



Japanese Program for IC after three Years

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World Conference on Intellectual Capital for Communities
- Third Edition -



Progress from 2004 to 2007

2004 Jun. White Paper on International Trade focusing the importance of IAs

2005 Oct. Guideline for Intellectual Assets based Management Disclosure (METI)

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

Nov. 1st IA Week in Japan, Establishment of IA based management consortium (IAMaC)

2006 Mar. Interim Report on IAbM in SMEs (SMRJ)

<http://www.meti.go.jp/press/20060324002/20060324002.html>

Jun. New system to put much on the element of IA based management in R&D grant

Aug. Check list on IAbM for financial institutions (JICPA & Osaka Chamber of Commerce)

Dec. OECD IAbM Conference in Tokyo

2nd IABM week in Japan <http://www.meti.go.jp/information/data/c6073fj.html>

1st general assembly of IAMaC (IAbM Consortium)

2007 Mar. Manual on IAbM for SMEs (SMRJ)

Apr. Report by WG under Financial Service Agency mentioned IAbM report as a material to judge the quality of corporate management in relationship banking

Apr. Amendment of innovation related laws to define the concept of IAbM

May. OECD SME Conference in Tokyo

Nov. 3rd IAbM week (planned)

International Conference on Intellectual Café (planned)

SMRJ: Organization for Small and Medium Enterprises and Regional Innovation in Japan



METI Guideline on IAbM Disclosure

History

Feb. 2005 Establishment of special sub-committee under Industrial Structure Council
Aug. 2005 Mid-term report summarized by the sub-committee on IAbM
Oct. 2005 METI published 'Guideline for disclosing IAbM'

Main Characteristics

- Encourages companies to express corporate story of management in a narrative way, by showing the outline of the story
- Proposes the way of incorporating supporting KPIs for enhancing the credibility of the story
- Exemplifies 35 KPIs related to IAs
- Presents a guideline for analysts/stakeholders to evaluate the report

Basic Principles

- **Showing the overall picture from top manager's eye in a story**
- **Focusing on the future value creation that affects corporate value**
- **Evaluate future uncertainty (risks/chances) fairly and explaining how to deal with them**
- **Making a report easy to understand for important stakeholders**
- **Supplementing and being compatible with financial information**
- **Adding supporting KPIs to enhance credibility**
- **Providing historical comparability (e.g. KPI for the past two years)**
- **Making a report on a consolidated basis**

Element of the Story

- Nature of business and direction
- Corporate strategy, investment, accumulated IAs and unique value chain as of today
- Current business results
- Predicted uncertainties (risks and chances), accompanied by ways to deal with them, including investment
- Projected achievement in the future



Disclosed IAbM Report

20 companies have created and released reports based on the guidelines by METI. Other several dozens of companies summarized gist of IAbM report for R&D grant application.

※This can be viewed from the web site of http://www.meti.go.jp/policy/intellectual_assets/index.htm

Dataplace, Inc.	IAbM Report, 2006	Terumo Corporation	Annual Report,2006
All About, Inc.	IAbM Report, 2006	Hirai Katsugyo Setsubi	IAbM Report, 2006
Development Bank of Japan	Disclosure Report, 2006	Nissan Motor Co., Ltd.	IAbM Report, 2006
NeoChemir, Inc.	IAbM Report, 2007	Horiba, Ltd.	Annual Report,2006
Mnemonic Security, Inc.	IAbM Report, 2006	Sumitomo Metal Industries, Ltd.	Annual Report,2006
AirNavi Kankyo Keikaku, Co	IAbM Report, 2006	Takumi Ninngyo, Co	IAbM Report, 2007
Emaus Kyoto, Inc.	IAbM Report, 2006	HARU URARAKANA SYOBO CO.,LTD.	IAbM Report, 2007
Protein Crystal Corporation	IAbM Report, 2006	Value Planning co., ltd	IAbM Report, 2007
Sakigake Semiconductor, Co.	IAbM Report, 2006	CAST,Inc.	IAbM Report, 2007
Sentec Corp. Ltd.	IAbM Report, 2006	SHOWA DENKI CO LTD.	IAbM Report, 2007

※Some companies have included their intellectual asset management reports in their annual reports.

Enlarging Scope 1) Policy target

-Big Business → SMEs

-Manual for SMEs to conduct IAbM (Mar. 2007)

<http://www.smrj.go.jp/keiei/chitekishisan/index.html>

-Support for SMEs to conduct IAbM by SMRJ (tbc.)

-Corporate IAs → Regional IAs

=New legal measures for regional IAs (Apr. 2007)

- Define the concept of regional IAs
- Encourage regional government to make plans to identify them and to promote the utilization of them
- Introduce policy measures to promote SMEs to conduct IAbM by utilizing regional IAs

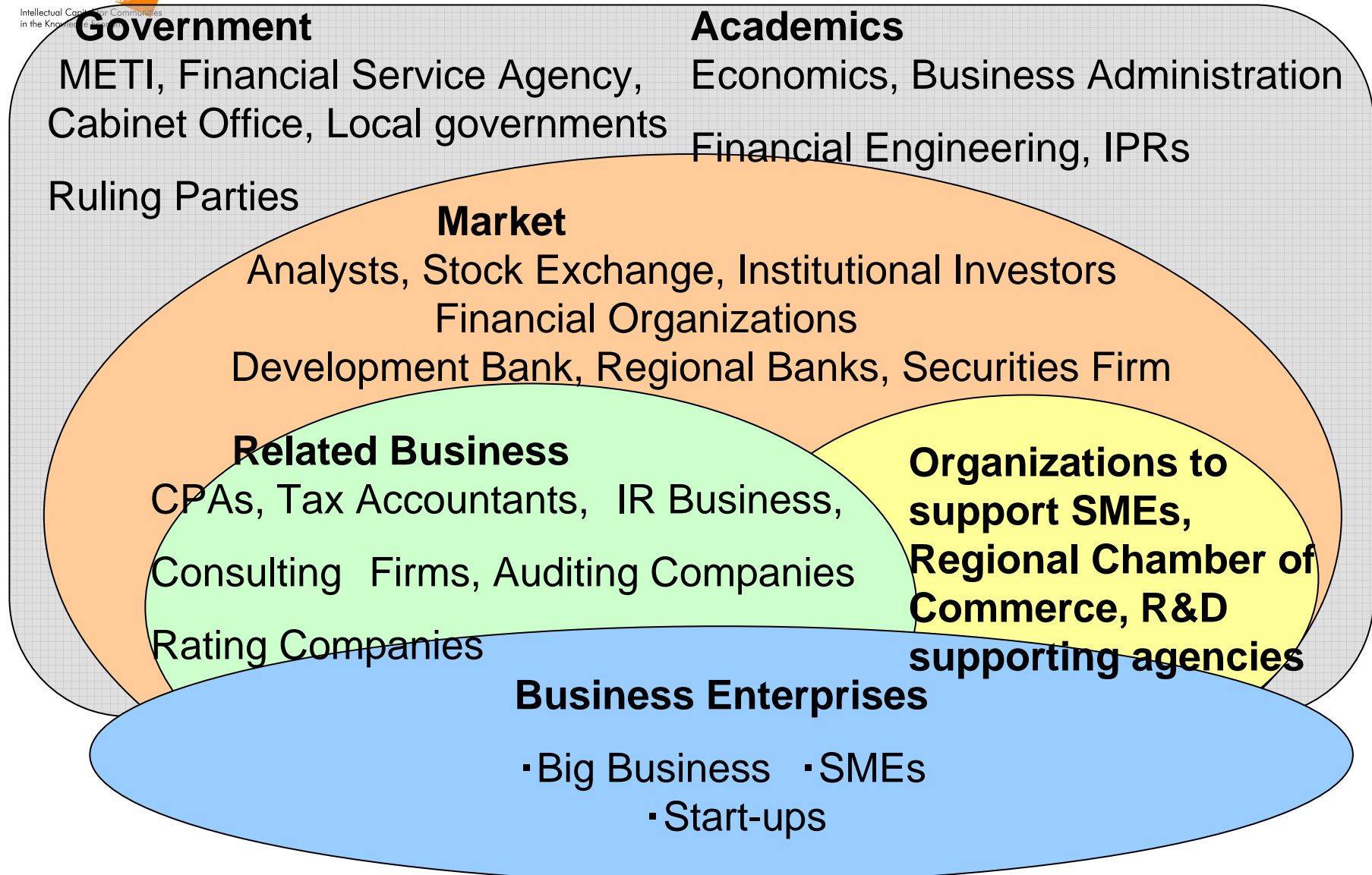
Enlarging Scope 1) Policy target

-Corporate IAs  National IAs

- Set up a target to be a global innovation center and to realize
‘Human Resource based Country’ (Jul. 2006)
- Made clear the concept of ‘Innovation Super Highway’ (Jul. 2006)
- New initiative for Eco-Innovation (May 2007)



2) Network of people concerned



3) Link with innovation policy

-Amendment of innovation related Laws (Apr. 2007)

Define the concept of ‘technology management capability’ as one of applications of IAbM

Add new roles for government related institutions (AIST, NEDO) to assist companies to raise the ability in IAbM

-New Innovation grant system (Apr. 2007)

IAbM as a prerequisite for application to NEDO R&D grant

-Promoting ‘Intellectual Café’ activities for Knowledge fusion as one of the tools of IAbM (Fy2007~)

Intellectual Café and Innovation Symposium as a part of 3rd IAbM week in November <http://www.meti.go.jp/english/information/downloadfiles/intellectualcafe.pdf>

4) Private Initiative

- JASDAQ

Provided its companies IAbM self-evaluation tools (2006-)

Plans to establish a new market with severer requirement on IR

- JICPA

Reports on auditing IAbM reports (Jul. 2006)

- JICPA Osaka Branch & Osaka Chamber of Commerce

Checklist for IAbM (Aug. 2006)

Two regional banks are utilizing it in their operation

- IAMaC (Consortia on Intellectual Asset based Management)

(Dec. 2005-) with more than 100 professionals

Move Forward 1) Global Project

OECD projects (Japan is one of major promoters)

- Intellectual Assets and Value Creation (IA-VC) project (2004-06)
- IA-VC follow-up project (2006-08) with wider scope on regions and nations as well
- OECD Innovation strategy project (2007-09)
 - IA or IAbM is recognized as one of important tools for innovation in companies including high growth SME

EU projects after RICARDIS

Developing countries:

World Bank, OECD outreach activities

2) Taxonomy

- **Joint work between Germany and Japan**
 - Especially on taxonomy for Intellectual Assets/Capital Reporting, including supporting software for SMEs
 - Based on common experience of already published reports (almost 100 in Germany, more than 20 in Japan)

- **XBRL**
 - SEC (US) announced to adopt XBRL in financial report in Sept. 2006 (effective this summer)
 - Japan has already introduced XBRL in EDINET system with regard to financial statements
 - EU seems to be interested in XBRL
 - Application of XBRL to non-financial information will be the next hot issue, as EBRC (Enhanced Business Reporting Consortium) strongly recommends

3) 3rd IA Week; 2007

Dates: From Nov. 5th(Mon.) through Nov. 9th (Fri.)

Planned Events:

Nov. 5 (Mon.) : Seminar for SMEs on IAbM (tbc.)

Nov. 5 (Mon.): Osaka Univ. Symposium on IAbM (tbc.)

Nov. 6 (Tue.): Waseda Univ. Workshop (Tokyo)

2nd. General Assembly of IA Management
Consortium (IAMaC) (Tokyo) (tbc.)

Nov. 7 (Wed.): Nikkei IAbM Forum 2006 (Tokyo)

Nov.8-9(Thu./Fri.) :International Conference on Intellectual
Café and Innovation (Tokyo)

<http://www.meti.go.jp/english/information/downloadfiles/intellectualcafe.pdf>