

# Materiality of Integrated Reports and Motivations for Publishing: Evidence from Japan

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## 論 文 内 容 の 要 旨

### Thesis Summary

Corporate social reporting (CSR) in various forms, such as sustainability report (SR), integrated report (IR) and environmental report are considered a part and parcel of the mainstream business communication channel, these days. Investors and stakeholders complain that there is too much information in these reports yet ask for more fitting to their demand. This phenomenon gives rise to information overload and decreases overall information quality. The idea of ‘materiality’ presents a solution to these issues by offering an information filtering tool; however, materiality cannot be defined universally, and it differs based on contexts. Thus, numerous studies have been conducted to understand materiality, either from a content-element-based perception or from a principle-based perception; and, interestingly, even if Japan is one of the top practitioners of integrated reporting in the world, it is a bit ignored in the CSR-research. To fill these gaps, by integrating categorized materiality variables (CMV) and materiality disclosure quality variables (MDQV)—covering both content-element-based and principle-based grounds—and considering Japanese integrated reports this study addresses the first research question: “are the Japanese electric equipment companies disclosing material information in their IRs?” Findings reveal a specific pattern and perception towards material disclosures, and it begets another (second) question: “what is the motivation of the IR-preparers for offering this specific pattern of information?” By segregating this thesis into six different chapters, this study tries to answer these two questions.

Chapter 1 speaks about the research background, motivation, value addition, logics of conducting research with Japanese IR, research objectives and questions. Chapter 2 provides a theoretical background (basics of legitimacy, stakeholder and institutional theories, comparison among these theories, and reasons for choosing the institutional theory to explain managerial motivation) and related knowledge bases, such as materiality conceptualization in a non-financial context and content analysis of the CSR-arena. To follow, chapter 3 offers a history of the Japanese corporate social reporting, characteristics of the Japanese CSRs’ along with its unique institutional setting.

Chapter 4 enumerates the methodology of this study. For answering the first research question, initially, categorized materiality variables (CMV) and materiality disclosure quality variables (MDQV) are accumulated from various sources. The sample contains 29 English integrated reports from the Japanese electric equipment industry, representing 2019’s CSR. Data are collected, coded and interpreted by pursuing a manual interpretive content analysis and two different disclosure indexes for the two variable sets. While answering the second question, legitimacy, stakeholder or institutional theory can be utilized; only institutional theory can cover the explanatory angles of the other two theories and stretch to

additional grounds. Therefore, an institutional theory-based thematic analysis is preferred.

Chapter 5 holds findings and discussion. IR preparers from the Japanese electric equipment industry are pressing more on the CMVs and yet to understand the impact of MDQVs on CMVs. These companies are disclosing environmental and governance information appropriately; however, the social category is largely ignored, and a befitting materiality framework is disclosed by a few companies. Moreover, they vouch for the ‘financial materiality’ of sustainability by disclosing rich economic information; and their ESG-indicators related disclosures lack measurable facts, for both the CMV and MDQV sets. These findings beget another issue, i.e., what is the motivation of the IR-preparers for offering this specific pattern of information? To unearth this issue, an institutional theory-based thematic analysis is conducted by attaching three isomorphic—coercive, normative and mimetic—mechanisms to the elements of Japanese institutional setting of CSR. Japanese CSR arena is coerced by a few numbers of laws, sanctions and listing requirements; some of these laws apply to specific entities and provide a ‘comply or explain’ based flexibility for the companies. Additionally, the Japanese companies are largely governed by guidelines and enjoy a voluntary terrain of CSR, i.e., integrated reporting (IR). Hence, by text, Japanese report preparers are coerced to disclose through IR; however, norms can explain more regarding their primary motivation for IR-publications. The explanatory power of normative mechanism is reinforced by the environmentally friendly mentality of the Japanese people who follow harmonious social norms and expect the companies to do the same; to add, the Japanese companies attach themselves with various social and environmental groups, hanker after environmental certification and self-regulate themselves towards sustainable business practice and CSR publications. Furthermore, Japan is keen to follow overseas CSR culture, e.g., practices of the USA, the UK, and currently, the IR practices of South Africa; it is marked by model companies that are popular through award and rating ethos. So, whenever a company is confused due to the flexibility of interpretations or contents and faces uncertainties while reporting they simply copy (mimetic isomorphism) the model domestic or foreign companies.

Chapter 6 includes concluding remarks, limitations and future research scope. Abiding by a single framework, starting the report with a step-by-step materiality determination process followed by a separate materiality section, acknowledging the influence of MDQV on CMV and shifting—slightly, not completely—from a ‘financial materiality’ of sustainability approach to a broad stakeholder-based one will increase the coverage, mutual-connections, and materiality of IR-disclosures of the Japanese electric equipment companies. Furthermore, adding measurable ESG-facts and targets that are connected to identified material items and putting up quantifiable environmental accounting numbers will make the IRs more beneficial to the users. Finally, the strength of coercive mechanism in explaining the managerial motivation of publishing Japanese IR is low, whereas normative and mimetic mechanisms have the strongest and moderate vocal in rationalizing the same, respectively. Generalization of the study may get hampered due to the subjectivity of interpretive and thematic analysis and typicality of the Japanese context. Researchers of the CSR-arena, report-preparers and related framework or guideline setters may benefit from the output of this study. Currently, various bodies are thriving for a mandatory reporting framework. Hence, embedding the idea of ‘materiality’ in a mandatory reporting context and bringing debates about a ‘qualitative threshold’ on the table may provide scopes for future research; these will contribute toward a comparable framework.