Defining the Importance of Nonfinancial Information, an Area Marked by Rising Expectations for Disclosure

The study meeting featured presentations by SRI and CSR expert Mr. Eiichiro Adachi of The Japan Research Institute, Limited and Mr. George Iguchi of Nissay Asset Management Corporation, an institutional investment firm. Both gentlemen delivered thought-provoking talks on recent trends surrounding disclosure of nonfinancial information.

In the EU, amendments have been passed that call for additional disclosure of nonfinancial information, as that region gears up for long-term economic growth and improvements in employment. In place in Japan since last year as dual measures to encourage responsible outlays by institutional investors, accounting for around 30% of the total of such investment at the end of 2013. It has become imperative to grasp the essence of this trend, while moving to actively disclose nonfinancial information and reflect that intelligence in corporate management and IR activities. Against such a backdrop, there is considerable significance in the fact that the Financial Service Agency is using the Stewardship Code to demand institutional investors to form a greater grasp of the responses to social and environmental issues at the companies in which they invest. The formulation of the Corporate Governance Code also represents a landmark move in that vein, in terms of its recognition of the structural elements of corporate governance in addressing social and environmental problems.

For investors, it is not only important to examine the overall flow of CSR, but also to discern the ESG factors, which comprise particularly important elements in both risk and opportunity, linking the business ethics at each company. The majority of investors are starting to take greater notice of the strengths and distinguishing characteristics of each company, rooted in the various different backgrounds that define those companies. It is precisely for this reason that the need has emerged to consider the disclosure of such information on a management basis. In that sense, it has become tremendously important to not merely congregate such work to the divisions in charge of CSR, but instead organize moves for promotion on a company-wide scale.

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Eiichiro Adachi
Counselor

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George Iguchi
Corporate Governance Officer
General Manager of Equity Investment Department
Nissay Asset Management Corporation

The meeting was held on March 31, 2015.

Opinions and Proposals from the Experts

Eiichiro Adachi
Counselor

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George Iguchi
Corporate Governance Officer
General Manager of Equity Investment Department
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The premise for long-term investment grounded in the Stewardship Code is multidimensional understanding of corporate activity. In my view, incorporating ESG evaluations into the management process in implementing corporate assessments serves to accelerate the grasp of such multidimensional activity, thereby contributing to improved investment performance over the long term. Within this process, harboring greater importance than short-term sales, earnings and other financial data, is a solid grasp of corporate ideology, management strategies, responses to environmental regulations, relationships between management and employees and other such nonfinancial information. Of particular importance is the “S” for “Society” in ESG, which is tantamount to corporate DNA and the wellspring of any company’s inherent value. In the eyes of investors, this area holds the highest priority of all. Investor activities channelled through this cadre of ESG analysis will lead to constructive dialogue with target companies.

Annual reports compiled from medium- to long-term perspectives rank as an extremely major presence. This is because the inclusion of ESG standpoints in the preparation of such reports positioned to integrate financial and nonfinancial information is destined to become both an indispensable part of the management process used to create corporate value. The dissemination of information regarding TDK’s business and products is truly top caliber. I have high hopes for continued progress in that direction going forward, aimed at attaining ample communication of the company’s ideology, long-term vision and its other qualities.

Following the Study Meeting

If we equate companies to “people,” financial information can be said to represent scholastic or physical energy capable of being numerically expressed in examinations, while nonfinancial information takes on the image of character traits, dispositions, or other elements that can only be ascertained through the accumulation of actual experience. As one case in point: “I feel from my daily experiences that greater stress is being placed on ESG, pointing to the need for TDK to also review our approach to how information is disseminated.”

Juni Yoneyama
Director & Senior Vice President
TDK Corporation

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