



Session 2: National Agendas for IC

**Intellectual Asset-based Management in Japan
= Present Status and Perspectives =**

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Agenda of My Presentation

- 1. Background of Developing Intellectual Assets based Management (IAbM) and Its Disclosure**
- 2. Developing IAbM as New Japanese Business Model after Japanese Real-Estate Bubble Burst**
- 3. Introducing the New Disclosure System for Open Innovation in the Age of Web 2.0**
- 4. Sharing the World Intellectual Capital/Assets Initiative Framework for Business Reporting Based on XBRL Format among Every Business Person and Stakeholders**



Brief Sketch of Developments of IAbM

http://www.meti.go.jp/policy/intellectual_assets/index.html

2005 Intellectual Capital for Communities 2006. 2007. 2008
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

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*

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

- 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 among Every Business People and Stakeholders**

2) Developing IAbM as New Japanese Business Model after Japanese Real-Estate Bubble Burst

⇒ 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**

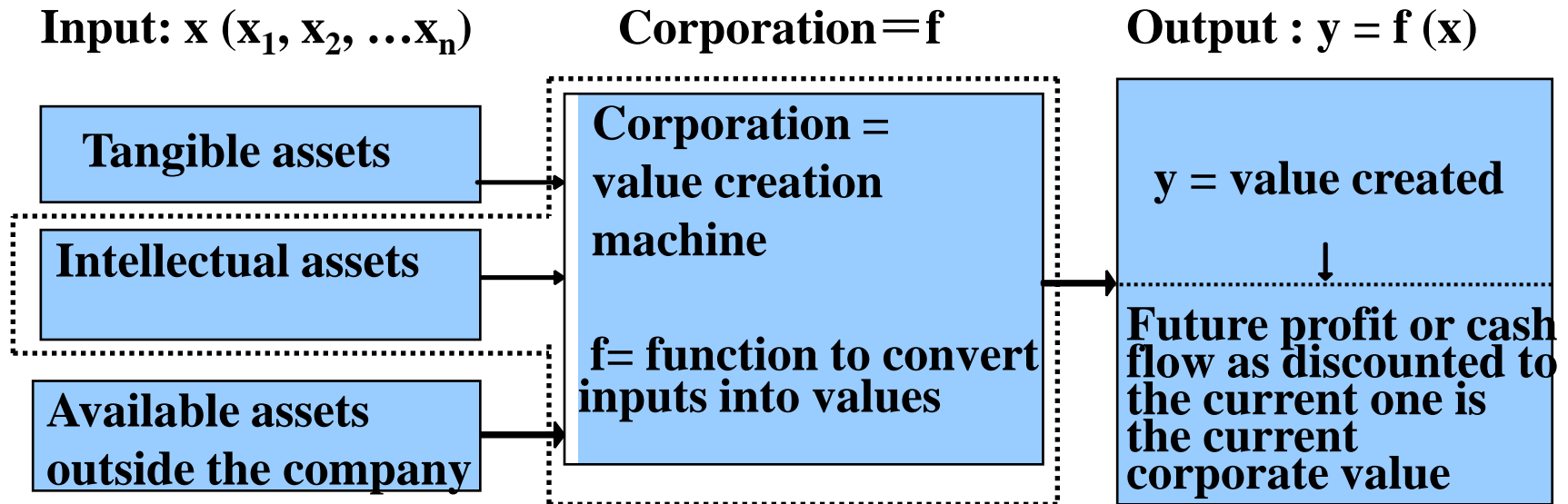
Intellectual Assets:

**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.



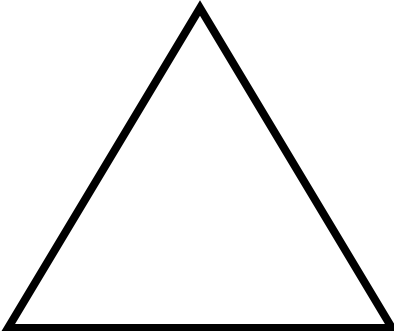
Not only IA itself (x), but also the conversion mechanism (f) to create values are substantial, since (f) is the very management.

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

Relationship of Key Concepts at Heart of the Knowledge Economy

CIP Magazine View (CIP Forum Edition)

ASSETS
 Assets as valuable objects



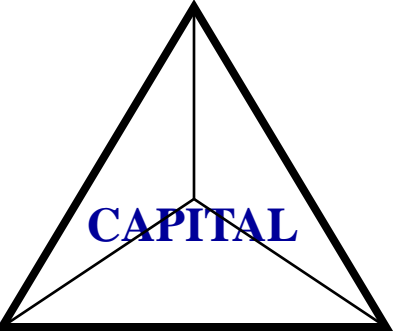
PROPERTY
 Property as objects
 for commercial
 transaction

CAPITAL
 Capital as objects
 in an machinery for
 creation of wealth



Our View

Social Value
 |
Society
 |
RESOURCES



PROPERTY
 |
Legal mind
 |
Ownership

ASSETS
 |
Management
 |
Entrepreneurship

Structure of Firm Resources



An Example of SHIMAMURA Corp.

	Tangible Assets	Intellectual Assets		
		Intangible Assts	Capabilities	
<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg); font-weight: bold; margin-right: 5px;">Function of Firm Resources</div> <div style="border-left: 1px solid black; border-right: 1px solid black; height: 100%;"></div> </div>	Financial Capital	Cash in Hand	Capital Market Premium	Developing New Financial Strategy
	Physical Capital	1,000 Suburban Stores Delivery Centers	Logistics System	Finding and Developing the Site for New Store
	Organization Capital	Store Management Manual	Collaboration on Logistics with Suppliers	Learning Seasonal Fashion Trends from Europe & US
	Human Capital	Store Manager being Selected Out of Housewife Part-timer	High Morale of Employees under Proposal System	Strengthen Human Relationship through Informal Communication

exchangeable

non-exchangeable



Intellectual Capital for Communities
in the Knowledge Economy

3) Introducing the New Disclosure System for Open Innovation in the Age of Web 2.0

⇒ Connecting Non-financial Data on Value Creation Drivers with Financial Data of Business Results According to Its Own Business Cycle

(General) Basic management philosophy

Outline of business characteristics

(From Past to Present)

A: Management policy in the past

B: Investment (based on A) (performance figures included)

C: Unique intellectual assets accumulated in the company, strengths based on them, and value creation method (based on A and B) (supporting intellectual assets indicators included)

D: Actual performance in the past, such as profits (as a result of value creation C) (figures included)

(From Present to Future)

E: (Based on C and the assessment of the past to the present) Intellectual assets that rooted in the company and will be effective in the future, and future value creation method based on them (supporting intellectual assets indicators included)

F: Identification of future uncertainty/risks, how to deal with them, and the future management policy including those elements

G: New/Additional investment for maintenance and development of intellectual assets needed (in line with the management policy F) (figures included)

H: Expected future profits, etc. (based on E to G) (numerical targets included)



30 Companies Have Issued Their IAbM Reports

http://www.meti.go.jp/policy/intellectual_assets/index.html

Intellectual Property for Communities
Innovative Activities for Tomorrow

● METI Issued “The Disclosure Guideline of Intellectual Assets-Based Management Reporting” and IABM Reporting was Started (2005)

● Numbers of Companies Issued IABM Report

Reporting Media	2005	2006	2007	2008 Up to Oct. 1	Names of Organizations
Isolated IABM Report	2	10	16	14	DATAPLACE Co., ALL ABOUT Co., NeoChemir Co., Nemonic Security Co., AirNavi Environmental Planning Co., EMAOS KYOTO Co., Protein Crystal Co., SAKIGAKE Semi Conductor Co., CENTECH Co., HIRAI live Fish Co., Nishijin Takumi Doll Co., Haru-Uraraka Bookstore Co., Value Planning Co. Ltd., CAST Corp., Showa Electric Machine Co. Ltd., Cluster Technology Co. Ltd., OKANEYA Corp., FLCSK Marketing Corp., Sanyo Paper Industry Co. Ltd. MARUZEN Corp. etc.
Included in Annual Report	0	3	2	1	TERUMO Corp., HORIBA Industry Co., NISSAN Corp., SHISEIDO Co. Ltd.
Other Type of Report	1	2	2	1	SUMITOMO Metal Industry Co. (Management Report) , Development Bank of Japan(Disclosure Booklet), Opt Co.Ltd.(Report of Potential Business Power)
Total	3	15	20	16	

Advantages to Disclosing and Assessing IAbM

- ⇒ Sharing Communication Platform between Both Inside and Outside Stakeholders
- ⇒ Summarizing and Combining Many Kinds of Diversified Reports Being Prepared Voluntarily by Japanese Companies to One Set of Business Report

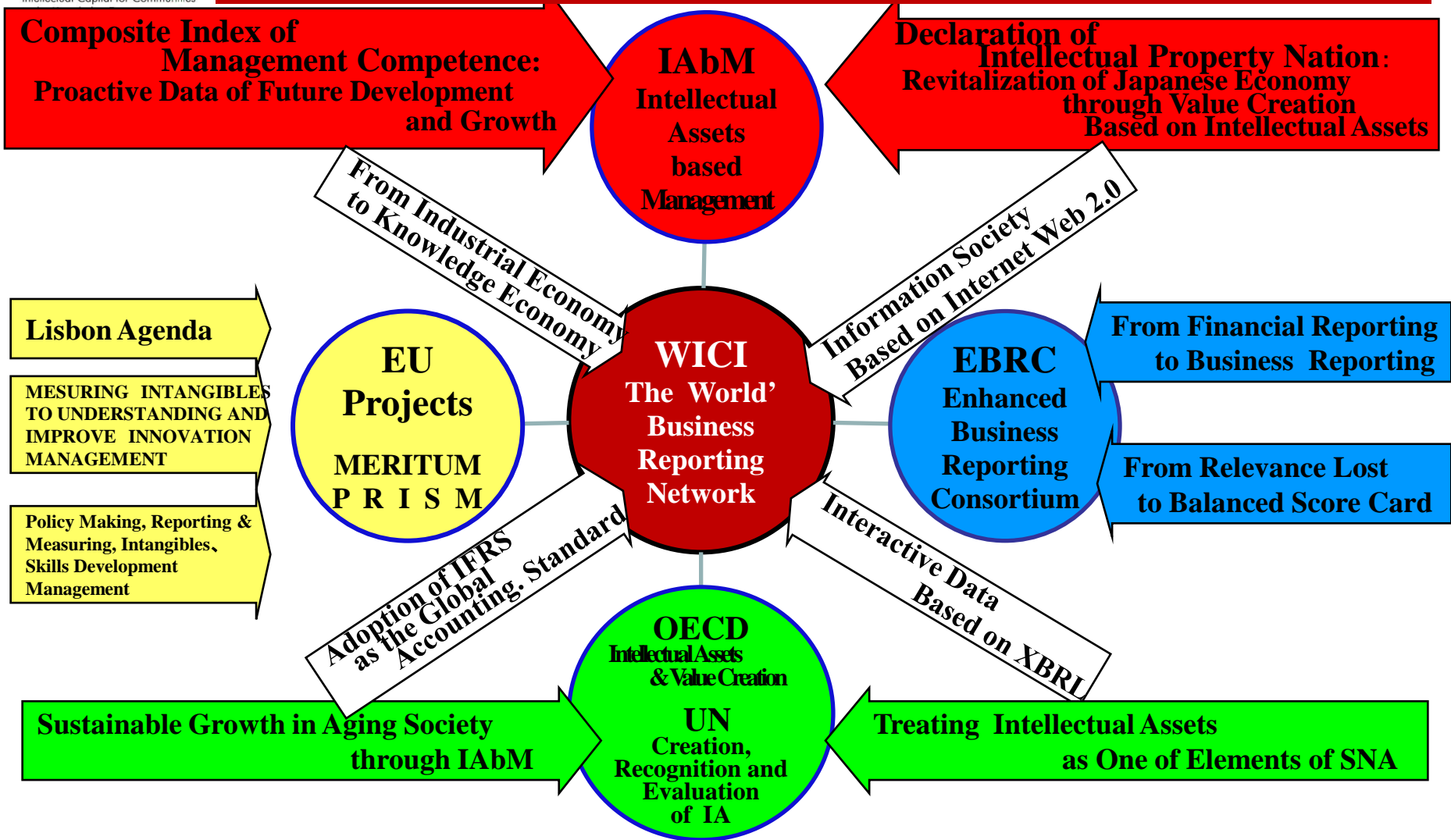
Advantages of Disclosing IAbM to Corporations

- (1) Increase of corporate value
- (2) Optimal distribution of managerial resources
- (3) Easy procurement of funds
- (4) Improvement of employees' motivation
- (5) Enable to re-invest in intellectual assets

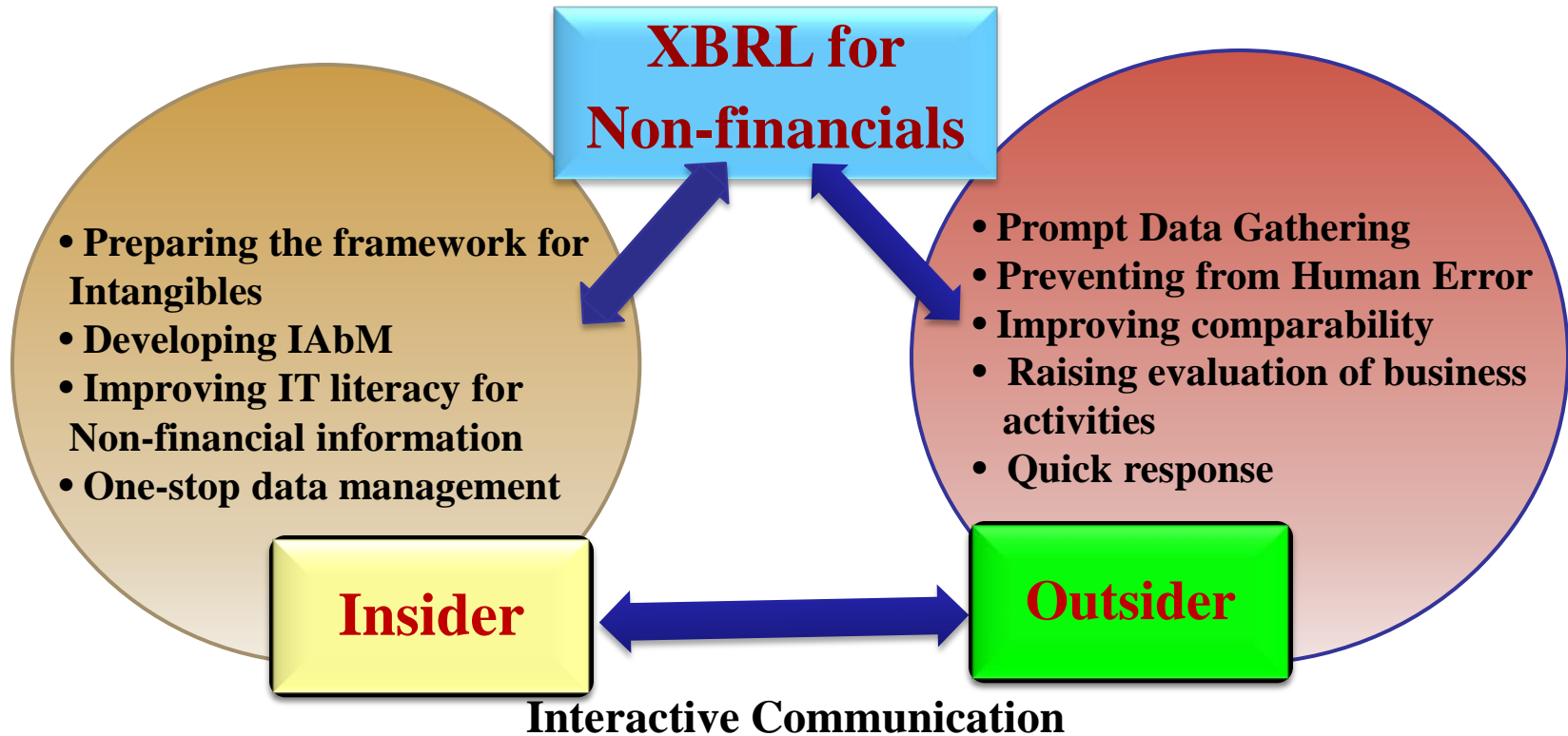
Advantages of Disclosing IAbM to Investors and Analysts

- (1) Improvement of accuracy of analysis of corporation
- (2) Assessment of risk in corporations
- (3) Spotting corporations with high growth potential

4) Sharing the World Intellectual Capital/Assets Initiative Framework for Business Reporting Based on XBRL



XBRL: eXtensible Business Reporting Language is a XML-defined technology that makes its users to improve accuracy, promptness, comparability of business information processing. Then it may promote interactive communication between business enterprises and their stakeholders through sharing new information literacy.



WICI Key Performance Indicators :

- 1) KPIs are disclosures about the aspects of a company's business that provide significant insight into the sources of its value.**
- 2) KPIs are understandable, consistent, relevant and comparable, if they are based on relevant activity and are set up as industry-specific bases.**
- 3) KPIs are leading indicators of financial results and intangible assets that are not necessarily included in a company's balance sheet.**
- 4) KPIs can provide information on a company's future cash flows and form the basis of forward-looking of a company's future activities.**