

May 21, 2015

**Functional Reinforcement of Regional Financial Institutions  
Aimed at Regional Revitalization:  
Contributing to Regional Economies as Catalysts and Hubs**

**1. Summary of the Proposal**

The impediments to growth in regional economies are believed to be the decline in economic scale caused by a falling population as well as sluggish replacement of the old with the new in business and industry, the difficulty in creating high-added-value business and industry, and a shortage of human resources to resolve these issues. Under these circumstances, it is hoped that regional financial institutions possessing an accumulation of regional human resources, information, and capital will use their strengths to contribute to regional stimulus over a broader range than currently.

It is from this perspective that we believe that future regional financial institutions must play roles as catalysts for the reorganization and revitalization of businesses and the creation of new business and industry as well as hubs that join bodies such as corporations inside and outside the region. We therefore propose measures that regional financial institutions should reinforce and deregulation to achieve these objectives.

**2. Proposal**

(1) Measures that regional financial institutions should reinforce

(i) Support for corporate reorganization and revitalization

- Improve proposal capabilities regarding reorganization and revitalization schemes for companies facing difficulty remaining in business, including M&A referral services and collaboration with outside specialized organizations.
- Assessment of business feasibility is also important for providing support

for corporate reorganization and revitalization. Assessment capabilities should therefore be enhanced through a deepened understanding of market environments, management teams, technological capabilities, trading partners, and so on.

(ii) Coordination making use of collaboration among industry, academia, government, and finance

- To aid increased productivity and the ability of industry to create high added value, regional financial institutions should strengthen their networks linking businesses, universities, local governments, and financial institutions. In addition, they should enhance their coordination capabilities in order to link regional businesses and socioeconomic issues and needs with technologies, ideas, and so on from inside and outside the region.

(iii) Support for community development in response to low birth rates and aging and declining populations

- The need is increasing for the development of compact cities through the consolidation of public and life-related facilities as well as increased efficiency in the maintenance and management of social infrastructure as responses to low birth rates and aging and declining populations.
- In order to actively use PPP/PFI for such community development, regional financial institutions should support the formulation of management plans for publicly owned assets by local governments, participate in the identification and development of PPP/PFI projects, and support the nurturing of business leaders to take on these projects.

(iv) Secure and nurture human resources capable of improving corporate management and supporting new regional financing

- Support the recruitment and nurturing of sophisticated human resources who can undertake improving corporate managements to raise productivity, create industries with high added value, and develop PPP/PFI financing schemes.
- In the short term, use the Professional Human Resources Center (tentative name) that the government is planning to introduce as a means for human

resources in large urban enterprises to participate in management of regional second-tier and small and medium businesses. In the medium-to-long term, regional financial institutions should collaborate with regional universities to nurture human resources and diversify recruiting.

(v) Promote the integration of regional financial institutions across prefectures

- As populations decline and industrial structures transform, it is difficult for regional financial institutions to develop a vision of the future based on past experience. In order to respond flexibly to the diversifying needs of businesses and local governments, regional financial institutions must promote integration with other regional financial institutions across prefectural borders to achieve mutual enhancement of functions and operations covering wider areas.

(2) Deregulation to strengthen functions of regional financial institutions

- To promote reinforcement of the functions of regional financial institutions through the means discussed above, the government must ease regulations limiting the scope of business of bank holding companies and their subsidiaries.
- Such deregulation will enable centralized management of funds and financing by multiple banks controlled by a single holding company and integration of shared operations such as back-office divisions and will increase the synergy effects resulting from integration of regional financial institutions. Also, regional financial institutions should cooperate with startups and provide new financial services that make use of IT.

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