

Perspective of Intellectual Assets Based Management Reports and Empirical Analysis and Research of Disclosure

REPORT

– Disclosure of “Strength” and Dialogue with Stakeholders –

- Pioneering corporate assessors (such as analysts and investors) analyzing “perspective” for assessing intellectual assets based management reports
- Quantitatively figuring out the need for disclosure of information based on the results of questionnaire responses from corporate assessors
- Introducing “example of excellent disclosure” recommended by corporate assessors
- Proposing future engagements of corporate assessors and corporations

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Ministry of Economy, Trade and Industry

Intellectual Property Policy Office

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Outline of the Perspective of Intellectual Assets Based Management Reports and Empirical Analysis and Research of Disclosure

Ministry of Economy, Trade and Industry
Intellectual Property Policy Office

1 Introduction

Recently, invisible “intellectual assets,” such as human resources, technologies, organizational strength, networking with customers and brands, have become an important source of the competitiveness of corporations, and the management utilizing those “intellectual assets” as management resources are also attracting attention¹.

Furthermore, it is important to analyze not only assets in the sense of accounting but also “intellectual assets” in order to assess properly the corporate value (or for the corporate value to be properly assessed), and the gap between the essential value of corporations and the assessment by capital markets needs to be bridged through disclosing or otherwise information on intellectual assets to capital markets.

Based on the above understanding, this research figures out the analytical methodology of corporate assessors² and the current status of the disclosure of information by corporations through the use of questionnaires and hearings and, then, an analysis was made and discussions were held by the study group composed of experts.

2 Outline of Research Report

(1) Current Status

It has become obvious through this research that many corporate assessors mainly analyze the short-term corporate value with an emphasis on financial information and do not make a full corporate analysis from a mid- or long-term perspective, such as an analysis of intellectual assets based management showing the potential of corporations.

In addition, as a result of research on and the analysis of the status of disclosure by corporations, problems were found showing that the disclosure of intellectual assets information is not sufficient in many corporations, except for small number of corporations which are active in IR (investor relations), and that many corporations disclose information exhaustively, in excess of the information processing ability of corporate assessors.

Furthermore, what corporate assessors and disclosing corporations want to know regarding IR activities related to intellectual assets based management and the assessment thereof may be summarized as follows.

• <u>Corporate assessors (such as analysts and investors)</u>

¹ For materials explaining the importance of intellectual assets as a source of the competitiveness of corporations, etc., e.g., Ministry of Economy, Trade and Industry, *Tsusho hakusho 2004 (White Paper on International Trade 2004)*, Chitoshi Koga, *Chiteki shisan no kaikei 2005 (Accounting of Intellectual Assets 2005)*, New Growth Policy Committee of Economy, Trade and Industry Council Interim Report 2005.

² In this report, corporate assessors refer to analysts of rating institutions, sell-side or buy-side analysts, fund managers of institutional investors, etc.

What should be analyzed and how in order to understand the long-term growth potential of corporations

• Disclosing corporations

What should corporations do to achieve not short-term profits but the management strategy on a mid- and long-term basis based on their own strength and feasibility of the management strategy.

(2) Perspective of corporate assessors in analyzing the potential of corporations

Corporate assessors analyzing the growth potential of corporations from mid- and long-term perspectives analyze the qualitative information, such as intellectual assets based management, and the perspective of corporate assessors in the course of such analysis can be summarized as follows.

- 1) Whether the management policy or vision is clearly shown and whether they are consistent
- 2) Whether the relationship between financial information and non-financial information is clear
- 3) Whether they are sincere as to the “direct dialogue” about intellectual assets based management, such as coverage or interviews and site visits and briefing meetings
- 4) Whether they are making a “prior investment” in intellectual assets that will improve the corporate value
- 5) Whether they are presenting a strength differentiating between other corporations in the same industry
- 6) Whether a mid and long-term history can be depicted through the analysis of changes across the ages
- 7) Whether the “source of profits” can be identified
- 8) Whether the disclosure is made in a simple and easy-to-understand manner in consideration of readers

(3) Efforts necessary for corporate assessors

In order to analyze the potential of corporations, it is important to make a corporate analysis emphasizing not only “the information based on corporate activities in the past” as shown in the financial statements, but also information on the intellectual assets affecting the potential of corporations, such as management vision, research and development, human resources and a governance system, and the information on prior investment in intellectual assets, etc. and the supporting indicators.

The training of human resources for corporate assessors should be in acquiring professional knowledge and skills (also OJT and OFF-JT) not only for financial analysis but also for the assessment of management strategy and intellectual property strategy, human resources strategy and corporate governance, etc.

(4) Efforts necessary for disclosing corporations

Corporate assessors tend to make a short-term analysis partially because corporations have little consciousness of intellectual assets based management and do not disclose much qualitative information leading to mid- and long-term profits.

Since corporate assessors have only limited time for making a corporate analysis, corporations are required to make their analyses through the use of questionnaires, etc. to show the gap between the information desired by capital markets and the information the corporations themselves disclose and to narrow down the information desired by corporate assessors, and then provide such information in a easy-to-understand and simple way, for

example, by attaching a “list” thereto, so that readers will not get “indigestion.”

3. Conclusion

The basis of the duties of corporate assessors making a short-term corporate analysis focusing on the analysis of financial information is to analyze the intellectual assets that are the unique strength of each corporation and the intellectual assets based management and utilizing them with reference to the perspectives mentioned above.

Corporations disclosing information will be able to convey the status of their own intellectual assets based management more effectively and efficiently to corporate assessors by disclosing information regarding intellectual assets based management paying attention to the perspectives of corporate assessors as explained above. While the undervalued corporations face a high risk of being subject to a hostile takeover, it is of great significance for them to endeavor to disclose intellectual assets based management as an essential defense against takeover so that the true capabilities of corporations may be properly assessed at all times.

We anticipate that the further disclosure of intellectual assets based management and further analysis of intellectual assets based management will be made based on the results of this research.

– End –

Chapter 1 Outline of Research

1-1 Background and Purpose of Research

Recently, management utilizing “intellectual assets,” such as human resources, technologies, organizational strength, networking with customers and brands (“intellectual assets based management”), has come to play a greater role as a source of the competitiveness of corporations, etc. Based on this trend, the Ministry of Economy, Trade and Industry published in October 2005 the “Guidelines for Disclosure of Intellectual Assets Based Management” as a referential guideline for corporations (business management personnel) preparing intellectual assets based management reports and persons appraising such reports.

Since the Guidelines are guidelines that respect corporations’ initiatives, the style of the intellectual assets based management reports disclosed by corporations will vary. Furthermore, with regard to the media for the disclosure of an intellectual assets based management report, many corporations are expected to disclose information by including factors of an intellectual assets based management report in annual reports or others, in addition to a single intellectual assets based management report. In other words, the information regarding intellectual assets based management will be disclosed not uniformly, but creatively, by each company.

This research aims to organize and analyze intellectual assets based management from the perspective of corporate assessors (such as analysts and investors) and to present the types of information and disclosure that are necessary to keep stakeholders well informed about the status of intellectual assets based management and to investigate further the status of the disclosure of intellectual assets based management reports in order to collect good examples of disclosure.

1-2 Details of Research

(1) Research on the status of disclosure of intellectual assets based management information

Actual examples of disclosing information on intellectual assets based management as publicly available information (such as annual reports, websites and financial statements) are collected. One hundred and thirty-eight corporations that won in the IR awards or that are in high positions in the existing corporate ranking were candidates in the first screening, and the disclosure materials or others of the 57 of them that cooperated with the research were examined. This research was carried out under the instruction of Professor Yasuhito Hanadou (professor of the Graduate School of Asia-Pacific Studies, Waseda University) with the cooperation of the members of that laboratory. Some examples of disclosure of information regarding intellectual assets based management were recommended by a number of members of the study group (for detailed results of the research, see Attachment 1 of this Report).

(2) Research on perspective of corporate assessors

Research was made on the perspective from which corporate assessors, such as analysts, investors and rating institutions assess corporations. In particular, research and organization were made on the perspective from which they view information regarding intellectual assets based management.

(i) Questionnaire to corporate assessors

The perspective from which corporate assessors assess (or will assess) intellectual assets based management was clarified through the use of a questionnaire. An examination was made, in particular, as to how the perspective of the assessment of information regarding intellectual assets based management differs in line with the position of corporate assessors.

In order to reduce the burden of corporate assessors who responded to the questionnaire, the “questionnaire on WEB” was adopted. The questionnaire was sent to 721 corporations, including domestic securities corporations, institutional investors (such as trust companies, life insurance companies, damage insurance companies and investment management companies), rating institutions, and venture capital firms. The sheets of the questionnaire were addressed to the “General Affairs Department” and IDs for the questionnaire were distributed to five to 15 users per company, and the General Affairs Department was requested to distribute to five to 15 corporate assessors, such as analysts. As a result, about 211 corporate assessors responded (for detailed results of research, see Attachment 2 of this Report).

(ii) Organization of perspective of corporate assessors through study group sessions and hearings

Study group sessions composed of experts were held to organize the perspective from which corporate assessors (with a particularly pioneering way of thinking) assess intellectual assets based management. In addition, corporate assessors were interviewed in order to understand the perspective of their assessments in detail.

Table 1-1 Persons interviewed

Persons interviewed	Number
Analysts of rating institutions (credit analysts)	1
Sell-side analysts	1
Buy-side analysts	1
Fund managers of institutional investors	2
Fund managers of venture capital firms	2
IR researchers	2
Total	9

1-3 Schedule of Research

A “study group for research of the perspective of intellectual assets based management reporting and the positive analysis of disclosure” composed of experts regarding the disclosure of information on intellectual assets based management to review the status of disclosure of information on intellectual assets based management and the perspective of corporate assessors and other matters. The study group sessions were held four times from August to November 2006.

Table 1-2 Schedule of study group sessions

Number	Schedule / Place	Agenda
First session	From 10:00 on Tuesday, August 29 West 1 common conference room in MITI	1. Schedule of research 2. Perspective of assessment of intellectual assets based management 3. Questionnaire
Second session	From 10:00 on Wednesday, September 27 East 3 common conference room in MITI	1. Perspective of readers of information 2. Examples of disclosure of information on intellectual assets based management
Third session	From 10:00 on Wednesday, October 25 West 5 special conference room 2 in MITI	1. Examples of disclosure of information on intellectual assets based management 2. Results of questionnaire 3. Status of disclosure of information on intellectual assets based management
Fourth session	From 10:00 on Wednesday, November 29 East 3 common conference room 6 in MITI	1. Draft of the Report 2. Others

1-4 Guide for Reading Reports

This Research Report organizes and analyzes the perspective of assessment by corporate assessors, such as analysts and fund managers, who are especially strong in the analytical awareness of intellectual assets based management information.

With reference to this Report, “corporations” offering information understand the perspective of assessment by corporate assessors and “needs” in the disclosure of information and use them for future effective information disclosure regarding intellectual assets based management.

On the other hand, by reading this Report, “corporate assessors,” such as analysts, will be able to deepen their understanding of the assessment of intellectual assets based management and to refer to them for the qualitative analysis of non-financial information and the assessment of corporate value from a long-term perspective.

Furthermore, it is intended that a more proper market should be created by making positive “dialogue” on intellectual assets based management between a company and a corporate assessor.

“Corporate assessors” generally mean stakeholders as a whole surrounding corporations, but in this research, the term means, experts on company analysis who specialize as intermediaries of information, such as analysts of rating institutions and sell-side analysts of securities corporations, and experts making decisions on investment, such as buy-side analysts and fund managers of institutional investors and fund managers of venture capital firms.

Table 1-3 “Corporate assessors” in this research

Analysts of rating institutions (credit analysts)

Sell-side analysts

Buy-side analysts

Fund managers of institutional investors

Fund managers of venture capitals

Chapter 2 Current Status of Disclosure of Intellectual Assets Based Management

2-1 Definition of Intellectual Assets and Intellectual Assets Based Management

Against rapid aging and a very low birthrate, it is getting difficult to pursue the scale of the domestic economy in Japan. Furthermore, due to the intensification of global competition, corporations in Japan are forced to strengthen their competitiveness further and to return profits.

In order for corporations to return profits continuously, it is important for corporations to maintain and build up their own strength and to differentiate themselves continuously from other corporations by developing the individuality of the goods and services they provide. The strength of corporations in Japan is said to lie in the only-one technology of a company unsurpassed by other corporations and a new business model.

As a source of such differentiation, management utilizing a corporation's unique "intellectual assets" that are hard to be seen, such as human resources, technologies, organizational strength, networking with customers and brands, is getting more and more important. "Intellectual assets," which are a source of value unique to each company and hard to be imitated by other corporations, are defined, for example, as follows:

Table 2-1 Example of Definition of Intellectual Assets

Under a knowledge-based economy, intangible assets that are the source of a corporation's excess earning power or corporate value are generically called "intellectual assets." Therefore, the following items are, for example, included in "intellectual assets," that are often called the source of the strength of Japanese corporations:

- Persistence regarding product detail, technology and know-how represented by the "adjustment to resolve issues" during the manufacturing process
- Rapidity in the development of products and services with which a problem is solved through communication with customers, and the organizations and systems that make it possible (including requests from clients for the development of next-generation products)
- Existence of high level consumers who can provide feedback on high level demand, and the relationship between consumers and corporations (a high quality network)
- Brand power of products, services, and corporations that is based on credit proven by a quality, medium- and long-term stable presence, and medium-term business relationship
- Maintenance of the motivation and application of the abilities of high level employees, and a system for the employment and organization that has made it possible
- Ability of intellectual creation supported by a broad base of engineers and technicians

Source: "Interim Report by Subcommittee on Management & Intellectual Assets, Subcommittee on Management & Intellectual Assets, New Growth Policy Committee, Industrial Structure Council"(2005)

It should be noted that the concept of "intellectual assets" referred to above is not synonymous with "intellectual property" such as patents and know-how, but is a wide-ranging concept including "intellectual

property” and further referring collectively to invisible assets, such as organizational strength, human resources, and networking with customers, that become the strength of a corporation.

Furthermore, management aiming at sustainable profits through “identifying” a corporation’s unique intellectual assets and consciously “utilizing” them by effectively combining them is called “intellectual assets based management.” The intellectual assets themselves do not create value, but management utilizing and managing such assets creates medium- and long-term value.

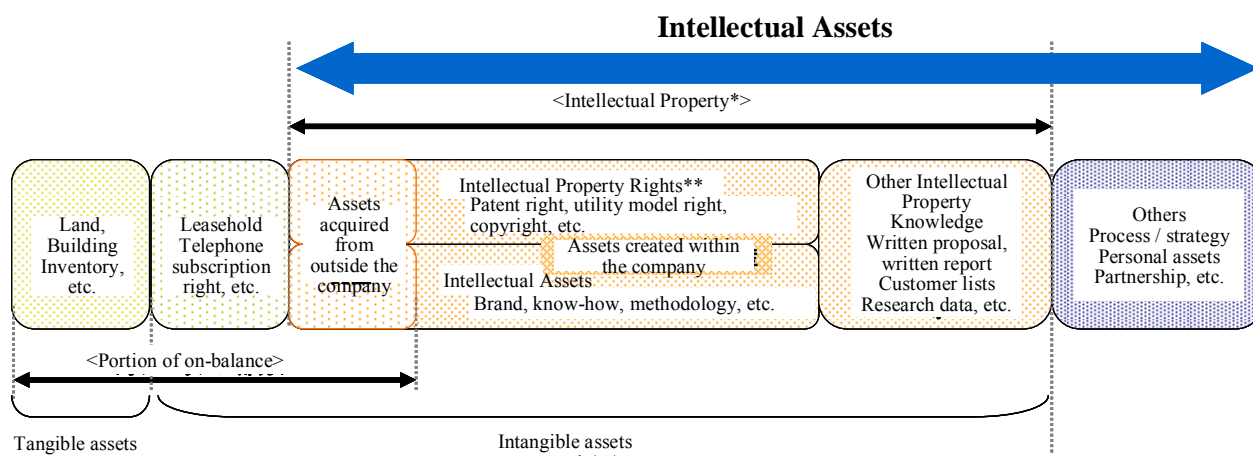
Intellectual assets based management means to re-identify and utilize the potential of a corporation, thereby enhancing future corporate value and eventually producing the desired effects for the Japanese economy.

Table 2-2 Example of Definition of Intellectual Assets Based Management

- Management to identify a corporation’s unique “intellectual assets” and to utilize such assets
- How to maintain, manage, enhance and improve their own intellectual assets, how to combine them for business purposes, and how to realize value

Source: “Interim Report by Subcommittee on Management & Intellectual Assets, Subcommittee on Management & Intellectual Assets, New Growth Policy Committee, Industrial Structure Council”(2005)

Table 2-3 Image Chart for Organizing Intellectual Assets, etc.



Source: Materials for presentation by Ms. Yoshiko Shibasaka of KPMG AZSA & Co. at the Nikkei Assets Management Forum 2006 (partially modified)

2-2 Meaning of Disclosure by Corporation of Intellectual Assets Based Management

In order for a corporation to continue intellectual assets based management aiming at sustainable profits, stakeholders (such as client companies, customers, shareholders and investors, employees and the local community) are required to recognize and assess the efforts made by such corporation.

For this purpose, corporations should disclose to stakeholders the intellectual assets that cannot be sufficiently disclosed in financial statements and the managerial approaches utilizing intellectual assets. This is “disclosure of information regarding intellectual assets based management,” through which the disclosing

corporation will mainly enjoy the following five advantages.

(1) Increase of corporate value

Since proper assessment by stakeholders is acquired, the ability of the corporation will be properly assessed. For example, a rise in stock will lead to the increase of the aggregate market value³.

An essential defensive method against the recent increase in takeovers is to realize a proper share price. A corporation whose share price is underestimated is a highly possible target for a takeover, but the risk of a takeover will be reduced if the disclosure of information regarding the intellectual assets based management resolves the underestimation in the market.

(2) Optimal distribution of managerial resources

The re-identification of its own intellectual assets during the process of information disclosure will bring optimal distribution of managerial resources (such as human resources and funds) that may create value within the corporation. In other words, it will be possible for each corporation to invest its managerial resources intensively in a specific method of value creation.

(3) Easy procurement of funds

By increasing the anticipation of or a corporation's trust in its future value, the procurement of funds will be favorable with the assessment of various investors and financial institutions.

In addition, small and medium companies and venture companies with less opportunity to disclose information will be able to show their potentiality and growth potential through intellectual assets based management reporting and to use them as loan or investment assessment materials from banks or venture funds.

(4) Improvement of employees' motivation

Proper recognition by employees of the strengths of their corporation and its intellectual assets based management will clarify how their own duty contributes to the future value of the corporation and therefore, their morale will be boosted.

In the future, amid concerns about a labor shortage in the labor market, such as mass retirement of baby-boom generations (a Year 2007 problem), the intellectual assets based management report will be able to help a corporation to make its strengths and attractiveness appealing to job seekers and to secure excellent people.

(5) Enabled re-investment in intellectual assets

An increase in corporate value and an easy procurement of funds will lead to further efforts toward

³ Regarding the relationship between the disclosure of intangible assets and the increase of corporate value, some experimental studies got a result whereby a corporation that disclosed intellectual property information had gained a return in excess of the average rate of return on stock of the industry during the period before and after disclosure. (Tetsuyuki Kagaya, *Nihon ni okeru mukei shisan kaiji no keizai kouka (Economic Effects of Disclosure of Intangible Assets in Japan)*, 2006)

intellectual assets based management or the increase of investment in intellectual assets that are the strength of the corporation, thus leading to strengthening further the mechanism of intellectual assets and value creation and to further information disclosure. The content and methodology of the intellectual assets based management report will be sophisticated and the understanding and a sense of trust of stakeholders will be enhanced based on a high level of experience. In a manner of speaking, a virtual cycle of intellectual assets based management and information disclosure will be created.

2-3 Meaning of Assessment of Intellectual Assets Based Management for Corporate Assessors

Corporate assessors such as analysts or fund managers, in particular, out of various stakeholders including shareholders and consumers, play a significant role in assessing intellectual assets based management.

There would appear to be the following three major advantages to such corporate assessors assessing intellectual assets based management disclosed by corporations.

(1) Improvement of accuracy of analysis of corporate value

It requires a high degree of analytical ability to include non-financial information that is qualitative information in a corporate assessment, in addition to traditional financial information. Therefore, analysts and fund managers are asked about their qualifications as professionals more than ever, but making the assessment of intellectual assets based management that has not been assessed in the past, that is, analyzing how a corporation creates future value in the medium and long term will enable them to understand the essential value of the corporation, and their accuracy of analysis will improve. Furthermore, since they will be able to present their “uniqueness” in corporate assessment, they will be able to differentiate themselves from competitive corporate assessors.

Thus, they will acquire a good reputation from corporate assessors (such as securities companies or rating institutions to which they belong, investors providing funds to the funds) and their mutual confidence will be strengthened. For example, security analysts will be highly appraised by their securities companies and be voted by institutional investors to be near the top of popular analysts.

If they continue to assess intellectual assets based management, they will have a greater voice and influence on capital markets in the medium and long term and will be able to convey highly accurate information to investors, and therefore, the gap between market value and the essential value of an assessed corporation will be smaller. As a result, an effect whereby the synergy between corporations demonstrating greater confidence and information regarding intellectual assets based management being more actively provided to corporate assessors will be also expected.

(2) Assessment of risk in corporations

In the past, the “information on risk” that significantly affects corporate management was the qualitative information disclosed that was especially hard to be seen. It is hard for corporations to have an incentive to disclose through IR information on risk that may damage their own corporate value. While after April 2004,

information on risk has been required to be included in securities reports that are a system disclosure⁴, corporate assessors cannot easily understand it, in that expressions remain abstract.

With respect to this point, the analysis of disclosure of intellectual assets based management of corporations will allow confirmation of whether the necessary information has been disclosed without omission. What areas corporations are working on or are not working on will be clarified and a comparison within the industry will clearly show the future business risks of a corporation. For example, assuming that Company A has launched technological development in a certain advanced field, if Company B belonging to the same industry is behind in the development in the same field, it may be deemed to be one of risks of Company B. If it is possible to forecast the performance in the case whereby the risks may become actual in the future, the accuracy of the corporate analysis will be enhanced as described in (1).

(3) Spotting corporations with high growth potential

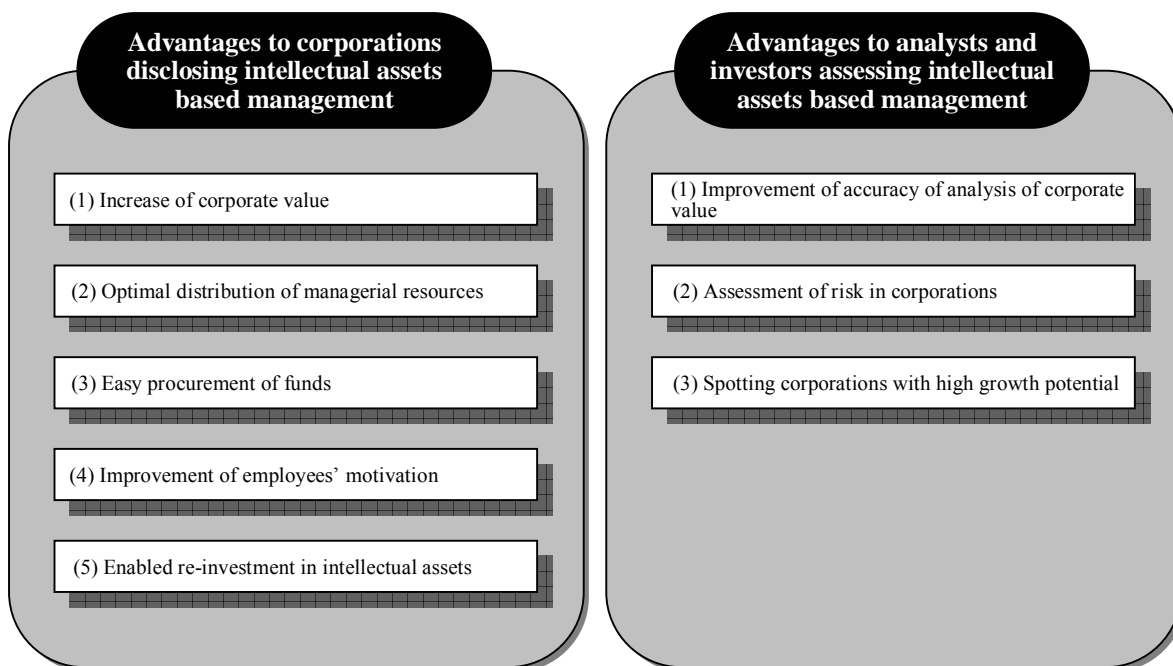
In the disclosure of information regarding intellectual assets based management, it is not the information on short-term profits, but the process of value creation to enhance mid- and long-term corporate value which is presented. For example, intellectual assets based management reports mainly disclose information regarding the growth potential of corporations, such as any technological development the corporation is working on, the status of the development of human resources and the expansion of a customer network based on the mid- and long-term vision of management.

Since corporate assessors are able to obtain information regarding the up-front investment of corporations that will have a great impact on the forecast of future performance by analyzing the intellectual assets based management, they will be able to see the growth potential of the corporation properly. By doing this, fund managers and buy-side analysts will be able to make accurate decisions about the investment. For investors investing in small- and medium-sized companies or venture companies, such as venture funds, in particular, an assessment of the “growth potential” of a corporation aiming at IPO is essential.

Analyzing intellectual assets based management reports enables analysts, for example, to spot corporations with high growth potential that are currently assessed as undervalued by the market and to recommend them to institutional investors. Fund managers will be able to increase management performance by investing in those corporations.

⁴ The “Cabinet Office regulations amending a part of the Cabinet Office regulations, etc. regarding disclosure of company information” (Cabinet Office regulations No. 28 of March 31, 2003) requests the improvement of disclosure of “risks of businesses, etc.” in financial reports.

Table 2-4 Advantages to Disclosing and Assessing Intellectual Assets Based Management



2-4 Seven Perspectives in the Guidelines for Disclosure of Intellectual Assets Based Management

The “Guidelines for Disclosure of Intellectual Assets Based Management” published by the Ministry of Economy, Trade and Industry in October 2005 presents a method of explaining the policy of top managers in creating value in the future with an easy-to-understand history and of including supporting indicators (intellectual assets indicators) in the history to add credibility.

In particular, it shows the following seven perspectives as key elements in the analysis of its own intellectual assets. As a matter of course, the meaning and weight of these perspectives will change depending on the relationship with its own management history.

Table 2-5 Seven Perspectives in the Guidelines for Disclosure of Intellectual Assets Based Management

<p>1) <u>Management stance / Leadership</u> Degree of sharing and penetration of management stance and goals</p> <p>2) <u>Selection and concentration</u> Status of selection and concentration of products, services, technologies, customers, market, etc. The characteristics of selection and concentration depend on the business types, it is desirable to give an explanation as a premise about the business type (including basic structure of the business model and the figure of sales of B to B and B to C).</p> <p>3) <u>External negotiation power / relationships</u> Strength of negotiating power over and relationship with external parties such as customers, suppliers, fund procurement</p>
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4) Knowledge creation / innovation / speed

Capacity and efficiency of new value creation, speed of business management

5) Teamwork / organizational knowledge

Organizational power (collective strength) and solidarity as a unity of individual capacities

6) Risk management / governance

Identification, assessment and response, management, public announcement, governance of risks

7) Coexistence in society

Status of contributing to the community and society, etc.

Source: Ministry of Economy, Trade and Industry, “*Subcommittee on Management & Intellectual Assets, New Growth Policy Committee, Industrial Structure Council, Interim Report by Subcommittee on Management & Intellectual Assets*” (2005)

2-5 Status of IR of Corporations and Disclosure of Intellectual Assets Based Management Reports

(1) Status of IR of corporations

As is widely known, IR is public relations activity by corporations to provide necessary investment information to their shareholders and investors. Such corporate IR activity is actively growing in view of the globalization of the economy and the financial Big Bang. IR is particularly active because corporations are beginning to procure funds by way of direct financing in order to procure from the market by issuing shares or bonds, instead of financing from financial institutions, and corporations need to promote their own management to the market because of the diversification of shareholders, such as foreign investors and individual investors.

Furthermore, IR has recently become important as a takeover defense against increasing M&A. In order to prevent hostile takeovers due to underestimation, it is important to reduce the gap between the actual value and market value of the corporation regularly through proper IR and to form and maintain a proper share price.

With the progress of IR in corporations, an objective assessment of “what constitutes excellent IR” is required. In Japan, in order to award excellent IR, various organizations endeavor to “give an award” regarding IR and disclosure. For example, there are major awards such as the “Excellent IR Companies Award” by Japan Investor Relations Association, “Nikkei Annual Report Award” by Nihon Keizai Simbun, Inc., and “Research Analysts’ Awards for Excellence in Companies in Corporate Disclosure” by the Security Analysts Association of Japan (See Table 2-6 below).

Regarding those corporations who have won awards, it is obvious that IR significantly contributes to the improvement of their corporate value through various original ideas or continuing efforts in IR.

Since awards give clear examination criteria for excellent IR that deserves awards, the examination criteria is used by corporations as a target for their IR activities and it is becoming the key goal of the IR department to win awards for its IR activities. Moreover, in view of an increase in individual investors, a recent characteristic is that the provisions of information to individual investors or the quality of their IR websites are becoming important as examination criteria.

Table 2-6 IR Awards

Awards	Detail and Characteristics
“Excellent IR Companies Award” by Japan Investor Relations Association	Companies carrying out excellent IR activities are selected out of member companies and announced. The examination committee consists of analysts, investors, news agencies, etc. and determines the “Excellent IR Companies Award” based on the results of an “examination sheet” declared by applicant companies. For “mid- and small-sized companies” interested in IR, the “Excellent IR Companies Incentive Award” is provided.
“Nikkei Annual Report Award” by Nihon Keizai Simbun, Inc.	This Award originally started as a contest to appraise the outcome of annual reports. At present, the examination consists of two stages, the first examination and the second examination, with examiners, such as fund managers and analysts of mutual fund investment companies and securities companies.
“Research Analysts’ Awards for Excellence in Companies in Corporate Disclosure” by the Security Analysts Association of Japan	This was started by the Disclosure Study Group of the Security Analysts Association of Japan in order to enhance the disclosure of corporate information. A special committee is organized for each industry and the ranking of disclosure is published. Recently, the selection of companies providing excellent information on stocks of emerging markets and individual investors has been started.
“Disclosure Award for Listed Companies” by Tokyo Stock Exchange	In view of promoting the improvement of the disclosure of listed companies, this Award honors companies that are actively engaging in disclosure, such as disclosing corporate information to investors properly in a timely manner and in an easy-to-understand format. The “Increase in Individual Investors Award” and the “Disclosure New Face Award” have been founded recently.
“Internet IR Best Company Award” by Daiwa Investor Relations	This Award honors companies having an excellent internet IR site and aims at the indicators relied on by IR related persons and investors. The “Internet IR Best Efforts Company Award” is given to the IR site whose contents have improved the most.

Source: Prepared based on various materials

Regarding the disclosure of information on “intellectual property,” one of the intellectual assets, a guideline was presented in “The Guideline on Disclosure for Intellectual Property” (2004) in voluntarily disclosing information on intellectual property to investors, etc. Based on this disclosure guideline, intellectual property reports are successively published by corporations (See Table 2-7 below). Multiple corporations make disclosure in a form of a single intellectual property report and through other disclosure media, such as annual reports.

Because of the disclosure of information of intellectual property, including patents and technological information that were hard to obtain before, in particular numerical information supporting the qualitative information of intellectual property (such as the number of applications and registration of rights), corporate assessors have come to utilize them as a useful tool in assessing the future value of corporations.

Disclosure of information regarding “intellectual assets based management” covered by this research is an endeavor to make an extension of such disclosure of intellectual property information.

Table 2-7 Status of Disclosure of Intellectual Property Information

Company Name	Media of Disclosure in 2004	Media of Disclosure in 2005	Media of Disclosure in 2006
Central Research Institute of Electric Power Industry	–	–	Intellectual Property Report
JSR Corporation	Annual / Intellectual Property Report	Annual / Intellectual Property Report	Annual / Intellectual Property Report
NEC Corporation	Annual	Annual	–
NTN Corporation	Annual	Annual	Annual
NTT DATA CORPORATION	–	Annual	Annual
NTT DoCoMo, Inc.	Annual	Annual	Annual
Asahi Kasei Corporation	Annual / Intellectual Property Report	Annual / Intellectual Property Report	Annual / Intellectual Property Report
AJINOMOTO Co., Inc.	Annual / Intellectual Property Report	Annual / Intellectual Property Report	Annual / Intellectual Property Report
AnGes MG, Inc.	–	Intellectual Property Report	Intellectual Property Report
IHI Corporation	–	Annual	Annual
ISEKI & CO., LTD.	Intellectual Property Report	Annual / Intellectual Property Report	Annual / Intellectual Property Report
UBE INDUSTRIES, LTD.	–	Annual	Annual
Eisai Co., Ltd.	–	Annual	Annual
OSAKA GAS CO., LTD.	Annual	Annual	Annual
OMRON CORPORATION	–	Annual	Annual
OLYMPUS CORPORATION	Annual / Intellectual Property Report	Annual / Intellectual Property Report	Annual / Intellectual Property Report
KAO CORPORATION	–	Annual	Annual
Kabu.com. Securities Co., Ltd.	Intellectual Property	Intellectual Property	Intellectual Property

	Report	Report	Report
Kikkoman Corporation	-	Intellectual Property Report	Intellectual Property Report
CANON INC.	Annual, etc.	Annual, etc.	Annual, etc.
Kirin Brewery Company, Limited.	-	-	Intellectual Property Report
Konica Minolta Holdings, Inc.	Annual / Intellectual Property Report	Annual / Intellectual Property Report	Annual / Intellectual Property Report
SHARP CORPORATION	-	Annual	Annual
Sumitomo Heavy Industries, Ltd.	-	Annual	Annual
SEIKO EPSON CORPORATION	Annual	Annual	Annual
SEKISUI CHEMICAL CO., LTD.	-	Annual	Annual
Sony Corporation	Annual	-	Annual
TAIHEIYO CEMENT CORPORATION	-	Intellectual Property Report	Intellectual Property Report
Daiwa Securities Group Inc.	-	-	Annual
Takeda Pharmaceutical Company Limited.	Annual	Annual	Annual
Chugai Pharmaceutical Co., Ltd.	Annual	Annual	Annual
TEIJIN LIMITED	-	Annual	Annual
TERUMO CORPORATION	-	-	Annual
Tokyo Electron Ltd.	Intellectual Property Report	Intellectual Property Report	Intellectual Property Report
Tokyo Electric Power Co.	-	Annual	Annual
TOSHIBA CORPORATION	Annual	Intellectual Property Report	Intellectual Property Report
Toray Industries, Inc.	-	Intellectual Property Report	Intellectual Property Report
Toyota Motor Corporation	-	-	Annual
TRANS GENIC INC.	-	-	Intellectual Property Report
NITTO DENKO CORPORATION	-	Annual	-
HARUNA CORPORATION	Intellectual Property Report -	-	-
East Japan Railway Company	Annual	-	-
Hitachi Chemical Co., Ltd	Annual / Intellectual Property Report	Annual / Intellectual Property Report	Intellectual Property Report

Hitachi, Ltd.	Intellectual Property Report	Intellectual Property Report	Intellectual Property Report
Fujitsu Limited	Annual	Intellectual Property Report	Annual / Intellectual Property Report
Bridgestone Corporation	Intellectual Property Report	Intellectual Property Report	Intellectual Property Report
Matsushita Electric Industrial Co., Ltd.	Annual	Annual	Annual
Mitsui Engineering & Shipbuilding Co., Ltd.	Intellectual Property Report	Intellectual Property Report	Intellectual Property Report
Mitsubishi Chemical Corporation	-	Annual	-
Mitsubishi Heavy Industries, Ltd.	-	Intellectual Property Report	-
Mitsubishi Electric Corporation	Annual	Annual	Annual
Mitsubishi Material Corporation	-	-	Annual
Yokogawa Electric Corporation	-	Annual / Intellectual Property Report	
Mie University			Intellectual Property Report

(2) Status of disclosure of intellectual assets based management reports

Now that the Guidelines for Disclosure of Intellectual Assets Based Management of the Ministry of Economy, Trade and Industry has been published, the disclosure of information on intellectual assets based management of corporations is gradually but steadily increasing at the time of financial settlement (See Table 2-8).

With such advance efforts and the disclosure of information of intellectual assets based management becoming popular in Japan, the recognition and analysis abilities of readers will improve and communication with stakeholders is expected to become smoother.

In addition to the voluntary efforts of corporations, various efforts from various institutions have been made, such as actively holding workshops and seminars. Thus, the concept of “intellectual assets” and “intellectual assets based management” is becoming widespread in Japan

Table 2-8 Status of Disclosure of Intellectual Assets Based Management

Company Name	Media of Disclosure in 2005	Media of Disclosure in 2006	Media of Disclosure in 2007
DATAPLACE, Inc.	–	Intellectual Assets Based Management Report of March 2003	Intellectual Assets Based Management Report of March 2007
All About, Inc.	Intellectual Assets Based Management Report of October 2005	Intellectual Assets Based Management Report of June 2006	
Development Bank of Japan	Social Environment and Intellectual Assets Report of October 2005	Disclosure of July 2007	
NeoChemir Inc.	Intellectual Assets Based Management Report of December 2005 (March 2005 version)		Intellectual Assets Based Management Report of January 2007 (March 2006 version)
Mnemonic Security, Inc.	–	Intellectual Assets Based Management Report of March 2006	
AirNavi	–	Intellectual Assets Based Management Report of August 2006	
Emaus Kyoto, Inc.	–	Intellectual Assets Based Management Report of August 2006	
Protein Crystal Corporation	–	Intellectual Assets Based Management Report of May 2006	
Sakigake-Semiconductor	–	Intellectual Assets Based Management Report of August 2006	

SENTEC Corp., Ltd.	-	Intellectual Assets Based Management Report of August 2006	
Terumo Corporation	-	Annual Report of August 2006	
Hirai katsujyo	-	Intellectual Assets Based Management Report of October 2006	
NISSAN MOTOR CO., LTD.	-	Annual Report of November 2006	
HORIBA, Ltd.	-	Annual Report of July 2006	
Sumitomo Metal Industries, Inc		Management Report of September 2006	
Kyoto Nishijin takumi Ningyo			Intellectual Assets Based Management Report of March 2007
Haruurarakanashobo			Intellectual Assets Based Management Report of March 2007
Valueplanning Co., Ltd.			Intellectual Assets Based Management Report of March 2007
CAST, Inc.			Intellectual Assets Based Management Report of March 2007
SHOWA DENKI CO., LTD.			Intellectual Assets Based Management Report of March 2007

It should be noted that the above lists are limited to disclosure which is clearly identified as an “intellectual assets based management report” or reports as to “intellectual assets.”

It is desirable that the disclosure of information on intellectual assets based management should not be limited to certain media, but should be made through the most appropriate media, such as annual reports and materials prepared for briefing meetings, to be selected depending on the strength of the corporation or

management history, and multiple corporations are considered to have been making a disclosure or intellectual assets based management information through such media.

(3) Problems in disclosing intellectual assets based management reports

As stated earlier, not to mention statutory disclosure or timely disclosure, the disclosure of a certain amount of information, including information regarding intellectual assets based management, has been made under IR by Japanese corporations through various voluntary disclosure media, such as intellectual property reports, CSR reports and annual reports. However, since some corporations issue excessive amounts of information and the information regarding intellectual assets based management is diversified depending on the disclosure media, it is hard to say that the transmission of information has been made effectively with points regarding intellectual assets based management of the corporation being organized and unified. Corporations with multiple disclosure media transmit media over ten types from their website over several fiscal years, which is undeniably a tendency of information overload.

It is true for corporate assessors utilizing such information that convenience, in the sense of the provision of analytical material, is improving, but with disclosure of information of a quality and amount in excess of the analytical capability of one analyst or investor, the disclosure of information has not necessarily been made effectively. Furthermore, no fundamental clue as to what information should be used in what manner is given to a general individual investor without special analysis capability.

If corporate assessors do not fully utilize the information despite the fact that disclosure of information is actively made by corporations, it may be possible that there are some problems in some corporations with the marketing of their IR (understanding the needs of corporate assessors and the marketing of information to be disclosed).

In order to make a disclosure of intellectual assets based management that will be supported by corporate assessors, corporations will have to reconfirm and reexamine what information should be disclosed in what manner.

Chapter 3 Current Circumstances of Analysts

3-1 Significance of Analysts

(1) Role of analysts

Analysts as corporate assessors can be defined as “professionals analyzing a variety of information and assessing investment value and providing investment advice and investment management services by applying advanced specialized knowledge and analytical techniques.”⁵

In capital markets where the subject of saving and the object of investment meet, there exists an asymmetry of information whereby corporations which are the objects of investment have superior information to the subjects of saving regarding their business and the value of an investment opportunity. On the other hand, the subjects of saving know that corporations tend to inflate the estimation of the value of their ideas. Furthermore, the better the disclosed information becomes, the harder it is to understand it and to judge the reasonableness of the value of a corporation.

Under such circumstances, it is the analysts that analyze and clarify from a neutral standpoint the information and actual condition which are disclosed or provided by corporations and communicate them to the subjects of saving. Analysts, as the intermediaries of information in capital markets, have the function of correcting the asymmetry of information and play the role of contributing to the smooth provision of funds to corporations creating additional value and helping both the economy and society develop.

(2) Classification of analysts

In assessing corporate value, analysts make an analysis from multilateral viewpoint, such as growth potential, profitability and safety of the target corporations, but which elements are emphasized differ depending on the relationship between corporations and investment choices. In this section, analysts can be classified as follows in accordance with analytical viewpoints.

1) Credit analysts

Credit analysts belong to rating institutions and analyze the credibility of corporations. The rating by rating institutions relates to a rating of issuers that rates the credibility of corporations themselves, in addition to a rating of bonds issued by corporations, such as long-term bonds and short-term bonds.

Credit analysts rank the reliability of the capacity of corporations to pay principal and interest, and provide information to debt investors. Therefore, a corporate assessment is focused on the financial health and safety of corporations.

The result of an assessment is shown in an easily understandable form using alphabets, etc., which may differ among rating institutions.

2) Sell-side analysts

In contrast to credit analysts focusing on the debts of corporations, it is equity analysts that focus on the

⁵ By the Security Analysts Association of Japan

equity of corporations. Sell-side analysts are equity analysts who belong to the investment department, etc. of securities companies and play a major role in analyzing and assessing individual securities based on the investigation of industries and corporations and in providing investment information to institutional investors, etc.

Sell-side analysts assess the stock values (fundamentals value) mainly based on the growth potential and profitability of corporations and determine whether the current stock price is relatively high or relatively low. In general, they assess the excess return to TOPIX expressed in the form of stock rating.

3) Buy-side analyst / Fund manager

A buy-side analyst is a purchaser of investment products as an institutional investor, such as investment trusts and financial advisors, trust and banking companies, life insurance companies and damage insurance companies. Fund managers become involved in comprehensive asset management by combining securities that suit for various investment purposes, and buy-side analysts provide the investment information to fund managers. The perspective or ideas of buy-side analysts do not differ very much from those of sell-side analysts; however, since they organize portfolios in various industries and corporations, they do not professionally investigate specific kinds of business and industries, but cover more extensive kinds of business and industries.

3-2 Current Status of Assessment of Corporations

(1) Perspective of assessment – mainly assessment of corporations by quantitative approach –

In assessing corporate value, analysts base their assessments not only on the figures from such corporations, but also on various other elements, such as the trend of the industry it belongs to and macroscopic political and economical trends (see “Flow of Assessment of Corporations by Analysts” at p.65 of the referential material of this Report?).

The mainstream of an analysis is to forecast the performance of such corporations through statutory disclosure material, such as securities reports, financial briefings, explanatory materials given at explanatory meetings for financial statements, as well as through interviews with the corporation.

Since such analysis finally requires a quantification of “targeted stock price,” such part of the media that uses figures is mainly used for the analysis. The fact is that not all materials necessary to see the future trend of a corporation are fully utilized for the analysis if only qualitative materials are disclosed by corporations, which are difficult to show in figures.

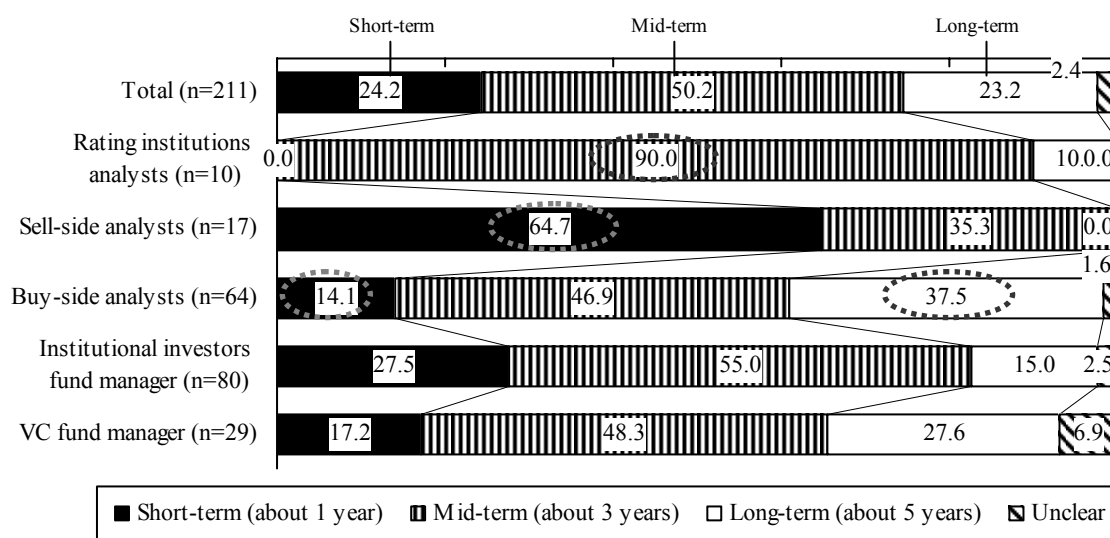
(2) Period for assessment – many analyses are from a short-term perspective –

Analysts foresee the future performance of corporations in accordance with the analytical process mentioned above and then calculate the proper corporate value, but the problem is how far the future should be considered in the assessment, because the meaning of the ratings presented by analysts greatly differs depending on whether a change in performance for the short-term with half to one year ahead is taken into consideration or whether the performance is forecasted from a mid- to long-term perspective, five to ten years ahead.

As a result of a questionnaire used in this research, many expressed the mid-term perspective of an average

of three to five years as a time span of corporate assessment (50.2% for a mid-term of about three years and 23.2% for a long-term of about five years). Categorizing these responses in accordance with assessors, especially where about two-thirds of respondents (64.7%) selected, in particular, “short-term” for “sell-side analysts” and no respondents selected “long-term,” and therefore, the span for sell-side analysts tends to be short-term. By contrast, many respondents selected “mid-term” for “rating institution analysts” (90.0%) and “long-term” for “buy-side analysts” (37.5%), and therefore some corporate assessors have a mid- to long-term perspective.

Table 3-1 Time Span of Assessment of Corporate Value Categorized by Assessors (single answer)



Source: Ministry of Economy, Trade and Industry, “Questionnaire regarding Perspective of Intellectual Assets Based Management Report” (2006)

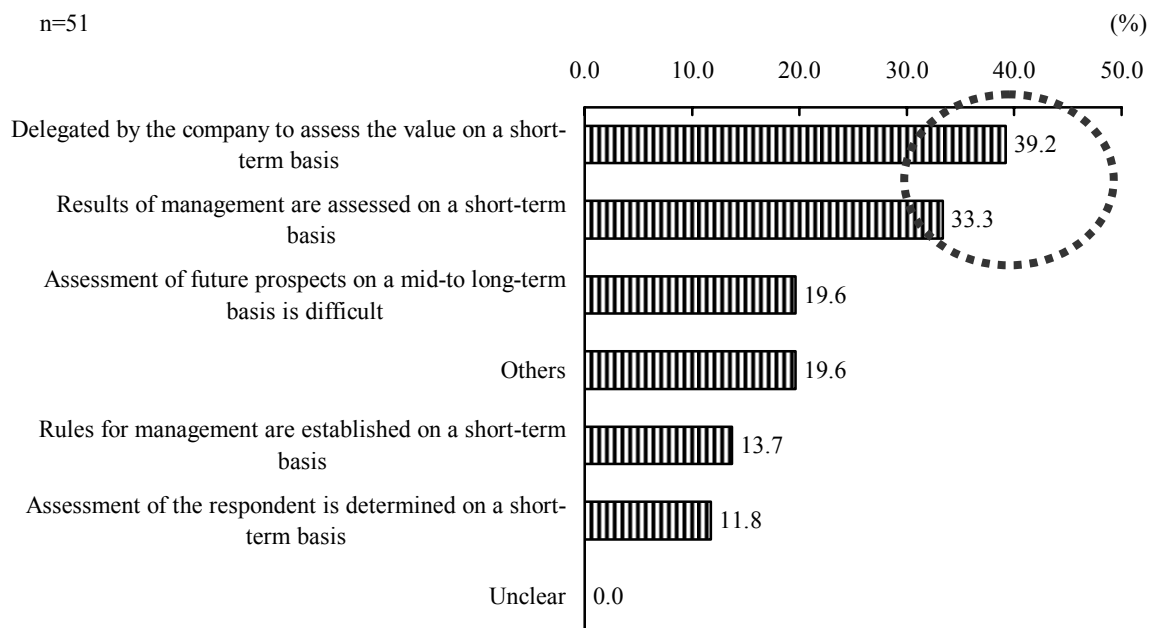
Note: The portion surrounded by dotted circle in the Table shows a particularly significant difference compared with the total number of respondents.

According to the results of the questionnaire, the reasons for a short-term assessment are that the work is assigned by the company or the assessment of the management of the respondent is made from a short-term perspective, such as a “short-term assessment of the value is delegated by the company (the respondent belongs to)” (39.2%) and the “results of the management are assessed on a short-term basis” (33.3%), and furthermore, the technical problem that an “assessment of future prospects on a mid- to long-term basis is difficult” (19.6%).

Among others, while the disclosure by corporations of their performance at the time of quarterly settlement has been established recently⁶ and more and more information is being disclosed, the stock price significantly changes in accordance with the quarterly publication of performance. Under such circumstances, the assessment of corporations by analysts seems to tend to be on a short-term basis.

⁶ The Tokyo Stock Exchange requires quarterly disclosure based on the timely disclosure rule after April 2003.

Table 3-2 Reason for Assessment of Corporate Value for Short-Term (multiple answers)



Source: Ministry of Economy, Trade and Industry, “Questionnaire regarding Perspective of Intellectual Assets Based Management Report” (2006)

(3) Media Emphasized – emphasis on interviews with corporations or briefing meetings as media for disclosure –

In this research through a questionnaire, the top answer for media emphasized in assessing corporations is “interviews with corporations,” which account for about one-third (37%) of the total response. The second and third answers were “attendance at explanatory meetings held by corporations” and “materials for explanatory meetings for financial statements,” respectively, accounting for 20%, which explains that corporate assessors not only understand the securities reports and financial briefings, but also place importance on information not shown in figures by viewing the actual business through interviews and using materials supplemental to the financial information.

Table 3-3 Method and Media Emphasized in Assessing Corporations (multiple answers)

First	%	Second	%	Third	%
Interviews with corporations	37.0	Attendance at explanatory meetings held by corporations	19.0	Materials for conference call	22.3
Statutory disclosure materials, such as securities reports	15.6	Materials for conference call	14.7	Explanatory materials of financial briefings	10.4
Financial briefings	13.3	Explanatory materials of financial briefings	10.9	Attendance at explanatory meetings held by corporations	10.4
Explanatory materials of financial briefings	5.2	Statutory disclosure materials, such as securities reports	10.9	Financial briefings	9.5
Attendance at explanatory meetings held by corporations	5.2	Financial briefings	10.4	Statutory disclosure materials, such as securities reports	9.5
Business reports	4.7	Interviews with corporations	9.0	Information on website	6.2
Materials for conference call	4.7	Business reports	5.7	Business reports	4.7
Annual reports	4.3	Annual reports	3.3	Interviews with corporations	4.7
Others	3.3	Factbooks/Investors' guide	2.4	Annual reports	4.3
Newspaper and industry papers	1.9	Tour of facilities of corporations	2.4	Tour of facilities of corporations	4.3

Fourth	%	Fifth	%
Information on website	12.3	Information on website	12.3
Materials for conference call	11.4	Newspaper and industry papers	8.1
Statutory disclosure materials, such as securities reports	10.9	Annual reports	6.6
Explanatory materials of financial briefings	8.1	Financial briefings	6.6
Attendance at explanatory meetings held by corporations	8.1	Statutory disclosure materials, such as securities reports	5.7
Financial briefings	6.6	Tour of facilities of corporations	5.7
Newspaper and industry papers	6.6	Others	5.7
Factbooks/Investors' guide	6.2	Factbooks/Investors' guide	4.7
Interviews with corporations	4.7	Explanatory materials of financial briefings	4.7
Annual reports	3.3	Interviews with corporations	4.7

Source: Ministry of Economy, Trade and Industry, "Questionnaire regarding Perspective of Intellectual Assets Based Management Report" (2006)

(4) Use of Intellectual Assets Based Management Information – not sufficient use because of great gap between the conscious mind of disclosing corporations and that of corporate assessors –

In the current circumstances, analysts do not fully include intellectual assets based management information

in the assessment of corporations. The reason therefor is probably that the intellectual assets based management information disclosed by corporations does not necessarily correspond to the perspective of the corporate analysis of analysts of quantitative assessment on a short-term basis.

1) Association with corporate value

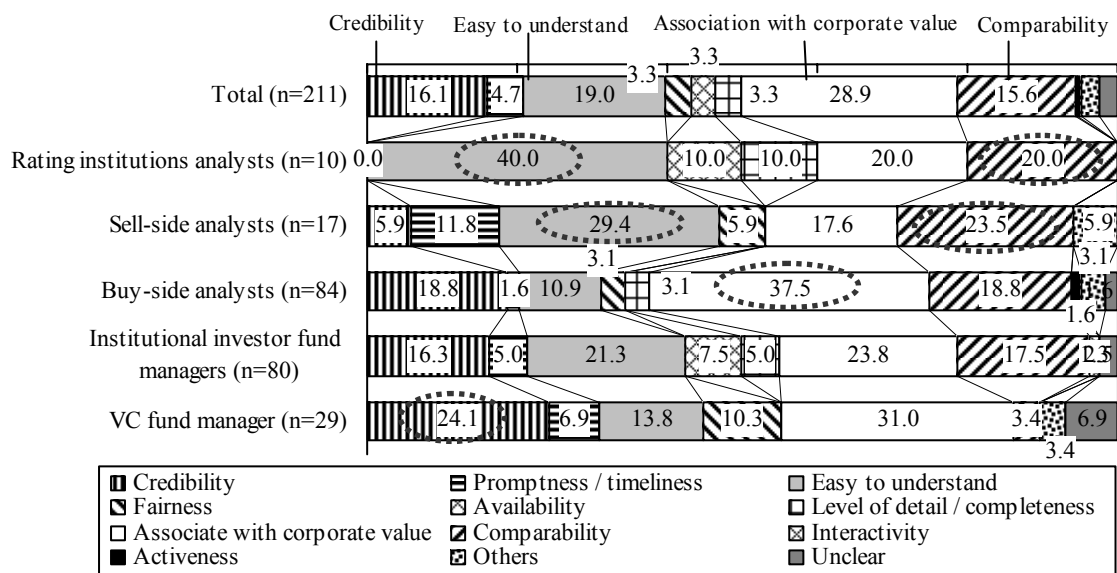
In the questionnaire for this research, the largest number of respondents gave “association with corporate value” as an answer to the question regarding what characteristics analysts desire for intellectual assets based management information. This shows that they want shown in a more concrete form how efforts toward intellectual assets based management associate with the future performance of corporations.

For example, to what extent the improvement of internal training concentrating on human resources and the strengthening of brand power contributes to the future performance of corporations cannot be quantified, but in the opinion of some of the respondents “the improvement of business value, in particular, how it links with performance and how much effect it has, should be specified.”

(Reference) Characteristics of IR emphasized by corporate assessors in intellectual assets based management reports

This time, research through a questionnaire asked what characteristics are desirable in the disclosure of information on intellectual assets based management, the largest number of answers was an “association with corporate value” with about 30% (28.9%), far more than other answers. This trend is particularly noticeable with regard to “buy-side analysts” (37.5%). In the case of “rating institutions analysts” and “sell-side analysts,” it is found that “easy to understand” and “comparability” are emphasized.

Table 3-4 Desirable Characteristics of IR in Disclosure of Information on Intellectual Assets Based Management by Each Category of Assessors (single answer)



Source: Ministry of Economy, Trade and Industry, “Questionnaire regarding Perspective of Intellectual Assets Based Management Report” (2006)

Note: The portion surrounded by a dotted circle in the Table shows the particularly significant difference compared with the total number of respondents.

2) Comparability

Furthermore, since intellectual assets information is disclosed in a creative and free style by each corporation, it is difficult to compare one with another. Considering that it is necessary for corporate assessment not only to view the absolute value of a corporation, but also to see its relative position, such as how much investment value the corporation has in comparison with other corporations in the same industry, it is important to make intellectual assets information (whose relative comparison is difficult) the information on intellectual assets based “management” by making a history thereof as shown in “Guidelines for Disclosure of Intellectual Assets Based Management” and to appeal the comparability.

In the questionnaire, some respondents said “it is desirable that the disclosure format is stylized to a certain degree so that the comparison within the industry becomes possible” or “it is desirable to enable the comparison with other corporations in the same business category.”

3) Easy to understand

Many analysts believe that it is hard to include intellectual assets based management information in the assessment of corporate value because such information is technical and abstract. In the questionnaire, there were opinions that a “description, such as that of technology, should not be too technical” and “the information tends to be abstract and hard to assess, so the disclosure should be easy to understand in order that an assessment

from outside of a corporation is possible.” Furthermore, it was pointed out that intellectual assets based management information is hard to utilize in corporate assessment since intellectual assets based management information is disclosed by various media of disclosure in many cases because the media of disclosure are not sufficiently organized.

4) Credibility

Since intellectual assets based management information is required theoretically to explain the vision of a corporation’s potential, the objective credibility of such information is not necessarily assured. In many cases, corporations tend to describe their efforts in research and development and the training of human resources positively, however, analysts themselves should judge how objective they are by referring to the relationship between the information disclosed in the past and the relationship between other information disclosed.

According to the results of the questionnaire, there were opinions that the “forecast of a corporation and its actual condition differ widely in many cases” and “(it is desirable that) the credibility of information is objectively assured by third party assessment and the authority and actual record of the assessment of such third party assessment institutions are clearly indicated.”

However, problems do not always exist only in the stance of corporations on disclosure.

Corporations disclosing information want the corporate value to be assessed on a longer-term basis. For the mid- to long-term growth of corporations, it is essential to invest an enormous amount of money in facilities and research and development, but in that case, profit will be reduced at least in the short term and then the stock value may fall, at least in the time span of corporate assessment by current analysts.

In particular, a reasonable period of time is required before the investment in intellectual assets produces profits. It does not necessarily correspond to the time span for assessment by analysts of the corporate value. A concern remains that even if corporations disclose intellectual assets based management with additional costs, it is uncertain that such information will be fully utilized by analysts⁷.

⁷ Regarding the importance of investment to intellectual assets, *e.g.*, Kazumasa Iwata, Deputy President of the Bank of Japan, “*Me ni mienai shihon’ he no toushi (Investment in ‘Invisible Capital’)*” (*Kouken* 2007 No. 522).

Chapter 4 Main Points for Analysis and Evaluation of Intellectual Assets Based Management

4-1 General Points

(1) Desirable Viewpoints for Evaluation (Points for Desirable Disclosure)

As described in Chapters 2 and 3, information on intellectual assets based management does not seem to be fully utilized for evaluating corporations at the present moment.

In order to overturn this situation, corporations must figure out a good way of disclosing information in terms of content and method. In the capital markets, investors are customers of disclosed corporations. Thus it is necessary for corporations to supply useful and easy-to-use information to customers.

On the other hand, investors must take information on intellectual assets based management positively into corporate value analysis to improve its accuracy.

Based on the discussions in the study group sessions for this research and on research from hearings with corporate assessors such as advanced analysts and fund managers, desirable viewpoints for corporate assessors with a high level of interest in intellectual assets based management and from a long-term viewpoint should be the following.

It is desirable for corporations to disclose information based on the viewpoints below, and also for corporate assessors to analyze corporations based on such viewpoints, to progress mutual discussion and to attach more importance to information on intellectual assets based management in the capital markets.

Table 4-1 Desirable Viewpoints for Evaluation

<ol style="list-style-type: none">1) Are management policies and vision clearly and consistently presented?2) Is the relativity between financial and non-financial information clear?3) Is the corporation sincere to “direct discussions” with corporate assessors such as reporting, interviewing, visiting sites, briefings...etc?4) Does the corporation conduct “prior investment” in intellectual assets to improve the entire corporate value?5) Does the corporation expose more differentiated strengths than its competitors?6) Could the corporation describe a medium and long-term management history through the analysis of change over the years?7) Can they identify “the source of profit”?8) Is the disclosed information understandable and compact enough for readers?

1) Are management policies and vision clearly and consistently presented?

Management policies and vision, which sustain the core business activities of the corporation, should be clearly indicated as key words in disclosed information, and these words should be the core viewpoints in order to penetrate the entire intellectual assets based management.

Management policies should include top management’s message for a future image of the corporation on a

medium and long term basis and of how they differentiate their intellectual assets from those of their competitors. And if they had declared commitments for future targets, they should review to what extent the commitments have been realized. In an “analysis of financial conditions and management performance” of securities reports for example, top management should explain management strategies and financial performance from the past to the future in their own words and with a view from top management.

In particular, as the quantity of IR and disclosure from corporations including disclosure of information on intellectual assets based management has been increasing to quite an extent recently, and as the quantity of information which corporate assessors have to process and analyze has been increasing as a result, the “plainness” of the explanation of management policies and vision for readers is very important.

It is important for disclosing corporations to present the main points of management policies plainly. In intellectual assets based management reports and in annual reports, particularly, corporations should present not only a sufficient quantity of information but also information systematically arranged according to quantity for better understanding.

Comments of Corporate Assessors on the Viewpoints

- In disclosure of information in annual reports etc., management vision and key words must be indicated as the core points of view to penetrate the entire management policies. (Fund Manger)
- It is helpful to disclose information focusing on the strategies of how the corporation utilizes its basic technologies to differentiate itself from competitors. It is not meaningful for the corporation to disclose information identical to others. (Sell-side Analyst)
- Information from corporations is disclosed in various ways. From the standpoint of corporate assessors who constantly utilize this kind of information, it is very common for corporations with a long-time experience of disclosure to supply an overwhelming quality and quantity of information which one single corporate assessor may not be able handle and process alone, which means that this kind of disclosed information is not very effective. (IR Researcher)
- As disclosure of information on intellectual assets based management progresses, it is questionable if analysts and fund managers as users of this kind information utilize it systematically or not. It seems that an “indigestion” of information has been present in many cases. (Sell-side Analyst)

Source: Comments in the study group sessions and in hearings

2) Is the relativity between financial and non-financial information clear?

In corporate value analysis, analysts and investors analyze disclosed financial information with standardized value analysis methods, then include managerial environment and the company’s qualitative non-financial information to decide a final rating for the company. In other words, they estimate logically how the qualitative non-financial information shall be realized as medium- and long-term financial numbers through certain managerial processes.

Even if the present financial numbers such as cash flow and financial risk are not good, analysts and

investors try to figure out if the corporation will be able to start from the present, strengthen its intellectual assets by investing in R&D and personnel, try to connect these investments to improve medium- and long-term financial values and practice these or not.

Based on the above considerations, corporations should explain financial information and qualitative non-financial information such as management policies, consistently, so that corporate assessors may relate this information for better classification and analysis.

Comments of Corporate Assessors on the Viewpoints

- Analysts uniquely process disclosed financial information and present it to investors. They utilize conventional evaluation methods such as numerical analysis, added value analysis, productivity analysis and so forth, then they include qualitative information of the corporation to explain the entire corporate value. (Sell-side Analyst)
- There are some corporations with a poor financial performance but with high motivation on the production side and with advanced technologies. In this case, it is a question of how we may evaluate such a corporation. First, we should recognize poor financial numbers just as they are. If the numbers are below average, we should figure out if we can make up a history to improve them or not. Then we should estimate how the corporation may connect non-financial information such as high motivation on production side and advanced technologies to improve financial performance in the future. (Fund Manager)

Source: Comments in the study group sessions and in hearings

3) Is the corporation sincere to “direct discussions” with corporate assessors such as reporting, interviewing, visiting sites, briefings...etc?

Besides financial information through institutional disclosure such as securities reports and financial briefings, corporate assessors try to collect qualitative non-financial information through explanatory meetings for financial statements, interviews and meetings with top management and with IR managers, visiting sites (factories, sales shops) etc. In fact, according to a questionnaire result from corporate assessors, they attach more importance to “interviews with corporations” and “attendance at explanatory meetings held by corporations” than institutional disclosure as information media.

Corporate assessors with a high level of interest in non-financial information conduct this type of direct dialogue positively, and by grasping the “difference” between other corporations or the “sites” intuitively, they have a deep understanding of the corporation’s unique style of intellectual assets based management and may analyze the medium- and long- term corporate value.

During this kind of direct discussion, analysts and investors pay attention to various points. Some of them specify and confirm background information to support financial numbers, while others focus on the quality of top management, the corporate culture and atmosphere, any change in the working of production lines of factories and some other non-financial information. By whichever method, they are checking if the corporation respond to various and if it is able to explain itself sincerely or not. Besides direct discussions, they also pay attention to interviews with competitors, suppliers, customers etc. Through these interviews, they may clarify

how the corporation established its value chains.

In disclosure of information on intellectual assets based management, corporations must continue these types of direct discussions with corporate assessors such as interviews and factory tours etc., in order for them to have a deep understanding of the corporation's intellectual assets based management.

Comments of Corporate Assessors on the Viewpoints

- In fact, analyses for evaluating corporate values by analysts are very often qualitative. Specifically, they read various documents published by the corporation, read specialist technical magazines etc., but in the end they utilize "factory tours" through which they can confirm the reality with their own eyes. Factory tours open for analysts and for investors are of particular importance. Through repeating factory tours, they might understand how each factory is specifically "different" and they may be able to distinguish between the comparative advantages and disadvantages of the corporation. In the case of the automobile industry, for example, they start by studying how they should interpret the new technology announced in a new car exhibition or in a motor show. (Sell-side Analyst)
- For example, we check facial expressions of factory managers or technical managers. In one corporation, I was able to recognize intuitively the change in facial expressions and the brightness of the eyes of employees when the management improved. This kind of intuitive point is very important. (Sell-side Analyst)
- Factory tours are not available for everybody. For general public investors, in particular, factory tours only disclose certain designated points and do not disclose "the heart of the factory". Corporations may figure out a good way of improving this point. (IR Researcher)
- When corporations try to disclose non-financial "strengths", it is a necessary process for them to secure the "accountability" of the corporation to get the trust of investors. For example, when we talk about "corporate governance", we tend to discuss formalities such as whether the corporation has external directors or not. But rather than doing it this way, we may ask top management to "explain" how they are conducting internal controls in order to return benefits to shareholders, and we may "inspect" whether they actually put these controls into practice or not. (Fund Manger)

Source: Comments in the study group sessions and in hearings

4) Does the corporation conduct "prior investment" in intellectual assets to improve the entire corporate value?

Corporate assessors with long-term viewpoints appreciate the efforts of corporations to improve corporate values on a medium- and long-term basis such as investments on R&D and on personnel, changes of business models by selection and concentration etc.

When evaluating "prior investment", it is important to think about different business cycles depending on industry characteristics, products and services because there is a time lag between prior investment and the realization of corporate values such as profits etc, depending on the period of business cycle of the industry. Moreover, just after executing prior investment, cash flow level goes down temporarily, so you may misunderstand the corporate value if you are looking at short-term financial numbers only. In the case of the

medical and pharmaceutical industry for example, long-term investment is necessary to realize the fruits of R&D, so corporate assessors in charge of this industry have to evaluate corporate values from a long-term point of view.

Corporate assessors should evaluate prior investments based on these business cycles, and they also have to check if the past prior investments produced good results or not. If the corporation performance is not good, appropriate measures such as withdrawal etc, should be considered. And the consistency of prior investments with management policies and vision must be confirmed.

From the standpoint of a corporation, it is important to explain how the prior investments from the past to the future are consistent with management policies and vision, and how they produce future corporate values. In fact, according to the results of a questionnaire for corporate assessors, they attach the most importance to “the association with the corporate values” among the ten characteristics of information disclosure on intellectual assets based management, and they demand this type of information from companies. It is also important to present information about the “business cycle period” and “management planning period” so that corporate assessors may evaluate prior investments properly.

Comments of Corporate Assessors on the Viewpoints

- When evaluating corporate values, the results should be very different depending on which indicator you use for judgment. If you choose PER, which is an indicator based on current profits, investments are categorized as expenses such as depreciation and R&D expenses, so they are not appreciated at all. But in the automobile industry, for example, investment in Plant & Equipment and in R&D is a typical business model to produce future added values and this is a good example of an “investment” producing corporate values. Of course on the one hand it is a good thing to get a high short-term profit, but on the other hand, we have to figure out if a corporation invests enough from a long-term point of view or not (for example, you should refer to R&D expense data for a long-term period etc.).(Sell-side Analyst)
- Prior investment cost shall be realized as a corporate value after several years and this leads to the next prior investment and this kind of loop keeps on going. For example, you may analyze major prior investments for last ten years. If you analyze the prior investments of major corporations carefully, you should be able to understand very clearly the differences between successful and unsuccessful cases. (Sell-side Analyst)
- Rating institutions attach primary importance to cash flow which is funds for repaying debts. But corporations which conduct long-term prior investments such as investment in Plant & Equipment and in R&D, have a decreased initial cash flow level because of such investments, so we should consider the positive effects of these investments and should make judgments collectively to decide the final rating. (Analyst of a rating institution)
- In order to change the business model, each corporation may have a different “lead time” to subtract after some years, and that is my visualization. There is a time gap between the corporation’s lead time from the start of utilizing intellectual assets to subtract from the realization and the possible waiting time of general corporate assessors for evaluation.

(Fund Manager)

- In the case of the medical and pharmaceutical industry for example, the positive effect of R&D investment ten years ago may be realized at the present moment. This lead time may be too long to be indicated in medium-term management plans, and corporate assessors have to evaluate this type of long-term investment. On the other hand, corporations should indicate the efficiency ratio of long-term R&D investments to get appropriate evaluation. (IR Researcher)

Source: Comments in the study group sessions and in hearings

5) Does the corporation expose more differentiated strengths than its competitors?

Corporate assessors in charge of a specific industry analyze not only the absolute corporate value but also the relative corporate value in the market. As they attach importance as to how the corporation has any relative “strength” in the market and what is its specifically differentiated intellectual asset, they try to make a comparison among corporations in the same industry.

However, they do not simply compare financial numbers and common indicators. They would rather compare qualitative strengths based on company value chains and long term management histories.

Intellectual assets mean unique and differentiated value sources of a corporation. But when a corporation discloses intellectual assets based management, it is difficult to compare with other corporations through common indicators, so the corporation should establish clear differential management strategies utilizing its unique strengths (i.e. intellectual assets) to highlight the “differences” from others so that it may convince corporate assessors to understand its unique strengths which competitors do not have.

Comments of Corporate Assessors on the Viewpoints

- We do understand that a corporation does not like to disclose information about technologies and know-how, but corporate assessors always keep in mind at what point the technologies of a corporation supersedes those of others and why others may not be able to catch up. For example, it is very clear when a corporation indicates a clear line such as; “As we have a patent on this technology, competitors may not invade us in this field.” (Sell-side Analyst)

- Even corporations in the same industry may have quite different management policies and may have different products and services, so it is important to confirm the “differences”. When corporate assessors compare corporations utilizing conventional financial information, they may just analyze parallel financial numbers and possibly they are not accustomed to analyzing intellectual assets based management. Corporations should disclose information emphasizing their “differentiation from competitors”. (IR Researcher)

Source: Comments in the study group sessions and in hearings

6) Could the corporation describe a medium- and long-term management history through the analysis of change over the years?

Corporate assessors conduct not only a comparative analysis of the corporation among competitors but also a time-series analysis of the same corporation on intellectual assets based management.

For example, they analyze the annual reports of several years of the corporation and confirm the messages from top management, the changes in management policies and the achievements of commitments in detail.

Conducting this kind of time-series analysis, corporate assessors analyze the corporation's value creating history on a medium- and long-term basis.

It is important for corporations to disclose information on intellectual assets based management "continuously" in order for corporate assessors to be able to comprehend the corporation's investments in intellectual assets and their outcome chronologically. Besides that, the corporation should explain what kind of changes took place in its intellectual assets based management in plain language.

Comments of Corporate Assessors on the Viewpoints

- Management activity normally takes three to five years to realize its outcome, so it is necessary to evaluate the message from top management and managerial targets based on the time schedule of management plans. (Fund Manager)
- Annual reports often carry pretty much the same information every year, so we would like corporations to emphasize "what the major changes of the corporation are compared with last year". (Sell-side Analyst)
- In the disclosure of information on intellectual assets based management, it is crucial to keep the quality of disclosing information from the second year. If the corporation could make a time-series of disclosure and could describe a long-term history of management, it may be easier for analysts to evaluate the corporation. (Sell-side Analyst)
- Analysts who have a long experience in analyzing corporations to a certain depth, might have understood the source of corporate values very well. For these expert analysts, these intellectual assets are a part of known data. But continuing this kind of practice year by year, they may improve the contents of the analysis in more depth. (IR Researcher)

Source: Comments in the study group sessions and in hearings

7) Can they identify "the source of profit"?

The main concern of corporate assessors when they conduct corporate value analysis is the information on the source of profit (the value driver); i.e. "Why does the corporation make a profit?" Specifically they try to figure out from which segment, product or service the corporation mostly makes it profit, and by looking at financial statements of the past several years, especially from the analysis of primary factors of the increase / decrease of profit presented by the corporation at financial briefings, they try to grasp the source of the profit and try to understand the value creating a history of the corporation from the past to the present, and from the present to the future.

And this analysis should be the key for corporate assessors to connect qualitative non-financial information (strengths) to financial information (profit).

In fact, according to the results of a questionnaire for corporate assessors, they attach the most importance to “the association with the corporate values” among the desirable IR characteristics of information disclosure on intellectual assets based management. Corporate assessors pay attention as to how intellectual assets affect the present and the future profit of the corporation.

Of course corporate profit is affected by the short-term trends of macro economics such as economic policies of government, prices of natural resources etc., and corporations are supposed to continue their efforts to disclose the source of profit in intellectual assets based management reports as much as possible.

Comments of Corporate Assessors on the Viewpoints

- In intellectual assets based management reports, analysts wish to know “Why does the corporation make a profit at present, and why will it make a profit in the future?” That is the main reason for them to read information disclosure media such as intellectual assets based management reports. It is also important to input detailed explanations on the source of profit (intellectual assets), diagrams, statistical data etc., to ensure the objectivity and the reliability of the report. (Sell-side Analyst)
- It is very important to classify the profit and loss data of an accounting period by market segments or by major product ranges for a better understanding of the reality of the corporation. One of the fruits of IR activities in Japan should be that this kind of breakdown of information on profit and loss statements has been disclosed properly. But in order for a corporation to supply information on the potential for the future, which we would really like to know, it should explain consistently how this kind of breakdown information relates to non-financial information such as the value creation of the corporation. (IR Researcher)

Source: Comments in the study group sessions and in hearings

8) Is the disclosed information understandable and compact enough for readers?

As “readers” of information on intellectual assets based management, advanced corporate assessors appreciate how the history of intellectual assets and of value creation is composed in an understandable and compact style (avoiding square, formal writing and expressions).

Since a corporate assessor has only a limited time to spend on the analysis of the corporate value, corporations should disclose not only comprehensive information but also simplified, compact information focusing on necessary data with an easy-to-understand explanation about the unique intellectual assets of corporations.

Moreover, visual originality and ingenuity such as usage of diagrams, graphs, easy style of page layout, letter fonts, colors etc., in disclosing media are very important as they directly affect the ease of reading.

Based on these considerations, corporations should always think about media the “readers” such as analysts and investors require, and they should explain their own intellectual assets in an understandable and compact manner.

Comments of Corporate Assessors on the Viewpoints

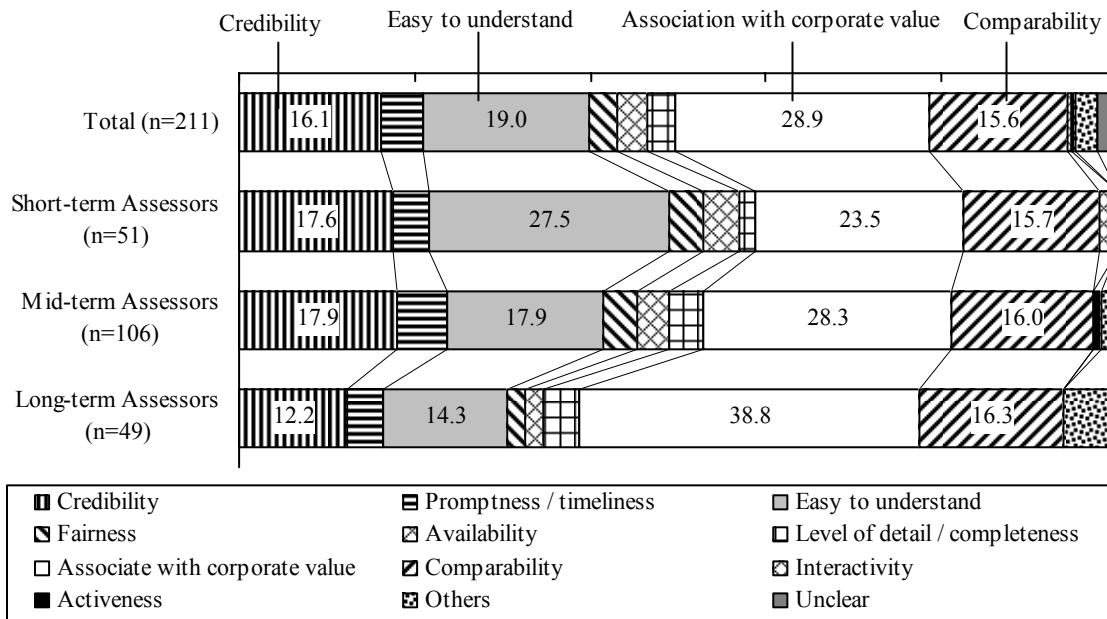
- We would like corporations to think about “readers” and to write reports which are easy to understand just like analyst reports. Qualitative information on intellectual assets based management should become familiar for corporate assessors if it simply explains a history of the creation of the intellectual assets, avoiding [techniques]? of expression. (Sell-side Analyst)
- Disclosing media of intellectual assets based management such as annual reports should be easy to understand and should draw the interest of all stakeholders as readers. In order to do that, corporations should think about the details of reports such as letter size, usage of diagrams etc. In an annual report of a railway company for example, it contained an enjoyable story about how they conducted a redevelopment project of the area close to a station. (Fund Manager)
- The “understandability” of a report which corporate assessors request is the simplicity of information. Large corporations, in particular, in many cases tend to include various opinions inside the corporation into disclosed information so that the reports turn out to be really redundant and overwhelming. (IR Manager)
- When corporations try to include an intellectual assets based management report into annual report, the quantity tends to grow a lot. In such a case, you should divide statistical facts such as managerial data and quantitative indicators and publish a separate volume. Readers may overview the summary of the intellectual assets based management report and may refer to separate volumes (CSR Report, Financial Information etc.) for details, and this style is very helpful for corporate assessors. (IR Researcher)

Source: Comments in the study group sessions and in hearings

Reference: Characteristics of IR to which Corporate Assessors with Medium and Long Term Viewpoints Attach Importance

What kind of IR activities do corporate assessors with medium- and long-term viewpoints expect from corporations? The following diagram summarizes the results of a questionnaire in which the needs for the characteristics of IR depending on assessment periods (short, medium or long term) are specified. The result indicates that corporate assessors with medium- and long-term viewpoints tend to prefer “association with corporate value” and “comparability”. In order for corporations to appeal to corporate assessors with medium- and long-term viewpoints, they have to explain how intellectual assets based management will be associated with the corporate value in the future (association with corporate value) and how it may be differentiated from that of others (comparability).

Table 4-2 Desirable Characteristics of IR in Disclosure of Information on Intellectual Assets Based Management by Each Category of Assessors (single answer)



Source: Ministry of Economy, Trade and Industry, “Questionnaire regarding Perspective of Intellectual Assets Based Management Report” (2006)

4-2 Specific Points

(1) Regarding analysis of a corporation’s own intellectual assets

The “Guidelines for Disclosure of Intellectual Assets Based Management” published by the Ministry of Economy, Trade and Industry in October 2005 presented the following seven perspectives as key elements in the analysis of a corporation’s own intellectual assets.

Table 4-3 Seven Perspectives in the Guidelines for Disclosure of Intellectual Assets Based Management.

1) Managerial stance / Leadership

Degree of sharing and penetration of managerial stance and goals

2) Selection and concentration

Status of selection and concentration of products, services, technologies, customers, markets, etc. As the characteristics of selection and concentration depend on business types, it is desirable to explain business types in advance (including the basic structure of business models and the numbers of the proportion of sales of B to B and B to C sales).

3) External bargaining power / relationships

The strengths of bargaining power and relationships with upstream and downstream parties outside the corporation such as “buyers, customers, suppliers, financial institutions” and so forth

4) Knowledge creation / innovation / speed

Capacity and efficiency of new value creation, speed of business management

5) Teamwork / organizational knowledge

Organizational power (collective strength) and solidarity as a unity of individual capacities

6) Risk management / governance

Identification, assessment and response, management, public announcement, governance of risks

7) Coexistence in society

Status of contribution to the local community and the society, etc.

Source: Ministry of Economy, Trade and Industry, "Subcommittee on Management & Intellectual Assets, New Growth Policy Committee, Industrial Structure Council, Interim Report by Subcommittee on Management & Intellectual Assets" (2005)

In the questionnaire for this research, we asked corporate assessors if they attached importance to each of the Seven Perspectives in the Guidelines for Disclosure of Intellectual Assets Based Management or not. The result is that the "attach importance" replies were higher than the "attach no importance" replies in all of the above perspectives, which means that they generally evaluate (or shall evaluate in the future) intellectual assets based management in accordance with the Perspectives in the Guidelines.

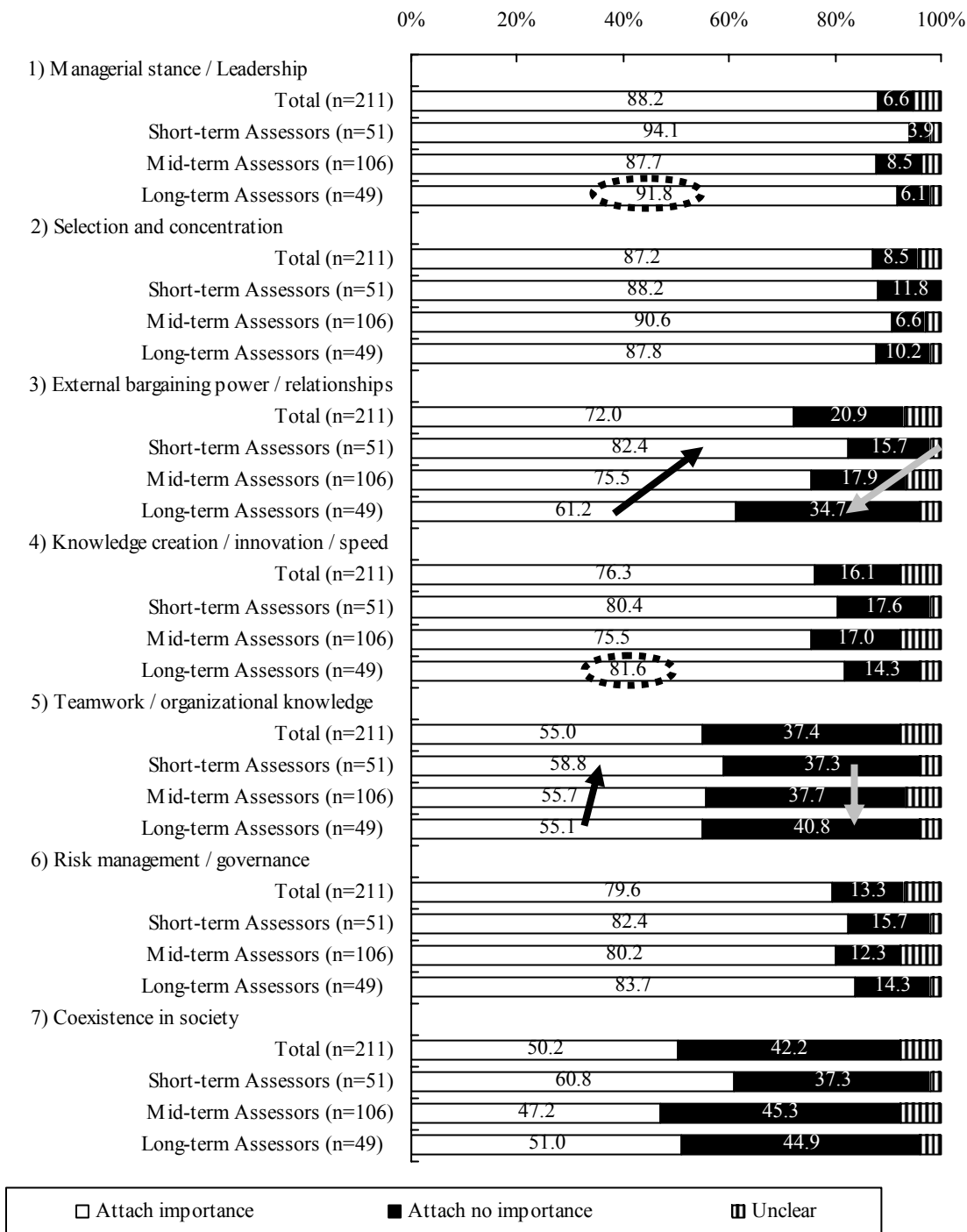
However, there is a difference between some of the perspectives with higher importance and others with less importance.

For example, perspectives to which more than 70% respondents attach "importance" are, in order, "managerial stance / leadership" (88.2%), "selection and concentration" (87.2%), "risk management / governance" (79.6%), "knowledge creation / innovation / speed" (76.3%) and "external bargaining power / relationships" (72.0%). Perspectives for "business aspects" of corporations are ranked in high positions.

On the other hand, perspectives to which about 50% respondents attach "importance" are "teamwork / organizational knowledge" (55.0%) and "coexistence in society" (50.2%).

If we classify the responses according to the time span of a corporate assessment, corporate assessors with long-term viewpoints tend to attach importance on "managerial stance / leadership", "value creation / innovation / speed" and "risk management / governance".

Table 4-4 Important Perspectives in Disclosure of Information on Intellectual Assets Based Management by Each Category of Assessors (single answer)



Source: Ministry of Economy, Trade and Industry, “Questionnaire regarding Perspective of Intellectual Assets Based Management Report” (2006)

(Remark) Arrows in the Table indicate that as the characteristics of assessors change, the percentage increases in the arrow’s direction. And dotted oval shapes indicate large numbers for attaching importance against other responses.

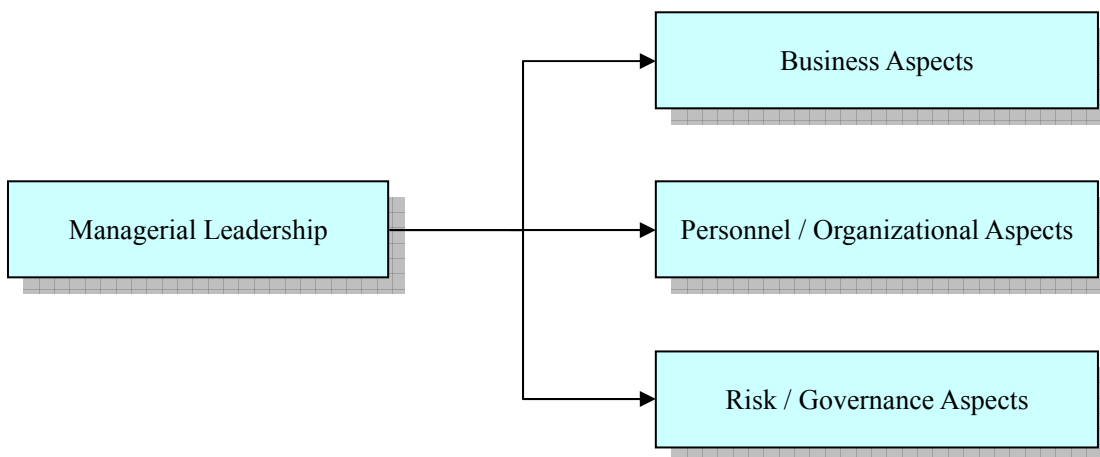
Based on discussions in this research and on some of the research from hearings with corporate assessors, these perspectives are effective as desirable viewpoints for corporate analysis and evaluation. Moreover, these seven perspectives could be reclassified into the following three categories.

Table 4-5 Reclassification of the Seven Perspectives

<p><u>I. Business Aspects</u></p> <p>Selection and Concentration / Innovation / Speed</p> <p><u>II. Personnel / Organizational Aspects</u></p> <p>External Bargaining Power / Relationships, Teamwork / Organizational Knowledge</p> <p><u>III. Risk / Governance Aspects</u></p> <p>Risk Management / Governance, Coexistence in Society</p>

The important thing is that the perspective I to III above may not function well without the existence of “managerial stance / leadership” which should penetrate management policies and targets in the corporate organization and should steer the ship of a corporation.

Table 4-6 An Image Diagram of Perspectives



(2) Specific Points

In relation to intellectual assets based management, there have been discussions on the following points over which both the public and private sectors have been tackled. When corporate assessors conduct the analysis and evaluation of intellectual assets based management, these points of philosophy and methods of analysis and evaluation, which have been discussed and developed in relation to the prescribed seven perspectives and the three reclassifications (business aspects, personnel / organizational aspects and risk / governance aspects), should be quite helpful.

1) R&D and Strategies for Intellectual Assets (= Business Aspects)

The direction of the innovation on which corporations concentrate resource is different for each corporation, respectively. Thus, when corporate assessors conduct an analysis of innovation, they attach particular importance on the analysis of the R&D of the corporation.

Generally speaking, there are two points for steering powers in order to create a new market. One is the improvement of a product in terms of technology, contents of service and so forth (including the manufacturing process and procurement process), and the other is the focus on a new market such as overseas markets, e-commerce etc. (including new sales and supply methods), to which not many people have paid attention previously. Of course these two points may work together in many cases.

In case of the manufacturing industry, there are many corporations trying to differentiate themselves from others by improving technologies under the competitive environment of international markets in which publicly traded companies are placed. In this case, intellectual assets which are formalized and protected by laws and regulations could be important steering powers and it is necessary for a corporation to conduct R&D and Strategies for Intellectual Assets properly through circulating the activities of creating, protecting and utilizing intellectual assets.

Comments of Corporate Assessors on the Viewpoints

- It is helpful to disclose information focusing on strategies as to how the corporation utilizes its basic technologies to differentiate itself from competitors. It is not meaningful for the corporation to disclose information just like others. (Sell-side Analyst)
- We do understand that a corporation does not like to disclose information about technologies and know-how, but corporate assessors always keep in mind at what point the technologies of the corporation supersedes those of others and why others may not catch up. For example, it is most understandable when the corporation indicates a clear line such as: “As we have a patent on this technology, competitors may not invade us in this field.” (Sell-side Analyst)
- For instance, some people say Japan will weaken in the field of “manufacturing”, but it still has some unique strengths such as “grinding techniques,” “craftsmanship” etc. A large manufacturing company recently decided to construct a new factory in Japan after many years’ absence, and this kind of returning trend is happening right now. When we talk about “intellectual assets” in general, we tend to discuss brand and patent managements etc., but manufacturing corporations in particular should disclose these kinds of “strengths” as intellectual assets. (Fund Manager)

Source: Comments in the study group sessions and in hearings

2) Personnel / Organizational Aspects

As intellectual assets based management becomes more and more important, the quality of personnel and its utilization also become important issues. For example, investment in personnel has been regarded as a

personnel expense for a long time but recently it has started to be regarded as an asset of accumulated knowledge or as a fundamental capital to control management itself.

Recent experiments for personnel and the organization of publicly traded companies in Japan have tried to enhance incentives for employees by setting missions or through systems of performance assessment, such as an introduction of a results-oriented pay system. In such cases, it is considered to be very important to train employees through appropriate training sessions etc.

Besides the overall enhancement of incentives and good training systems, it is also important to train specific personnel and to establish specific organization in line with each category of management policy such as the differentiation or accumulation of strengths etc., in relation to intellectual assets based management.

Specifically, in the case of a corporation which has strengths in R&D, for example, it should employ specialist personnel in accordance with its R&D fields and should attach appropriate incentives to the researchers. And in the case of a corporation which has strengths in sales and marketing, it should introduce a good personnel system to control regular staff and part time staff in line with the actual sales organization. Corporate assessors should appreciate these factors in their analyses.

Comments of Corporate Assessors on the Viewpoints

- If corporations try to explain the good points of training personnel and organization in general, this kind of information become overwhelming, so it is much more understandable for them to disclose specific information in line with some timely themes. For example, it is good to hear some explanation as to how they try to educate personnel of a management division when an internal control system is about to start at full swing. (IR Researcher)
- In a corporation which deploys its operation globally, it gives good training sessions to foreign staff with management policies, technical terms, visual manuals etc., in order for them to understand the manufacturing process of its factory. Moreover, it conducted a guide tour for investors when it opened a training center in the factory, which greatly helped investors toward a better understanding. (Sell-side Analyst)- It is important for top management to explain management policies and to have them penetrate through to all employees. In one corporation, it issues staff cards which declare standard actions of employees to make them commonly known in job sites. (IR Researcher)
- It is important that not only top management but also medium and lower class employees should share and disperse the same managerial vision. (Buy-side Analyst)

Source: Comments in the study group sessions and in hearings

3) Governance / Risk Management

When corporate assessors, especially shareholders and investors, try to evaluate corporate governance, they tend to attach importance as to how the corporation secures accountability toward its shareholders. They try to figure out whether the corporation discloses in a good way how and by what reason its governance system (either a corporate auditors board system or a standing auditors system etc.) functions to improve the overall

corporate value. And it is important for the corporation to confirm and verify whether the commitments of top management (public pledges) have been realized or not in order to gain the trust of corporate assessors.

Meanwhile, the revised Companies Act enforced in May, 2005 requests corporations to install an internal control system (compliance, risk management etc.). From now on, these kinds of institutional systems to support the reliability of information disclosure shall be considered to be really important, and it will become necessary for top management to evaluate and report on these systems.

It is not possible to grasp all the risks surrounding a corporation properly unless it analyzes them from macro and micro perspectives at the same time. Moreover, risks are different depending on the industry, business category and company by company, so it is important to disclose the effects of and the measures to be taken for each risk affecting the management.

As a result, not only the transparency of management should improve but also the stakeholders may understand the corporate measures for avoiding any recurrence and may attach trust to the corporation.⁸

Even if the capital markets appreciate the potential of the corporation for its brand power, personnel power and other intellectual assets, bad actions such as scandals or other inauspicious events leading to a loss of credibility may very possibly result in a sharp drop in the share price. Thus it is necessary to practice compliance and take risk management seriously.

⁸ Regarding the detailed framework of disclosure for internal control and risk management, please refer to “Framework of Disclosure and Evaluation for Corporate Governance and Risk Management – A Guideline for Set-up and Disclosure” (A Study Group for Disclosure and Evaluation of Corporate Actions 2005)

Comments of Corporate Assessors on the Viewpoints

- When corporations try to disclose non-financial “strengths”, it is a necessary process for them to secure the “accountability” of the corporation to get the trust of investors. For example, when we talk about “corporate governance”, we tend to discuss formalities such as whether the corporation has external directors or not. But rather than doing it this way, we may ask top management to “explain” how they are conducting internal control in order to return benefits to shareholders, and may “inspect” whether they actually practice these or not.

- Defensive measures against a purchasing plan should include special defensive measures considering standpoints of shareholders or the corporation should explain defensive measure activities to shareholders. Through these processes, top management may establish a relationship of trust with shareholders, and continue this for several years, thus shareholders may trust top management to say “This CEO has been managing the company for shareholders as he committed to us before.” (Fund Manager)

- When practicing compliance and CSR, corporations may describe these activities in financial reports just as “formalities”. But it is important for the management to practice compliance in a real sense, and to have it penetrate through to all employees, and to have an appropriate checking system at the same time. (Fund Manager)

- Coexistence with Society, CSR etc., are considered as “matters of course” nowadays.

If we neglect these factors, the risk of committing bad actions will increase, and the value to shareholders of the corporation may deteriorate in the long run. (Buy-side Analyst.)

Source: Comments in the study group sessions and in hearings

Chapter 5 Desirable Efforts

As we described above, corporate assessors such as analysts and fund managers generally tend to analyze corporate values based on short term financial information. Hence we cannot say that they evaluate intellectual assets based management properly or that they make good analysis for corporations with medium and long term viewpoints.

On the other hand, corporations, especially those which are relatively positive in IR activities try to disclose non-financial information including information on intellectual assets based management and they improve disclosure of media such as annual reports etc. However they often tend to increase the amount of disclosure information and the information turns out to be overwhelming and difficult to handle.

Therefore, at present moment both corporations and corporate assessors remain at an “immature” stage regarding intellectual assets based management reports. In order to firmly establish the practice of intellectual assets based management, its disclosure of information and its appropriate assessment in Japan, it is necessary for both disclosing corporations and corporate assessors to tackle this issue positively and to continue mutual “communication” on intellectual assets based management so that they may realize a more integrated assessment process and more qualified information disclosure.

In this chapter, as a summary of this research, we try to indicate several points of direction for corporate assessors and for disclosing corporations to tackle this issue in order to improve overall corporate values by conducting intellectual assets based management.

5-1 Desirable Efforts for Corporate Assessors

(1) Do not depend too much upon financial information. Improve the precision of analysis by assessing non-financial information.

In order to assess corporate values properly, it is necessary to assess not only past information appearing in financial statements but also information on intellectual assets based management which may generate future cash flow, such as managerial visions, R&D, human resource training, the corporate governance system etc.

The key point of intellectual assets based management reporting is qualitative non-financial information. Moreover, as the source of differentiation depends upon the uniqueness and the characteristics of each corporation, it is not easy to make a good assessment compared to normal financial analysis, so the corporate assessor’s capability is a key here. It is not possible to evaluate the essential corporate value by conventional assessment solely based on financial information, and analysts and fund managers may find difficulty to compose unique analysis by just financial data calculations.

Consequently, it is important for individual corporate assessors to investigate not only financial information but also disclosed non-financial information such as intellectual assets based management reports, annual reports and CSR reports etc., and at the same time to attend meetings with corporations, to participate in guided tours of factories and to attend explanatory meetings etc., in order to improve the quality of communication with corporations. Then they may input this qualitative information into their analysis of corporations with their own perspectives and they may improve the precision of analysis to evaluate the overall corporate values

appropriately.

Regarding the details of analysis and evaluation for non-financial information and information on intellectual assets based management, please refer to Chapter 4.

(2) Conduct medium and long term assessment by looking not only at short term financial information but also at prior investment in intellectual assets

Disclosed information of intellectual assets based management such as R&D, human resource training, the corporate governance system etc. based on managerial visions are often “information for the future”, which may be realized relatively through a long period of time. On the other hand, short term financial information is quarterly, semi-annual or annual information and it is “past information” which only consists of a part of corporate values. In order to evaluate the essential corporate values accurately, it is necessary to attach importance to information for the future regarding intellectual assets based management, which will be realized in a medium to long term period of time, such as prospects for future performance, prospects for risks, information on prior investments and its back-up indicators etc.

When corporations conduct prior investments on intellectual assets, the results do not come out instantly as sales volume or profits. There is of course a time “difference” or a time lag during the process. Especially just after conducting prior investment, the cash flow level may go down temporarily, and you may misunderstand the real corporate values if you just look at short term financial information.

In fact, if corporations chase short term profits too much and pay no attention to investment in intellectual assets, they might lose medium and long term competitive power.

When we talk about “medium and long term” assessment, the period of time differs from corporation to corporation depending upon the “business cycle” of each corporation. Industries which may need relatively a long time span for R&D such as the medical and pharmaceutical industry, for example, may define 5-10 years as mid-term. In the case of general trading companies, they have many diversified business areas, so they have many different business cycles within one company and they may define business cycles differently. The time lag between investments in intellectual assets and the harvesting time differs depending upon business cycles. Hence we should specify the business cycle of the corporation first, then we may assess future values of medium and long term investments and of prior investments based on the business cycle.

In addition, corporate assessors may set up a kind of “intellectual assets based management fund”, thinking about some examples of successful prior investments which bore the fruit of long term profits, if any.

(3) Institutions to which corporate assessors belong should attach importance to medium and long term corporate assessment and should conduct performance evaluation and human resource training accordingly.

As the institutions to which corporate assessors such as analysts and fund managers belong (securities companies, institutional investors etc.) tend to evaluate performance of corporate assessors for their relatively short term performance such as (annual) asset management performance, analysts and fund managers in many cases cannot have strong incentives to compose medium and long term corporate assessments while considering their own evaluation by the institutions. In particular, since corporations started disclosing quarterly financial

statements, the time span for evaluation of securities companies and institutional investors against analyst reports and asset management performance has been becoming shorter and shorter.

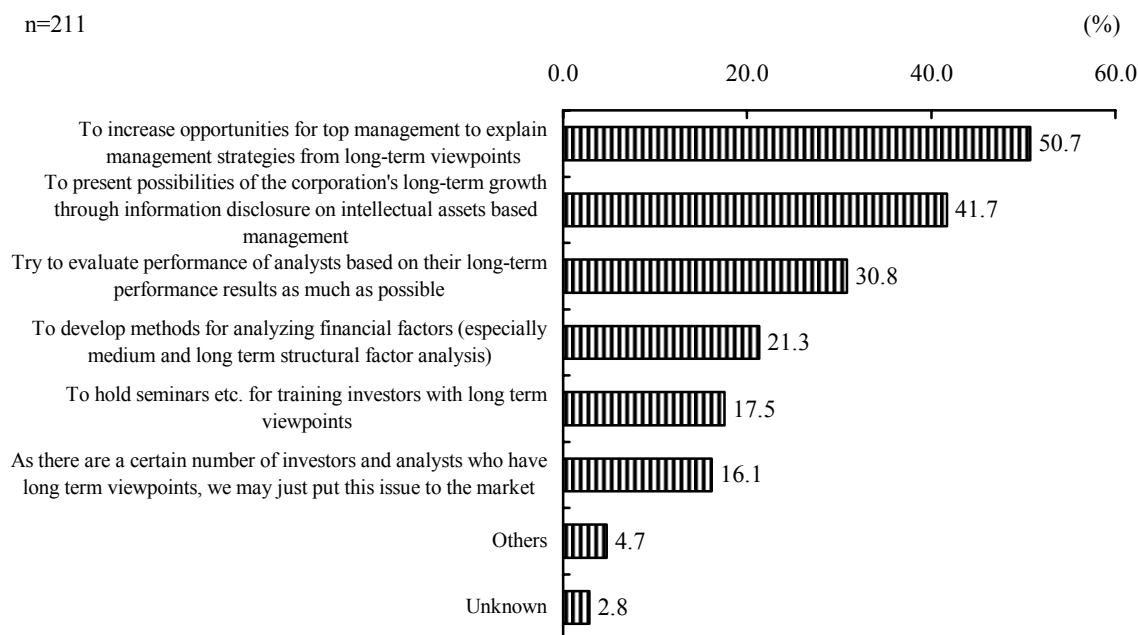
It is necessary to evaluate corporate assessors on a short term basis, but at the same time it will be necessary to evaluate them based on medium and long term periods. Institutions should take factors such as “analyst report of assessment on medium and long term corporate values such as intellectual assets” or “medium and long term asset management performance” into account for evaluating corporate assessors, and in this way to encourage them to attach importance to medium and long term corporate assessment.

In order to improve knowledge and skill of corporate assessors, it is necessary for securities companies and institutional investors to improve human resource training programs. Training programs should include not only skills for evaluating short term financial information but also expert knowledge and skills for evaluating management strategies, intellectual assets, human resource training strategies, corporate governance systems etc. (including OJT and Off-JT).

(Reference) What is necessary to increase the number of investors and analysts with long term viewpoints?

The results of this research indicate that in order to increase the number of investors and analysts with long-term viewpoints, it is necessary “to increase opportunities for top management to explain the management strategies from long-term viewpoints”, at about 50% (50.7%), “to present possibilities of the corporation’s long-term growth through information disclosure on intellectual assets based management”, at about 40% (41.7%), “to try to evaluate performance of analysts based on their long-term performance results as much as possible”, at about 30% (30.8%), and “to develop methods for analyzing financial factors”, at about 20% (21.3%). We may conclude that corporate assessors should attach more importance on long term performance of corporations and should improve analyzing methods of corporate values. But of course this is not only an issue for corporate assessors but also an issue for corporations; i.e. it is essential for corporations to explain strategies with long term viewpoints and to present the possibilities of growth in the long term etc. Therefore, in the next section, we will try to indicate several points for corporations to make efforts on.

Table 5-1 The Need for Increasing the Number of Investors and Analysts with Long Term Viewpoints



Source: Ministry of Economy, Trade and Industry, "Questionnaire regarding Perspective of Intellectual Assets Based Management Report" (2006)

5-2 Desirable Efforts for Corporations which Disclose Information

(1) Improve awareness of disclosure of intellectual assets based management

As described in this research, one reason why corporate assessors tend to evaluate corporate values for the short term is that corporations here in Japan are not greatly aware of intellectual assets based management so they do not disclose adequate medium and long term qualitative information.

Therefore, it is important for corporations themselves to recognize the significance and merits of disclosure of intellectual assets based management. Making efforts to disclose intellectual assets based management may improve the overall corporate value, facilitate fund-raising and make it possible to reinvest money in intellectual assets. Recently, risks of hostile takeovers are intensifying for corporations underestimated in capital markets in the context of increasing M&A these years. Hence it is quite meaningful to disclose intellectual assets based management as one of the effective defensive measures against takeovers. Moreover, disclosure of intellectual assets based management may function well as a part of IR activities for individual investors increasing in capital markets, or may have a positive effect for new managerial challenges such as the manpower shortage due to the declining birthrate and aging population or the year 2007 problem, hence disclosure of intellectual assets based management is becoming more and more important.

(2) Disclose information on intellectual assets based management clearly and concisely

Corporations which positively conduct IR activities produce not only institutional documents for disclosure such as financial statements etc., but also voluntary disclosure documents such as annual reports and sustainability reports etc., and they often come up with a huge amount of documents for which people produce

the criticism that “big corporations present an overwhelming amount of information far beyond the capacity of corporate assessors”.

Analysts and fund managers, as the main readers of IR information, have only limited time to read. And they often are in charge of dozens of corporations and may have to evaluate many corporations at the same time. Under these circumstances, corporations should focus on the necessary data for corporate assessors and present information clearly and simply so that information may attract interest of corporate assessors efficiently.

In many cases, information on intellectual assets based management such as managerial visions, human resources, and corporate governance has already been disclosed through annual reports, sustainability reports etc. If corporations disclose too comprehensive and large a quantity of information on intellectual assets based management, some parts of this information may overlap the contents of other disclosing media, and may present an overload for corporate assessors. This kind of self-satisfactory presentation may cause “indigestion” of information by readers and may lead them to misunderstand the essential value of corporations. Therefore, it is necessary to figure out a good way to disclose a huge amount of qualitative information, thinking about readers in mind.

In order to disclose information “clearly” and “concisely”, it is rational to position intellectual assets based management reports as “a complete table of contents” for IR information. Intellectual assets based management reports summarize the strengths and the value creating system of the corporation clearly and simply in several pages, and for detailed information, readers may refer to individual IR information such as an intellectual assets report, CSR report etc. This positioning should make it possible for corporations to save the costs of an enormous amount of additional reports on intellectual assets based management, and this should also be an effective measure for IR activities for individual investors who are not accustomed to selecting necessary information. Moreover, it is a good idea to make “a catalogue” of information on intellectual assets based management. This catalogue may indicate “what kind of information on intellectual assets based management is disclosed through what kind of media”, which increases the convenience of readers, and at the same time, corporations may avoid redundancy of information.

(Reference) “The Complete Table of Contents” for IR Information

The following table indicates locations of existing IR documents in the IR Website of a corporation. You may understand what kind of financial / non-financial information is disclosed through what kind of media instantly. As you click the relevant item, you can see the details, so it is very convenient. It might be effective if corporations consider adopting this “table of contents” style for intellectual assets based management reports.

Table 5-2 An Example Indicating the Complete Table of Contents for IR Information

		Annual Report	Fact File	Financial Statements	Business Report	Documents for Settlement of Accounts						Press Release for Settlement Projection				Company Profile	Alliance Handbook	Environmental Report	Factory Tour Guidebook	Corporate Citizenship Activity	Sustainability Report	
						1. Statement of Accounts (Consolidated)	2. Statement of Accounts Briefings (Consolidated)	3. Statement of Accounts Briefings (Individual)	4. Statement of Accounts Relative Documents (Consolidated)	5. Statement of Accounts Relative Documents (Individual)	6. Documents for Presentation	1. Manuscript for Speech (HTML)	2. Documents for Presentation	3. Broadcasting Video (300K)	4. Broadcasting Video (45K)							
2006	Annual															●					●	
	Q3																					
	Semiannual					●	●	●	●	●	●	●	●	●								
	Q1					●	●		●	●												
2005	Annual	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●				●
	Q3					●	●		●	●												
	Semiannual			●		●	●		●	●	●	●	●	●								
	Q1					●	●		●	●												
2004	Annual	●	●	●	●	●	●		●	●	●	●	●	●		●	●					●
	Q3					●	●		●	●												
	Semiannual			●	●	●	●		●	●	●	●	●	●	■	■						
	Q1					●	●		●	●												
2003	Annual	●	●	●	●	●	●		●	●	●	●	●	●	■	■			●	●	●	
	Semiannual			●	●	●	●		●	●	●	●	●	●								
2002	Annual	●	●	●	●	●	●		●	●	●	●	●	●			●					
	Semiannual			●		●	●		●	●	●	●										
2001	Annual	●	●	●		●	●		●	●		●	●	■	■							
	Semiannual			●		●	●		●	●		■	■	■	■							
2000	Annual	●		●		●	●		●	●	●		●									
	Semiannual					●	●		●	●			●									
1999	Annual	●				●	●		●	●			●									
	Semiannual					●	●		●	●												
1998	Annual	●				●	●		●	●												
	Semiannual																					
1997	Annual	●					●															
	Semiannual						●															
1996	Annual					●																
	Semiannual																					

*Only the latest data is listed.

Source: Nissan Motor Co. Ltd. "IR Data Summary"

<http://www.nissan-global.com/JP/IR/LIBRARY/YEARS/index.html>

(Reference) Correspondence of the Existing IR Data and Information on Intellectual Assets Based Management

The following table indicates the results of a study by “A” Corporation regarding correspondence of its IR data and the guidelines for disclosure of intellectual assets based management. As each item of the guidelines has already been disclosed as a part of IR data, we need to figure out a good way to avoid redundancy. Presenting this kind of index facilitates more understandable disclosure.

Table 5-3 Correspondence of A Corporation’s IR Data and the Guidelines for Disclosure of Intellectual Assets Based Management

The Guidelines for Disclosure of Intellectual Assets Based Management	IR Data						
	Company Brochure	Annual Report	Public & Environmental Report	Statement of Accounts Briefings	Fact book	Documents for Statement of Accounts Meeting	Intellectual Assets Based Management Report
(General) Essential Managerial Philosophy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
An Outline of Business Characteristics	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
A. Management Policies in the Past	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
B. Investments (Based on A) (Including Business Records)		<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
C. Accumulated Unique Intellectual Assets, Strengths Arising from Those Assets and Value Creating Process (Based on A, B) (Including Intellectual Assets Based Management Indicators as Back up Data)			<input type="checkbox"/>				<input type="checkbox"/>
D. Business Performance (As a Result of Value Creating Process of C) (Including Numbers)		<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
E. Established and Still Effective Intellectual Assets and Value Creating Process Based on Those for the Future (Including Intellectual Assets Based Management Indicators as Back Up Data)			<input type="checkbox"/>				<input type="checkbox"/>
F. Recognition of Uncertainty / Risks for the Future, Anticipation, Management Policies for the Future with Recognition of Uncertainty / Risks			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
G. New/Additional Investments to Keep and Develop Essential Intellectual Assets (Based on Management Policies of F) (Including Numbers)			<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	
H. Expected Future Profits etc. (Based on above) (Including Target Numbers)				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

(3) Understand the needs of corporate assessors through IR marketing

In order to conduct effective IR activities on intellectual assets based management, corporations should understand what kind of information corporate assessors need, and should disclose information in accordance

with “those needs”. However good corporations conduct intellectual assets based management, the market may not appreciate corporate values properly if their disclosure of information does not pay attention to the needs of corporate assessors. In addition, the contents of disclosure in “the Guidelines for Disclosure of Intellectual Assets Based Management” by the Ministry of Economy, Trade and Industry are good examples but it is not sufficient for corporations just to follow the guidelines. As intellectual assets are the sources of differentiation, important points should be different from corporation to corporation, depending upon the company size, business category, external environment etc. Hence it is necessary for corporations to listen to the advice of corporate assessors in order to point out the differences.

Specifically, it is important to clarify and analyze such points as “what kind of information on intellectual assets based management corporate assessors want” or “if there is any information which is not disclosed well even if corporate assessors need it” etc. through marketing activities, and to explain necessary information to corporate assessors.

For example, some corporations which positively conduct IR activities analyze the gap between the information requested by investors and the information actually dispatched from the corporation, for IR activity feedback purposes. We may follow this kind of stance and may utilize it for information disclosure on intellectual assets based management. The important thing is that by continuing “communication” with analysts and fund managers, we may find out their needs and may improve the insufficient areas of disclosure in order to establish a relationship of trust with them.

(4) Conduct intellectual assets based management report by utilizing various media

When we report intellectual assets based management, we should not stick to booklet media such as “intellectual assets based management report” or “a part of annual report”. Instead we may dispatch such information through various kinds of media and may transfer our message to corporate assessors in better ways.

For example, we may report intellectual assets based management during the opportunities of “face-to-face” conversation such as meetings with analysts and fund managers or explanatory seminars etc. We may emphasize the strengths of corporations directly to corporate assessors in this occasion. Meanwhile we may collect various opinions from corporate assessors regarding intellectual assets based management in this occasion, which is a significant merit in marketing.

A recent trend of IR activities is that more and more corporations attach importance to the IR pages of their “Websites” to dispatch information to others. By utilizing these kinds of “Websites”, it becomes possible for corporations to communicate real-time information to corporate assessors and investors, and that is very efficient. At present, corporations mainly dispatch news releases, financial information and various voluntary information disclosures, but they may include information on intellectual assets based management to send it to a big number of corporate assessors at once. Moreover, websites may broadcast “videos”, so we may utilize this to disclose qualitative information for better understanding of corporate assessors.⁹

As described above, a mix of various media for information disclosure shall facilitate, for corporations, the

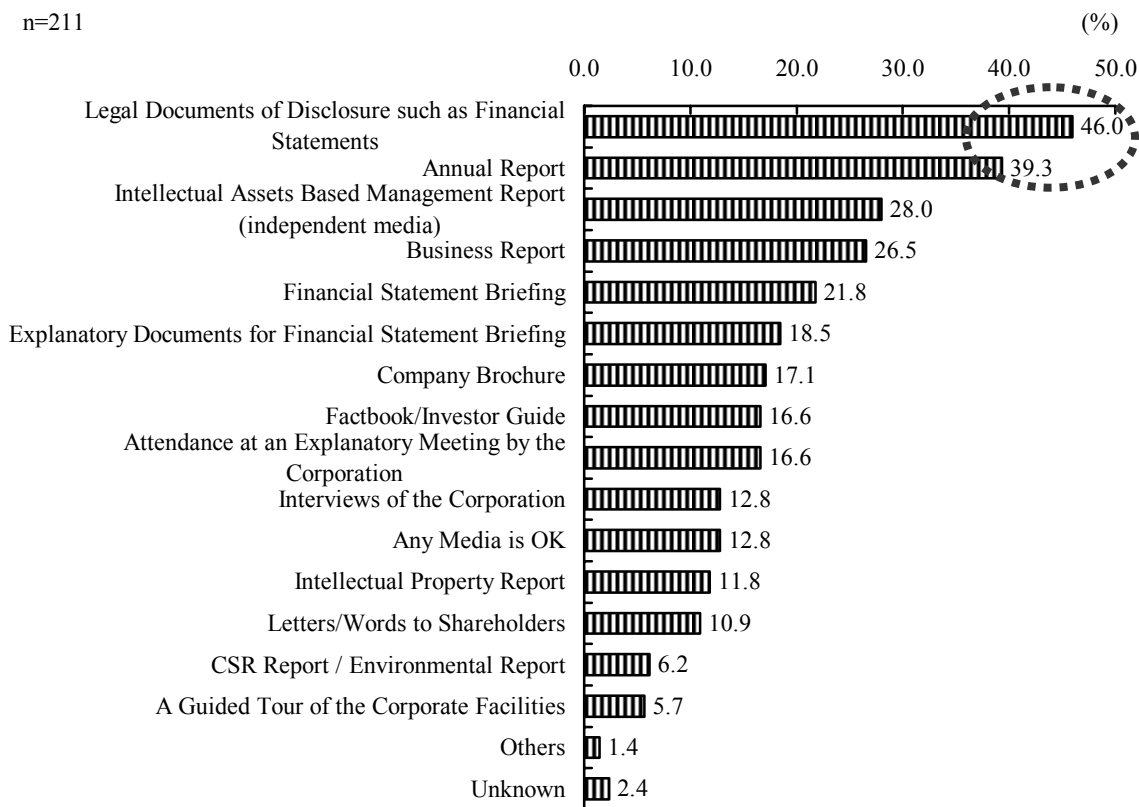
⁹ Some corporations have “WEB factory tour” pages or “Message from Top Management by Video Mail” etc. in their websites.

transfer of contents of intellectual assets based management to corporate assessors more effectively.

(Reference) Desirable Media for Information Disclosure on Intellectual Assets Based Management Report / Frequency of Disclosure

The results of this research indicate that desirable media for information disclosure on intellectual assets based management are “legal documents of disclosure such as financial statements etc.”, at a little less than 50% (46.0%) and “annual reports”, at about 40% (39.3%). Other media (at around 20%) are “intellectual assets based management reports”, “business reports”, “financial statement briefings”, “explanatory documents for financial statement briefings”, “fact books/investor guides,” “attendance at an explanatory meeting by the corporation” etc.

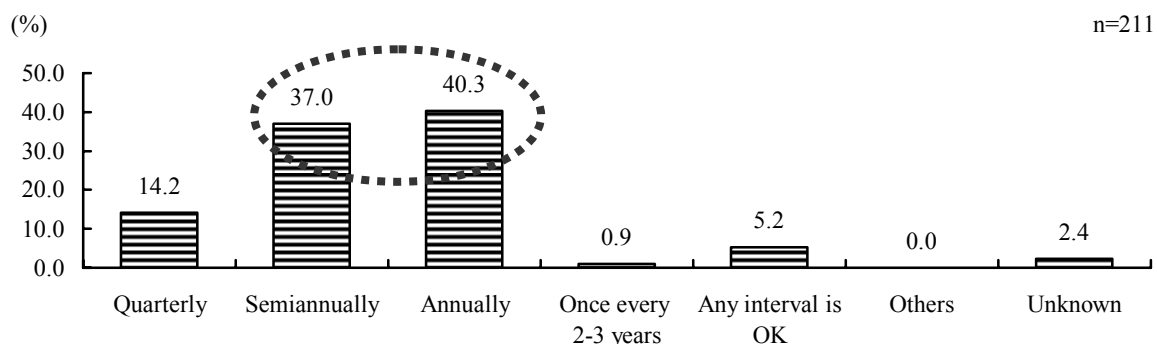
Table 5-4 Desirable Media for Information Disclosure on Intellectual Assets Based Management Report (multiple answers acceptable)



Source: Ministry of Economy, Trade and Industry, “Questionnaire regarding Perspectives of Intellectual Assets Based Management Report” (2006)

Meanwhile, the desirable frequency of information disclosure on intellectual assets based management is either “annually” (40.3%) or “semiannually” (37.0%), and some respondents even chose “quarterly” (14.2%) while only 0.9% chose “once every 2-3 years”. Hence it is clear that corporations attach importance to continuous disclosure of information.

Table 5-5 Desirable Frequency of Disclosure (single answer)



Source: Ministry of Economy, Trade and Industry, “Questionnaire regarding Perspectives of Intellectual Assets Based Management Report” (2006)

(5) Contact corporate assessors positively and continuously after disclosure

Disclosure of information on intellectual assets based management is not just to make a report and to disclose it. After publicizing intellectual assets based management reports, corporations have to contact corporate assessors positively and continuously through publicity, promotion and marketing activities in order for corporate assessors to evaluate and utilize the contents of the report and to improve the market awareness and comprehension of the intellectual assets based management reports.

Even if corporations can disclose information of a high quality, it may not function well unless investors and analysts recognize and utilize it. Therefore, corporations should not only to make good reports on intellectual assets based management but also to try their best to improve the awareness of corporate assessors.

For example, corporations may attend conventions and seminars for investors and analysts and distribute intellectual assets based management reports to attendants. Or they may distribute booklets periodically to shareholders, describing the strengths and managerial environments of corporations clearly and concisely (letters to shareholders focusing on individual investors). It is very important for corporations to “promote” intellectual assets based management reports positively to corporate assessors.

Chapter 6 Conclusion

We strongly desire that all corporate assessors who, at present moment, conduct short term corporate assessment mainly based on analysis of financial information, to start analyzing the future potential of corporations by investigating the intellectual assets of each corporation as a strength and intellectual assets based management itself, referring to perspectives described in this research.

On the other hand, corporations may disclose information on intellectual assets based management while paying attention to the perspectives of corporate assessors described as above, and in this way, it becomes possible for corporations to disclose the present status of intellectual assets based management to corporate assessors more effectively and more efficiently. Corporations whose share values are underestimated in the stock market bear risks of hostile takeovers, but if those corporations constantly disclose information to the market for evaluation of their real corporate power, these efforts should be an essential defensive measure against takeovers, hence it is meaningful for corporations to conduct disclosure of intellectual assets based management in this sense.

We would like all readers to refer to the results of this research, that corporate assessors brush up perspectives to analyze and evaluate intellectual assets based management reports, and that corporations figure out good ways to disclose intellectual assets based management reports. We would like both parties to work hard together to activate communication between corporations and the markets. Finally we would like all readers to conduct more advanced analysis for disclosure of intellectual assets based management and analysis of intellectual assets based management itself in the near future.

Reference Material: Questionnaire Results

With this questionnaire, we attempted to clarify what criteria corporate assessors are employing (or intend to employ in the future) for evaluating intellectual asset-based management. We decided to conduct a web questionnaire and contacted a total of 721 companies, including domestic securities companies, institutional investors (trust banks, life insurance companies, casualty insurance companies, investment advisors, etc.), rating agencies and venture capital firms. In the end, we received responses from 211 corporate assessors.

Summary of the Results

(1) Corporate Assessment Method

Respondents tend to choose “mid-term” as their time span for evaluation, but some may choose “short-term” in accordance with the policy or performance evaluation criteria of the institutions to which they belong.

We received a high response ratio from institutional investors such as fund managers (37.9%) and buy-side analysts (30.3%). They tend to choose “mid-term (about three years)” as the most important time span for corporate assessment. Respondents who chose “short-term” as the time span (24.2%) typically explained that “the institution entrusted me to assess the corporation in regards to its short-term performance” (39.2%) or “my asset management evaluations are conducted over a short-term period” (33.3%). The media form to which they attach the greatest importance in conducting corporate assessment is “data collection from corporations” (37.0%), meaning that they attach importance not only to conventional non-financial information but also dialogue with corporations.

(2) Need for Disclosure of Information on Intellectual Assets Based Management

It is necessary to explain intellectual assets based management and “its association with corporate values”, and to clarify the “main points of management” such as managerial policy, selection and concentration, etc.

Desirable characteristics of IR for disclosure of information on intellectual assets based management include “association with corporate values” (28.9%), “easiness to understand” (19.0%), “reliability” (16.1%) and “comparability” (15.6%), etc.

Regarding the seven perspectives indicated in the Guidelines for Disclosure of Intellectual Assets Based Management, respondents attach importance to “managerial policy/leadership” (88.2%), “selection and concentration” (87.2%), “risk management/governance” (79.6%), “knowledge creation/innovation/speed” (76.3%) and “external bargaining power/relationships” (72.0%). Perspectives on the various aspects of corporations’ business activities are also ranked highly.

The biggest challenge for assessing intellectual assets based management is the “comparative value dispersion between corporations”; however, corporate assessors have their own problems, such as

insufficient know-how, time constraints, etc.

Challenges and problems in assessing intellectual assets based management include the following:

“As there is a clear difference between corporations in terms of managerial policy and disclosure contents, it is hard to make parallel comparisons of corporations.” (80.6%), “The reliability of information is not objectively secured.” (48.8%) and “There is a lack of know-how in regards to implementing information on intellectual assets based management into investment decisions.” (42.2%) It is clear that corporations have problems with comparability and reliability, among other things, but there are also “problems inherent to the corporate assessors themselves,” such as a lack of know-how, etc.

Respondents emphasized that in order to increase the number of investors and analysts from a long-term standpoint, it is necessary “increasing opportunities for top management to explain long-term management strategies” (50.7%), “outlining possible scenarios for long-term corporate growth through disclosure of information on intellectual assets based management” (41.7%) and “attempting to evaluate analyst performance based on long-term performance results to the greatest extent possible” (30.8%). Hence, while corporate assessors primarily expect efforts on the part of corporations aimed at information disclosure, they fully understand that improvement on their own part in regards to several points will also be expected.

Summary of the Questionnaire Survey

Top row: number of cases Lower row: %		Total	Q1. Profession of the respondent						
			Analysts at a rating institution	Analyst (sell-side)	Analyst (buy-side)	Institutional investors fund manager	VC fund manager	Others	Unknown
Total		211 100.0	10 4.7	17 8.1	64 30.3	80 37.9	29 13.7	11 5.2	0 0.0
By assessment period	Short term (about 1 year)	51 100.0	0 0.0	11 21.6	9 17.6	22 43.1	5 9.8	4 7.8	0 0.0
	Medium term (about 3 years)	106 100.0	9 8.5	6 5.7	30 28.3	44 41.5	14 13.2	3 2.8	0 0.0
	Long term (about 5 years)	49 100.0	1 2.0	0 0.0	24 49.0	12 24.5	8 16.3	4 8.2	0 0.0
By type of assessor	Analysts at a rating institution	10 100.0	10 100.0	0 0.0	0 0.0	0 0.0	0 0.0	0 0.0	0 0.0
	Sell-side analyst	17 100.0	0 0.0	17 100.0	0 0.0	0 0.0	0 0.0	0 0.0	0 0.0
	Buy-side analyst	64 100.0	0 0.0	0 0.0	64 100.0	0 0.0	0 0.0	0 0.0	0 0.0
	Institutional investors fund manager	80 100.0	0 0.0	0 0.0	0 0.0	80 100.0	0 0.0	0 0.0	0 0.0
	VC fund manager	29 100.0	0 0.0	0 0.0	0 0.0	0 0.0	29 100.0	0 0.0	0 0.0

Top row: number of cases Lower row: %		Total	Q2. Years of experience as a corporate assessor			
			Less than 5 years	5 to less than 10 years	Over 10 years	Unknown
Total		211 100.0	62 29.4	61 28.9	82 38.9	6 2.8
By assessment period	Short term (about 1 year)	51 100.0	14 27.5	14 27.5	21 41.2	2 3.9
	Medium term (about 3 years)	106 100.0	29 27.4	34 32.1	43 40.6	0 0.0
	Long term (about 5 years)	49 100.0	17 34.7	12 24.5	16 32.7	4 8.2
By type of assessor	Analysts at a rating institution	10 100.0	3 30.0	6 60.0	1 10.0	0 0.0
	Sell-side analyst	17 100.0	5 29.4	5 29.4	7 41.2	0 0.0
	Buy-side analyst	64 100.0	21 32.8	18 28.1	23 35.9	2 3.1
	Institutional investors fund manager	80 100.0	17 21.3	21 26.3	41 51.3	1 1.3
	VC fund manager	29 100.0	12 41.4	10 34.5	7 24.1	0 0.0

Top row: number of cases Lower row: %		Total	Q3. Industrial categories of which the respondent is in charge								
			Construction	Food	Textile	Pulp/Paper	Chemicals	Petroleum/ Rubber	Ceramics	Steel	Nonferrous Metal Products
Total		211 100.0	12 5.7	16 7.6	14 6.6	10 4.7	18 8.5	14 6.6	10 4.7	16 7.6	12 5.7
By assessment period	Short term (about 1 year)	51 100.0	1 2.0	5 9.8	4 7.8	1 2.0	3 5.9	2 3.9	0 0.0	3 5.9	1 2.0
	Medium term (about 3 years)	106 100.0	9 8.5	10 9.4	8 7.5	7 6.6	12 11.3	9 8.5	7 6.6	9 8.5	6 5.7
	Long term (about 5 years)	49 100.0	2 4.1	1 2.0	2 4.1	2 4.1	3 6.1	3 6.1	3 6.1	4 8.2	5 10.2
By type of assessor	Analysts at a rating institution	10 100.0	1 10.0	1 10.0	0 0.0	0 0.0	2 20.0	1 10.0	0 0.0	1 10.0	0 0.0
	Sell-side analyst	17 100.0	2 11.8	1 5.9	2 11.8	2 11.8	3 17.6	1 5.9	2 11.8	2 11.8	2 11.8
	Buy-side analyst	64 100.0	3 4.7	5 7.8	6 9.4	6 9.4	8 12.5	7 10.9	6 9.4	8 12.5	8 12.5
	Institutional investors fund manager	80 100.0	6 7.5	5 6.3	3 3.8	3 1.3	1 5.0	4 5.0	2 2.5	4 5.0	2 2.5
	VC fund manager	29 100.0	0 0.0	4 13.8	3 10.3	3 10.3	1 3.4	1 3.4	0 0.0	0 0.0	0 0.0

Top row: number of cases Lower row: %		Total	Q3. Industrial categories of which the respondent is in charge								
			Machinery	Electrical Appliances	Transport Machinery	Precision Machines	Other Types of Manufacturing	Commerce	Finance/ Insurance	Real Estate	Land/Sea/ Air Transport
Total		211 100.0	18 8.5	24 11.4	11 5.2	17 8.1	12 5.7	25 11.8	26 12.3	21 10.0	12 5.7
By assessment period	Short term (about 1 year)	51 100.0	3 5.9	5 9.8	1 2.0	3 5.9	4 7.8	4 7.8	6 11.8	3 5.9	1 2.0
	Medium term (about 3 years)	106 100.0	11 10.4	14 13.2	7 6.6	9 8.5	6 5.7	15 14.2	13 12.3	13 12.3	8 7.5
	Long term (about 5 years)	49 100.0	4 8.2	5 10.2	3 6.1	5 10.2	2 4.1	6 12.2	7 14.3	5 10.2	3 6.1
By type of assessor	Analysts at a rating institution	10 100.0	2 20.0	3 30.0	1 10.0	1 10.0	1 10.0	2 20.0	0 0.0	0 0.0	1 10.0
	Sell-side analyst	17 100.0	0 0.0	4 23.5	1 5.9	1 5.9	0 0.0	0 0.0	4 23.5	1 5.9	0 0.0
	Buy-side analyst	64 100.0	8 12.5	11 17.2	6 9.4	8 12.5	4 6.3	12 18.8	11 17.2	5 7.8	5 7.8
	Institutional investors fund manager	80 100.0	5 6.3	4 5.0	3 3.8	3 3.8	3 3.8	8 10.0	7 8.8	10 12.5	6 7.5
	VC fund manager	29 100.0	3 10.3	2 6.9	0 0.0	3 10.3	3 10.3	2 6.9	2 6.9	4 13.8	0 0.0

Top row: number of cases Lower row: %		Total	Q3. Industrial categories of which the respondent is in charge						
			Warehouse & Transport	Information/ Communication	Electricity/ Gas	Service	Nothing Particular	Other categories	Unknown
Total		211 100.0	13 6.2	27 12.8	14 6.6	27 12.8	94 44.5	10 4.7	5 2.4
By assessment period	Short term (about 1 year)	51 100.0	1 2.0	5 9.8	2 3.9	6 11.8	31 60.8	1 2.0	0 0.0
	Medium term (about 3 years)	106 100.0	7 6.6	13 12.3	6 5.7	14 13.2	47 44.3	3 2.8	0 0.0
	Long term (about 5 years)	49 100.0	5 10.2	9 18.4	6 12.2	7 14.3	15 30.6	6 12.2	1 2.0
By type of assessor	Analysts at a rating institution	10 100.0	0 0.0	3 30.0	1 10.0	1 10.0	1 10.0	0 0.0	0 0.0
	Sell-side analyst	17 100.0	0 0.0	1 5.9	0 0.0	2 11.8	4 23.5	0 0.0	0 0.0
	Buy-side analyst	64 100.0	5 7.8	7 10.9	5 7.8	8 12.5	8 12.5	5 7.8	1 1.6
	Institutional investors fund manager	80 100.0	7 8.8	6 7.5	6 7.5	7 8.8	60 75.0	3 3.8	1 1.3
	VC fund manager	29 100.0	1 3.4	9 31.0	1 3.4	7 24.1	14 48.3	1 3.4	2 6.9

Top row: number of cases Lower row: %		Total	Q4. Number of companies of which the respondent is in charge			
			Less than 30	30 to less than 100	100 or more	Unknown
Total		211 100.0	53 25.1	81 38.4	53 25.1	24 11.4
By assessment period	Short term (about 1 year)	51 100.0	11 21.6	24 47.1	10 19.6	6 11.8
	Medium term (about 3 years)	106 100.0	26 24.5	39 36.8	32 30.2	9 8.5
	Long term (about 5 years)	49 100.0	16 32.7	18 36.7	10 20.4	5 10.2
By type of assessor	Analysts at a rating institution	10 100.0	6 60.0	3 30.0	1 10.0	0 0.0
	Sell-side analyst	17 100.0	4 23.5	11 64.7	2 11.8	0 0.0
	Buy-side analyst	64 100.0	9 14.1	38 59.4	15 23.4	2 3.1
	Institutional investors fund manager	80 100.0	11 13.8	22 27.5	32 40.0	15 18.8
	VC fund manager	29 100.0	20 69.0	6 20.7	0 0.0	3 10.3

Top row: number of cases Lower row: %		Total	Q5. Assessment period			
			Short term (about 1 year)	Mid term (about 3 years)	Long term (about 5 years)	Unknown
Total		211 100.0	51 24.2	106 50.2	49 23.2	5 2.4
By assessment period	Short term (about 1 year)	51 100.0	51 100.0	0 0.0	0 0.0	0 0.0
	Medium term (about 3 years)	106 100.0	0 0.0	106 100.0	0 0.0	0 0.0
	Long term (about 5 years)	49 100.0	0 0.0	0 0.0	49 100.0	0 0.0
By type of assessor	Analysts at a rating institution	10 100.0	0 0.0	9 90.0	1 10.0	0 0.0
	Sell-side analyst	17 100.0	11 64.7	6 35.3	0 0.0	0 0.0
	Buy-side analyst	64 100.0	9 14.1	30 46.9	24 37.5	1 1.6
	Institutional investors fund manager	80 100.0	22 27.5	44 55.0	12 15.0	2 2.5
	VC fund manager	29 100.0	5 17.2	14 48.3	8 27.6	2 6.9

Top row: number of cases Lower row: %		Total	Q6. Reason for conducting corporate assessment in relation to short -term performance						
			The institution entrusted me to assess the corporation in regards to its short-term performance.	The Personnel Department evaluates me in regards to my short-term performance.	My asset management evaluations are conducted over a short-term period.	The institution established asset management rules that cover a short-term period.	It is difficult to evaluate the medium- and long-term potential of the corporation.	Other reasons	Unknown
Total		51 100.0	20 39.2	6 11.8	17 33.3	7 13.7	10 19.6	10 19.6	0 0.0
By assessment period	Short term (about 1 year)	51 100.0	20 39.2	6 11.8	17 33.3	7 13.7	10 19.6	10 19.6	0 0.0
	Medium term (about 3 years)	0 0.0	0 0.0	0 0.0	0 0.0	0 0.0	0 0.0	0 0.0	0 0.0
	Long term	0 0.0	0 0.0	0 0.0	0 0.0	0 0.0	0 0.0	0 0.0	0 0.0
	(about 5 years)	0 0.0	0 0.0	0 0.0	0 0.0	0 0.0	0 0.0	0 0.0	0 0.0
By type of assessor	Analysts at a rating institution	0 0.0	0 0.0	0 0.0	0 0.0	0 0.0	0 0.0	0 0.0	0 0.0
	Sell-side analyst	11 100.0	9 81.8	1 9.1	2 18.2	2 18.2	0 0.0	1 9.1	0 0.0
	Buy-side analyst	9 100.0	5 55.6	0 0.0	4 44.4	0 0.0	3 33.3	1 11.1	0 0.0
	Institutional investors fund manager	22 100.0	3 13.6	3 13.6	11 50.0	5 22.7	4 18.2	5 22.7	0 0.0
	VC fund manager	5 100.0	2 40.0	1 20.0	0 0.0	0 0.0	0 0.0	3 60.0	0 0.0

Top row: number of cases Lower row: %		Total	Q7. Methods or types of media prioritized – 1st place										
			Intellectual Assets Based Management Reports	Annual Reports	Business Reports	Factbooks/ Investors' Guides	Financial Statement Briefings	Explanatory Documents for Financial Statement Briefings	Legal Documents of Disclosure such as Financial Statements	Letters/ Words to Shareholders	Company Brochures	Intellectual Property Reports	CSR Reports/ Environmental Reports
Total		211	0	9	10	0	28	11	33	0	1	0	0
		100.0	0.0	4.3	4.7	0.0	13.3	5.2	15.6	0.0	0.5	0.0	0.0
By assessment period	Short term (about 1 year)	51	0	3	4	0	14	4	3	0	1	0	0
		100.0	0.0	5.9	7.8	0.0	27.5	7.8	5.9	0.0	2.0	0.0	0.0
	Medium term (about 3 years)	106	0	3	3	0	11	5	23	0	0	0	0
		100.0	0.0	2.8	2.8	0.0	10.4	4.7	21.7	0.0	0.0	0.0	0.0
By type of assessor	Long term (about 5 years)	49	0	3	3	0	3	2	7	0	0	0	0
		100.0	0.0	6.1	6.1	0.0	6.1	4.1	14.3	0.0	0.0	0.0	0.0
	Analysts at a rating institution	10	0	1	0	0	0	1	5	0	0	0	0
		100.0	0.0	10.0	0.0	0.0	0.0	10.0	50.0	0.0	0.0	0.0	0.0
By type of assessor	Sell-side analyst	17	0	2	0	0	4	3	0	0	0	0	0
		100.0	0.0	11.8	0.0	0.0	23.5	17.6	0.0	0.0	0.0	0.0	0.0
	Buy-side analyst	64	0	1	0	0	8	3	10	0	0	0	0
		100.0	0.0	1.6	0.0	0.0	12.5	4.7	15.6	0.0	0.0	0.0	0.0
By type of assessor	Institutional investors fund manager	80	0	4	2	0	12	4	12	0	1	0	0
		100.0	0.0	5.0	2.5	0.0	15.0	5.0	15.0	0.0	1.3	0.0	0.0
	VC fund manager	29	0	0	8	0	0	0	4	0	0	0	0
	100.0	0.0	0.0	27.6	0.0	0.0	0.0	13.8	0.0	0.0	0.0	0.0	

Top row: number of cases Lower row: %		Total	Q7. Methods or types of media prioritized – 1st place										
			Attendance of Explanatory Meetings Held by the Corporation	Documents for Financial Statement Briefings	Information on the Corporation's Website	Guided Tours of Corporate Facilities	Data Collection from Corporation	TV Programs	Video/DVD Materials for PR (Promotion)	Newspapers (General Newspapers) /Trade Newspapers (Magazines)	Business Magazines	Other source(s)	Unknown
Total		211	11	10	2	1	78	0	0	4	0	7	6
		100.0	5.2	4.7	0.9	0.5	37.0	0.0	0.0	1.9	0.0	3.3	2.8
By assessment period	Short term (about 1 year)	51	2	6	0	0	10	0	0	1	0	2	1
		100.0	3.9	11.8	0.0	0.0	19.6	0.0	0.0	2.0	0.0	3.9	2.0
	Medium term (about 3 years)	106	6	3	2	1	44	0	0	3	0	2	0
		100.0	5.7	2.8	1.9	0.9	41.5	0.0	0.0	2.8	0.0	1.9	0.0
By type of assessor	Long term (about 5 years)	49	3	1	0	0	24	0	0	0	0	3	0
		100.0	6.1	2.0	0.0	0.0	49.0	0.0	0.0	0.0	0.0	6.1	0.0
	Analysts at a rating institution	10	0	0	0	0	3	0	0	0	0	0	0
		100.0	0.0	0.0	0.0	0.0	30.0	0.0	0.0	0.0	0.0	0.0	0.0
By type of assessor	Sell-side analyst	17	2	1	0	0	5	0	0	0	0	0	0
		100.0	11.8	5.9	0.0	0.0	29.4	0.0	0.0	0.0	0.0	0.0	0.0
	Buy-side analyst	64	1	4	0	0	33	0	0	0	0	2	2
		100.0	1.6	6.3	0.0	0.0	51.6	0.0	0.0	0.0	0.0	3.1	3.1
By type of assessor	Institutional investors fund manager	80	5	3	2	1	27	0	0	3	0	2	2
		100.0	6.3	3.8	2.5	1.3	33.8	0.0	0.0	3.8	0.0	2.5	2.5
	VC fund manager	29	3	2	0	0	9	0	0	0	0	1	2
	100.0	10.3	6.9	0.0	0.0	31.0	0.0	0.0	0.0	0.0	3.4	6.9	

Top row: number of cases Lower row: %		Total	Q7. Methods or types of media prioritized – 3rd place										
			Intellectual Assets Based Management Reports	Annual Reports	Business Reports	Factbooks/ Investors' Guides	Financial Statement Briefings	Explanatory Documents for Financial Statement Briefings	Legal Documents of Disclosure such as Financial Statements	Letters/ Words to Shareholders	Company Brochures	Intellectual Property Reports	CSR Reports/ Environmental Reports
Total		211	1	9	10	3	20	22	20	1	3	0	0
		100.0	0.5	4.3	4.7	1.4	9.5	10.4	9.5	0.5	1.4	0.0	0.0
By assessment period	Short term (about 1 year)	51	1	3	3	1	6	5	4	0	2	0	0
		100.0	2.0	5.9	5.9	2.0	11.8	9.8	7.8	0.0	3.9	0.0	0.0
	Medium term (about 3 years)	106	0	4	5	2	5	14	12	0	1	0	0
		100.0	0.0	3.8	4.7	1.9	4.7	13.2	11.3	0.0	0.9	0.0	0.0
By type of assessor	Long term (about 5 years)	49	0	2	2	0	9	3	4	1	0	0	0
		100.0	0.0	4.1	4.1	0.0	18.4	6.1	8.2	2.0	0.0	0.0	0.0
	Analysts at a rating institution	10	0	2	0	1	0	0	2	0	0	0	0
		100.0	0.0	20.0	0.0	10.0	0.0	0.0	20.0	0.0	0.0	0.0	0.0
By type of assessor	Sell-side analyst	17	0	1	0	1	2	3	5	0	1	0	0
		100.0	0.0	5.9	0.0	5.9	11.8	17.6	29.4	0.0	5.9	0.0	0.0
	Buy-side analyst	64	0	1	2	1	4	7	7	0	0	0	0
		100.0	0.0	1.6	3.1	1.6	6.3	10.9	10.9	0.0	0.0	0.0	0.0
By type of assessor	Institutional investors fund manager	80	0	4	4	0	10	12	6	0	1	0	0
		100.0	0.0	5.0	5.0	0.0	12.5	15.0	7.5	0.0	1.3	0.0	0.0
	VC fund manager	29	1	1	3	0	3	0	0	0	0	0	0
	100.0	3.4	3.4	10.3	0.0	10.3	0.0	0.0	0.0	0.0	0.0	0.0	

Top row: number of cases Lower row: %		Total	Q7. Methods or types of media prioritized – 3rd place										
			Attendance of Explanatory Meetings Held by the Corporation	Documents for Financial Statement Briefings	Information on the Corporation's Website	Guided Tours of Corporate Facilities	Data Collection from Corporation	TV Programs	Video/DVD Materials for PR (Promotion)	Newspapers (General Newspapers) /Trade Newspapers (Magazines)	Business Magazines	Other source(s)	Unknown
Total		211	22	47	13	9	10	0	0	5	4	4	8
		100.0	10.4	22.3	6.2	4.3	4.7	0.0	0.0	2.4	1.9	1.9	3.8
By assessment period	Short term (about 1 year)	51	7	4	2	0	6	0	0	3	3	0	1
		100.0	13.7	7.8	3.9	0.0	11.8	0.0	0.0	5.9	5.9	0.0	2.0
	Medium term (about 3 years)	106	13	29	8	6	3	0	0	1	0	3	0
		100.0	12.3	27.4	7.5	5.7	2.8	0.0	0.0	0.9	0.0	2.8	0.0
By type of assessor	Long term (about 5 years)	49	2	14	3	3	1	0	0	1	1	1	2
		100.0	4.1	28.6	6.1	6.1	2.0	0.0	0.0	2.0	2.0	2.0	4.1
	Analysts at a rating institution	10	1	2	1	0	1	0	0	0	0	0	0
		100.0	10.0	20.0	10.0	0.0	10.0	0.0	0.0	0.0	0.0	0.0	0.0
By type of assessor	Sell-side analyst	17	0	2	0	0	1	0	0	1	0	0	0
		100.0	0.0	11.8	0.0	0.0	5.9	0.0	0.0	5.9	0.0	0.0	0.0
	Buy-side analyst	64	6	23	2	5	2	0	0	2	0	0	2
		100.0	9.4	35.9	3.1	7.8	3.1	0.0	0.0	3.1	0.0	0.0	3.1
By type of assessor	Institutional investors fund manager	80	11	13	6	1	4	0	0	2	1	2	3
		100.0	13.8	16.3	7.5	1.3	5.0	0.0	0.0	2.5	1.3	2.5	3.8
	VC fund manager	29	4	7	3	3	1	0	0	0	0	1	2
	100.0	13.8	24.1	10.3	10.3	3.4	0.0	0.0	0.0	0.0	3.4	6.9	

Top row: number of cases Lower row: %		Total	Q7. Methods or types of media prioritized – 4th place										
			Intellectual Assets Based Management Reports	Annual Reports	Business Reports	Factbooks/ Investors' Guides	Financial Statement Briefings	Explanatory Documents for Financial Statement Briefings	Legal Documents of Disclosure such as Financial Statements	Letters/ Words to Shareholders	Company Brochures	Intellectual Property Reports	CSR Reports/ Environmental Reports
Total		211	0	7	5	13	14	17	23	1	6	1	0
		100.0	0.0	3.3	2.4	6.2	6.6	8.1	10.9	0.5	2.8	0.5	0.0
By assessment period	Short term (about 1 year)	51	0	2	1	1	3	2	6	0	2	0	0
		100.0	0.0	3.9	2.0	2.0	5.9	3.9	11.8	0.0	3.9	0.0	0.0
	Medium term (about 3 years)	106	0	5	3	8	10	11	10	0	4	0	0
		100.0	0.0	4.7	2.8	7.5	9.4	10.4	9.4	0.0	3.8	0.0	0.0
By type of assessor	Long term (about 5 years)	49	0	0	1	4	1	4	7	1	0	1	0
		100.0	0.0	0.0	2.0	8.2	2.0	8.2	14.3	2.0	0.0	2.0	0.0
By type of assessor	Analysts at a rating institution	10	0	0	0	1	1	1	0	0	0	0	0
		100.0	0.0	0.0	0.0	10.0	10.0	10.0	0.0	0.0	0.0	0.0	0.0
	Sell-side analyst	17	0	1	0	1	2	1	1	0	1	0	0
		100.0	0.0	5.9	0.0	5.9	11.8	5.9	5.9	0.0	5.9	0.0	0.0
	Buy-side analyst	64	0	0	0	6	4	3	11	1	1	0	0
		100.0	0.0	0.0	0.0	9.4	6.3	4.7	17.2	1.6	1.6	0.0	0.0
By type of assessor	Institutional investors fund manager	80	0	3	1	4	7	10	8	0	4	0	0
		100.0	0.0	3.8	1.3	5.0	8.8	12.5	10.0	0.0	5.0	0.0	0.0
	VC fund manager	29	0	2	3	1	0	1	1	0	0	1	0
	100.0	0.0	6.9	10.3	3.4	0.0	3.4	3.4	0.0	0.0	3.4	0.0	

Top row: number of cases Lower row: %		Total	Q7. Methods or types of media prioritized – 4th place										
			Attendance of Explanatory Meetings Held by the Corporation	Documents for Financial Statement Briefings	Information on the Corporation's Website	Guided Tours of Corporate Facilities	Data Collection from Corporation	TV Programs	Video/DVD Materials for PR (Promotion)	Newspapers (General Newspapers) /Trade Newspapers (Magazines)	Business Magazines	Other source(s)	Unknown
Total		211	17	24	26	6	10	0	0	14	4	1	22
		100.0	8.1	11.4	12.3	2.8	4.7	0.0	0.0	6.6	1.9	0.5	10.4
By assessment period	Short term (about 1 year)	51	4	8	5	1	0	0	0	3	3	1	9
		100.0	7.8	15.7	9.8	2.0	0.0	0.0	0.0	5.9	5.9	2.0	17.6
	Medium term (about 3 years)	106	7	12	14	2	8	0	0	7	1	0	4
		100.0	6.6	11.3	13.2	1.9	7.5	0.0	0.0	6.6	0.9	0.0	3.8
By type of assessor	Long term (about 5 years)	49	6	4	7	3	2	0	0	4	0	0	4
		100.0	12.2	8.2	14.3	6.1	4.1	0.0	0.0	8.2	0.0	0.0	8.2
By type of assessor	Analysts at a rating institution	10	3	1	2	0	0	0	0	1	0	0	0
		100.0	30.0	10.0	20.0	0.0	0.0	0.0	0.0	10.0	0.0	0.0	0.0
	Sell-side analyst	17	3	2	1	0	0	0	0	2	1	0	1
		100.0	17.6	11.8	5.9	0.0	0.0	0.0	0.0	11.8	5.9	0.0	5.9
	Buy-side analyst	64	5	9	9	1	4	0	0	6	0	0	4
		100.0	7.8	14.1	14.1	1.6	6.3	0.0	0.0	9.4	0.0	0.0	6.3
By type of assessor	Institutional investors fund manager	80	3	11	10	4	2	0	0	3	2	0	8
		100.0	3.8	13.8	12.5	5.0	2.5	0.0	0.0	3.8	2.5	0.0	10.0
	VC fund manager	29	3	1	2	1	4	0	0	1	0	0	8
	100.0	10.3	3.4	6.9	3.4	13.8	0.0	0.0	3.4	0.0	0.0	27.6	

Top row: number of cases Lower row: %		Total	Q7. Methods or types of media prioritized – 5th place										
			Intellectual Assets Based Management Reports	Annual Reports	Business Reports	Factbooks/ Investors' Guides	Financial Statement Briefings	Explanatory Documents for Financial Statement Briefings	Legal Documents of Disclosure such as Financial Statements	Letters/ Words to Shareholders	Company Brochures	Intellectual Property Reports	CSR Reports/ Environmental Reports
Total		211	1	14	6	10	14	10	12	4	9	0	0
		100.0	0.5	6.6	2.8	4.7	6.6	4.7	5.7	1.9	4.3	0.0	0.0
By assessment period	Short term (about 1 year)	51	0	2	2	1	3	3	3	2	3	0	0
		100.0	0.0	3.9	3.9	2.0	5.9	5.9	5.9	3.9	5.9	0.0	0.0
	Medium term (about 3 years)	106	0	8	4	7	8	7	7	1	4	0	0
		100.0	0.0	7.5	3.8	6.6	7.5	6.6	6.6	0.9	3.8	0.0	0.0
By type of assessor	Long term (about 5 years)	49	1	4	0	2	3	0	2	1	2	0	0
		100.0	2.0	8.2	0.0	4.1	6.1	0.0	4.1	2.0	4.1	0.0	0.0
By type of assessor	Analysts at a rating institution	10	0	1	0	0	0	1	1	0	0	0	0
		100.0	0.0	10.0	0.0	0.0	0.0	10.0	10.0	0.0	0.0	0.0	0.0
	Sell-side analyst	17	0	1	0	3	1	0	2	2	0	0	0
		100.0	0.0	5.9	0.0	17.6	5.9	0.0	11.8	11.8	0.0	0.0	0.0
	Buy-side analyst	64	0	4	1	2	6	4	4	0	2	0	0
		100.0	0.0	6.3	1.6	3.1	9.4	6.3	6.3	0.0	3.1	0.0	0.0
By type of assessor	Institutional investors fund manager	80	1	5	3	4	6	4	5	0	1	0	0
		100.0	1.3	6.3	3.8	5.0	7.5	5.0	6.3	0.0	1.3	0.0	0.0
	VC fund manager	29	0	3	2	0	1	0	0	1	3	0	0
	100.0	0.0	10.3	6.9	0.0	3.4	0.0	0.0	3.4	10.3	0.0	0.0	

Top row: number of cases Lower row: %		Total	Q7. Methods or types of media prioritized – 5th place										
			Attendance of Explanatory Meetings Held by the Corporation	Documents for Financial Statement Briefings	Information on the Corporation's Website	Guided Tours of Corporate Facilities	Data Collection from Corporation	TV Programs	Video/DVD Materials for PR (Promotion)	Newspapers (General Newspapers) /Trade Newspapers (Magazines)	Business Magazines	Other source(s)	Unknown
Total		211	4	8	26	12	10	2	0	17	8	12	32
		100.0	1.9	3.8	12.3	5.7	4.7	0.9	0.0	8.1	3.8	5.7	15.2
By assessment period	Short term (about 1 year)	51	0	3	4	1	1	0	0	5	0	6	12
		100.0	0.0	5.9	7.8	2.0	2.0	0.0	0.0	9.8	0.0	11.8	23.5
	Medium term (about 3 years)	106	1	3	15	6	7	2	0	8	5	4	9
		100.0	0.9	2.8	14.2	5.7	6.6	1.9	0.0	7.5	4.7	3.8	8.5
By type of assessor	Long term (about 5 years)	49	3	2	7	5	2	0	0	4	3	2	6
		100.0	6.1	4.1	14.3	10.2	4.1	0.0	0.0	8.2	6.1	4.1	12.2
By type of assessor	Analysts at a rating institution	10	0	1	2	1	0	0	0	2	1	0	0
		100.0	0.0	10.0	20.0	10.0	0.0	0.0	0.0	20.0	10.0	0.0	0.0
	Sell-side analyst	17	0	3	2	0	0	0	0	1	0	1	1
		100.0	0.0	17.6	11.8	0.0	0.0	0.0	0.0	5.9	0.0	5.9	5.9
	Buy-side analyst	64	3	3	13	3	5	0	0	4	2	2	6
		100.0	4.7	4.7	20.3	4.7	7.8	0.0	0.0	6.3	3.1	3.1	9.4
By type of assessor	Institutional investors fund manager	80	1	1	7	5	3	1	0	9	3	7	14
		100.0	1.3	1.3	8.8	6.3	3.8	1.3	0.0	11.3	3.8	8.8	17.5
	VC fund manager	29	0	0	0	3	2	1	0	1	2	1	9
	100.0	0.0	0.0	0.0	10.3	6.9	3.4	0.0	3.4	6.9	3.4	31.0	

Top row: number of cases Lower row: %		Total	Q8. Demands on the disclosure of information on intellectual asset-based management by corporations											
			Credibility	Promptness/timeliness	Easiness to understand	Fairness (no monopolization of information on specific individuals etc.)	Availability	Particularity/Comprehensiveness	Association with corporate values	Comparability	Interactivity	Positiveness	Other characteristics	Unknown
Total		211	34	10	40	7	7	7	61	33	1	1	5	5
		100.0	16.1	4.7	19.0	3.3	3.3	3.3	28.9	15.6	0.5	0.5	2.4	2.4
By assessment period	Short term (about 1 year)	51	9	2	14	2	2	1	12	8	1	0	0	0
		100.0	17.6	3.9	27.5	3.9	3.9	2.0	23.5	15.7	2.0	0.0	0.0	0.0
	Medium term (about 3 years)	106	19	6	19	4	4	4	30	17	0	1	2	0
		100.0	17.9	5.7	17.9	3.8	3.8	3.8	28.3	16.0	0.0	0.9	1.9	0.0
By type of assessor	Long term (about 5 years)	49	6	2	7	1	1	2	19	8	0	0	3	0
		100.0	12.2	4.1	14.3	2.0	2.0	4.1	38.8	16.3	0.0	0.0	6.1	0.0
By type of assessor	Analysts at a rating institution	10	0	0	4	0	1	1	2	2	0	0	0	0
		100.0	0.0	0.0	40.0	0.0	10.0	10.0	20.0	20.0	0.0	0.0	0.0	0.0
	Sell-side analyst	17	1	2	5	1	0	0	3	4	0	0	1	0
		100.0	5.9	11.8	29.4	5.9	0.0	0.0	17.6	23.5	0.0	0.0	5.9	0.0
	Buy-side analyst	64	12	1	7	2	0	2	24	12	0	1	2	1
		100.0	18.8	1.6	10.9	3.1	0.0	3.1	37.5	18.8	0.0	1.6	3.1	1.6
	Institutional investors	80	13	4	17	0	6	4	19	14	1	0	0	2
	100.0	16.3	5.0	21.3	0.0	7.5	5.0	23.8	17.5	1.3	0.0	0.0	2.5	
By type of assessor	VC fund manager	29	7	2	4	3	0	0	9	1	0	0	1	2
		100.0	24.1	6.9	13.8	10.3	0.0	0.0	31.0	3.4	0.0	0.0	3.4	6.9

Q9 Requests regarding disclosure of information on intellectual assets based management

1) Credibility

Requests regarding disclosure of information on intellectual assets based management	Assessment period	Type of occupation
The credibility of information should be objectively assured by third party assessment.	Long term	Buy-side analyst
It is important to eliminate the subjectivity of assessors. There remains a concern that this could be another chance for companies to window-dress their financial statements.	Long term	Buy-side analyst
The assessment criteria of assessors have to be clear and should not vary from case to case.	Long term	Buy-side analyst
Forecast of a corporation and its actual condition differ widely in many cases.	Mid term	Fund manager
Since objectivity is important, it is desirable to disclose numerical values, such as the numbers of patents and researchers, and third party assessment.	Mid term	Fund manager
It is desirable that the assessment criteria in the industry are clear and the credibility of information should be objectively assured by third party assessment.	Mid term	Buy-side analyst
As shown in the example. The credibility of information should be objectively assured.	Mid term	Fund manager
The credibility of information should be objectively assured by third party assessment and the authority and actual record of the assessment of such third party assessment institutions should be clearly indicated.	Short term	Buy-side analyst

3) Easy to understand

Requests regarding disclosure of information on intellectual assets based management	Assessment period	Type of occupation
Technical terms in the information should be described in an easy to understand way.	Long term	Fund manager
It is desirable that the information allows people without high-level professional knowledge to understand the differences from similar technologies.	Long term	Rating institution
Information should include numerical explanations and allow for time-series comparisons.	Mid term	Fund manager
Information should be presented in an easy-to-understand way for people without professional knowledge or should include concrete descriptions.	Mid term	Fund manager
Information should include the quantitative assessments of intellectual assets, such as the amount of assets.	Mid term	Fund manager
Information should be understandable not only to insiders and specialists but also to the public.	Mid term	Fund manager
Information should be understandable to people who are not advanced specialists.	Mid term	Rating institution
It is important for companies to clearly and accurately present how their management utilizes intellectual assets, whose values are hard to grasp by third parties.	Mid term	Fund manager
The information tends to be abstract and hard to assess, so the disclosure should be easy to understand in order that an assessment from outside of a corporation is possible.	Short term	Others
Description, such as that of technology, should not be too technical.	Short term	Sell-side analyst
Information should be understandable from individual investors' point of view.	Short term	Sell-side analyst

4) Fairness

Requests regarding disclosure of information on intellectual assets based management	Assessment period	Type of occupation
The media and methods of disclosure should be clearly stipulated.	Short term	Sell-side analyst

5) Availability

Requests regarding disclosure of information on intellectual assets based management	Assessment period	Type of occupation
Information should be available for anyone from individuals to institutional investors in a fair and easy manner.	Mid term	Fund manager
One of the basic requirements for information disclosure is that it is easily available, which will accordingly allow for comparative assessments.	Mid term	Fund manager
Information should be available periodically in the same quality and the same amount in chronological order.	Short term	Fund manager

6) Level of detail

Requests regarding disclosure of information on intellectual assets based management	Assessment period	Type of occupation
Information should cover enough information for making investment decisions.	Long term	Buy-side analyst
Information should include detailed explanations on how the company's strategy will affect its management.	Long term	Buy-side analyst
Information should include concrete numerical values and time periods.	Mid term	Rating institution
Information should include a goal of the company and concrete measures on administrative organization and the configuration of management resources to achieve the goal.	Mid term	Fund manager
The company's policy, its training system and the quality of management personnel should be included in the information.	Short term	Fund manager

7) Associate with corporate value

Requests regarding disclosure of information on intellectual assets based management	Assessment period	Type of occupation
Information cannot be utilized in corporate assessment, unless it shows how much corporate value the utilization of intellectual assets will generate in how long a time period (estimated minimum and maximum values, calculation basis and utilization methods in chronological order for each intellectual asset).	Long term	Fund manager
I believe that an objective grasp of the values of intellectual assets will properly lead to an increase of the corporate value.	Long term	Fund manager
Information should clarify, from a long-term viewpoint, how intellectual assets will contribute to the corporate profits.	Long term	Buy-side analyst
From the perspective of corporate value, it would be pointless to disclose information on intellectual assets only for the sake of providing information to investors. It would be enough for investors that the company utilizes its intellectual assets and make profits out of it. The true value of evaluation of intellectual assets lies in its ability to act as a criterion in utilizing intellectual assets that remain unutilized in the company. I believe that accurate evaluation of intellectual assets using numerical values has a great significance in helping to decide which area of R&D activities to concentrate management resources on and thus contribute to the management of the company.	Long term	Buy-side analyst
I believe that information on patents and technologies, whose impact on corporate performance is relatively easy to recognize, should include detailed explanations such as how they contribute to the company's profits, profitability and cost reduction or whether there is a possibility for them to contribute thereto. On the other hand, I think there is less necessity to provide information on intellectual assets that are difficult to explain, such as human resources, organizational power and customer networks, because there will not be much difference between companies and they are likely to be misread.	Long term	Buy-side analyst
Information should clarify how much profits the intellectual assets will generate.	Long term	VC fund manager
A company should explain how much the disclosed data will contribute to its management, because it could have an influence on its stock price.	Mid term	Fund manager
Disclosure of information based on quantitative data	Mid term	Fund manager
Basically, I would like to guess what kind of influence the disclosed data will have on the future profits of the company.	Mid term	Fund manager
What matters to investors is that investments lead to profits. Therefore, information on how the intellectual assets will improve the corporate value is important.	Mid term	Fund manager
Information should include an analysis and explanation on concrete numerical values (or possible values) of the intellectual assets.	Mid term	Fund manager

Requests regarding disclosure of information on intellectual assets based management	Assessment period	Type of occupation
Although I believe it is difficult to quantify intellectual assets, it would be desirable that companies provide qualitative assessments that can be reflected in their corporate value.	Mid term	Fund manager
Information should mention how much the intellectual assets will contribute to society and how they will improve the corporate value.	Mid term	Fund manager
Since investors make decisions by assessing corporate values, it is desirable that information shows what kind of effects the disclosed data has on the corporate value.	Mid term	Fund manager
A company should explain how the intellectual assets will be reflected on its business performance directly and indirectly.	Mid term	Buy-side analyst
It is desirable to disclose the detailed status of intellectual assets that are sources of the corporate competitiveness and to show concrete measures for utilizing intellectual assets to improve the corporate value.	Mid term	Buy-side analyst
It is desirable that information discloses in how long a time (even if it is not this year) and by how much the intellectual assets will improve the corporate value, and what kind of measures the company will take to prevent other companies pursuing such assets (if pursued, whether it is easy to create such assets).	Mid term	Buy-side analyst
I would like information to include a list of intellectual assets effective for the corporate value (the present value of future cash flows of the company) and descriptions as to what kind of impact they have on the corporate value. Descriptions of the company's efforts for developing those intellectual assets will also help investors assess the corporate value.	Mid term	Buy-side analyst
Highly-specialized unique technologies are sometimes difficult to evaluate. Indicators associated with corporate values will help to make a quantitative assessment of the disclosed information.	Mid term	Sell-side analyst
Information should describe how much the intellectual assets will enhance the corporate value.	Mid term	Rating institution
It is desirable that a company presents clear assessment criteria and publicizes data that is objective and quantitative to some extent. A company also should include it in its business strategy showing how the intellectual assets will relate to the corporate value.	Mid term	Rating institution
It would be appreciated if the company explains, for example, the relation between its intellectual assets and the sales, qualitatively and quantitatively, such as how and how much the intellectual assets will contribute to its sales. That is to say, it would allow for an objective assessment as to whether the company is not conducting useless R&D.	Mid term	VC fund manager
Information on intellectual assets should indicate, using concrete numerical values, which part of the corporate value reflects each intellectual asset.	Short term	Fund manager
The effectiveness of the concrete management measures that the company has taken should be easy to picture.	Short term	Fund manager
It is difficult to make a quantitative assessment as to how much the intellectual assets will contribute to the business performance and eventually to the corporate value. Assessment of business performance, which has a significant impact on the corporate value in the short term, ranges widely depending on other factors. There is also the problem that contents will vary widely from person to person. However, there are some cases where introduction of the company's utilization and efforts for intellectual assets and PR activities have led to developing the company brand and improving its image. In some cases, on a mid- to long-term basis, the intellectual assets serve as a fundamental strength of the company. Under the current circumstances, information on intellectual assets based management is only used as supplementary information from a standpoint of improving the understanding of companies.	Short term	Buy-side analyst
Information on intellectual assets is abstract and it is difficult to assess their economic value.	Short term	Others
Information should allow for quantitative assessments.	Short term	Sell-side analyst
I would place the most importance on how intellectual assets are, instead of just serving as a title, linked to objective data on profitability that associates with the corporate value.	Short term	Sell-side analyst
It is desirable to describe in detail how the corporate value will be enhanced. Specifically, how the intellectual assets are linked to the corporate performance and the scale of their impact should be described.	Short term	VC fund manager

8) Comparability

Requests regarding disclosure of information on intellectual assets based management	Assessment period	Type of occupation
Comparability is necessary, because it would make it easier to make qualitative comparisons between companies that are at the same level of business performance and scale, or between companies in different types of industry.	Long term	Fund manager
Comparability is important in order to understand the probability of expected effects.	Long term	Fund manager
Information should be disclosed in a way that at least allows for comparisons with other companies in the same industry.	Long term	Buy-side analyst
Analysts need information that allows them to compare the value of intellectual assets with the value of similar assets and make a reasonable assessment.	Long term	Buy-side analyst
Information should allow for comparisons in chronological order and comparisons with other companies in the same industry.	Mid term	Fund manager
Data should be based on a uniform standard so that comparison within the industry becomes possible.	Mid term	Fund manager
It is desirable that companies disclose information that allows for comparisons of expected profits to be generated by their intellectual assets. Although obviously, profits tend to be overestimated, they can be revised up or down according to the changes of their business environments, in the same way as corporate profit forecasts.	Mid term	Fund manager
A company should clearly explain its strength and weakness compared to other companies so as to allow for an objective assessment.	Mid term	Fund manager
Information on intellectual assets should provide differences and characteristics in numerical values when making comparisons with other companies in the same industry, the average in the industry, and companies abroad.	Mid term	Fund manager
Companies should disclose information based on specific rules so that comparability (between companies in the same industry) is secured.	Mid term	Buy-side analyst
Information should be based on a uniform standard so that the comparison between companies becomes possible.	Mid term	Buy-side analyst
I would like to know the comparative value of intellectual assets (compared with other companies in the same industry or other assets of the company).	Mid term	Buy-side analyst
It is desirable that the disclosure format is stylized to a certain degree so that comparability is secured.	Mid term	Buy-side analyst
There is no way of making comparisons or assessments if disclosed information is not provided with credibility, timeliness and fairness.	Mid term	Sell-side analyst
It is desirable that the information contents and format are standardized so as to allow for comparisons with other companies.	Mid term	Rating institution
Information should allow for a quantitative assessment.	Short term	Fund manager
Companies should disclose assessments made by a third party that allows for comparisons with other companies under the same condition.	Short term	Fund manager
Under the current circumstances, even financial accounting is affected by the changes of an accountant's thinking that reflect social trends. In consideration of these, in order for "disclosure of information on intellectual assets based management," which tends to be based on more ambiguous criteria, to effectively function, it is necessary to secure comparability of criteria for disclosure and aspects of information.	Short term	Fund manager
Information should show time-series changes of the company and allow for comparisons with other companies in the same industry.	Short term	Buy-side analyst
Comparisons of the intellectual assets of companies in the same industry would make assessments easier.	Short term	Sell-side analyst
It is desirable that disclosed items are uniform to a certain degree among companies.	Short term	Sell-side analyst

9) Interactivity

Requests regarding disclosure of information on intellectual assets based management	Assessment period	Type of occupation
More information is better. It would be appreciated if the company actively discloses information that it thinks will promote better understanding of the organization. For instance, if the company owns an advanced technology, the reason why it is advanced and specific examples would be appreciated.	Mid term	Buy-side analyst

1) Managerial policy/Leadership

Top row: number of cases Lower row: %		Total	Q10. 1. Importance		
			Important	Not important	Unknown
Total		211 100.0	186 88.2	14 6.6	11 5.2
By assessment period	Short term (about 1 year)	51 100.0	48 94.1	2 3.9	1 2.0
	Medium term (about 3 years)	106 100.0	93 87.7	9 8.5	4 3.8
	Long term (about 5 years)	49 100.0	45 91.8	3 6.1	1 2.0
	Analysts at a rating institution	10 100.0	9 90.0	1 10.0	0 0.0
By type of assessor	Sell-side analyst	17 100.0	15 88.2	1 5.9	1 5.9
	Buy-side analyst	64 100.0	59 92.2	3 4.7	2 3.1
	Institutional investors	80 100.0	67 83.8	7 8.8	6 7.5
	VC fund manager	29 100.0	25 86.2	2 6.9	2 6.9

Top row: number of cases Lower row: %		Total	Q10. Conditions for disclosure of information by corporations 1) Managerial policy/Leadership						
			Very bad	Bad	Satisfactory	Good	Excellent	Unknown	Average
Total		186 100.0	10 5.4	38 20.4	60 32.3	51 27.4	27 14.5	0 0.0	0.25
By assessment period	Short term (about 1 year)	48 100.0	0 0.0	11 22.9	10 20.8	17 35.4	10 20.8	0 0.0	0.54
	Medium term (about 3 years)	93 100.0	6 6.5	19 20.4	34 36.6	22 23.7	12 12.9	0 0.0	0.16
	Long term (about 5 years)	45 100.0	4 8.9	8 17.8	16 35.6	12 26.7	5 11.1	0 0.0	0.13
	Analysts at a rating institution	9 100.0	0 0.0	1 11.1	3 33.3	5 55.6	0 0.0	0 0.0	0.44
By type of assessor	Sell-side analyst	15 100.0	1 6.7	3 20.0	2 13.3	4 26.7	5 33.3	0 0.0	0.60
	Buy-side analyst	59 100.0	4 6.8	16 27.1	17 28.8	13 22.0	9 15.3	0 0.0	0.12
	Institutional investors	67 100.0	3 4.5	12 17.9	26 38.8	20 29.9	6 9.0	0 0.0	0.21
	VC fund manager	25 100.0	1 4.0	5 20.0	7 28.0	6 24.0	6 24.0	0 0.0	0.44

2) Selection and concentration

Top row: number of cases Lower row: %		Total	Q10. 2) Importance		
			Important	Not important	Unknown
Total		211 100.0	184 87.2	18 8.5	9 4.3
By assessment period	Short term (about 1 year)	51 100.0	45 88.2	6 11.8	0 0.0
	Medium term (about 3 years)	106 100.0	96 90.6	7 6.6	3 2.8
	Long term (about 5 years)	49 100.0	43 87.8	5 10.2	1 2.0
By type of assessor	Analysts at a rating institution	10 100.0	9 90.0	1 10.0	0 0.0
	Sell-side analyst	17 100.0	16 94.1	1 5.9	0 0.0
	Buy-side analyst	64 100.0	58 90.6	5 7.8	1 1.6
	Institutional investors	80 100.0	72 90.0	3 3.8	5 6.3
	VC fund manager	29 100.0	22 75.9	4 13.8	3 10.3

Top row: number of cases Lower row: %		Total	Q10. Conditions for disclosure of information by corporations 2) Selection and concentration						
			Very bad	Bad	Satisfactory	Good	Excellent	Unknown	Average
Total		184 100.0	7 3.8	20 10.9	66 35.9	74 40.2	16 8.7	1 0.5	0.39
By assessment period	Short term (about 1 year)	45 100.0	1 2.2	7 15.6	13 28.9	21 46.7	3 6.7	0 0.0	0.40
	Medium term (about 3 years)	96 100.0	3 3.1	9 9.4	40 41.7	36 37.5	7 7.3	1 1.0	0.37
	Long term (about 5 years)	43 100.0	3 7.0	4 9.3	13 30.2	17 39.5	6 14.0	0 0.0	0.44
By type of assessor	Analysts at a rating institution	9 100.0	0 0.0	1 11.1	3 33.3	4 44.4	1 11.1	0 0.0	0.56
	Sell-side analyst	16 100.0	0 0.0	3 18.8	5 31.3	6 37.5	2 12.5	0 0.0	0.44
	Buy-side analyst	58 100.0	4 6.9	4 6.9	21 36.2	25 43.1	4 6.9	0 0.0	0.36
	Institutional investors	72 100.0	2 2.8	8 11.1	25 34.7	31 43.1	5 6.9	1 1.4	0.41
	VC fund manager	22 100.0	0 0.0	3 13.6	12 54.5	4 18.2	3 13.6	0 0.0	0.32

3) External bargaining power/relationships

Top row: number of cases Lower row: %		Total	Q10. 3) Importance		
			Important	Not important	Unknown
Total		211 100.0	152 72.0	44 20.9	15 7.1
By assessment period	Short term (about 1 year)	51 100.0	42 82.4	8 15.7	1 2.0
	Medium term (about 3 years)	106 100.0	80 75.5	19 17.9	7 6.6
	Long term (about 5 years)	49 100.0	30 61.2	17 34.7	2 4.1
	Analysts at a rating institution	10 100.0	9 90.0	1 10.0	0 0.0
By type of assessor	Sell-side analyst	17 100.0	13 76.5	3 17.6	1 5.9
	Buy-side analyst	64 100.0	51 79.7	9 14.1	4 6.3
	Institutional investors fund manager	80 100.0	56 70.0	17 21.3	7 8.8
	VC fund manager	29 100.0	17 58.6	9 31.0	3 10.3

Top row: number of cases Lower row: %		Total	Q10. Conditions for disclosure of information by corporations						
			3) External bargaining power/relationships						
			Very bad	Bad	Satisfactory	Good	Excellent	Unknown	Average
Total		152 100.0	9 5.9	37 24.3	64 42.1	35 23.0	7 4.6	0 0.0	-0.04
By assessment period	Short term (about 1 year)	42 100.0	2 4.8	7 16.7	16 38.1	17 40.5	0 0.0	0 0.0	0.14
	Medium term (about 3 years)	80 100.0	6 7.5	23 28.8	35 43.8	14 17.5	2 2.5	0 0.0	-0.21
	Long term (about 5 years)	30 100.0	1 3.3	7 23.3	13 43.3	4 13.3	5 16.7	0 0.0	0.17
	Analysts at a rating institution	9 100.0	1 11.1	4 44.4	3 33.3	1 11.1	0 0.0	0 0.0	-0.56
By type of assessor	Sell-side analyst	13 100.0	1 7.7	3 23.1	3 23.1	5 38.5	1 7.7	0 0.0	0.15
	Buy-side analyst	51 100.0	2 3.9	10 19.6	25 49.0	12 23.5	2 3.9	0 0.0	0.04
	Institutional investors fund manager	56 100.0	4 7.1	14 25.0	25 44.6	12 21.4	1 1.8	0 0.0	-0.14
	VC fund manager	17 100.0	0 0.0	6 35.3	5 29.4	4 23.5	2 11.8	0 0.0	0.12

4) Knowledge creation/innovation/speed

Top row: number of cases Lower row: %		Total	Q10. 4) Importance		
			Important	Not important	Unknown
Total		211 100.0	161 76.3	34 16.1	16 7.6
By assessment period	Short term (about 1 year)	51 100.0	41 80.4	9 17.6	1 2.0
	Medium term (about 3 years)	106 100.0	80 75.5	18 17.0	8 7.5
	Long term	49	40	7	2
	(about 5 years)	100.0	81.6	14.3	4.1
By type of assessor	Analysts at a rating institution	10 100.0	10 100.0	0 0.0	0 0.0
	Sell-side analyst	17 100.0	12 70.6	4 23.5	1 5.9
	Buy-side analyst	64 100.0	49 76.6	10 15.6	5 7.8
	Institutional investors	80 100.0	60 75.0	13 16.3	7 8.8
	fund manager	29	21	5	3
	VC fund manager	100.0	72.4	17.2	10.3

Top row: number of cases Lower row: %		Total	Q10. Conditions for disclosure of information by corporations						
			4) Knowledge creation/innovation/speed						
			Very bad	Bad	Satisfactory	Good	Excellent	Unknown	Average
Total		161 100.0	11 6.8	32 19.9	57 35.4	49 30.4	12 7.5	0 0.0	0.12
By assessment period	Short term (about 1 year)	41 100.0	2 4.9	3 7.3	16 39.0	18 43.9	2 4.9	0 0.0	0.37
	Medium term (about 3 years)	80 100.0	6 7.5	22 27.5	25 31.3	20 25.0	7 8.8	0 0.0	0.00
	Long term	40	3	7	16	11	3	0	0.10
	(about 5 years)	100.0	7.5	17.5	40.0	27.5	7.5	0.0	
By type of assessor	Analysts at a rating institution	10 100.0	1 10.0	2 20.0	3 30.0	3 30.0	1 10.0	0 0.0	0.10
	Sell-side analyst	12 100.0	2 16.7	2 16.7	0 0.0	6 50.0	2 16.7	0 0.0	0.33
	Buy-side analyst	49 100.0	2 4.1	14 28.6	18 36.7	11 22.4	4 8.2	0 0.0	0.02
	Institutional investors	60 100.0	3 5.0	10 16.7	27 45.0	19 31.7	1 1.7	0 0.0	0.08
	fund manager	21 100.0	2 9.5	3 14.3	7 33.3	6 28.6	3 14.3	0 0.0	0.24

5) Teamwork/organizational knowledge

Top row: number of cases Lower row: %		Total	Q10. 5) Importance		
			Important	Not important	Unknown
Total		211	116	79	16
		100.0	55.0	37.4	7.6
By assessment period	Short term (about 1 year)	51	30	19	2
		100.0	58.8	37.3	3.9
	Medium term (about 3 years)	106	59	40	7
		100.0	55.7	37.7	6.6
By type of assessor	Long term (about 5 years)	49	27	20	2
		100.0	55.1	40.8	4.1
By type of assessor	Analysts at a rating institution	10	5	5	0
		100.0	50.0	50.0	0.0
	Sell-side analyst	17	11	5	1
		100.0	64.7	29.4	5.9
	Buy-side analyst	64	39	19	6
		100.0	60.9	29.7	9.4
By type of assessor	Institutional investors fund manager	80	38	36	6
		100.0	47.5	45.0	7.5
	VC fund manager	29	18	8	3
	100.0	62.1	27.6	10.3	

Top row: number of cases Lower row: %		Total	Q10. Conditions for disclosure of information by corporations						
			5) Teamwork/organizational knowledge						
			Very bad	Bad	Satisfactory	Good	Excellent	Unknown	Average
Total		116	12	41	40	18	5	0	-0.32
		100.0	10.3	35.3	34.5	15.5	4.3	0.0	
By assessment period	Short term (about 1 year)	30	1	13	8	7	1	0	-0.20
		100.0	3.3	43.3	26.7	23.3	3.3	0.0	
	Medium term (about 3 years)	59	7	23	21	7	1	0	-0.47
		100.0	11.9	39.0	35.6	11.9	1.7	0.0	
By type of assessor	Long term (about 5 years)	27	4	5	11	4	3	0	-0.11
		100.0	14.8	18.5	40.7	14.8	11.1	0.0	
By type of assessor	Analysts at a rating institution	5	2	2	1	0	0	0	-1.20
		100.0	40.0	40.0	20.0	0.0	0.0	0.0	
	Sell-side analyst	11	1	3	3	3	1	0	0.00
		100.0	9.1	27.3	27.3	27.3	9.1	0.0	
	Buy-side analyst	39	2	15	15	6	1	0	-0.28
		100.0	5.1	38.5	38.5	15.4	2.6	0.0	
By type of assessor	Institutional investors fund manager	38	5	14	13	6	0	0	-0.47
		100.0	13.2	36.8	34.2	15.8	0.0	0.0	
	VC fund manager	18	1	7	6	2	2	0	-0.17
	100.0	5.6	38.9	33.3	11.1	11.1	0.0		

6) Risk management/governance

Top row: number of cases Lower row: %		Total	Q10. 6) Importance		
			Important	Not important	Unknown
Total		211 100.0	168 79.6	28 13.3	15 7.1
By assessment period	Short term (about 1 year)	51 100.0	42 82.4	8 15.7	1 2.0
	Medium term (about 3 years)	106 100.0	85 80.2	13 12.3	8 7.5
	Long term (about 5 years)	49 100.0	41 83.7	7 14.3	1 2.0
	Analysts at a rating institution	10 100.0	9 90.0	1 10.0	0 0.0
By type of assessor	Sell-side analyst	17 100.0	14 82.4	2 11.8	1 5.9
	Buy-side analyst	64 100.0	52 81.3	7 10.9	5 7.8
	Institutional investors	80 100.0	62 77.5	12 15.0	6 7.5
	VC fund manager	29 100.0	21 72.4	5 17.2	3 10.3

Top row: number of cases Lower row: %		Total	Q10. Conditions for disclosure of information by corporations 6) Risk management/governance						
			Very bad	Bad	Satisfactory	Good	Excellent	Unknown	Average
Total		168 100.0	12 7.1	41 24.4	59 35.1	41 24.4	15 8.9	0 0.0	0.04
By assessment period	Short term (about 1 year)	42 100.0	1 2.4	9 21.4	17 40.5	13 31.0	2 4.8	0 0.0	0.14
	Medium term (about 3 years)	85 100.0	8 9.4	23 27.1	29 34.1	17 20.0	8 9.4	0 0.0	-0.07
	Long term (about 5 years)	41 100.0	3 7.3	9 22.0	13 31.7	11 26.8	5 12.2	0 0.0	0.15
	Analysts at a rating institution	9 100.0	1 11.1	2 22.2	4 44.4	1 11.1	1 11.1	0 0.0	-0.11
By type of assessor	Sell-side analyst	14 100.0	2 14.3	3 21.4	5 35.7	3 21.4	1 7.1	0 0.0	-0.14
	Buy-side analyst	52 100.0	3 5.8	17 32.7	18 34.6	10 19.2	4 7.7	0 0.0	-0.10
	Institutional investors	62 100.0	3 4.8	14 22.6	22 35.5	20 32.3	3 4.8	0 0.0	0.10
	VC fund manager	21 100.0	2 9.5	4 19.0	7 33.3	4 19.0	4 19.0	0 0.0	0.19

7) Coexistence in society

Top row: number of cases Lower row: %		Total	Q10. 7) Importance		
			Important	Not important	Unknown
Total		211 100.0	106 50.2	89 42.2	16 7.6
By assessment period	Short term (about 1 year)	51 100.0	31 60.8	19 37.3	1 2.0
	Medium term (about 3 years)	106 100.0	50 47.2	48 45.3	8 7.5
	Long term (about 5 years)	49 100.0	25 51.0	22 44.9	2 4.1
	Analysts at a rating institution	10 100.0	5 50.0	5 50.0	0 0.0
By type of assessor	Sell-side analyst	17 100.0	11 64.7	5 29.4	1 5.9
	Buy-side analyst	64 100.0	33 51.6	26 40.6	5 7.8
	Institutional investors	80 100.0	36 45.0	37 46.3	7 8.8
	VC fund manager	29 100.0	14 48.3	12 41.4	3 10.3

Top row: number of cases Lower row: %		Total	Q10. Conditions for disclosure of information by corporations 7) Coexistence in society						
			Very bad	Bad	Satisfactory	Good	Excellent	Unknown	Average
Total		106 100.0	7 6.6	23 21.7	48 45.3	22 20.8	6 5.7	0 0.0	-0.03
By assessment period	Short term (about 1 year)	31 100.0	3 9.7	5 16.1	14 45.2	8 25.8	1 3.2	0 0.0	-0.03
	Medium term (about 3 years)	50 100.0	3 6.0	13 26.0	22 44.0	10 20.0	2 4.0	0 0.0	-0.10
	Long term (about 5 years)	25 100.0	1 4.0	5 20.0	12 48.0	4 16.0	3 12.0	0 0.0	0.12
	Analysts at a rating institution	5 100.0	0 0.0	1 20.0	4 80.0	0 0.0	0 0.0	0 0.0	-0.20
By type of assessor	Sell-side analyst	11 100.0	1 9.1	2 18.2	3 27.3	4 36.4	1 9.1	0 0.0	0.18
	Buy-side analyst	33 100.0	2 6.1	9 27.3	18 54.5	3 9.1	1 3.0	0 0.0	-0.24
	Institutional investors	36 100.0	2 5.6	7 19.4	16 44.4	10 27.8	1 2.8	0 0.0	0.03
	VC fund manager	14 100.0	1 7.1	3 21.4	6 42.9	2 14.3	2 14.3	0 0.0	0.07

Top row: number of cases Lower row: %		Total	Q11. Type of media appropriate for disclosure of information								
			Intellectual Assets Based Management Reports (Independent media)	Annual Reports	Business Reports	Factbooks/ Investors' Guides	Financial Statement Briefings	Explanatory Documents for Financial Statement Briefings	Legal Documents of Disclosure such as Financial Statements	Letters/ Words to Shareholders	Company Brochures
Total		211	59	83	56	35	46	39	97	23	36
		100.0	28.0	39.3	26.5	16.6	21.8	18.5	46.0	10.9	17.1
By assessment period	Short term (about 1 year)	51	13	21	16	10	9	8	17	6	9
		100.0	25.5	41.2	31.4	19.6	17.6	15.7	33.3	11.8	17.6
	Medium term (about 3 years)	106	31	46	31	17	29	24	56	14	22
		100.0	29.2	43.4	29.2	16.0	27.4	22.6	52.8	13.2	20.8
By type of assessor	Long term (about 5 years)	49	15	16	9	8	8	7	24	3	5
		100.0	30.6	32.7	18.4	16.3	16.3	14.3	49.0	6.1	10.2
By type of assessor	Analysts at a rating institution	10	1	7	2	3	1	3	7	0	0
		100.0	10.0	70.0	20.0	30.0	10.0	30.0	70.0	0.0	0.0
	Sell-side analyst	17	6	8	5	4	4	3	6	2	3
		100.0	35.3	47.1	29.4	23.5	23.5	17.6	35.3	11.8	17.6
	Buy-side analyst	64	18	26	10	13	14	6	29	5	10
		100.0	28.1	40.6	15.6	20.3	21.9	9.4	45.3	7.8	15.6
By type of assessor	Institutional investors fund manager	80	16	33	24	12	22	20	37	9	14
		100.0	20.0	41.3	30.0	15.0	27.5	25.0	46.3	11.3	17.5
	VC fund manager	29	12	4	10	0	1	3	11	2	3
	100.0	41.4	13.8	34.5	0.0	3.4	10.3	37.9	6.9	10.3	

Top row: number of cases Lower row: %		Total	Q11. Type of media appropriate for disclosure of information							Unknown
			Intellectual Property Reports	CSR Reports/ Environmental Reports	Attendance of Explanatory Meetings Held by the Corporation	Guided Tours of Corporate Facilities	Data Collection from Corporations	Any media form	Other sources	
Total		211	25	13	35	12	27	27	3	5
		100.0	11.8	6.2	16.6	5.7	12.8	12.8	1.4	2.4
By assessment period	Short term (about 1 year)	51	6	3	8	4	7	6	1	0
		100.0	11.8	5.9	15.7	7.8	13.7	11.8	2.0	0.0
	Medium term (about 3 years)	106	10	8	19	3	13	14	2	0
		100.0	9.4	7.5	17.9	2.8	12.3	13.2	1.9	0.0
By type of assessor	Long term (about 5 years)	49	9	2	8	5	7	7	0	0
		100.0	18.4	4.1	16.3	10.2	14.3	14.3	0.0	0.0
By type of assessor	Analysts at a rating institution	10	0	0	1	0	1	1	0	0
		100.0	0.0	0.0	10.0	0.0	10.0	10.0	0.0	0.0
	Sell-side analyst	17	3	2	1	1	2	2	0	0
		100.0	17.6	11.8	5.9	5.9	11.8	11.8	0.0	0.0
	Buy-side analyst	64	5	3	9	5	9	13	1	1
		100.0	7.8	4.7	14.1	7.8	14.1	20.3	1.6	1.6
By type of assessor	Institutional investors fund manager	80	10	7	17	3	11	6	1	2
		100.0	12.5	8.8	21.3	3.8	13.8	7.5	1.3	2.5
	VC fund manager	29	5	0	2	2	2	3	1	2
	100.0	17.2	0.0	6.9	6.9	6.9	10.3	3.4	6.9	

Top row: number of cases Lower row: %		Total	Q12. Desirable frequency for disclosing information						Unknown
			Quarterly	Semiannually	Annually	Once every 2-3 years	Any time interval	Other time intervals	
Total		211 100.0	30 14.2	78 37.0	85 40.3	2 0.9	11 5.2	0 0.0	5 2.4
By assessment period	Short term (about 1 year)	51 100.0	9 17.6	18 35.3	19 37.3	2 3.9	3 5.9	0 0.0	0 0.0
	Medium term (about 3 years)	106 100.0	10 9.4	45 42.5	46 43.4	0 0.0	5 4.7	0 0.0	0 0.0
	Long term (about 5 years)	49 100.0	11 22.4	15 30.6	20 40.8	0 0.0	3 6.1	0 0.0	0 0.0
By type of assessor	Analysts at a rating institution	10 100.0	1 10.0	1 10.0	8 80.0	0 0.0	0 0.0	0 0.0	0 0.0
	Sell-side analyst	17 100.0	6 35.3	6 35.3	4 23.5	1 5.9	0 0.0	0 0.0	0 0.0
	Buy-side analyst	64 100.0	6 9.4	23 35.9	27 42.2	0 0.0	7 10.9	0 0.0	1 1.6
	Institutional investors fund manager	80 100.0	8 10.0	34 42.5	31 38.8	1 1.3	4 5.0	0 0.0	2 2.5
	VC fund manager	29 100.0	5 17.2	9 31.0	13 44.8	0 0.0	0 0.0	0 0.0	2 6.9

Top row: number of cases Lower row: %		Total	Q13. Challenges for assessing intellectual assets									
			I do not have enough time to assess information on intellectual assets.	As there is a clear difference between corporations in terms of managerial policy and contents of disclosure, it is hard to make parallel comparisons of corporations.	Financial information is sufficient for making investment decisions and I believe that there is little need to assess intellectual assets based management.	Contents of information and indicators which corporations disclose do not fit with the needs of corporate assessors.	The reliability of information is not objectively secured.	There is a lack of know-how in regards to implementing information on intellectual assets based management into investment decisions.	Corporate assessors (analysts, institutional investors, etc.) other than myself do not assess intellectual assets based management, and therefore I do not feel any great necessity to conduct such assessments.	I do not believe that there are any major challenges or problems.	Other challenges/problems	Unknown
Total		211 100.0	46 21.8	170 80.6	12 5.7	53 25.1	103 48.8	90 42.7	4 1.9	1 0.5	5 2.4	5 2.4
By assessment period	Short term (about 1 year)	51 100.0	15 29.4	40 78.4	3 5.9	10 19.6	23 45.1	21 41.2	1 2.0	1 2.0	2 3.9	0 0.0
	Medium term (about 3 years)	106 100.0	21 19.8	90 84.9	7 6.6	29 27.4	53 50.0	44 41.5	1 0.9	0 0.0	1 0.9	0 0.0
	Long term (about 5 years)	49 100.0	10 20.4	40 81.6	2 4.1	14 28.6	27 55.1	25 51.0	2 4.1	0 0.0	2 4.1	0 0.0
By type of assessor	Analysts at a rating institution	10 100.0	0 0.0	10 100.0	0 0.0	2 20.0	5 50.0	4 40.0	0 0.0	0 0.0	0 0.0	0 0.0
	Sell-side analyst	17 100.0	2 11.8	15 88.2	1 5.9	7 41.2	7 41.2	7 41.2	0 0.0	0 0.0	0 0.0	0 0.0
	Buy-side analyst	64 100.0	17 26.6	54 84.4	2 3.1	22 34.4	30 46.9	26 40.6	2 3.1	0 0.0	2 3.1	1 1.6
	Institutional investors fund manager	80 100.0	16 20.0	66 82.5	6 7.5	12 15.0	36 45.0	34 42.5	1 1.3	1 1.3	1 1.3	2 2.5
	VC fund manager	29 100.0	7 24.1	19 65.5	2 6.9	7 24.1	18 62.1	12 41.4	0 0.0	0 0.0	1 3.4	2 6.9

Top row: number of cases Lower row: %		Total	Q14. Things that should be done for long-term assessment							
			Increasing opportunities for top management to explain long-term management strategies	Outlining possible scenarios for long-term corporate growth through disclosure of information on intellectual assets based management	Developing methods for analyzing financial factors (especially medium- and long-term structural factor analyses)	Attempting to evaluate analyst performance based on long-term performance results to the greatest extent possible	Holding seminars, etc. for the purpose of training investors from a long-term standpoint	Relying on the market to resolve the issue, as there is a substantial number of investors and analysts focused on long-term results	Other strategies	Unknown
Total		211 100.0	107 50.7	88 41.7	45 21.3	65 30.8	37 17.5	34 16.1	10 4.7	6 2.8
By assessment period	Short term (about 1 year)	51 100.0	25 49.0	22 43.1	11 21.6	21 41.2	11 21.6	5 9.8	2 3.9	0 0.0
	Medium term (about 3 years)	106 100.0	55 51.9	46 43.4	20 18.9	27 25.5	17 16.0	22 20.8	6 5.7	1 0.9
	Long term (about 5 years)	49 100.0	27 55.1	20 40.8	14 28.6	17 34.7	9 18.4	7 14.3	2 4.1	0 0.0
	Analysts at a rating institution	10 100.0	5 50.0	5 50.0	2 20.0	2 20.0	4 40.0	2 20.0	0 0.0	0 0.0
By type of assessor	Sell-side analyst	17 100.0	8 47.1	7 41.2	6 35.3	6 35.3	1 5.9	3 17.6	0 0.0	0 0.0
	Buy-side analyst	64 100.0	35 54.7	22 34.4	13 20.3	26 40.6	10 15.6	15 23.4	3 4.7	2 3.1
	Institutional investors	80 100.0	40 50.0	34 42.5	17 21.3	19 23.8	14 17.5	10 12.5	6 7.5	2 2.5
	fund manager	29 100.0	13 44.8	16 55.2	3 10.3	7 24.1	6 20.7	2 6.9	0 0.0	2 6.9
	VC fund manager	29 100.0	13 44.8	16 55.2	3 10.3	7 24.1	6 20.7	2 6.9	0 0.0	2 6.9

Questionnaire (WEB Research)

A Questionnaire Regarding Perspectives for Intellectual Assets Based Management Reports

Q1: What is your profession (single answer)? Choose the primary profession if you hold two or more posts concurrently. n=211

1) Analysts at a rating institution 4.7%	2) Analyst (sell-side) 8.1%
3) Analyst (buy-side) 30.3%	4) Fund Manager (institutional investor) 37.9%
5) Fund Manager (venture fund) 13.7%	6) Other professions () 5.2%

Q2: How many years have you been working as a corporate assessor (fill in with half size numbers)? n=211

(8.9) years

Q3: What industrial categories are you in charge of as corporate assessor (multiple answers acceptable)? n=211

1) Construction 5.7%	2) Food 7.6%	3) Textile 6.6%
4) Pulp/Paper 4.7%	5) Chemicals 8.5%	6) Petroleum/Rubber 6.6%
7) Ceramics 4.7%	8) Steel 7.6%	9) Nonferrous Metal Products 5.7%
10) Machinery 8.5%	11) Electrical Appliances 11.4%	12) Transport Machinery 5.2%
13) Precision Machines 8.1%	14) Other Types of Manufacturing 5.7%	15) Commerce 11.8%
16) Finance/Insurance 12.3%	17) Real Estate 10.0%	18) Land/Sea/Air Transport 5.7%
19) Warehouse & Transport 6.2%	20) Information/Communication 12.8%	21) Electricity/Gas 6.6%
22) Service 12.8%	23) Nothing Particular 44.5%	24) Other categories () 4.7%

Q4: How many companies are you in charge of as corporate assessor (fill in with half size numbers)? n=211

(82.2) companies

Q5: When you conduct corporate assessments, what is your assessment period (single answer)? Choose the most common time span if you assess corporate value in relation to various time spans. n=211

1) Short term (about 1 year) 24.2%	→ Go to Q6 and Q7 afterwards.
2) Mid term (about 3 years) 50.2%	→ Go to Q7.
3) Long term (about 5 years) 23.2%	→ Go to Q7.

The next question should be answered by those who chose 1) in Q5.

Q6: This question pertains to those who chose “1) Short term (about 1 year)” for Q5. Why do you conduct corporate assessment in relation to short-term performance (multiple answers acceptable)? n=51

1) The institution entrusted me to assess the corporation in regards to its short-term performance. 39.2%
2) The Personnel Department evaluates me in regards to my short-term performance. 11.8%
3) My asset management evaluations are conducted over a short-term period. 33.3%
4) The institution established asset management rules that cover a short-term period. 13.7%
5) It is difficult to evaluate the medium- and long-term potential of the corporation. 19.6%
6) Other reasons () 19.6%

Q7: When you conduct corporate assessment, what - methods or types of media do you prioritize? Choose the five most important media forms in order of importance. You do not have to include five should there not be five relevant forms. n=211

	1st Place	2nd Place	3rd Place	4th Place	5th Place
1) Intellectual Assets Based Management Reports	0.0%	0.0%	0.5%	0.0%	0.5%
2) Annual Reports	4.3%	3.3%	4.3%	3.3%	6.6%
3) Business Reports	4.7%	5.7%	4.7%	2.4%	2.8%
4) Factbooks/Investors' Guides	0.0%	2.4%	1.4%	6.2%	4.7%
5) Financial Statement Briefings	13.3%	10.4%	9.5%	6.6%	6.6%
6) Explanatory Documents for Financial Statement Briefings	5.2%	10.9%	10.4%	8.1%	4.7%
7) Legal Documents of Disclosure such as Financial Statements	15.6%	10.9%	9.5%	10.9%	5.7%
8) Letters/Words to Shareholders	0.0%	0.5%	0.5%	0.5%	1.9%
9) Company Brochures	0.5%	0.9%	1.4%	2.8%	4.3%
10) Intellectual Property Reports	0.0%	0.0%	0.0%	0.5%	0.0%
11) CSR Reposts/Environmental Reports	0.0%	0.0%	0.0%	0.0%	0.0%
12) Attendance of Explanatory Meetings Held by the Corporation	5.2%	19.0%	10.4%	8.1%	1.9%
13) Documents for Financial Statement Briefings	4.7%	14.7%	22.3%	11.4%	3.8%
14) Information on the Corporation's Website	0.9%	1.9%	6.2%	12.3%	12.3%
15) Guided Tours of Corporate Facilities	0.5%	2.4%	4.3%	2.8%	5.7%
16) Data Collection from Corporation	37.0%	9.0%	4.7%	4.7%	4.7%
17) TV Programs	0.0%	0.0%	0.0%	0.0%	0.9%
18) Video/DVD Materials for PR (Promotion)	0.0%	0.0%	0.0%	0.0%	0.0%
19) Newspapers (General Newspapers)/Trade Newspapers (Magazines)	1.9%	2.4%	2.4%	6.6%	8.1%
20) Business Magazines	0.0%	0.9%	1.9%	1.9%	3.8%
21) Other source(s) ()	3.3%	1.4%	1.9%	0.5%	5.7%

From here we ask about disclosure of information on intellectual assets based management by corporations. (*)

* “Disclosure of information on intellectual assets based management” refers to disclosure to stakeholders regarding present status of intellectual assets (personnel, technology, organizational power, networks with customers, brand management, etc.) and the utilization of intellectual assets to create corporate values for the purpose of facilitating an exchange of knowledge between stakeholders and the corporation. In short, it represents disclosure of information on non-financial information and management policies.

Q8: What do you think is the most desirable characteristic of intellectual assets based management information disclosure (single answer)? n=211

1) Credibility 16.1%	2) Promptness/timeliness 4.7%	3) Easiness to understand 19.0%
4) Fairness (no monopolization of information on specific individuals, etc.) 3.3%		5) Availability 3.3%
6) Particularity/Comprehensiveness 3.3%	7) Association with corporate values 28.9%	8) Comparability 15.6%
9) Interactivity 0.5%	10) Positiveness 0.5%	11) Other characteristics () 2.4%

Q9: Could you describe any examples of the characteristic you have chosen from the above (free answer)?

Example: (If you chose “Credibility” in Q8) “The credibility of information should be objectively assured by third party assessment,” etc.

Q10: The “Guidelines for Disclosure of Intellectual Assets Based Management” by the Ministry of Economy, Trade and Industry indicated examples of perspectives to which corporations attach importance. Do you attach importance to any of these perspectives when you evaluate (or intend to evaluate) intellectual assets based management (single answer)? Do you believe that disclosure of information by corporations for the perspective you have chosen is sufficient (five-grade ranking)? For your reference, when you give a grade for information disclosure conditions, you are expected to select the qualifier “excellent” if the corporations in question disclose quantitative information (indicators) to support qualitative information. n=211

	Assessors' Response		(Point of view from which it is important) Conditions for Disclosure of Information by Corporations (Five-grade ranking)	Examples of Quantitative Information (Indicators) Aimed at Supporting Qualitative Information
	Important	Not important		
1. Managerial policy/Leadership	88.2%	6.6%	Worst 1 5.4% n=186 2 20.4% 3 32.3% 4 27.4% Best 5 14.5%	Degree of penetration of management policies within the corporation, information (publicity) transmitted by top management outside the corporation, training systems for future leaders (the average age of CEOs of subsidiaries, etc.), etc.
2. Selection and concentration	87.2%	8.5%	Worst 1 3.8% n=184 2 10.9% 3 35.9% 4 40.2% Best 5 8.7%	Advantages of main business segments (sales volume, profits, profit ration, etc.), weighted average number of competitors for main products and services, discarded records for unprofitable business, intensity of R&D, differentiation in market segments, performance evaluation systems for employees, etc.
3. External bargaining power/relationships	72.0%	20.9%	Worst 1 5.9% n=152 2 24.3% 3 42.1% 4 23.0% Best 5 4.6%	Weighted average market share of main products and services in main business segments, degree of customer satisfaction, changes in per-customer spending, sales ratio of new customers in total sales volume (corporate business) and growth ratio of the number of new individual customers from previous year (individual business), elasticity of selling prices against changes in cost prices (cost shifting power), elasticity of purchasing prices against changes in raw material market conditions (bargaining power), financing (interest rates of debts), etc.
4. Knowledge creation/innovation/speed	76.3%	16.1%	Worst 1 6.8% n=161 2 19.9% 3 35.4% 4 30.4% Best 5 7.5%	Sales volume vs. R&D budget (or human development costs), outsourcing ratio out of total R&D cost, number of intellectual asset holdings, "best before" dates for intellectual assets (economically meaningful time limits), corporation's "metabolic rates" (average age of employees for the year and that of previous year), ratio of new products among all products, etc.
5. Teamwork/organizational knowledge	55.0%	37.4%	Worst 1 10.3% n=116 2 35.3% 3 34.5% 4 15.5% Best 5 4.3%	In-house proposal systems for improvements, proposal records for improvements, number of cross-divisional projects, employee satisfaction, incentive system (annual salary system, etc.), job separation ratio (ratio of people leaving the company among all employees), etc.
6. Risk management/governance	79.6%	13.3%	Worst 1 7.1% n=168 2 24.4% 3 35.1% 4 24.4% Best 5 8.9%	Compliance system, number of press releases on risk information and expediency of press releases following the emergence of problems, diversification of risks, risk of buyout, demands for compensation in litigation, trade secret leakage risk (ratio of trade secrets vs. the number of core employees), etc.
7. Coexistence in society	50.2%	42.2%	Worst 1 6.6% n=106 2 21.7% 3 45.3% 4 20.8% Best 5 5.7%	Extent of environment-related investment, number of SRI (socially responsible investing) funds accepted, research into corporate image, corporate image ranking, etc.

(Remark) Information disclosure conditions of corporations (five-grade ranking) should be marked as follows:

1: Very bad, 2: Bad, 3: Satisfactory, 4: Good, 5: Excellent

Q11: What type of media do you think is appropriate for the disclosure of information on intellectual assets based management (multiple answers acceptable)? n=211

1) Intellectual Assets Based Management Reports (Independent media) 28.0%	2) Annual Reports 39.3%
3) Business Reports 26.5%	4) Factbooks/Investors' Guides 16.6%
5) Financial Statement Briefings 21.8%	6) Explanatory Documents for Financial Statement Briefings 18.5%
7) Legal Documents of Disclosure such as Financial Statements 46.0%	8) Letters/Words to Shareholders 10.9%
9) Company Brochures 17.1%	10) Intellectual Property Reports 11.8%
11) CSR Reports/Environmental Reports 6.2%	12) Attendance of Explanatory Meetings Held by the Corporation 16.6%
13) Guided Tours of Corporate Facilities 5.7%	14) Data Collection from Corporations 12.8%
15) Any media form 12.8%	16) Other sources () 1.4%

Q12: How often do you think corporations should disclose information on intellectual assets based management (single answer)? n=211

1) Quarterly 14.2%	2) Semiannually 37.0%
3) Annually 40.3%	4) Once every 2-3 years 0.9%
5) Any time interval 5.2%	6) Other time intervals () 0.0%

Q13: What do you think are challenges and problems for assessing intellectual assets based management (multiple answers acceptable)? n=211

1) I do not have enough time to assess information on intellectual assets. 21.8%
2) As there is a clear difference between corporations in terms of managerial policy and contents of disclosure, it is hard to make parallel comparisons of corporations. 80.6%
3) Financial information is sufficient for making investment decisions and I believe that there is little need to assess intellectual assets based management. 5.7%
4) Contents of information and indicators which corporations disclose do not fit with the needs of corporate assessors. 25.1%
5) The reliability of information is not objectively secured. 48.8%
6) There is a lack of know-how in regards to implementing information on intellectual assets based management into investment decisions. 42.2%
7) Corporate assessors (analysts, institutional investors, etc.) other than myself do not assess intellectual assets based management, and therefore I do not feel any great necessity to conduct such assessments. 1.9%
8) I do not believe that there are any major challenges or problems. 0.5%
9) Other challenges/problems () 2.4%

Q14: What do you believe is needed in order to increase numbers of investors and analysts from a long-term perspective (multiple answers acceptable)? n=211

- 1) Increasing opportunities for top management to explain long-term management strategies 50.7%
- 2) Outlining possible scenarios for long-term corporate growth through disclosure of information on intellectual assets based management 41.7%
- 3) Developing methods for analyzing financial factors (especially medium- and long-term structural factor analyses) 21.3%
- 4) Attempting to evaluate analyst performance based on long-term performance results to the greatest extent possible 30.8%
- 5) Holding seminars, etc. for the purpose of training investors from a long-term standpoint 17.5%
- 6) Relying on the market to resolve the issue, as there is a substantial number of investors and analysts focused on long-term results 16.1%
- 7) Other strategies () 4.7%

Q15: Please name any corporation you know of that is particularly expedient in its disclosure of information on intellectual assets based management (free answer).

Q16: Please inform us of the type of media used for disclosure of information on intellectual assets based management by the corporation to which you refer in Q15 (single answer).

- | | |
|---|--|
| 1) Intellectual Assets Based Management Reports (Independent media) | 2) Annual Reports |
| 3) Business Reports | 4) Factbooks/Investors' Guides |
| 5) Financial Statement Briefings | 6) Explanatory Documents for Financial Statement Briefings |
| 7) Legal Documents of Disclosure such as Financial Statements | 8) Letters/Words to Shareholders |
| 9) Company Brochures | 10) Intellectual Property Reports |
| 11) CSR Reports/Environmental Reports | 12) Attendance of Explanatory Meetings Held by the Corporation |
| 13) Guided Tours of Corporate Facilities | 14) Data Collection from Corporations |
| 15) Other sources () | |

Q17: What do you believe are the positive aspects of corporate disclosure referred to in Q15 (free answer)?

We will be distributing a summary of the results to those who responded to this questionnaire by e-mail. Please provide us with your contact address and other personal information if possible.

Q18: What is the name of the institution to which you belong (free answer)?

Q19: For which department do you work and what is your position (free answer)?

Q20: What is your name (free answer)?

Q21: Please provide us with your telephone number (free answer in half size characters).

Example: 03-1234-5678

Q22: Please provide us with your fax number (free answer in half size characters).

Example: 03-1234-5678

Q23: Please provide us with your e-mail address (free answer in half size characters).

Example: abcd@efg.co.jp

This is the end of the questionnaire. Thank you for your kind cooperation.

Contact Address:

(Designated Researcher)

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