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Managing With Confidence and Commitment to Principle

Chairman's Address for the 2000 Annual Meeting

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Introduction

Looking back to the one year that I have been serving in this office and looking forward to the new fiscal year that begins today, I am made painfully aware of the very difficult choices that we face as we consider the future of Japan and the Japanese people at this critical juncture in time which marks the start of the 21st century.

While members of the academic community discuss our available choices and their policy implications from a theoretical perspective, the far larger world of journalism is developing its own perspectives and views. All too often, these are presented as two diametrically opposed camps referred to as the "clash of academia and populism."

However, whether it is in the field of politics, administration or corporate management, real choices have to be made in the world of realism. This is a world which does not allow for simple black or white solutions or mutually exclusive choices between two extreme positions. In other words, reality does not provide the luxury of simple "trade-off" solutions. On the contrary, it is a world of "trade-on" solutions where seemingly incompatible views and policies must be brought together and balanced. This is by no means an easy process. It requires the ability to focus on the essence of the problem, and to make choices based on an earnest commitment to the realization of one's higher principles and ideals.

Needless to say, our first task as corporate managers is to achieve management results in this world of reality. However, at the same time, as citizens and voters, we must make a positive contribution to policy-making and the values espoused by our nation and our communities. This is all the more true in the contemporary setting where policy choices can exert a critical impact on the future of a nation

and the fortunes of the people. We bear a particularly heavy responsibility for participating in the debates which pertain to the macroeconomic aspects of fiscal and monetary policies, the welfare system, labor policies and other matters related to corporate management.

In presenting our views to society, we must adopt a perspective which focuses on the pros and cons of the issues and the advantages and disadvantages. Moreover, our pronouncements must be based on a proper awareness of the applicable time-frame. No doubt, we will be addressing such difficult questions and choices as "whether to prioritize economic recovery or fiscal rehabilitation," and "decentralization and localism or continued central control." Or, as managers, we will have to find solutions to "balancing the short- and long-term requirements," and "maintaining employment or achieving higher profitability." In all of these areas, we must avoid the temptation of calling for simple and mutually exclusive solutions. Ours should be a firm and unflinching commitment to the reality of "trade-on" relations.

We face a very large number of unresolved problems in the domestic and international spheres. While remaining mindful of this fact, I would like to focus my comments today on three specific issues.

1. Towards the "Normalization" of Economic Policies

The first issue pertains to the government's economic policies.

Regarding current economic conditions, the prevailing feeling is that a certain level of positive economic growth was achieved for the recently ended fiscal year. Current indications point to continued growth in output and corporate capital investment. The general sense is that the Japanese economy has regained its strength to the point where it can once again stand on its own "legs" consisting of autonomous private demand.

Given this environment, the time is fast approaching for a decision to be made on the "normalization" of economic policies. Throughout the period of very severe economic conditions which persisted over the past few years, the Japanese government has opted for a series of radical emergency measures designed to put the economy back on the path of recovery. These have included massive fiscal outlays and zero interest-rate policies. My contention is that we are now approaching a decisive turning point in these emergency measures.

It can already be said that a supplementary budget will not be necessary this year for boosting the process of recovery. But I think that it is time now to go a step further and to start thinking about renewing the nation's fundamental commitment to fiscal rehabilitation and soundness. While carefully identifying the problems of the Fiscal Structural Reform Law, a definite scenario should be presented for the future and the available paths to fiscal structural reform must be examined from the perspective of both government income and expenditures. The public must be involved in earnest debates on these issues, and binding choices must be made with their participation. The future picture may very well be a harsh one, but it is far better to lay it out clearly than to wallow in a lingering atmosphere of insecurity. In fact, I believe that such a process of honest accounting will help wipe away the public's sense of uncertainty which continues to dampen the recovery in personal spending.

This is an election year for the House of Representatives. What we would like to see are campaigns fought on the basis of clearly defined and comprehensive positions on what our "future should look like." Any such vision must not avoid the "harsh realities" of fiscal rehabilitation and pension-system reform which has been rendered inevitable by the aging of society, the sagging birthrate, and the imminent decline in our population. Nor must this vision shy away from the unpalatable truth of increasing burdens and cutbacks in benefits, and the unambiguous portrayal of the principle of self-responsibility. This must provide the foundation for the debate among the political parties in the forthcoming general election.

In order for the political parties to engage in serious debate on these issues, and in order for the public to identify and follow up on these debates as the crux of the election campaigns, all voters -- including ourselves as corporate managers -- must be prepared to look these issues directly in the eye. Let us not forget that elections are also a test of the electorate. Our capacity to adopt responsible attitudes and make responsible choices will be put on the line.

2. Projecting Our Commitment to Principle to the Markets

The second issue concerns corporations and corporate managers.

The information technology revolution and the network revolution are advancing at a tremendous pace. Against this background, I am happy to note that many young and energetic entrepreneurs are appearing on the Japanese scene. There seems to be no end to the new dot.com and e-business companies that they are creating

everywhere, and expectations are high that they will be able to break through the obstacles which have come to hem the Japanese economy in on every side today. Of course not all ventures will succeed. Some only represent a bubble phenomenon and will be remembered as no more than a fleeting subject of conversation.

What are our expectations of the market in this environment? Above all, we hope and expect that the market will be able to successfully identify the seedlings and shoots that are capable of developing into thick and massive trunks in the future, and to patiently nurture them. The embryonic signs that we are witnessing today must not be allowed to end with the mere transformation of data processing and communication tools. Rather, our future hope lies in the ability to develop these early signs to the level where they lead to the transformation of our entire business model and to the promotion of human happiness and fulfillment on a historic scale. At the same time, we are seeing certain tendencies in the capital markets today which can be best described as a headlong pursuit of the maximization of market capitalization and shareholder profits. As is often the case, capital markets can overshoot their mark. The introduction of information technologies and the Internet in the capital markets themselves has the potential of magnifying these excesses. Under these circumstances, the danger is that the markets may underestimate the importance of medium- and long-term research and development efforts in basic fields, an indispensable element in maintaining corporate competitiveness and in the germination of new businesses. A similar danger exists with respect to the creation of new employment opportunities. The capital markets, with their short time-horizons, may fail to properly evaluate the significance of long-term industrial structural reforms which lead to the creation of future jobs. This may undermine the courage of managers in implementing necessary measures.

As corporate managers, we must achieve a balance between the short-term demands of the capital markets and the long-term interests of our stakeholders. The question is how to balance these potentially conflicting forces.

What is important here is to avoid a passive stance in face of the market's evaluations. What is required is a proactive approach. Individual companies and managers must carefully examine the paradigms of profitability, social responsibility, and the requirements of the times in order to arrive at an optimal balance. Finally, we must have the courage to turn to the markets and the public with full confidence saying: "This is what we believe constitutes the best balance for our company." I am convinced that this type of managerial courage will become increasingly important in the future.

Corporate managers must not allow themselves to be thrown off balance by the market's shifting evaluations. They must have faith in their own vision and principles. With a solid commitment to corporate governance, they must persist in what they believe to be right and stay the course. With the concrete results of their efforts in hand and by forthright and active IR initiatives, managers must then confidently and lucidly present their thoughts and objectives to the markets. Such appeals should not be limited to the domestic sphere but must be directed to the international markets in an effort to win their understanding and confidence. Obviously, individual corporations and managers will arrive at significantly different formulations of an optimal balance. Likewise, significant differences will be seen in how they present their cases to the markets. Because we live in such an age of dramatic change and transformation, it is all the more important for corporate managers to have the courage, commitment to principle and confident individuality to present the case of their corporations and to respond pro-active to the evaluations and judgments of the markets and of society at large. Most probably, it is exactly this kind of confident stance which the markets would most like to see in corporate managers.

3. The Keizai Doyukai in Fiscal 2000: Toward the "21st Century Declaration"

The final issue which I wish to address concerns the goals of the Keizai Doyukai in the current fiscal year.

Established immediately after the end of the war, Keizai Doyukai (the Japan Association of Corporate Executives) will be entering the new century with a history of more than 50 years to its credit. This portentous juncture in time provides us with an excellent opportunity to renew our awareness of our original objectives in the contemporary context, and to re-examine how our unique capabilities and potentials can be best expressed and conveyed.

While continuing to cherish our original goals and objectives, I propose to formulate a new mission statement to be released at the start of next year. To be entitled the "21st Century Declaration," this mission statement will seek to place the Keizai Doyukai in the context of the newly dawning age.

The mission statement penned by our predecessors at the time of the establishment of the Keizai Doyukai presents us with an outstanding and elegantly termed declaration. Even today, those words eloquently convey the vibrant spirit which animated our predecessors as they committed themselves to the task of

building the nation anew. Nevertheless, I believe that the time has come for us to re-address the fundamental questions of the role of corporations in society, and the part to be played by corporate leadership and managers. Our aim will be to produce a "declaration" which will be able to withstand the test of the new age in terms of both content and expression.

Such a declaration, in and of itself, will help us formulate our response to the call for the reorganization of Japan's principal economic associations which has been raised in some quarters.

Our Committee on Socioeconomic Principles for the 21st Century has been deliberating on various vital subjects since last year, and we shall be using its recommendations as the ideological backbone for developing a new mission statement. Before the end of this year, we shall unveil the Keizai Doyukai's "21st Century Vision for Japan and Corporate Management" which will provide the supporting framework for the "21 Century Declaration."

Since the previous fiscal year, our various committees have been deliberating on the numerous challenges that we must grapple with in the 21st century. These include the challenges of education, the environment, social security, the international financial environment, and new corporate management models. Throughout these deliberations, our intent has been to approach these issues from new and innovative perspectives.

To heighten our awareness of current issues and challenges, we shall establish the new Committee on New Technology Strategies during the current fiscal year. This is in addition to the Committee on E-Economy which has already been launched. These committees shall be responsible for deliberating on such critical questions as how to utilize the development of e-business and new technology strategies in promoting the global competitiveness of Japanese industries and the nation as a whole, as well as for improving the attractiveness of the Japanese markets. Furthermore, these committees will look into the question of how new business fields and new technologies, such as IT, bio-technologies and DNA research, may affect people and society.

While concentrating on these activities, the Keizai Doyukai will continue to approach various challenges and issues from the perspective of our broadly-based and deep-reaching concerns. Our aim shall be to remain focused on the essence of these issues and to send out a message which is both innovative and sharp, as is expected of the Keizai Doyukai.

Throughout all these activities, we shall endeavor to project a clear image, visible to all, of the spirit of "youth" and "new age" in which the Keizai Doyukai was

originally founded. In pursuit of this objective, we shall strive to provide even greater space and opportunities than in the past to our younger members, members representing new business fields, and of course to women and to foreign members.

This fiscal year presents us with the final chance to prepare for the new century. But beyond that, it is my belief that this year will mark a new beginning in the history of the Keizai Doyukai. As chairman of the Keizai Doyukai, I look forward to the continued support and cooperation of all members in working toward meeting the expectations which the nation has for us.