

The Latest Trend of IIRC And Integrated Report

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- What is Integrated Reporting <IR>
 - Definition of <IR>
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- The linkage between XBRL and <IR>
- What is IIRC?

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What is Integrated Reporting <IR>?

- Integrated Reporting <IR> is the way of communication on how value is created and will be preserved over the short, medium and long term..
- Used principally by investors
- Including organization's strategy, governance, performance and prospects lead to the creation and preservation of value.

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Background for <IR> 1/2

Global Issue

short-term oriented financial markets

resource scarcity, environmental concerns

manage uncertainty effectively

Growing the importance of Intellectual capitals

Influence for the organization

- growing policy activity around the world in response to financial, governance and other crises
- expectations of corporate transparency and accountability

- escalation of global warming and resource depletion becoming obvious, meanwhile those kinds of issues are not solved in economic systems.

- Corporate reporting has evolved in separate, disconnected strands, critical interdependencies between strategy, governance, operations, sustainable activities

The need for <IR>

Need for corporate reporting to assess organization's long term prospects and value creation model...



Need for International framework of <IR>

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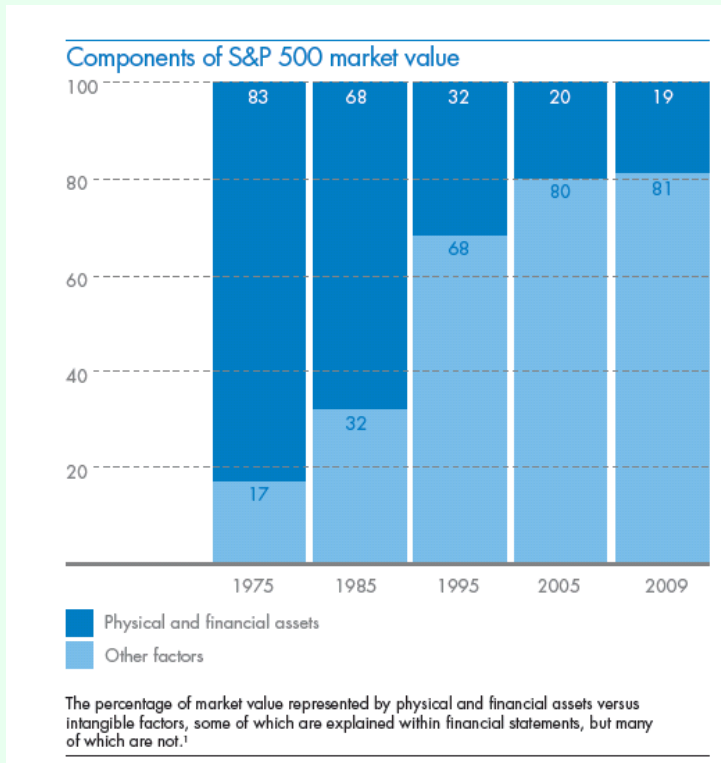
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Background for <IR> 2/2

physical and financial assets - down to only 19% in 2009 from 83% in 1975.



Physical and Financial assets

Other Factors

- intellectual assets
- Risk Management
- Reputation
- Customer Relation
- Employee Satisfaction

Cf: Ocean Tomo (2010), "Ocean Tomo's Intangible Asset Market Value Study"
<http://www.oceantomo.com/productsandservices/investments/intangible-market-value>

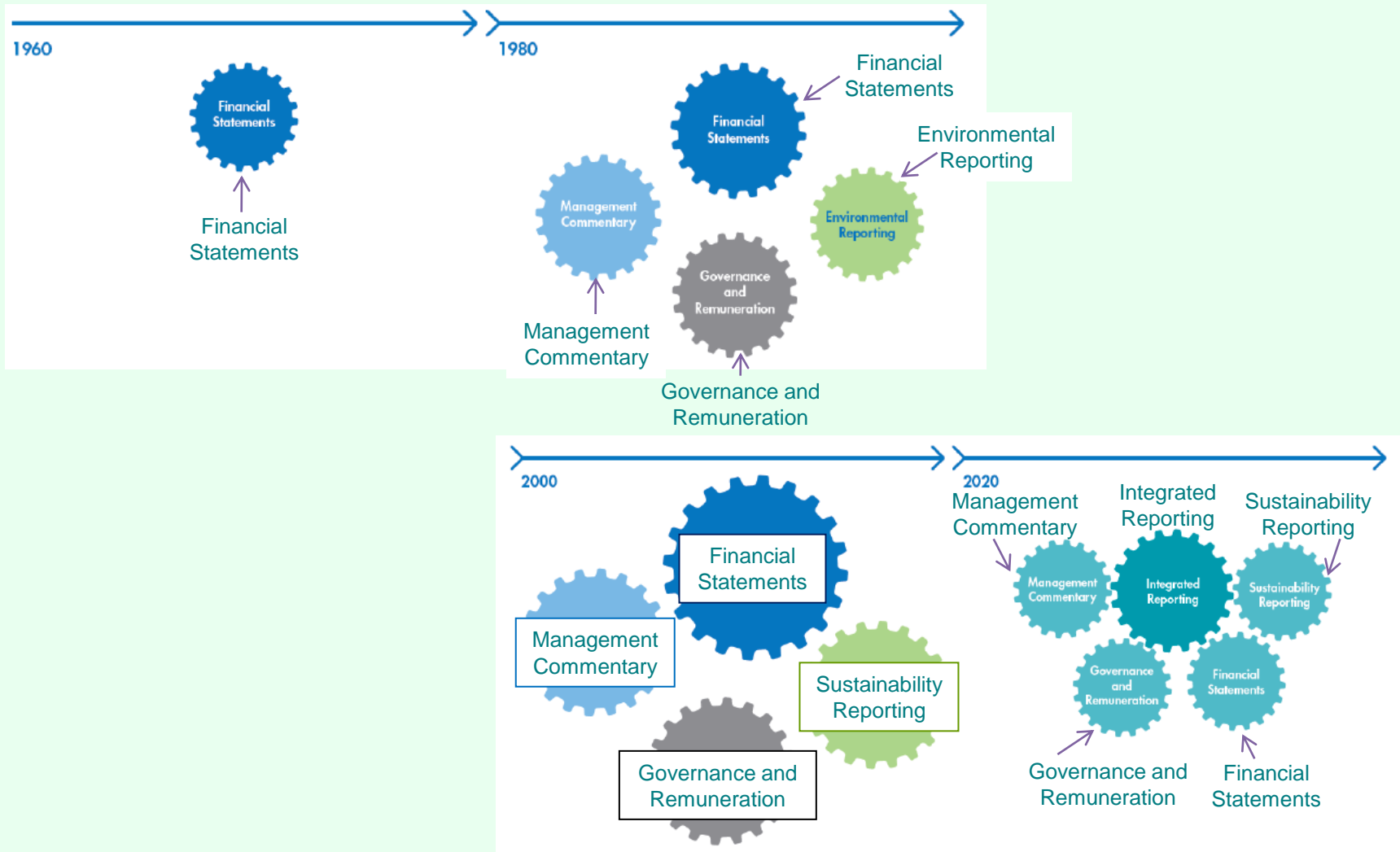
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Evolution of reporting



What is the framework of <IR>?

IIRC published “WORKING DRAFT OF PROTOTYPE FRAMEWORK” on Oct, 2012.

1. OVERVIEW

2. FUNDAMENTAL CONCEPTS

- A. The capitals
- B. The business model
- C. Creating and preserving value

3. GUIDING PRINCIPLES

- A. Strategic focus and future orientation
- B. Connectivity of information
- C. Responsiveness and stakeholder inclusiveness
- D. Materiality and conciseness
- E. Reliability
- F. Comparability and consistency

4. CONTENT ELEMENTS

- A. Organizational overview and business model
- B. Operating context, including risks and opportunities
- C. Strategic objectives and strategies
- D. Governance
- E. Performance
- F. Future outlook

5. PREPARATION AND PRESENTATION

- A. Frequency of reporting
- B. Time frames for short, medium and long term
- C. Reporting boundary
- D. Aggregation and disaggregation
- E. Involvement of those charged with governance
- F. Use of technology
- G. Assurance
- H. Other considerations

GLOSSARY

APPENDICES

- A. Supplementary papers and other references
- B. Basis for conclusions

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Fundamental concepts

Creating and preserving value

- Value creation and preservation lies at the heart of Integrated Reporting <IR>
- Take into consideration the meaning of value

The business model

- system of inputs, value-adding activities and outputs that aims to create and preserve value over the short, medium and long term

The capitals

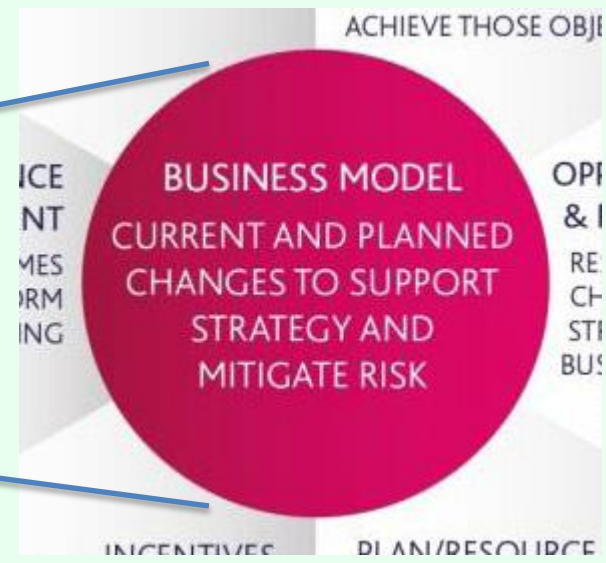
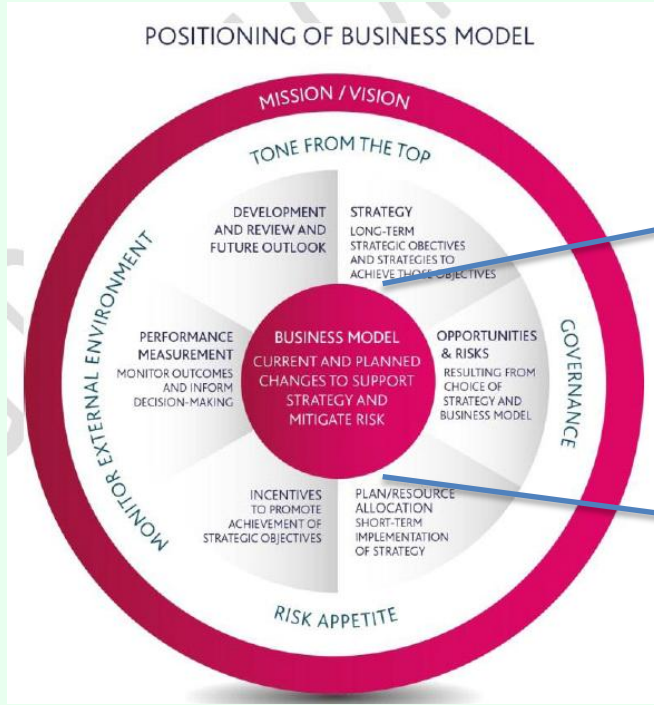
- the capitals comprise: financial; manufactured; human; intellectual; natural, and social capitals
- the inputs to business model / outputs through the organization's value-adding activities

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Fundamental concepts -Business model



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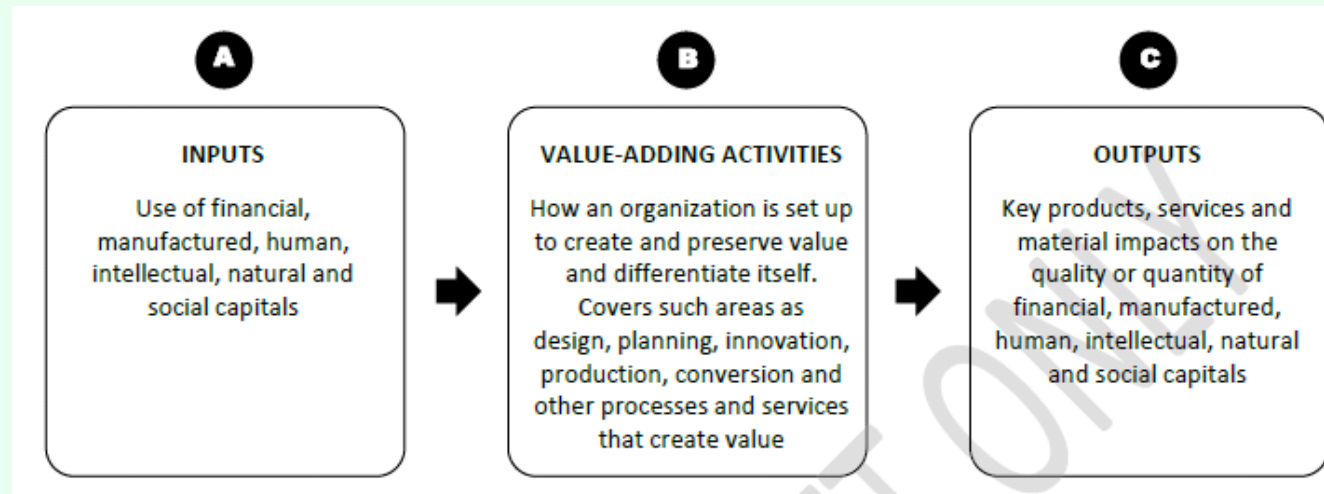
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Fundamental concepts -the capitals

- Financial capital
- Manufactured capital
- Human capital
- Intellectual capital
- Natural capital
- Social [and relationship] capital.



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GUIDING PRINCIPLES

- Strategic focus and future orientation
- Connectivity of information
- Responsiveness and stakeholder inclusiveness
- Materiality and conciseness
- Reliability
- Comparability and consistency

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CONTENT ELEMENTS

- Organizational overview and business model
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To Sum up <IR> 1/3

key differences between Integrated Reporting and traditional reporting

Key differences	Isolated	Integrated
Thinking	thinking in silos	integrated thinking -monitoring, managing and communicating the full complexity of the value creation process and how this contributes to success over time.
Stewardship	financial capital	All forms of capital not only of financial capital, but also of the other “capitals”

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To Sum up <IR> 2/3

key differences between Integrated Reporting and traditional reporting

Key differences	Isolated	Integrated
Focus	Past, financial past financial performance and financial risks (AR)	Past and future, connected, strategic linked to the organization's strategic objectives and its ability to create and sustain value in the future
Timeframe	Short term	Short, medium and long term
Trust	Narrow disclosures a narrow series of mandated disclosures	Greater transparency a broader range of issues and disclosing the positive with the negative

To Sum up <IR> 3/3

key differences between Integrated Reporting and traditional reporting

Key differences	Isolated	Integrated
Adaptive	Rule bound compliance orientated, reducing the scope for organizations to exercise an appropriate amount of judgment	Responsive to individual circumstances Offer a principles-based approach that drives greater focus on factors that are material to particular sectors and organizations.
Concise	Long and complex	Concise and material
Technology enabled	entirely paper based	advantage of new and emerging technologies to link information , internet and XBRL

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XBRL and <IR>

Information and communication technology (e.g., the internet and XBRL) can be used to improve report users' capability to search, further access, combine, connect or analyze information.

- Consistent semantic definitions for integrated disclosures
- Explicit relationships between material relevant disclosure components of the integrated report.

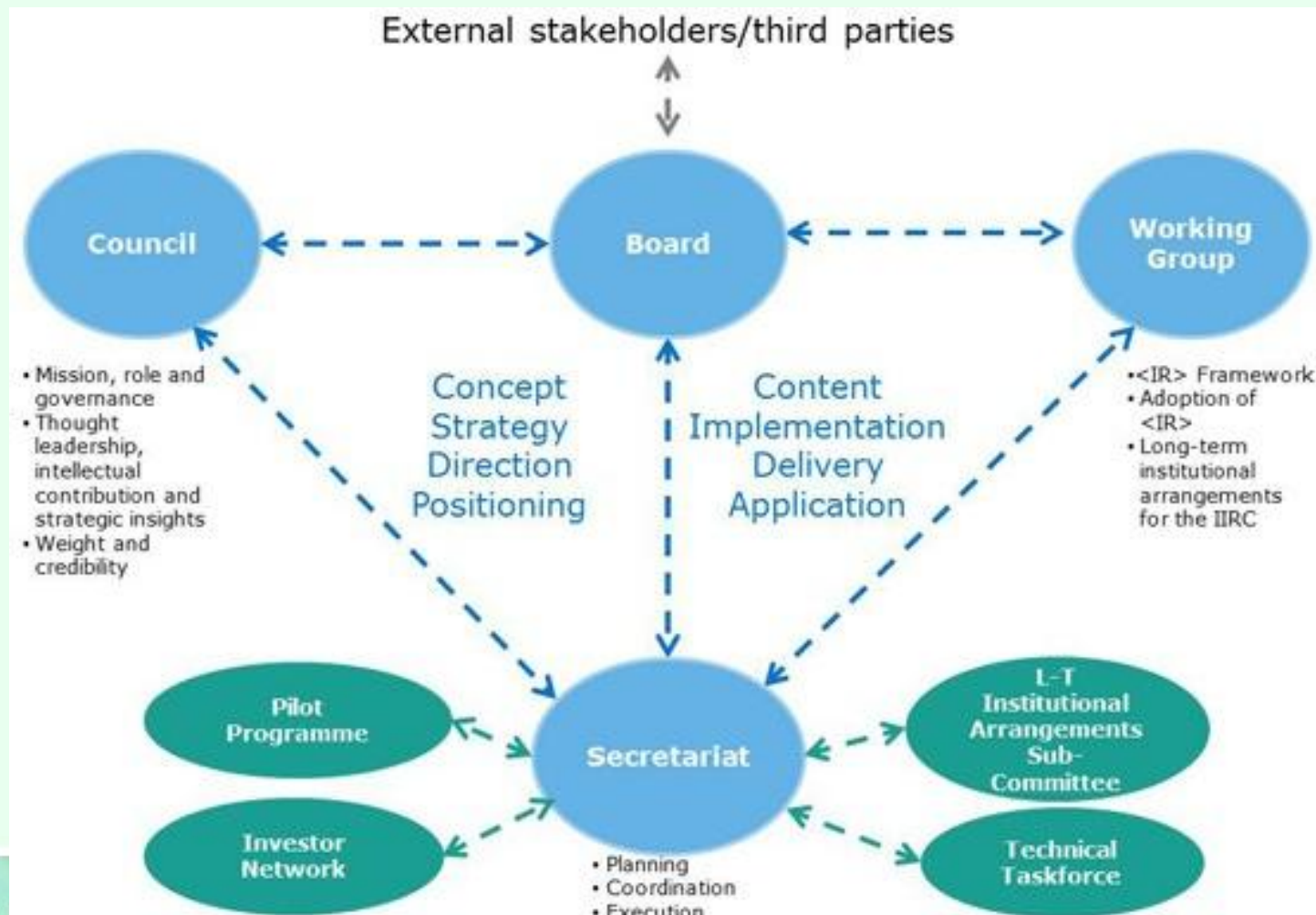
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The Structure of IIRC

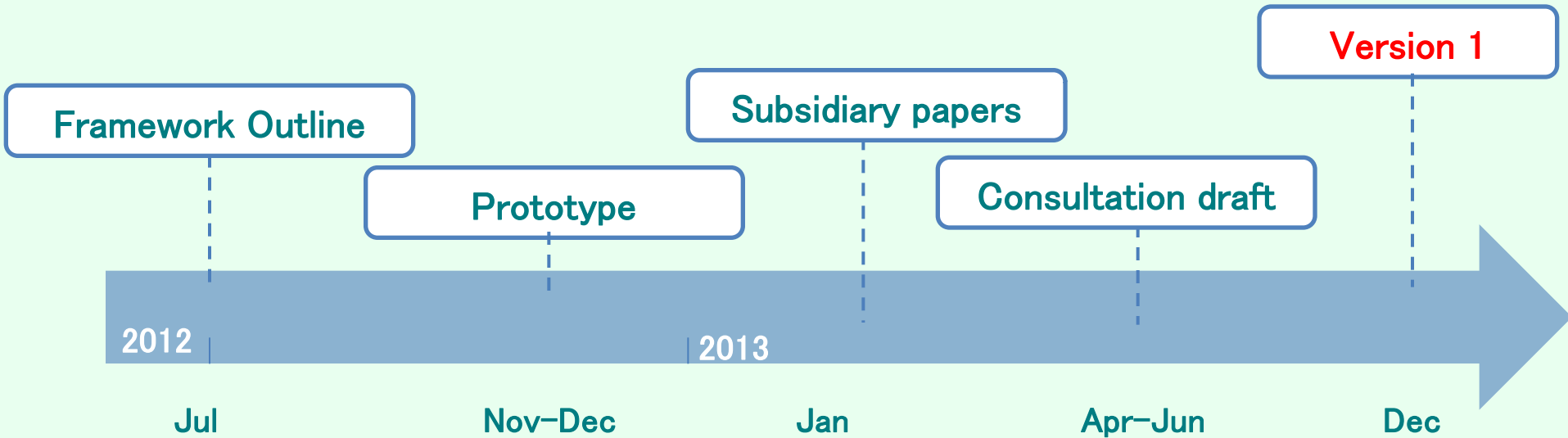


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Timeline



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Part II <IR> in Practice

- The pilot programs
- The challenge of <IR>

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What is Pilot programs

<purpose>

- Provide the IIRC with structured feedback on key building blocks in the Framework to inform its development and practical application
- Build business momentum towards implementation of <IR>

<participants from Japan>

Takeda Pharmaceutical Company Limited , Showa Denki Co. Ltd,
Ernst & Young ShinNihon LLC

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What is Pilot programs

<Program>

- Meetings for explanation and discussion of the draft Framework
- An online community for sharing the information and learning
- Provide Investor Group's needs from and ,their views on<IR>
.....and so on.....

<Schedule>

- Dry run
- 2011-2012 Pilot Cycle
- 2012-2013 Pilot Cycle

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Comment on <IR>

Keys findings(from Year book);

<Business model & Value>

- Identify their business model or recognize value creation through integrated thinking

<Capitals>

- Many companies measurements of KPI in relation to the capitals
- Industry and local issue can influence to select KPI

<Connectivity>

- IT technology will help information linkage

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More Tips for <IR>

Keys findings(from Year book);

<Connectivity>

- Stronger cross-functional communication
- Proactive dialogue between employees at all levels across activities

<materiality>

- Engagement with stakeholders
- Materiality assessment

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Thank you very much.

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