



10th EISMA INTERDISCIPLINARY WORKSHOP

Interdisciplinary Workshop on Intangible, Intellectual Capital and Extra-Financial Information

Our Experiences of Intellectual Assets Based Management and Its Future Development

Waseda Intellectual Capital Research Society
&
World Intellectual Capital/Assets Initiative

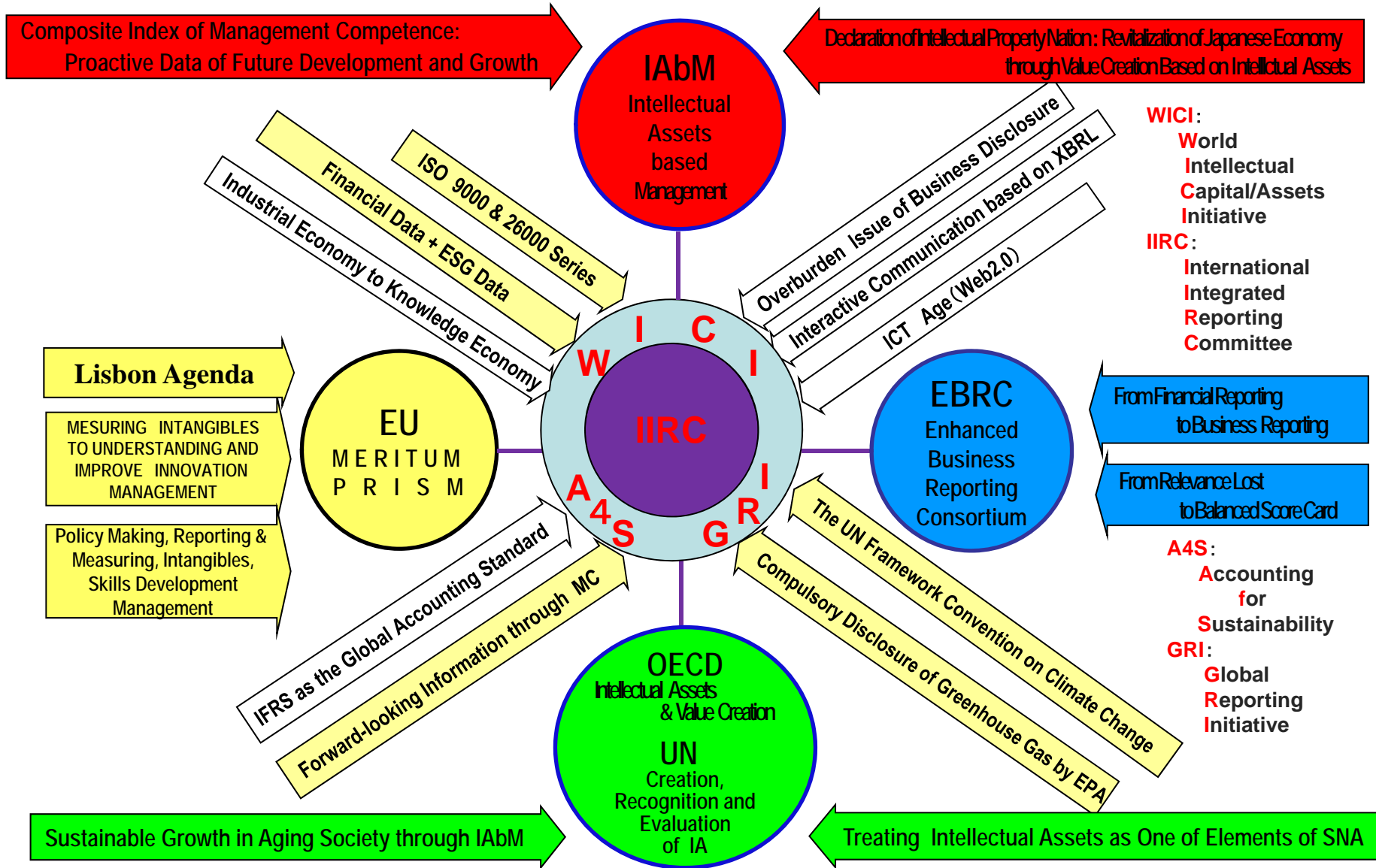
Senior Advisor

YASUHITO HANADO

September 18, 2014



Overlook of Today's Business Disclosure : Financial Reporting ⇒ Business Reporting ⇒ Integrated Reporting





2005. June July Aug. Sept. Oct. Nov. Dec. Jan. Feb. March Apr. May June July Aug. Sept. Oct. Nov. Dec. Jan. Feb. March Apr. May June July Aug. Sept. Oct
2006. Apr. May June July Aug. Sept. Oct. Nov. Dec. Jan. Feb. March Apr. May June July Aug. Sept. Oct
2007. Apr. May June July Aug. Sept. Oct. Nov. Dec. Jan. Feb. March Apr. May June July Aug. Sept. Oct
2008. Apr. May June July Aug. Sept. Oct

National

Subcommittee on IAbM, Deliberation for Structure of Japanese Industry, METI

【Public Company】

- 2005.8.12. *Interim Report on IAbM*
- 2005.10.14. *Guideline for IAbM Reporting*
- 2007.3.30. *Research Report on Viewpoints of IAbM Reporting*

【Small & Medium Enterprise】

Committee on IAbM for SMEs, Organization for SMEs and Regional Innovation

- 2006.3.14. *Interim Report on IAbM for SMEs*
- 2006.12.10. *Manual for IABM Reporting of SMEs*
- 2008.10.1. *Guideline of IAbM Practice for SMEs*
- 2008.10.1. *Research Report on IAbM Finance*

Trial Project on Disclosing IAbM Report of SMEs, Kinki Division of METI

- Two SMEs of Kansai Area Disclosed Their Tentative IAbM Reports, and One of Them Borrowed Bank Loan under the Relational Banking Loan Policy Based on IAbM

1st IAbM Week in Japan

2nd IAbM Week in Japan

3rd IAbM Week in Japan

4th IAbM Week in Japan

International

1st Japan-Germany IAbM Summit

OECD Project on Intellectual Assets and Value Creation and Its Follow-up Project

Meeting and Workshop with Enhanced Business Reporting Consortium

【Background】

- Drastic Change of Enterprise's Value Creation Driver in the Knowledge Economy
 - ⇒ Shifting from Tangible Assets to Intangible Resources
 - ⇒ In Developed and Matured Country Like Japan, Intangibles Is the Key of Competitiveness

【Three Steps of IAbM】

- 1) Developing IAbM as New Japanese Business Model
after Japanese Real-Estate Bubble Burst
- 2) Introducing the New Disclosure System for Open Innovation
in the Age of Web 2.0
- 3) Sharing the World Intellectual Capital/Assets Initiative
of Business Reporting Framework Based on XBRL Format
with Every Business People and Stakeholders



Developing the New Scheme of Evaluating IAbM as Value Creation Driver

Intellectual Assets-based Management (IAbM):

The business management utilizing “Intellectual Assets”
as an source of its competitiveness

Intellectual Assets:

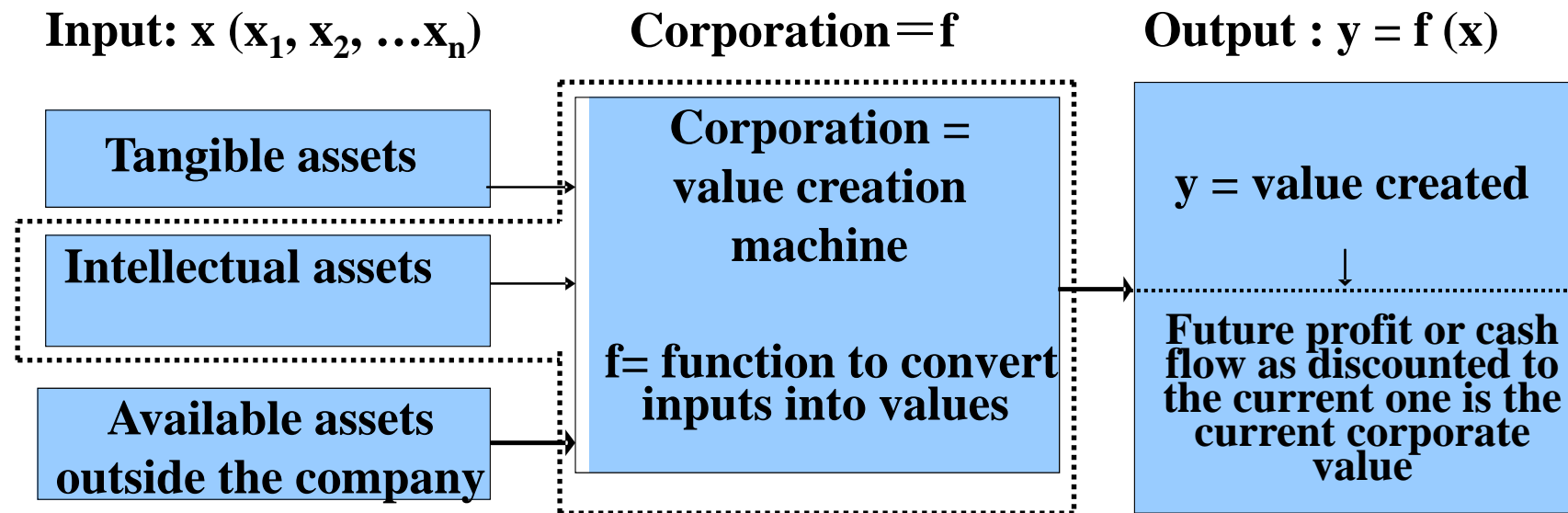
Such as:

Human Resources, Unique Technologies, Organizational Strength,
Networking with Customers and Other Stakeholders,
Brands and Intellectual Property Rights.

These invisible resources have become an indispensable source of
value creation and competitiveness of business enterprises.

Our Concept of IAbM

- Company is a value creation mechanism, which can be expressed a metaphor of the mathematical function.
- The part surrounded by dotted line is usually invisible.



Not only IA itself (x), but also the conversion mechanism (f) to create values are substantial, since (f) is the very management.

IA and (f) last longer than tangible financial assets, therefore they are more reliable grounds for future achievement.



WICI: Who We Are



- WICI was formed in November 2007 and participants include organizations representing companies, analysts and investors, the accounting profession and academia.

The Promoting Parties of WICI are:

Enhanced Business Reporting Consortium (USA)

(American Institute of Certified Public Accountants (AICPA), Microsoft Corporation, PricewaterhouseCoopers and Grant Thornton)

European Federation of Financial Analysts Societies (EFFAS)

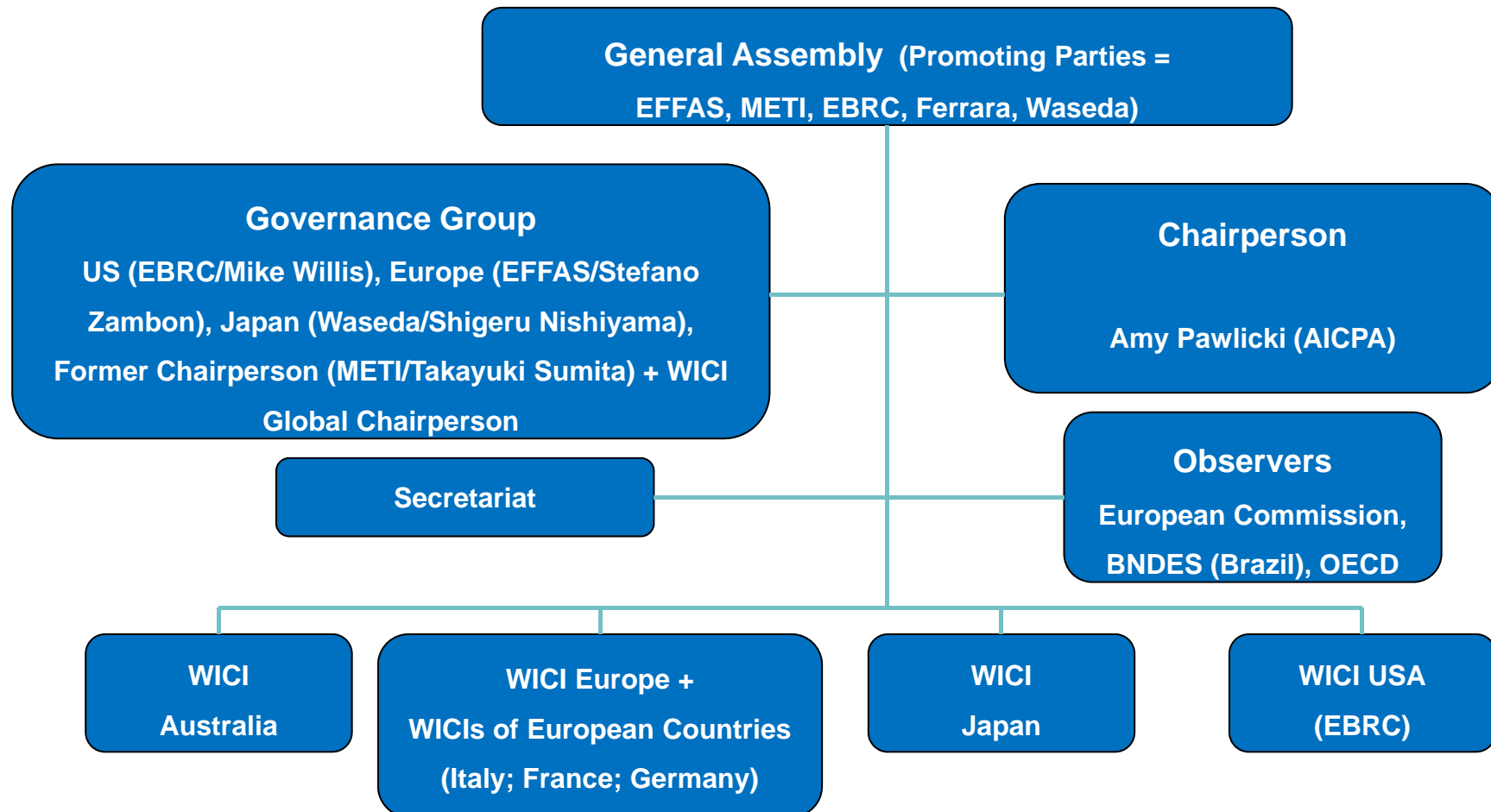
Japanese Ministry of Economy, Trade and Industry (METI)

Society for Knowledge Economics

University of Ferrara

Waseda University

The European Commission, the OECD, and the Brazilian Development Bank (BNDES) participate in WICI as Observers.



Our Vision

WICI, the world's business reporting network, is a private/public sector collaboration aimed at improving capital allocation through better corporate reporting information

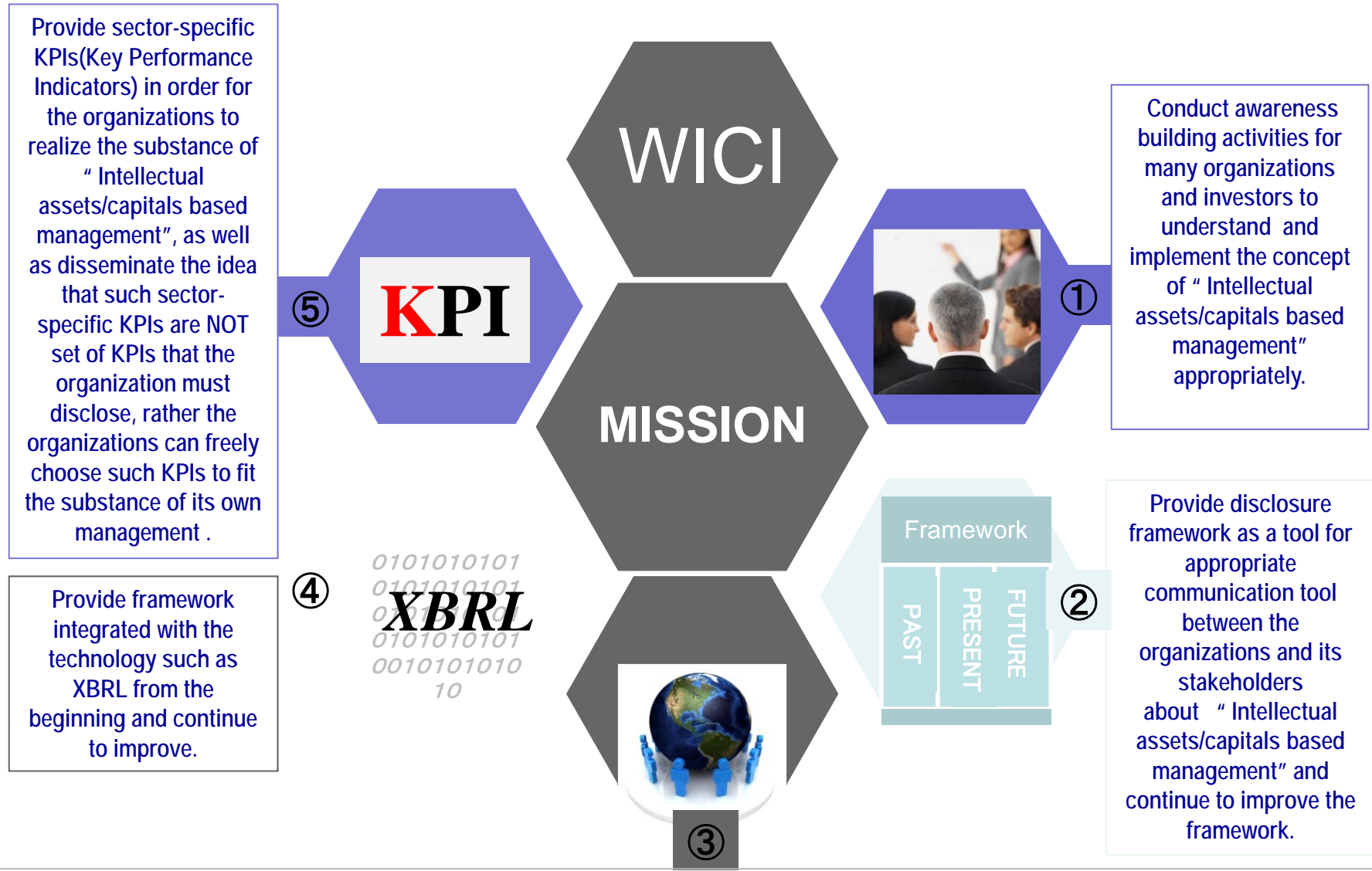
Our Goals

- **The first is to develop a voluntary new global framework for measuring and reporting corporate performance to shareholders and other stakeholders.**
- **The second is to develop guidelines for measuring and reporting on industry-specific key performance indicators (KPIs).**
- **The third is to facilitate the development of XBRL taxonomies for this content.**



We believe that such better information will improve capital allocation decisions both within companies and between investors and companies. The result will be more value creation for a better world economy.

WICI Activities



Participate the discussion about other global disclosure framework and input WICI concept into the globally accepted disclosure framework.



Our Reporting Framework

0. Corporate Profile & Business Attributes		
0-1. industry overview		
0-2. duration and results per business unit		
0-3. business cycle per business unit		
0-4. competitive analysis		
past	current	future
a. Business Landscape a-1. business landscape summary	d. performance d-1. performance summary (results of operation) d-2. GAAP based d-3. GAAP derived d-4. Industry based d-5. Company specific d-6. Capital market-based	A. Business Landscape A-1. business landscape summary A-2. economics A-3. industry analysis A-4. technology trends A-5. political A-6. legal A-7. environmental A-8. social
b. Strategies b-1. corporate strategy summary b-2. vision and mission b-3. strengths b-4. weakness b-7. goals and objectives b-8. corporate strategy b-9. business unit strategies b-10. business portfolio		B. Strategies B-1. corporate strategy summary B-2. vision and mission B-5. opportunities B-6. threats B-7. goals and objectives B-8. corporate strategy B-9. business unit strategies B-10. business portfolio
c. Resources and Processes c-1. resources and processes summary c-2. resources forms c-3. key processes c-4. value drivers		C. Resources and Processes C-1. resources and processes summary (C-99.)Resources and processes summary especially with changes in resource forms, key performance and main process from that described in c-2 and c-3 D. performance D-1. financial prospects (summary)



Our Concept of KPI

Definition of WICI KPIs

KPIs are provided as numerical figures (metrics) related to critical factors of value creation, and they support the explanation of business strategy linking it to future financial or economic performance.

“Concept Paper on WICI KPI in Business Reporting ver. 1.0” (last updated on July 2010)

Some Attributes of WICI KPIs

- Both financial and non-financial information including KPIs shall be accompanied by an explanation of the company's corporate value creation mechanism and strategy, as well their potential impact on current and future economic/financial performance
- According to their relevance, KPIs can be categorized into three classes: general KPIs, industry-specific KPIs, and company-specific KPIs. As a first step, WICI intends to develop and set up industry-specific KPIs, followed by a process of singling out common KPIs among these, based on the results of their application

According to our concept and attributes of WICI KPIs, we have, as our first step, been developing the industry-specific KPIs below.

Electronic components (*WICI Japan*); Pharmaceutical (*WICI Japan*); Automotive-automobile (*WICI Japan*); Telecommunications (*Joint WICI Europe + EFFAS*); High Technology (*in XBRL*) (*WICI USA*); Mining (*in XBRL*) (*WICI USA + WICI Australia*); Fashion & Luxury (*Joint WICI Europe + EFFAS*); Electricity (*WICI Europe + WICI Italy*); Oil & Gas (*WICI Europe*) (*in course of elaboration*)

※ All available for free download in the WICI website (www.wici-global.com)

Seven Points for Future Business Reporting

- 1. Identifying sources of differentiation of a company from others**
- 2. Making it clear the value creation mechanism unique to the company which can last longer**
- 3. Presenting an integrated picture of the company's activities, including financial data, financial performance and non-financial elements**
- 4. Providing clues to stakeholders to predict future performance of the company**
- 5. Allowing companies to freely choose the substance without requiring 'tick the box' type of disclosure**
- 6. Explaining material issues for the company with a certain reliability and comparability of the disclosed information for users**
- 7. Reducing the total cost of reporting for companies**



W I C I : P A S T - P R E S E N T



WICI Started

WICI Taxonomy

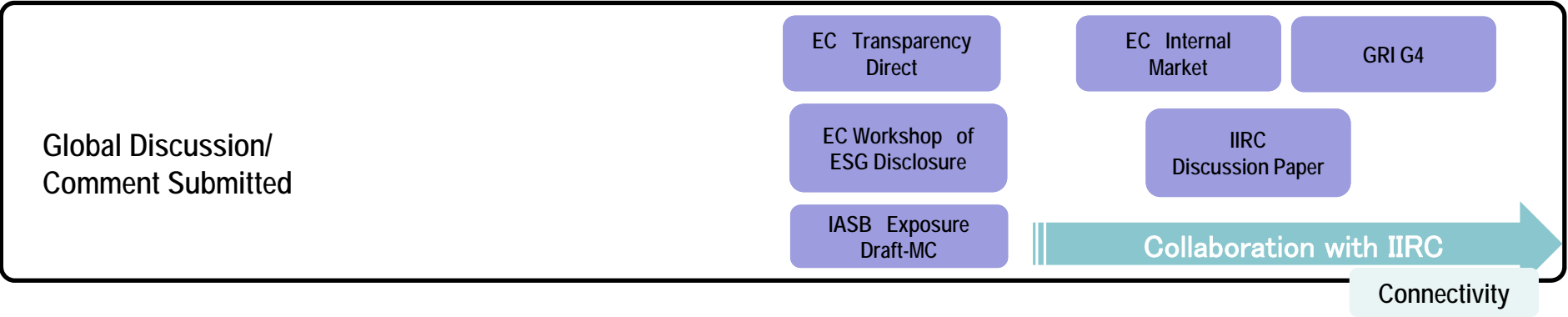
WICI KPI Concept Paper

WICI Concept Paper (Framework)

MoU with IIRC as Collaborate Partners

Industry KPI Project : Automobile/Electronic Device/
Pharmaceutical/Telecommunications/Fashion

WICI Symposium	Nov 19th "Value Creation Management and Interactive Data"	Nov 20th "Business communication frontier"	Dec 2nd "Challenge to Integrated business reporting ~How we communicate"	Dec 1st "Strategic corporate management in Integrated Reporting Era"	Oct 31st "Towards Substantial disclosure beyond the form"	Nov 22nd "Integrated Thinking is the key for Increasing Own Competitive Strength"
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WICI also participates in the international debate, sending its comments and suggestions on documents set by standard setters and institutions for public consultation. The most recent examples:

- 1. Discussion Paper on «Disclosure Framework» by EFRAG (European Financial Reporting Advisory Group) (January 2013)**
- 2. European Commission's «Green Paper on Long-Term Financing of the European Economy» (June 2013)**
- 3. GRI (Global Reporting Initiative) Report on «The Sustainability Content of Integrated Reports – A Survey of Pioneers» (June 2013)**
- 4. «International Integrated Reporting Draft Framework» by the IIRC (International Integrated Reporting Council) (July 2013)**
- 5. «Alternative Performance Measures» by ESMA (European Supervisory Authority on Financial Markets) (May 2014)**





“The essence of a business is to **create value** over the long, as well as the short and medium term, by utilizing its strengths supported by the range of capitals available to it.

Therefore, the most important part of corporate reporting is for a business to tell **its individual value creation story**, providing evidence of how the organization **has created value in the past** and **its plans for creating value in the future.**”

“The collaboration between WICI and IIRC will help further the evolution of corporate reporting. Creating **a new corporate reporting language** will enable organizations to communicate their **own value creation story more effectively** with investors which will facilitate better decision making and, in turn, contribute to a more sustainable global economy.”



WICI took on the editorship of IIRC Background Paper for <IR> “CONNECTIVITY”



WICI Connectivity Project



CONTENTS

1	Executive summary
2	1. Introduction
3	A About this paper
4	B Defining connectivity
5	2. Integrated Reporting
5	A Governing body and management considerations
5	Establishing the big picture
7	Connecting time horizons
8	Developing a consistent message
9	B Other functional departments' considerations
9	Internal communications
10	Connecting material matters
11	Information technology
12	Internal audit
12	3. Integrated report
13	A Report content
13	Communicating the big picture
17	Connecting time horizons
19	B Report approach
19	Applying communication techniques
21	Leveraging technology

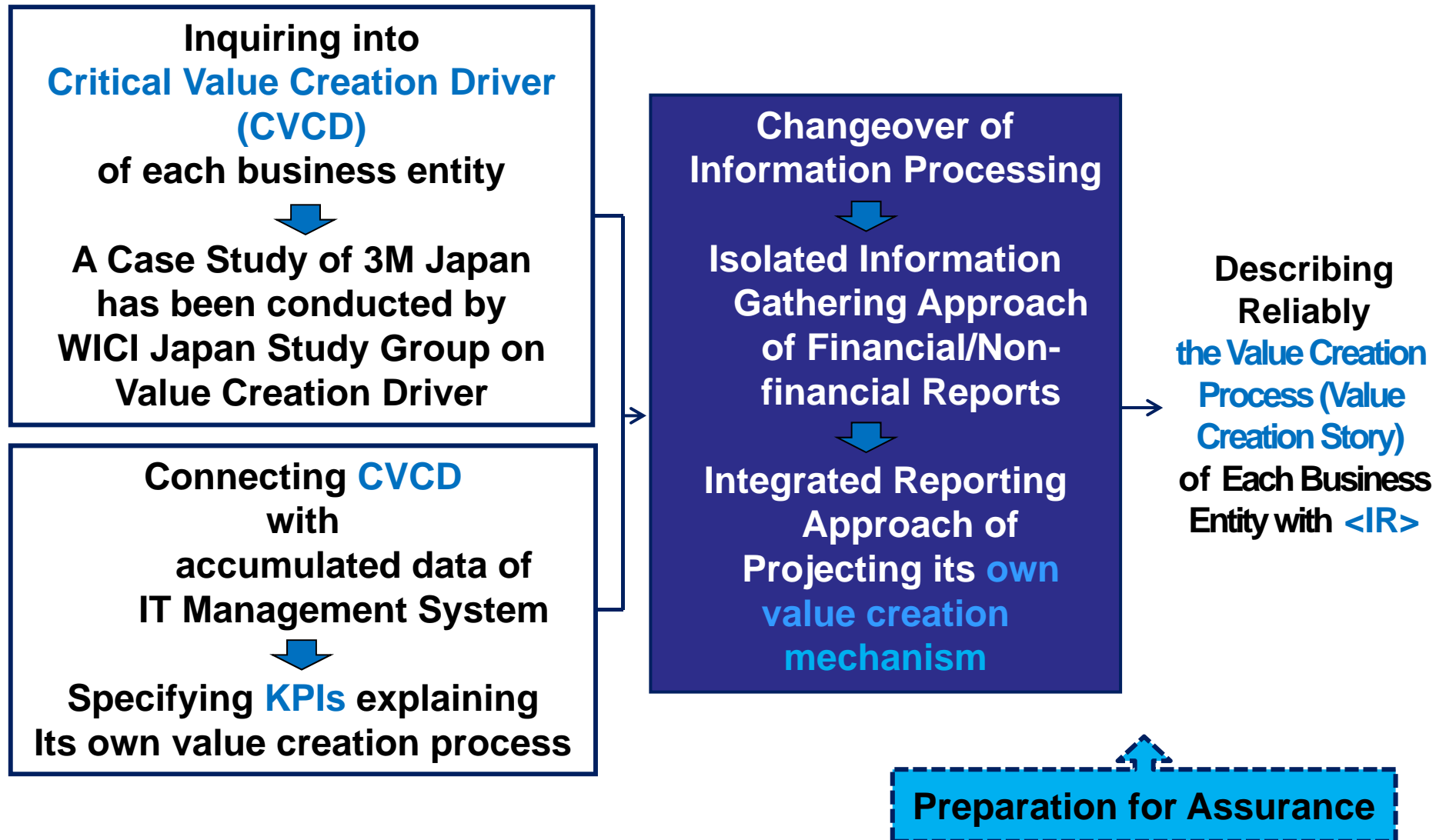
Definition (FW 3B 3.6)

An integrated report should show a holistic picture of the combination, interrelatedness and dependencies between the factors that affect the organization's ability to create value over time.

Key Forms of Connectivity Information

- The Content Elements
- The past, present and future
- The capitals
- Financial information and other information
- Quantitative and qualitative information
- Management information, board information and information reported externally
- Information in the integrated report, information in the organization's other communications, and information included in other sources.







WICI Events in 2014

WICI Panel on “Connectivity”

12th World Congress of Accounting Researchers and Educators
University of Florence, 13-15th of November 2014

WICI Symposium 2014

4th of December 2014

Otemachi Financial City Conference Center, Tokyo

<http://www.wici-global.com/>

Thank You for Your Attention