



Toward Strengthening the Value Creation Capabilities of Japanese Corporations

November, 2005

Activities in Japan on IA based management in the past

Achievements in the past (examples)

- Itami, H., & Roehl, T. W., *Mobilizing invisible assets*, Harvard University Press (1987).
- Nonaka, I., & Takeuchi, H., *The knowledge-creating company*. Oxford University Press (1995)
- Japan Management Quality Award (1995)

Studies in METI

1974-2000 Committee on Corporate Management Capabilities

2002 Comprehensive Management Indicator

2003 Study Report on *NEW MANAGEMENT INDICATOR 'Intellectual Capital'*

2004 Reference Guideline for Intellectual Property Information Disclosure

2005 Aug. Interim Report on "Disclosure of Intellectual Assets Management" (Industrial Structure Council)

Oct. Guideline for Intellectual Assets based Management Disclosure:
http://www.meti.go.jp/policy/intellectual_assets/index.html

Status of IA based management issue in the cabinet

Intellectual Property Strategic Program 2005

It is important for companies to correctly recognize “sources of competitiveness that will produce economic benefits in the future” and work toward management focused on intellectual assets or intangible sources of competitiveness, e.g. human resources, technology, organizational strength, network with customers, and brands (intellectual assets-focused management), thereby realizing management that will produce profits in a sustainable manner.In FY2005 and beyond, the GOJ will consider promotion of such intellectual assets based management.

[Intellectual Property Policy Headquarters, June 2005]

Basic Policies for Economic and Fiscal Management and Structural Reform 2005

In FY2005, government shall compile “Guideline for Intellectual Assets based Management Disclosure” to promote management recognizing and utilizing intellectual assets which can be sources of competitiveness of enterprises, and encourage corporate disclosure as “Intellectual Assets based management report”

[Council on Economic and Fiscal Policy, June 2005]

Main Characteristics of the Guideline

- (1) Indicating the importance of making clear the overall picture of corporate management from top manager's eye in narrative way, because the disclosed information in existence is not appraised correctly.
- (2) Proposing the method of incorporating supporting key performance indicators (KPI) related to intellectual assets into the story, for the enhancement of credibility.
- (3) Exemplifying 35 KPI based upon 7 key elements for value creation.
- (4) Presenting some clues and reminders for analysts/stakeholders to evaluate IA based management report while avoiding misunderstandings.

Activities in the World

Reporting on Management

IC Reporting

IC Indicator
Nordic Countries

Denmark
PRISM
MERITUM

Old Japan

Management Indicator

<Guideline>

Germany, EU expert G.
Japan, Australia

O
E
C
D

<Disclosure Std.>

EU directive

→ U.K., Germany, Netherlands
→ IASB (MC)

MD&A

<Measurement>
VMRC

<Voluntary>
EBRC

Non-Financial
Information

Financial Information

Accounting

IC Rating EAI

Market