment of the SSBJ



- 🌱 In December 2021, the FASF announced the establishment of **the Sustainability Standards Board of Japan (SSBJ)**, effective 1 July 2022
- 🌱 The FASF also announced the formation of **the SSBJ Preparation Committee**, to discuss international sustainability disclosure standards before the official launch of the SSBJ, effective 1 January 2022
- 🌱 In May 2022, FASF announced the formation of the **Sustainability Standards Advisory Council**



Composition of the SSBJ (as of 1 July 2022)



	Total	Preparers	Practitioners	Users	Academics	Regulators
SSBJ Board Members	13	5*	4	2	2	N/A
Sustainability Standards Advisory Council	14	9**	2	2	N/A	1
Technical Staff	8	3	4	N/A	N/A	1



***Including 3 members from financial institutions
(banks, securities companies and insurance companies)**

****Including 4 members from financial institutions
(banks, securities companies and insurance companies)**

Objectives

-  Develop Japanese sustainability disclosure standards
-  Contribute to the development of international sustainability disclosure standards

International Activities

-  Appointed an inaugural member of the Sustainability Standards Advisory Forum (SSAF)
-  Participating Jurisdictional Working Group (JWG)

Domestic Activities

-  Announced SSBJ's **operational policy** in November 2022
-  Announced SSBJ's **project plan for developing Japanese standards** in January 2023

Operational Policy

 Ensure that SSBJ's Standards are of **high-quality**

→ Disclosure is **useful** to investors

 Ensure that SSBJ's Standards **are aligned with international sustainability disclosure standards**

→ IFRS Sustainability Disclosure Standards

If there are any differences, explain what is different and why

The hurdle for reducing disclosures is expected to be very high

Projects

In January 2023, based on the needs of Japanese stakeholders, the SSBJ decided to undertake the following projects to advance the development of standards as much as possible before the ISSB publishes its final standards

- ◆ Development of SSBJ's standards equivalent to ISSB's **S1 Standards** (SSBJ's **S1 project**)
- ◆ Development of SSBJ's standards equivalent to ISSB's **S2 Standards** (SSBJ's **S2 project**)

Target Dates for the SSBJ's Projects

1	Exposure Drafts	During fiscal year 2023 (To be issued no later than 31 March 2024)
2	Final Standards	During fiscal year 2024 (To be issued no later than 31 March 2025)

- ◆ The Board will discuss the mandatory effective dates later – the standards will be available for **early application**, only if both S1 and S2 are applied at the same time
- ◆ If the final standards are issued as targeted, **early application** would be permitted for fiscal years **beginning** after the issuance of the final standards
- ◆ The Board will discuss whether earlier application would be permitted for fiscal years **ending** after the issuance of the final standards



 **SSBJ**

The logo features a stylized green icon on the left, composed of four interlocking circular shapes with small dots at their intersections. To the right of this icon, the letters "SSBJ" are written in a bold, green, sans-serif font.