

# A New Japan: the Changing Corporate Governance Regime

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# Which are the 3 most important stakeholders?

- Customers 90%
- Employees 62%
- Suppliers 30%
- Individual shareholders 29%
- Domestic institutional shareholders 21%
- Foreign shareholders 8%
- Banks 11%

- Source: METI IR Survey, 2013

# The Abe Administration's main goals of stronger corporate governance

- Encourage companies to spend cash balances, increase investment
- Raise wages to help exit deflation
- Increase diversity of the workforce
- Increase full-time/permanent jobs
- Support higher stock prices
- GPIF reform to support stock prices, reduce portfolio risk

# Costs of Improved governance, need for policy response?

- Increase of income inequality
- Reduction in job stability
- Faster shift of resources outside of Japan
- Downward pressure on wages
- Reduction in level of customer service
- Increase in bankruptcies
- Decline in loyalty to the employer
- Institutional Investors will dominate the markets

# Ownership of the Stock Market

## UNITED STATES

- Mutual Funds 20%
- Households 34%
- Int'l 14%
- Pensions 16%
- ETFs 4%
- Hedge funds 3%

– (source: FRB)

## JAPAN

- Financial Institutions 27%
- Businesses 21%
- Foreigners 31%
- Individuals 18%

--(source: TSE)