

OPINION

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Japan's Recent Efforts to Revitalize Disclosure and Their Implications

The value-up disclosure introduced last year has produced outcomes in expanding shareholder returns mainly among large corporations, but communication with investors through mid- to long-term management plans remains insufficient. Japan has long advanced its disclosure of mid-term management plans, which are now widely established. In particular, the Japanese government supports such disclosures through its Value Co-Creation Guidelines. The value-up disclosure introduced in Japan in 2023 builds on mid-term management plan disclosure and provides high-quality of implementation plans. In addition, disclosure policies related to investment in intangible assets and sustainability have been added, strengthening disclosure of corporate value-creation narratives. As technological innovation and industrial restructuring accelerate, investors increasingly value the intangible assets and growth potential companies possess. In this regard, Korea also needs policy support to promote disclosure related to investment in intangible assets and mid- to long-term management plans, and to ensure high-quality of disclosure.

Korea introduced value-up disclosure last year to enhance corporate value. While the policy has led to increased shareholder returns, particularly among large companies, it has not yet attracted broad participation from listed firms. A compelling mid- to long-term value-creation narrative is crucial to corporate value enhancement because it plays a central role in investors' long-term investment decisions. Yet, despite the introduction of value-up disclosure, communication with investors based on such management plans still appears insufficient. Japan has been pursuing policies to promote disclosure of mid-term management plans and disclosure on investment in and utilization of intangible assets, in addition to value-up disclosure similar to Korea's. This article examines Japan's case and proposes the need for improving disclosure in Korea.

* All opinions expressed in this paper represent the author's personal views and thus should not be interpreted as Korea Capital Market Institute's official position.

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Mid-term Management Plan Disclosure in Japan

Since the publication of the Ito Review in 2014, Japan has consistently promoted the improvement of corporate capital efficiency, corporate governance reform, and strengthened communication with shareholders. Regarding shareholder communication, the Ito Review emphasized providing information on corporate growth plans and co-creating corporate value with investors based on such information. The requirements for establishing and disclosing mid-term management plans in Principles 4.1 and 5.2 of Japan's Corporate Governance Code enacted in 2015 appear to reflect these points.

These principles require the board to set management strategies and management plans and, when disclosing them, explain targets such as profitability and capital efficiency, implementation plans to achieve these goals, and capital policy directions. When the mid-term management plan falls short of its targets, companies must analyze the reasons, explain their responses to shareholders, and reflect these in the next plan. Since these principles follow a comply-or-explain framework and rely on corporate discretion, it is difficult to judge execution levels uniformly. Nevertheless, a January 2022 survey found that 70 % of 1,074 listed Japanese companies disclosed mid-term management plans, with an additional 14.9 % preparing plans without public disclosure. Mid-term management plans of Japanese companies can be easily found in corporate governance reports, standalone disclosures, integrated reports, and IR materials.

Another feature of Japan's disclosure policy is the establishment of disclosure guidelines. Unlike financial statements, mid- to long-term management plans must articulate future growth strategies, including management philosophy and business portfolio transformation, and ultimately contribute to strengthening corporate competitiveness. The Value Co-Creation Guidelines, published in 2017, support such disclosure. They provide an information framework that integrates corporate philosophy, business model, strategy, and performance indicators into a unified value-creation narrative, enabling corporate value to be assessed from a mid- to long-term perspective and used in stewardship activities. The revised 2.0 version in 2020 emphasizes ESG, sustainability, intangible assets, and capital efficiency, reflecting market developments. By offering these guidelines, the government supports companies in preparing mid-term management plans, integrated reports, and IR materials, thereby improving the quality and effectiveness of voluntary disclosure.

Disclosure of Action to Implement Management that is Conscious of Cost of Capital and Stock Price

The Japan Exchange Group (JPX) introduced a disclosure framework for “Action to Implement Management that is Conscious of Cost of Capital and Stock Price” in 2023. This resembles Korea’s value-up disclosure and reflects the emphasis placed on accurate understanding of cost of capital in the 2021 revision of Principle 5.2 of the Corporate Governance Code. It requires listed companies to properly assess shareholders’ cost of capital and, based on this, improve capital efficiency and PBR, strengthen shareholder returns, and enhance communication with the market. It can be viewed as an advancement of the previously discussed mid-term management plan disclosure.

In practice, Japanese listed firms provide mid-term management plans and value-up disclosures separately, incorporate them together in integrated reports, or attach value-up information to mid-term management plan disclosures. Since shareholder value enhancement is closely linked to management philosophy, mid- to long-term strategies, and performance indicators, value-up disclosure requires concrete mid-term implementation plans aligned with long-term managerial direction. The tendency of Korean companies to emphasize shareholder returns in value-up disclosure appears related to the fact that mid-term management plan disclosure has not yet become well established in Korea, unlike in Japan.

Intellectual Property and Intangible Asset Disclosure

In 2021, the Japanese government added requirements to the Corporate Governance Code for disclosing investments in human capital and intellectual property (Supplementary Principles 3-1(③) and 4-2(②)). This reflects a policy objective of encouraging companies to actively invest in and leverage intellectual property and intangible assets. The government believes intangible asset investment plans should be communicated not merely as information but as part of a value-creation narrative, and to this end introduced the “Guidelines on Disclosure and Governance of Strategies for Investment in and Utilization of Intellectual Property and Intangible Assets (Version 2.0).” These guidelines are linked with the aforementioned Value Co-Creation Guidelines, demonstrating that they complement disclosure of companies’ mid-term management plans.

Table 1. Japan's Corporate Governance Code and Voluntary Disclosure

	Mid-Term Management Plan Disclosure	Action to Implement Management that is Conscious of Cost of Capital and Stock Price	Intellectual Property and Intangible Asset Disclosure
Corporate Governance Code	Principles 4-1, 5-2; Supplementary Principle 5-2(①)	Principle 5-2; Supplementary Principle 5-2(①)	Supplementary Principles 3-1(③), 4-2(②)
Guidelines	Value Co-Creation Guidelines	JPX (2023)	Intellectual Property and Intangible Asset Governance Guidelines
Disclosure Methods	Corporate governance reports, standalone disclosures, integrated reports, etc.	Corporate governance reports, standalone disclosures, integrated reports, etc.	Corporate governance reports, standalone disclosures, integrated reports, etc.

Mandatory Disclosure: Annual Securities Reports

Japan has also pursued changes to annual securities reports, which correspond to Korea's business reports. In 2019, the narrative section conveying non-financial information was shifted to a principles-based approach so that substantive business content, rather than format, would be emphasized. For example, companies are required to explain management policies and strategies for creating corporate value over the mid- to long term, thereby demanding more information necessary for investment decisions. In 2023, a new section on "Concepts and Efforts Related to Sustainability" was added, requiring disclosure of sustainability governance, strategy, risk management, metrics and targets, and employee management. These changes show that, apart from voluntary disclosure, Japan views corporate future strategy—such as mid- to long-term policies and sustainable growth—as essential information that must be disclosed to investors.

Conclusion

As seen above, Japan has recently pursued policies to improve both voluntary and mandatory disclosure as a means of enhancing dialogue with investors and strengthening corporate competitiveness. In particular, Japan seeks not only to activate disclosures but also to

improve content and quality so that investors can make informed decisions and jointly pursue value creation with companies.

Disclosure of mid- to long-term management plans, intangible asset investment, and sustainability is becoming increasingly important. With rapid technological innovation, financial performance and current market dominance alone no longer guarantee future success. Under these conditions, the market places growing emphasis on competitiveness factors tied to future growth, such as intangible asset investment and strategy or corporate responses to sustainability. Investors can commit to long-term investment only when they understand and agree to a company's mid- to long-term business portfolio and growth direction. Consequently, in enhancing corporate value, it is increasingly critical for companies to disclose their growth plans and engage constructively with investors. However, such disclosures must be conveyed as optimized narratives tailored to each company—not merely as information mechanically listed in standardized formats—to persuade investors. Companies must therefore provide value-creation stories that properly reflect investors' perspectives. In this respect, efforts to promote disclosure of mid- to long-term management plans, along with policy support such as disclosure guidelines to improve disclosure quality, are essential.