



Intellectual Capital for Communities in the Knowledge Economy Nations, Regions, Cities and Emerging Communities



WORLD BANK INSTITUTE
Promoting knowledge and learning for a better world

World Conference on Intellectual Capital for Communities
- Fourth Edition -



IC/IA Reporting and XBRL Technology

A Challenge of World Intellectual Capital/Assets Initiative

Session 7: IC Reporting & Standards Relevance

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**World Conference on Intellectual Capital for Communities
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Tagging Financial Reporting Just Starts

【Japan】“*From Readable Information to Usable Information*”

Mar.17th, 2008:

Financial Service Agency Launched New **EDINET (Electronic Disclosure for Investor’s **NET**work) System**

- ◆ XBRL filing will be mandated from the first quarterly report in FY 2008
- ◆ Consolidated & Non-consolidated financial statements contained in Annual Report, Semi-annual Report, Quarterly Report and Securities Registration Report excluding notes and non-financial information
- ◆ The financial information of Japanese GAAP filers(5,000 companies and 3,000 investment funds is XBRLized)

July, 1st, 2008:

Tokyo Stock Exchange Will Start to Provide Tagging Report Based on XBRL through **TDnet(Timely Disclosure **Net**work) System**

- ◆ Listed companies have to submit their *Kessan Tanshin* (Quick report). This report is required to include forecast information for the next fiscal year.
- ◆ Corporate Governance Reports will be provided for users by XBRL. The reporting tool may be supplied to companies by TSE.

Tagging Financial Reporting Just Starts 2

【US】 *“From a 1930s form-based system to a truly 21st century model-interactive data formatted in XBRL”*

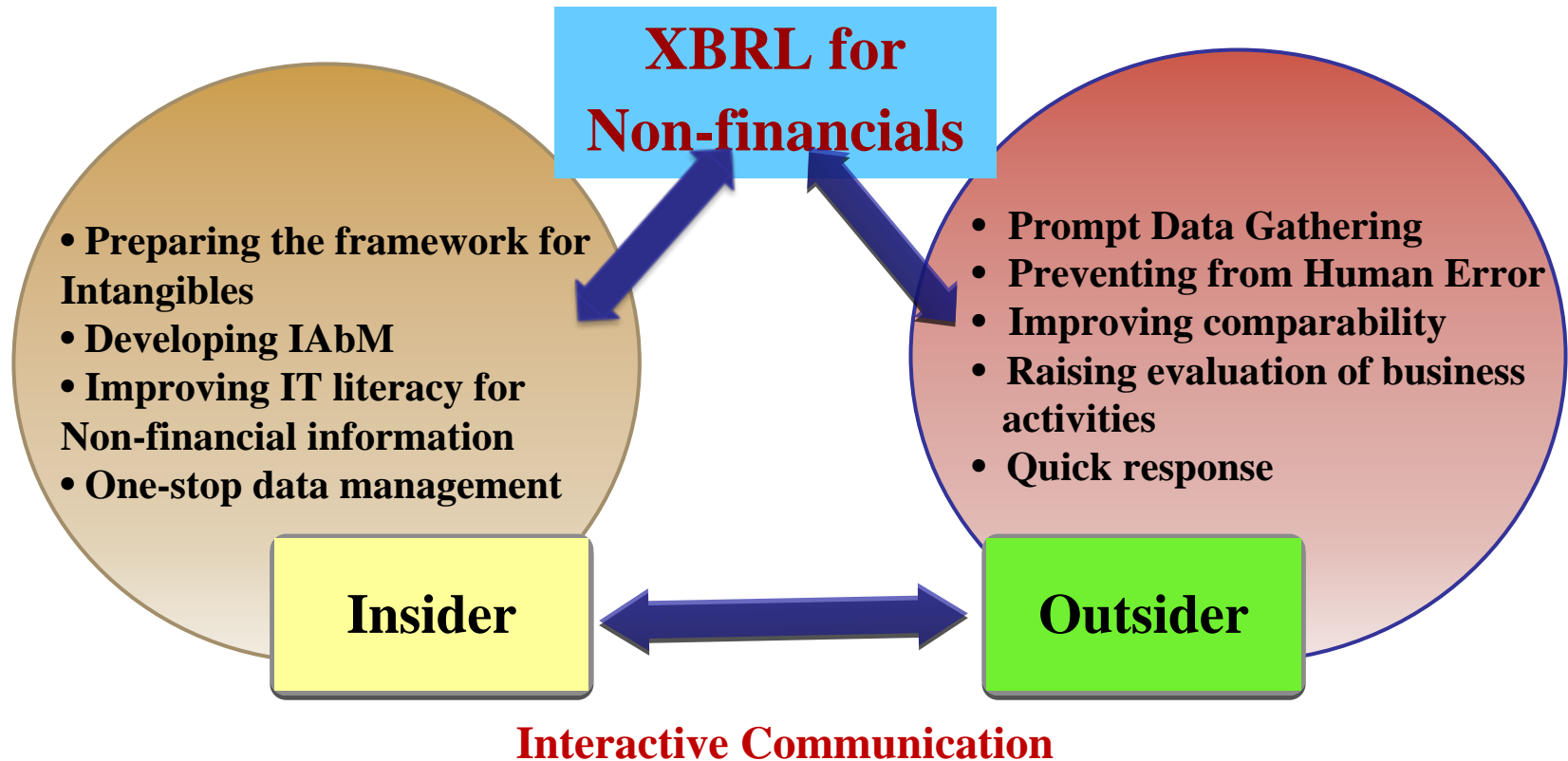
May 14th, 2008:

SEC Proposed New Way for Investors to Get Tagging Financial Information on Companies

- ◆ **Companies using US GAAP with a worldwide public float over \$5 billion (approximately the 500 largest companies) would be required to file their financial statements including notes and schedule for fiscal periods ending in late 2008**
- ◆ **The remaining companies using US GAAP would provide their tagging disclosure over the following two years**
- ◆ **Companies using IFRS would provide their tagging disclosure for fiscal periods ending in late 2010**

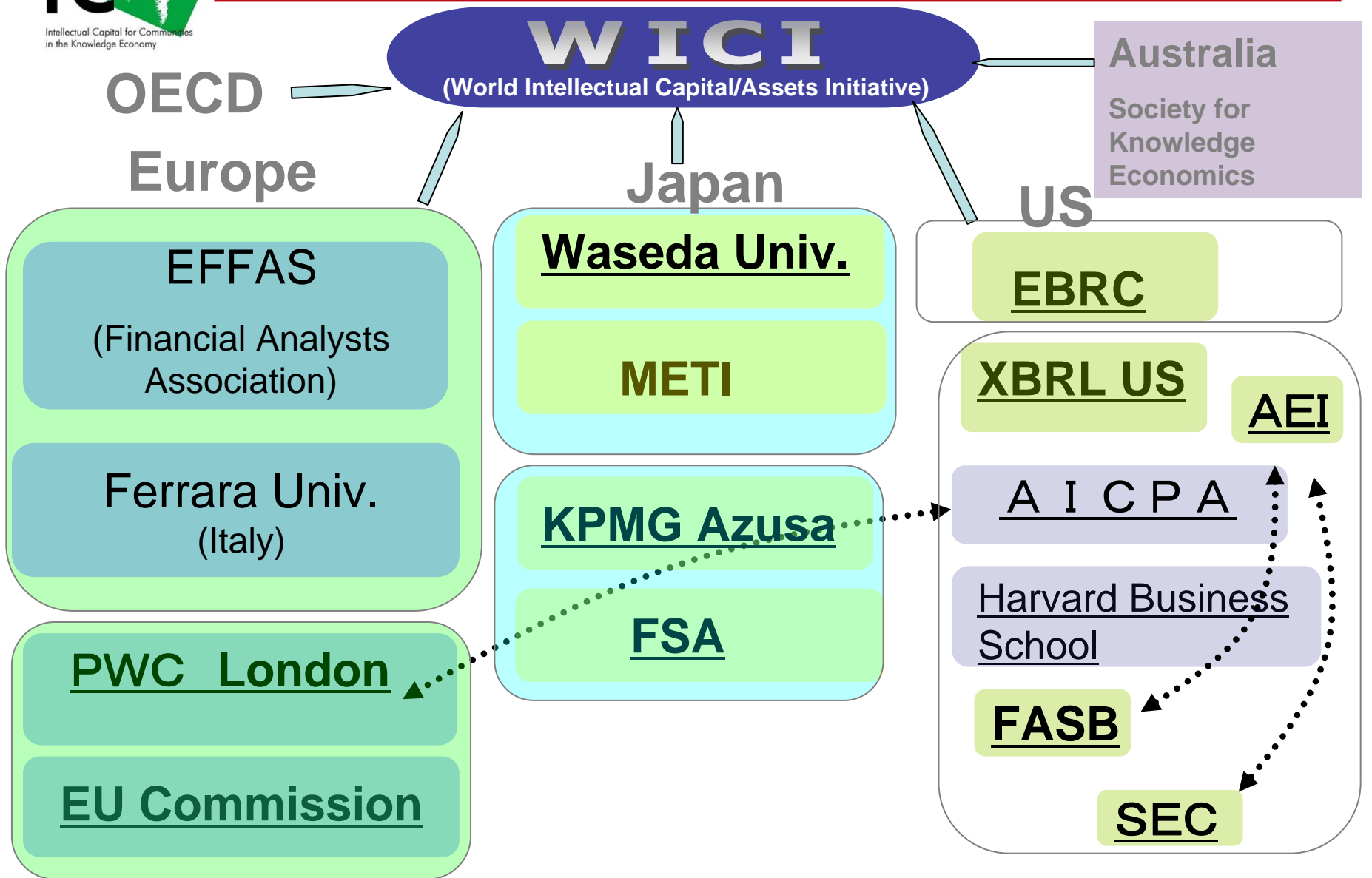
Influences of XBRL to Business Activities

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.





World Network for New Business Reporting



Purposes of WICI Activities

- ① Develop a framework on management and report of business
- ② Create a set of KPIs commonly universally used for each company and another for each industry
- ③ Evolve a taxonomy to disclose business strategy and related intellectual assets or capital as non-financial information
- ④ Study and stock-take examples on actual IA/IC based management and its disclosure
- ⑤ Study the way to guarantee the reliability of the new business reporting
- ⑥ Establish a cooperative relationship with domestic and international organization concerned in addition to providing information to them

IAbM Framework

<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 economy, 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)(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 uncertainly/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)

E B R Framework ver2.0

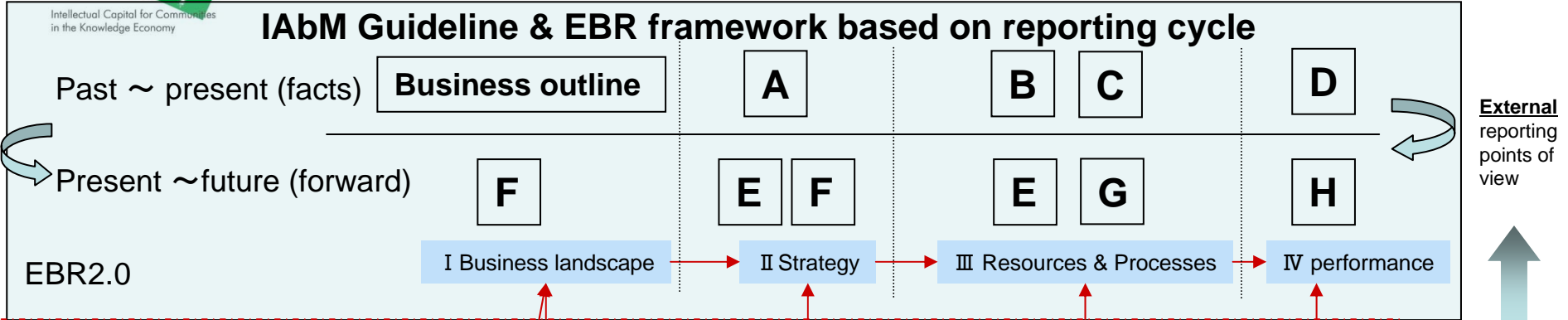
(possible alternative as a base of XBRL taxonomy)

Business Landscape	Strategies	Resources and Process	Achievement
summary	summary	summary	summary
economics	Vision and mission	Resources forms	GAAP based
Industry analysis	strengths	<ul style="list-style-type: none"> - financial - material 	GAAP derived
Technology trends	weakness	<ul style="list-style-type: none"> - relational (social) - organizational (structural) 	Industry based
political	opportunities	<ul style="list-style-type: none"> - human 	Company specific
legal	threats	Key processes	Capital market based
environmental	Goals and objectives	<ul style="list-style-type: none"> - setting of vision and strategies - internal resources management 	
social	Corporate strategy	<ul style="list-style-type: none"> - product/service management - external relation management 	
	Business unit strategies	<ul style="list-style-type: none"> - governance/risk management 	
	Business portfolio		

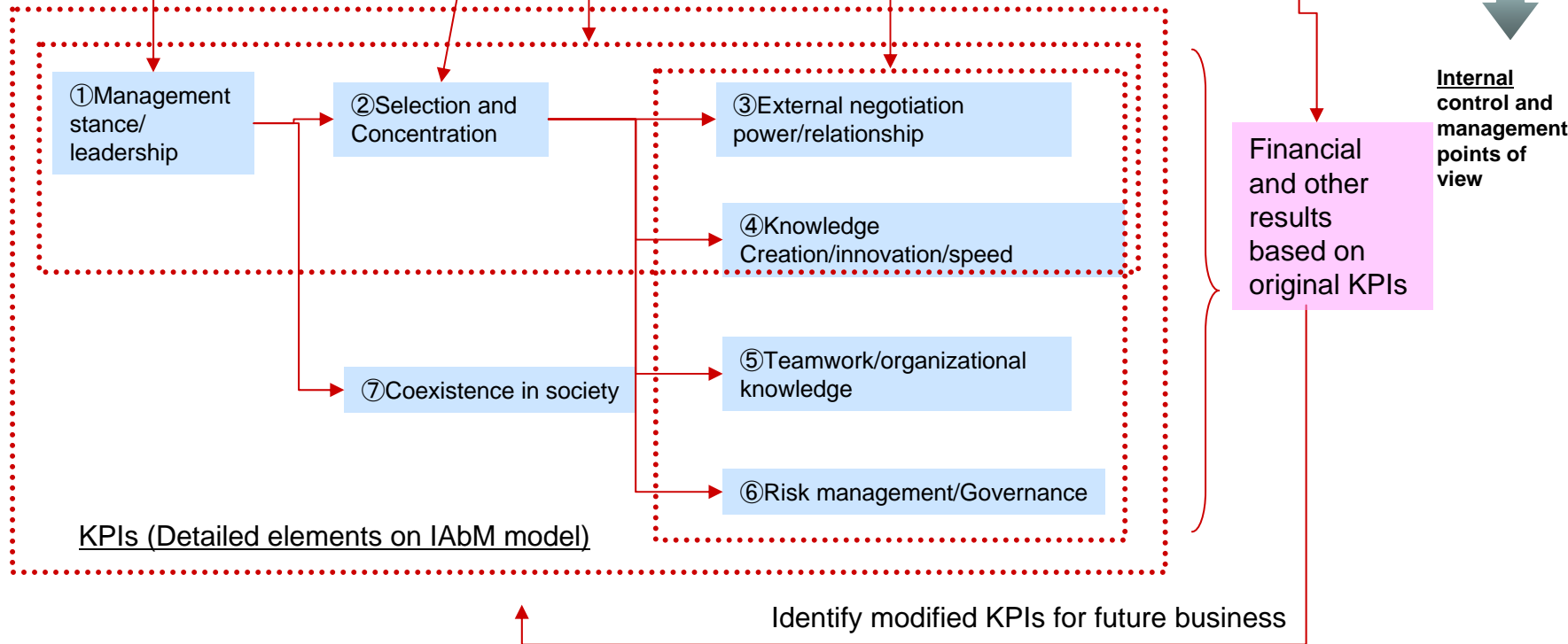


Relationship of the Two Frameworks

IAbM Guideline & EBR framework based on reporting cycle



Linkage with IAbM suggested 7 elements



Trial Integration of EBR & IAbM

Small a-d represents past to current, while large A-D represents current to future. D appears only if possible.

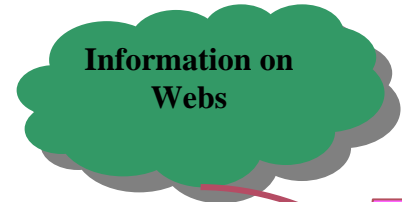
0. Corporate Profile & Business Attributes		
0-1. industry overview		
0-2. duration and results per business unit		
0-3. business cycle per business unit		
0-4. competitive analysis		
past	current	future
<p>a. Business Landscape</p> <p>a-1. business landscape summary</p>	<p>d. performance</p> <p>d-1.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

Proposition of WICI for Global Level 21st Century Business Reporting

Characteristics of 21C Business Reporting (WICI Framework=IAbM × EBRC)

- Providing Value Creation Story with its Context (Past→Present →Future)
- Explaining Own Business Model under its Business Time Span
- Disclosing Not Only Verifiable Hard-Information and also Persuadable Soft-Information
- Connecting KPI and Descriptive Information with Financial Performances
- Adopting to Literacy of Stakeholders

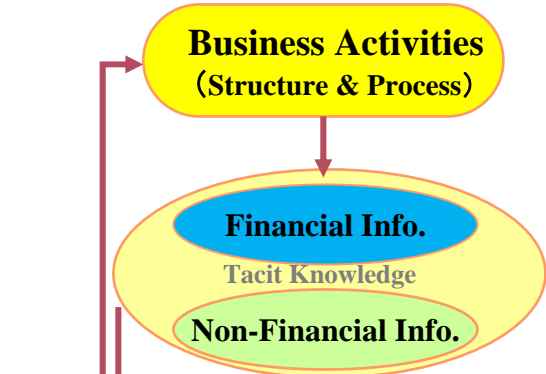
【Viewpoint of External Stakeholders】



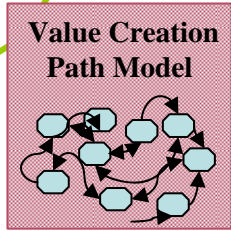
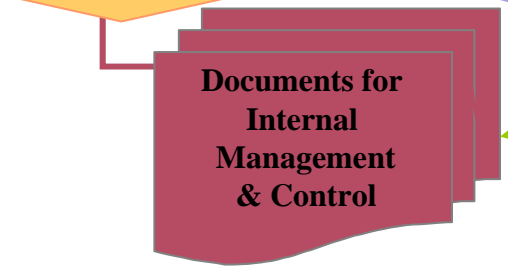
input
output

Expectation for Business Activities

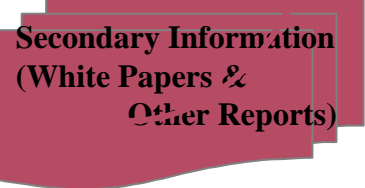
【Viewpoint of Management】



Value Creation Business Model



Improvement of Quality, Literacy and Application on Information Processing through Sharing the Elements of Business Communication between Management and Stakeholders.



Interactive Communication