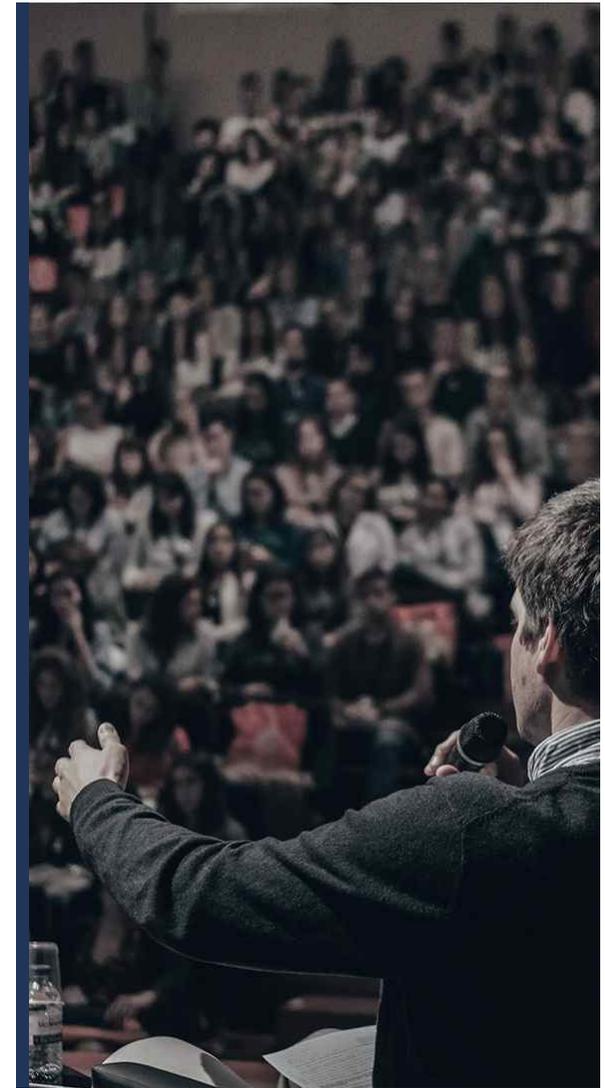
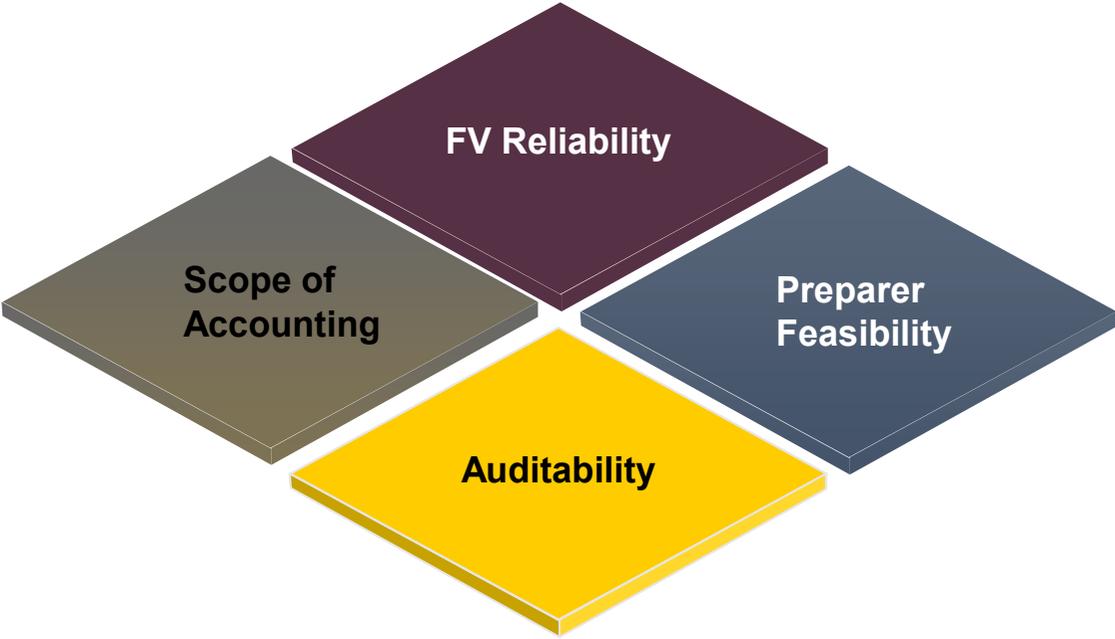


Concerns & Way forward



01 Overview

1. Concerns



01 Reliability of FV measurement

1. Concerns

● FV measurement

- Intuitive, comparable & relevant
- Difficulties in measurement and fluctuation in value of Intangibles...
 - Not an excuse, but challenges to overcome

● Addressing the concern

- Subjectivity in estimation
 - Standardization based on industrial practice: Inclusion of significant assumptions applied, etc.
 - Guideline by industries
- Management's inducement to overestimate
 - Comparative presentation
 - Market assessment of entities' ability of FV estimation and providing credit (similar to credit rating)

02 Scope of Accounting

1. Concerns

- **Valuation vs. Accounting**

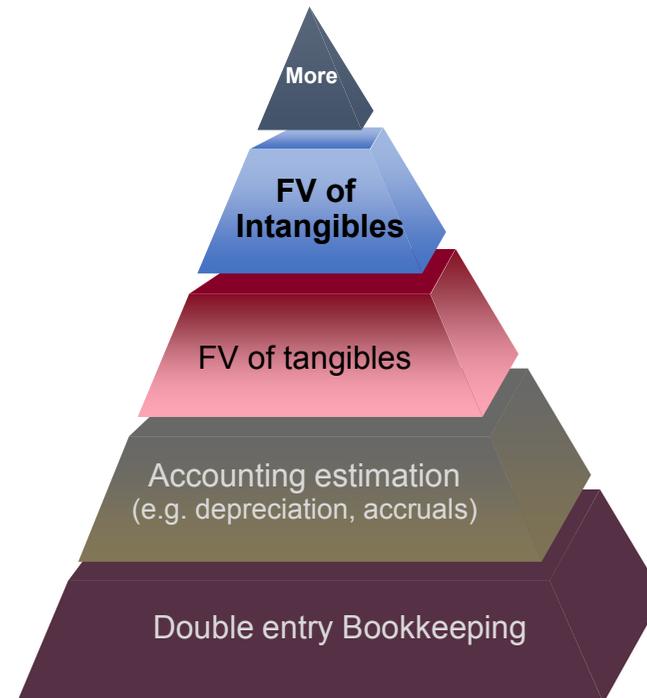
- Valuation is not accounting...
 - Why not?
 - Estimation and valuation are already in IFRS

- **Valuation is a job of investors...**

- All investors can do it?

- **Remain relevant**

- SCl not aiming to provide market value of the company
- Supplement to BS



03 Feasibility from preparer's side

1. Concerns

- **Concern on leakage of confidential issues**
 - Information in the SCI is so informative & sometimes relating to confidential items
 - Entities might be reluctant to provide it
 - Nonetheless, there are factors to encourage entities to prepare the SCI
 - Start-ups which want to be valued properly without reporting revenue yet
 - Save the cost for company IR(Investor Relations) activities

- **Entities' capability of valuation**
 - Lack of skill for preparing the SCI
 - Esp. valuation technique and cost to access the benchmark data
 - Same situation with the preparation of Financial Statements
 - Decades ago, preparation of CF statement was auditor's work in many local companies
 - Entities started to invest their resources as financial information became important

04 Auditability

1. Concerns

- **Separate statement (for now)**
 - Free from F/S audit issues
 - Snapshot of Core Intangibles at the year end
 - No interaction with F/S, especially IS

- **Other places considered**
 - Include in non-audited, voluntary document (e.g., Management commentary)
 - Note disclosure or F/S in the long-term

01 Next step

2. Future

- Objective of our research was
 - Not to claim that SCI (Statement of Core Intangibles) is the best solution for addressing Intangibles issues
 - Not to calculate or show the market capitalization of entities
 - To increase the usefulness of FS by adding more information

- Now, gathering the feedback on the SCI
 - With a sample report of a local game company to show its core intangibles
 - Co-work with IASB, EFRAG, and others

- Plan
 - To prepare the SCI in other industries (Bio, Entertainment, etc.)
 - To see if the SCI is found useful by users

Thank you