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Guidelines for Executives toward Revitalization of Japan's Economy

1996 New Year Statement

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1. 1996: We Must Launch Structural Reforms

We have now entered the fifth consecutive year of economic stagnation. However, it would be difficult to expect a remarkable recovery in our economy this year. Still, currently we are able to see some hopeful aspects in the Japanese economy, such as improved results shown by some enterprises and progress toward a new international interdependence incorporate activity around the Asian and Pacific areas.

As indicated in the dynamism of the Asian economy, the source of energy required to revive Japan exists in the market, with the leading roles in that scene to be played by the private sector, that is the citizenry and private enterprises. Of course, market forces will rule and all participants must assume their own responsibilities. However, it is more important that the market be recognized as the place where opportunities for creativity and chances to develop new ventures are sought and found. By re-designing our market, we must strive to recover the vital energies of Japan's economy through creation of new business and newly diversified enterprises.

Various reforms and restructuring are indispensable in order to pursue the above purposes, however, no marked progress has been achieved in this direction. As a result, the condition has been worsened over the past year and now even international confidence in our economy is becoming shaky. Reforms cannot be delayed any longer and we must launch necessary reforms this year before it is too late.

At the beginning of such a year, a new government has been put in place. It is our strong hope that the new prime minister will show the great leadership required to cope with presently pending problems and specifically to re-define the principles

and policies regarding structural reforms of Japan's economy and renewed effort to pursue Japan's role in the world including the security issue. And at the present time when Japan is being urged to select the best ways in which to advance into the 21st century, he should as soon as possible seek to discover the will of the people by means of a national election.

2. Guidelines for Executives

1996 is a special year for us as it is the fiftieth anniversary of the foundation of our Keizai Doyukai. Our predecessors strongly resolved to construct a new Japan by putting forth their utmost efforts. Despite the devastated landscape of a defeated nation, they were successful. Half a century has passed and we are now required to make yet another resolution and to pursue it in order to break through the present state of economic deadlock.

We are dedicated to making 1996 the year of our own endeavors by establishing an action program for the revitalization of Japan's economy as we approach the 21st century. Of course, the first step should be taken by ourselves.

We expect the political leaders to demonstrate the necessary decisive leadership in order to push forward structural reforms such as over-all deregulation of government controls. On the other hand, we realize it is necessary for us to start by asking ourselves whether we have been effectively taking leadership in pushing the reforms. Having recognized that we are also responsible for delays in the reforms, we now express our will to adopt practical actions based on our own resolution and in recognition of our own responsibilities.

The stage on which we conduct our business is the market place. To make the market itself function more effectively and fairly, it is necessary to re-design it on our own initiative. To put it concretely:

- 1) To enlarge the scope of the market by deregulation;
- 2) To increase the degree of transparency of the market by moving toward more internationally accepted rules;
- 3) To create a market that welcomes active and decisive activities by entrepreneurs who are most creative and one that ensures the chance of a return match by the losers;
- 4) By breaking away from past economic policies in a drastic fashion in order to construct social policies for those who are truly weak and who are restricted in their participation in the market;

5) To maintain and promote most fair and free competition by establishing effective monitoring systems within the market.

We, the members of Keizai Doyukai, intend to discuss and study these points during our committee activities.

From the above-mentioned viewpoints, the guidelines for us in this year are as follows:

(1) Demonstration of Executives' Readiness for the Mission and Leadership

Bearing in mind our readiness for this mission, but also the self-awareness of our social responsibilities beyond the scope of our enterprises, we will strive ourselves to provide the needed leadership. What is required from executives during this period of structural reforms is leadership strong enough to make it possible to establish and work out new management policies. It is naturally impossible to implement reforms only by setting priorities on achieving a consensus. All of us who bear management burdens must take actions based upon the strong sense of our responsibilities. The stage we now act upon is a market which is expanding on a global scale; therefore, we are not any longer allowed to behave under rules more or less strictly set down among ourselves or established entirely within the local area.

(2) Independence from Politics and Government, and to Abolish Regulations between Private groups

We must conduct our business operations bearing in mind that the leading roles within the market should be played by the private sector and recognizing that the need to develop the new functions of the market is included in our own responsibilities. We must first discard the old attitudes based on dependence upon the government. The rules of the market are laid down by all the various participants in the market. We recognize this guiding principle and confirm among ourselves that we will observe such rules strictly henceforth. Our independence and self-control will lead to creation of a new relationship between public bodies and the private sector.

In addition, we not only will request continued deregulation, but we also intend, in order to make the market freer and active, to abolish traditional business practices or regulations among us in the private sector which in the past have had the effect of suppressing participation or of stiffening pricing and to re-examine the functions of industry associations.

Further, we believe that each member within an enterprise should make himself independent under his own responsibilities and try to exhibit diversified abilities since this will eventually lead to expanded strength and creativity.

(3) Active Disclosure of Information

In order to achieve a more transparent and trustworthy market, we intend to seek ways to disclose much more useful business information, including accounting data prepared in accordance with international standards. Not necessarily thinking back to the experiences of 1995, disclosure of information has inseparable relation to revitalization of market place. We respect the valuation of the market based on this active disclosure of information and.

3. Final Words

Keizai Doyukai is a body incorporated by those business enterprise executives who share the same motives and objectives. Although we anticipate that certain friction will accompany the upcoming reforms, we will continue to pursue the task of restructuring Japan's economy. We would also like to expect that by starting actions by ourselves, we will eventually induce changes in politics and the government itself.