

WICI Japan

Value Creation Driver Subcommittee
2014 Activities



3M Japan Vice President
WICI Japan Vice Chair
Mike Masahiko Kon
Nov 14, 2014



Today's Agenda

Part 1 3M and It's Innovation

- 1) 3M™ Film Black Out System Development
 - To Validate hypothesis of 3M Innovation Story Logic tree
- 2) 3M Company Corporate Profile
- 3) 3M Innovation Story 1& 2
- 4) 3M's Opportunity Expands in Every Phase of a Country's Economic Development
- 5) 3M™ Film Black Out System Development
- 6) 3M Value Creation Path for 3M™ Film Black Out System Development

Part 2 Connectivity and Value Creation Driver

- 7) WICI: Who We Are
- 8) WICI Japan Value Creation Driver Subcommittee
- 9) What is the Concept of 'Connectivity of Information
- 10) Next Step of "Connectivity"
- 11) Analysis of Value Creation Process at 3M Japan
- 12) Logic Tree for 3M Innovation and Profit Management

3M Japan

3M™ Film Black Out System Development

To Validate hypothesis of 3M Innovation Story Logic tree

Masahiko Kon, Vice President, 3M Japan

November 14, 2014

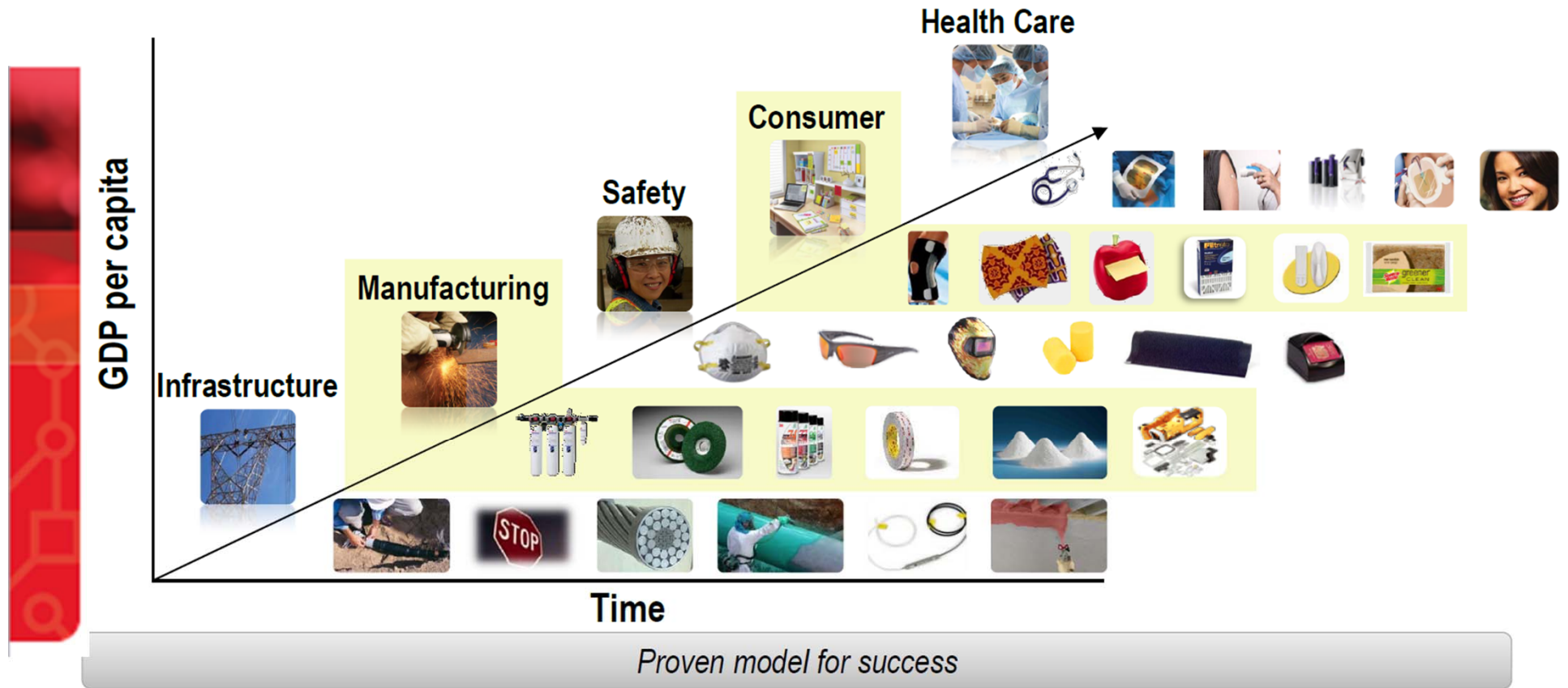


3M Company Corporate Profile

- Global Sales Amount: \$31B
- Net Income: \$4.7B
- R&D Investment: \$1.7B
- Number of Global Employees: 89,000
- Number of Researchers: 8,400
- Number of Products: 55,000
- 3M Japan Group
 - Established in 1960
 - Annual Sales: \$2.5B
 - Number of Employees: 2,885
 - Number of Products: Approx. 30,000
 - Head Office in Tokyo, Two R&D Bases, Four Manufacturing Sites, and 11 Branch Offices

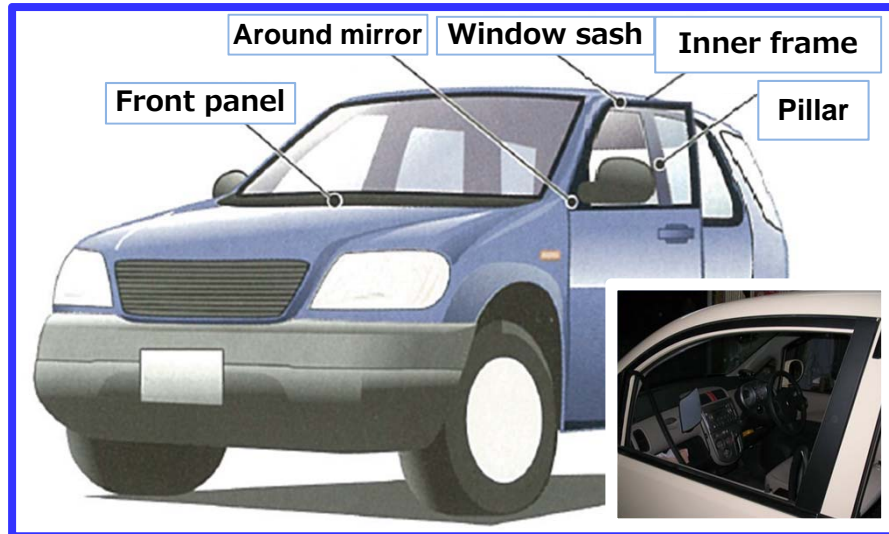


3M's opportunity expands in every phase of a country's economic development



3M can articulate customers' problems & provide unique solutions by combining 3M technologies through 3M global network.

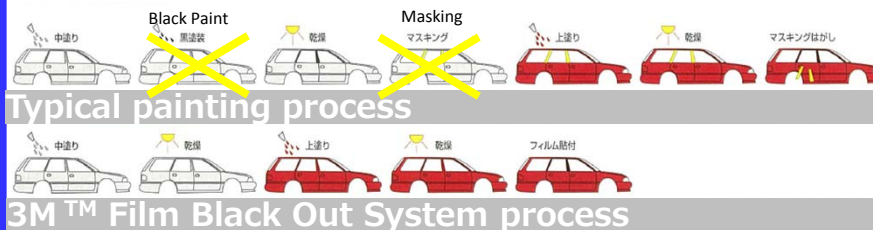
3M™ Film Black Out System Development



Six 3M technology platforms were used for 3M™ Film Black Out System development

Benefits of 3M™ Film Black Out System

Reduce VOC (volatile organic compounds) /
Eliminate painting process / Save energy /
Reduce waste → Reduce total cost



Global Deployment

Deploy 3M™ Film Black Out System for automobile Industry globally

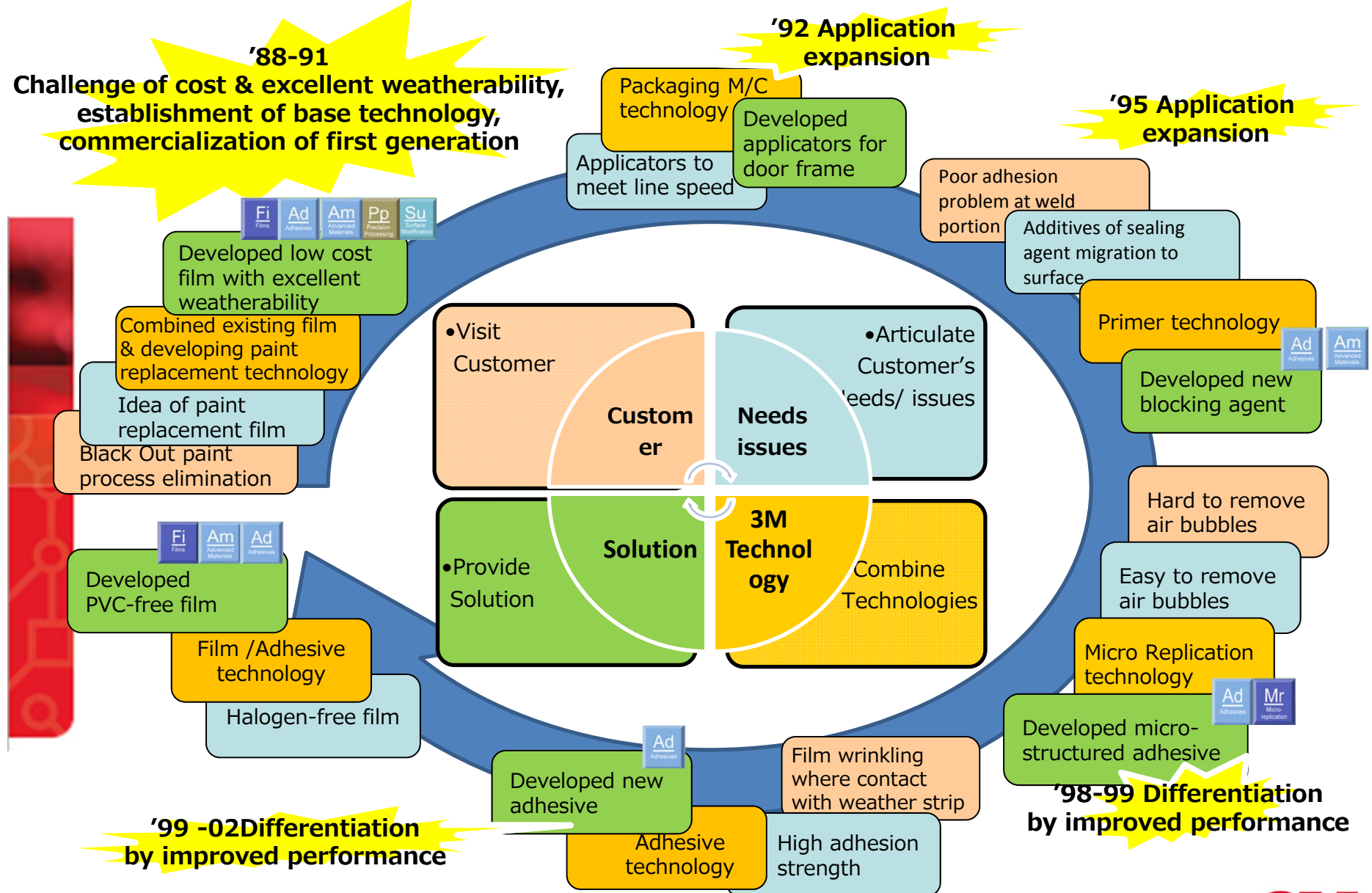
Domestic: Daihatsu, Fuji Heavy Industries, Honda, Mazda, Mitsubishi, Nissan, Suzuki, Toyota

Global : Chrysler, Fiat, Ford, GM, Hyundai, Renault, Volvo, VW, etc.

This case provides an actual example of the 3M Innovation story.



3M Value Creation Path for 3M™ Film Black Out System Development



By repeating the 3M Value Creation Cycle (Visit customer, Articulate customer needs/ issues, Combine 3M technologies and Provide a solution), 3M can provide unique and differentiated products. Black Out film is a typical example.





APPENDIX




3M Innovation Story 1

- 3M connects our technology with customers' needs to create new markets. 3M finds unarticulated customer needs, combines our technology and processes to develop new products that meet those needs, and provides customers with value added products. This processes of developing new markets is our business model, the value creation process.
- 3M has been visiting customer sites to understand their problems and recognize their needs since early in our history, when this approach was utilized to invent masking tape. It is now the foundation of 3M product development. Recently, 3M installed a technology demonstration room in our Customer Technical Center and is using it to increase customer contacts.
 - 3M is constantly creating new technologies and combining existing technologies to develop new products that only 3M can provide. In addition, 3M has expanded the number of our technology platforms through the experience of developing various products, including some failures. 3M now has more than 40 technology platforms. Furthermore, 3M plans to invest in technology with an eye toward megatrends.

[→Back to 3M Innovation Logic tree](#)



3M Innovation Story 2

- 
- 3M utilizes a “bottom up” style of new product development, in which each employee plays an important role. To facilitate the development of ideas into new products, 3M has a culture which encourages taking on challenges without fear of risk.
 - Acceptance of failure, 15% Culture, Bootlegging, and “Make a little, Sell a little, and make a little more.” are examples of 3M’s approach toward risk.
 - 3M has various funds such as the “Genesis Program” to support, validate, and realize ideas. In addition, 3M has various award programs which recognize those who take challenges and achieve success.
 - Furthermore, 3M has a Technical Forum which supports communication and networking that foster ideas and promote technology platform sharing among 3Mers all over the world.
 - 3M also has a standard process worldwide to efficiently commercialize new products.
 - In 2013, 3M’s New Product Vitality Index (New products introduced within the past five years, divided by total sales) was approximately 33%, and 3M aims to increase this to 37% by 2017. To achieve this, 3M also plans to increase R&D investment, including new products for new markets, from 5.5% to 6%.

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3M

WICI: Who We Are



WICI was formed in November 2007 and participants include organizations representing companies, analysts and investors, the accounting profession and academia.

Our Vision

WICI recognizes the need for corporate reporting that integrates the disclosure of information on how companies create value over the short, medium and long term through the employment of intangibles. This scope covers Intellectual/Organizational Capital, Human Capital and Relationship Capital, and how intangibles contribute to a company's overall value creation story.

Our Goals

- The first is to develop a voluntary new global framework for measuring and reporting corporate performance to shareholders and other stakeholders.
- The second is to develop guidelines for measuring and reporting on industry-specific key performance indicators (KPIs).
- The third is to facilitate the development of XBRL taxonomies for this content.

We believe that such better information will improve capital allocation decisions both within companies and between investors and companies. The result will be more value creation for a better world economy.

WICI Japan Value Creation Driver Subcommittee

Background and Objective

It is challenging for outsiders to demonstrate the validity of non-financial KPIs which companies emphasize as their Value Creation Drivers (VCD). We aim to conduct research to identify VCD by reviewing non-financial KPIs which are publicly released by companies.

2014 Goal

Conduct the above research using 3M Japan as a pilot company. We developed two logic trees which validate two of 3M Japan's three significant strengths. We will introduce them in this presentation.

WICI Japan Value Creation Driver Subcommittee

Members with various background



Project Manager

Kimio Katsuyama
(WICI Japan
VCD Subcommittee)



Toshiki Koyano
(KPMG)



Naotaka Fujimoto
(KPMG)



Ryuichi Tomita
(Asahi Networks)



Atsuko Sakuta
(Oracle)



Susumu Oaku
(Edge International)



Hisao Kumakura
(3M Japan)



Daigo Kubodera
(3M Japan)

What is the Concept of 'Connectivity of Information'

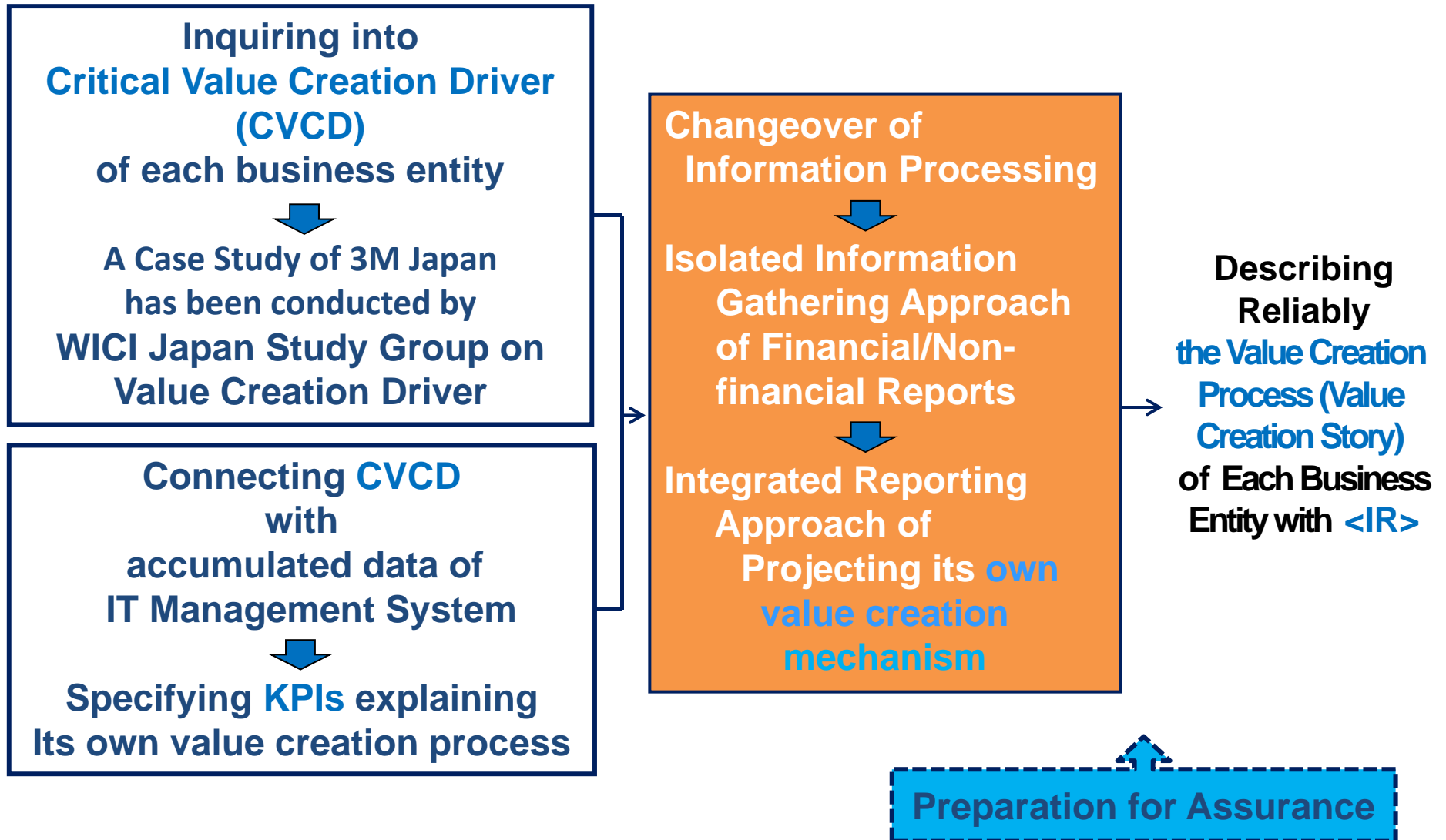
Definition (FW 3B 3.6)

An integrated report should show a holistic picture of the combination, interrelatedness and dependencies between the factors that affect the organization's ability to create value over time.

Key Forms of Connectivity Information

- The Content Elements
- The past, present and future
- The capitals
- Financial information and other information
- Quantitative and qualitative information
- Management information, board information and information reported externally
- Information in the integrated report, information in the organization's other communications, and information included in other sources.

Next Step of “Connectivity”




Analysis of Value Creation Process at 3M Japan

Three significant strengths
which support Value Creation Process at
3M Japan

Innovation

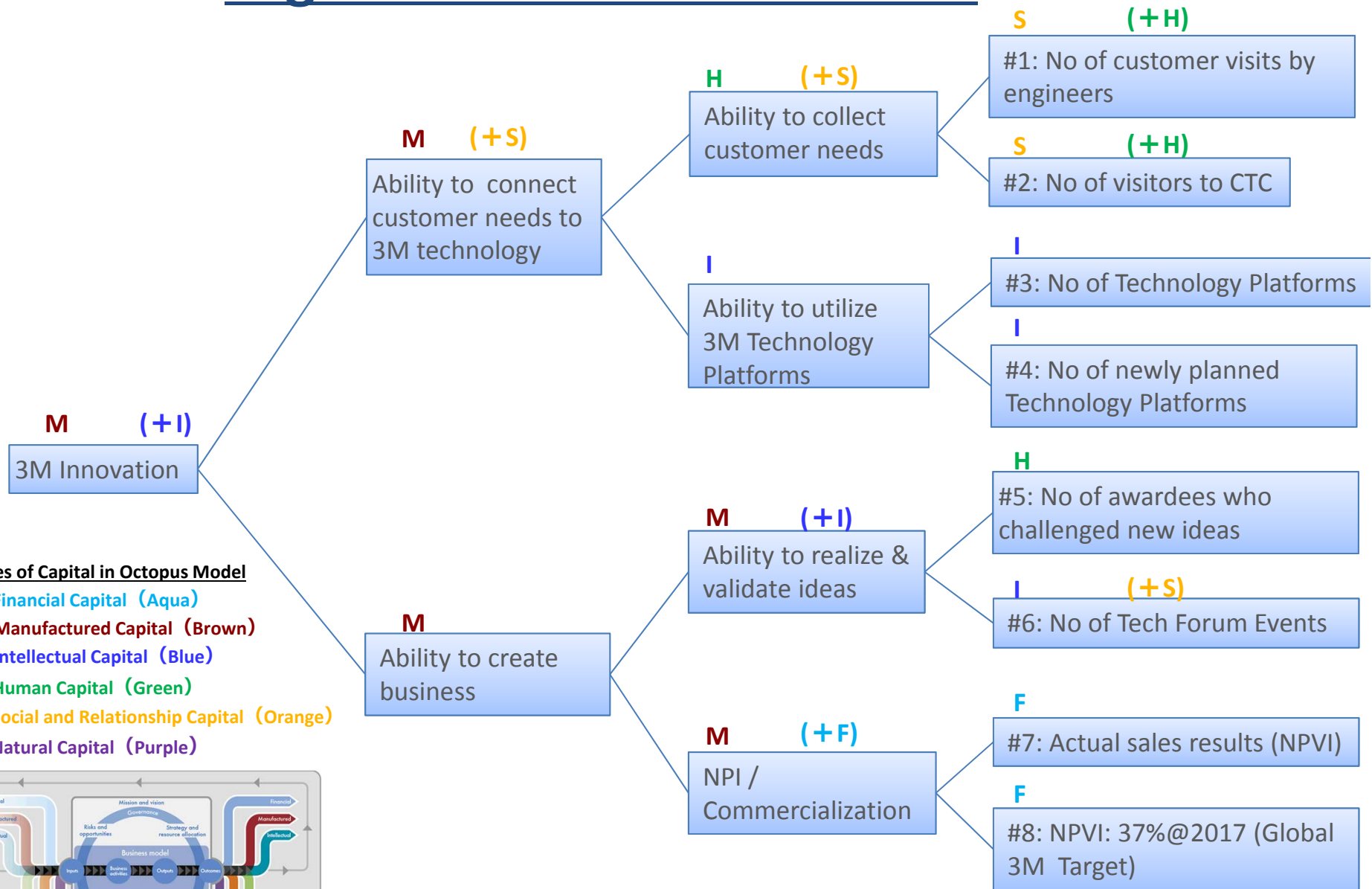
Profit Management

Customer Contact



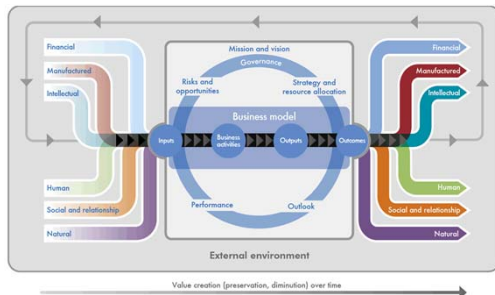
Logic Tree Analysis
Clarifying the
connectivity between
these strengths and
non financial indexes
is very important for
integrated reporting.

Logic Tree for 3M Innovation



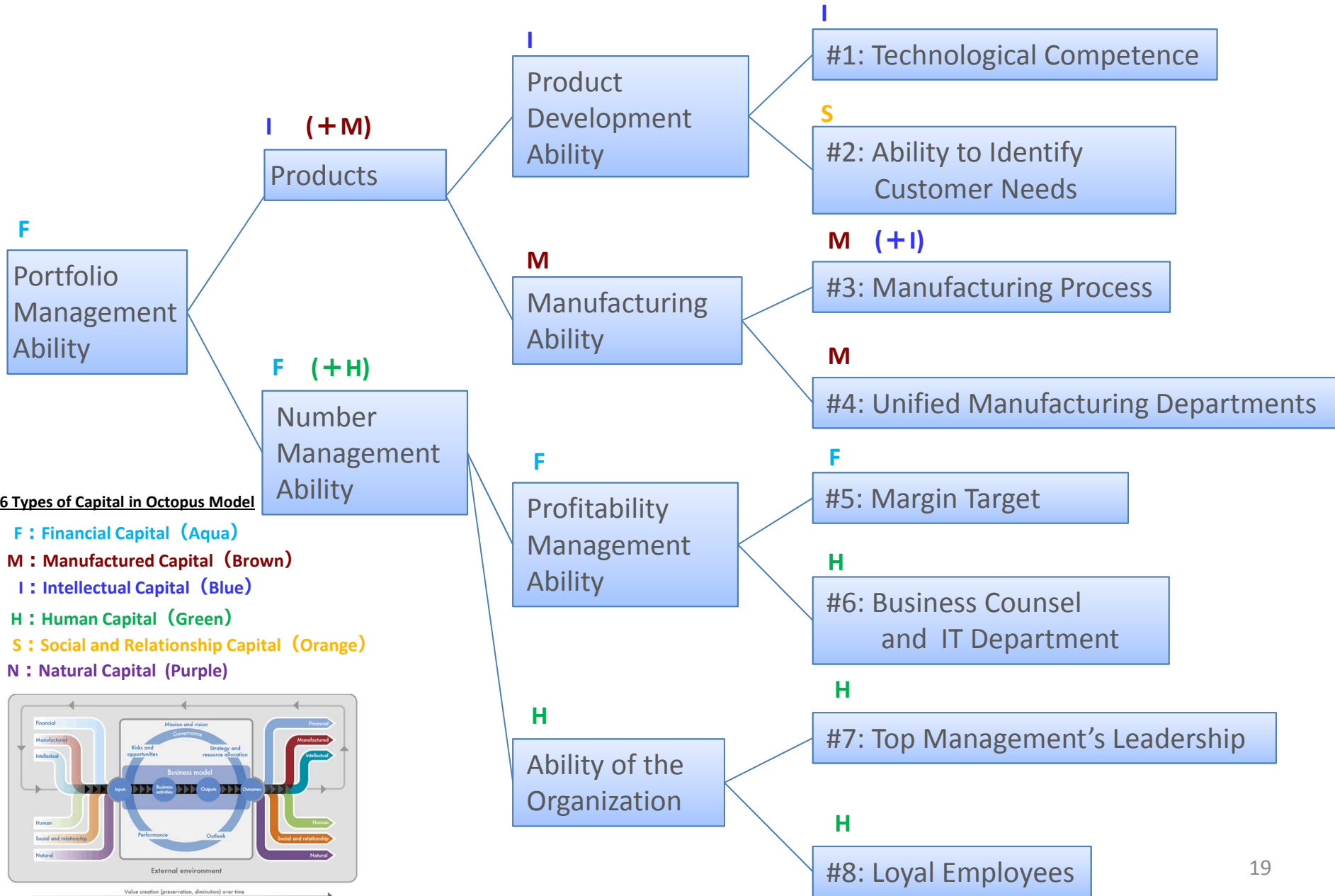
6 Types of Capital in Octopus Model

- F : Financial Capital (Aqua)
- M : Manufactured Capital (Brown)
- I : Intellectual Capital (Blue)
- H : Human Capital (Green)
- S : Social and Relationship Capital (Orange)
- N : Natural Capital (Purple)



[→Go to 3M Innovation Story](#)

Logic Tree for Profit Management



W I C I

the world's business reporting network