

**“Determination and Requests in Pursuit of the Structural Reform of Industries”
–To Achieve Sustained Growth by Taking Risks– (Summary)**

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I. Introduction

- An industrial structural change is required in order to achieve the future vision given in the “Vision of Japan 2020” by Keizai Doyukai (Japan Association of Corporate Executives), and for that purpose, it is necessary for corporate executives to take risks to pursue the sources of growth.

II. Factors Hindering the Structural Reform of Industries

- Japan’s unemployment rate, which is relatively low when compared with other countries of the world, appears to reflect its structure that the national government rescues corporations through its subsidies and financial measures.
- In contrast, Sweden improved its economic performance under a policy based on the philosophy that the government does not rescue corporations but individuals.
- Also in Japan, it is highly likely that a shift in the investment target of policy resources from corporations to individuals will contribute to the structural reform of industries, and the said policy would function even more effectively with growing industries in existence. In this sense, the creation of new industries is important.

III. Utilization of Management Resources

- In view of the fact that although Japanese corporations have abundant management resources, their profitability is relatively low, it is presumed that Japanese corporations are not effectively utilizing their management resources.
- In order to put the Japanese economy on a growth path, it is considered one of the effective measures that corporate executives recombine their management resources for the purpose of addressing social challenges and creating new growth industries.
- With regard to the directions to be taken for that purpose, it is necessary to have two directions, namely, to enhance international competitiveness by expanding the scale of operations (expand the business) in the existing business fields and, in contrast, to establish such a proactive organization that can take risks (downsize the business) in the new business field. In addition, it is important in the new business field to promote collaboration between large established corporations and venture companies.
- Industrial policies in Japan, as a developed country, should focus primarily on implementing regulatory reforms and establishing an environment that promotes the creation of new added values by corporate executives.

IV. Proposal for the Structural Reform of Industries

- Although there are many regulatory reforms to be implemented for the structural reform of industries, we make requests for the items in this proposal that are necessary for corporate executives to take risks and recombine their management resources.
- Regulatory reform for corporate organizational restructuring
 - Defer taxation on capital gains of shareholders who applied for the Japanese Exchange Tender Offers by Means of Treasury Shares until the relevant shares are sold
 - Revise the Companies Act in such a manner that allows selection of consideration according to the attribute of the relevant shareholder at the time of organizational restructuring
 - Improve the review process of business combination
 - Enact a bill to eliminate the Hearing Procedure at the Japanese Fair Trade Commission as soon as practicable
 - Improve the procedural and operational factors of the review of business combination
 - Elaborate fact-finding procedures for the review of business combination
 - Study about specifying the “Principle of Proportionality” in the Japanese Antimonopoly Act
 - Establish a system by taking into consideration in advance the international competitiveness of Japanese corporations, which should be enhanced in the days ahead
 - Defer taxation on separated corporations and shareholders when distributing the shares of a subsidiary company as dividends in kind
 - Clarify the taxation treatment on the price difference between ordinary shares and class shares so that the structure called “Sweat Equity” in the United States may be feasible.
- Large established corporations should endeavor to proactively get in touch with startup companies. In addition, the organizations concerned should expand and support opportunities for interaction between major corporations and startup companies.
- Corporate executives should produce success examples by, for instance, utilizing the functions of the Innovation Network Corporation of Japan so as to expand the supply of funds for the growth.

V. Conclusion

- What corporate executives should do right now is to review the current management resources both within and outside their companies and make necessary decisions promptly by taking risks.
- It is important to promote the fluidization of labor markets and reconsider the policies to keep corporations in existence through subsidies, etc., and this theme requires in-depth discussion from now on.