

Preface to the 2nd Edition

This book is about Japanese business and law. Since the release of the 1st edition, it has been widely used as both a professional reference and an academic text suitable both for business and legal professionals, and for upper-level undergraduate or graduate courses at business and law schools. The objective of this book is to provide relevant and in-depth information on the current state of business and law in Japan. The 2nd edition contains four new chapters added to reflect the most current changes in the economy and law that have taken place in Japan since the release of the 1st edition:

Chapter 11: A Recent Reform of Banking Law — US and Japanese Comparative Study on Creation of Legal System for Banking Agencies

Recently, an enactment designed to create a legal system for banking agencies in Japan to improve depositors' benefits based on the required structural changes of Japanese financial and capital markets was approved and promulgated. I compare the U.S. and Japanese banking law systems, detailing the provisions of the Banking Law reform, and offering analysis and commentary on the current state of Japanese banking law. (Originally published in *The Banking L. J.*, January 2006, 123(1), Mitsuru Misawa, Comparative Study of US and Japanese Bank Director's Duty of Disclosure.)

Chapter 12: Japanese Shareholders' Lawsuits Concerning Political Donations

In Japan, there has been an increased scrutiny of companies' general participation in the political process, particularly in political campaign

contributions. Over the past decade, Japan has placed new restrictions on companies' political giving and required greater disclosure of campaign contributions. Shareholders have increasingly sought to hold companies accountable for their campaign contributions. The lack of transparency and the ineffectiveness of enforcement mechanisms have led to many lawsuits, such as the Yawata Steel Shareholders' Derivative Suit and the Kumagaigumi Shareholders' Derivative Suit. (This article originally appeared in Colum. J. Asian L., Colum. University, Spring 2008, 21(2), Mitsuru Misawa, An Overview of Problems Concerning Political Donations in Japan, pp. 162–181.)

Chapter 13: Financing Japanese Investments in the United States: Case Studies of a Large and a Medium-Sized Firm

This is the true story of the opening of Japanese Nissan Motor's factory in Smyrna, Tennessee in 1983. I worked for this project as an investment banker at the Industrial Bank of Japan. We used financial engineering techniques to get the required \$400 million for the project as efficiently as possible. This was the first successful case of a Japanese company using these advanced techniques. As a model case, these financing methods are still studied by many Japanese companies when they are considering their investments in US. (Originally published in Financial Management, The Financial Management Association, 14(4), Winter 1985, Mitsuru Misawa, Financing Japanese Investments in the United States: Case Studies of a Large and a Medium Size Firm, pp. 5–12.)

Chapter 14: New Japanese-Style Management in a Changing Era

This article was written in 1987. At that time, there was a growing interest in defining and implementing characteristic Japanese management techniques. The causes and new directions of the changes in the Japanese economy due to increased globalization were explored.

It was predicted at that time that Japanese management methods would be Americanized and would converge with their American counterparts. However, reality proved otherwise. Japanese managers have honored the traditional decision-making processes of their organizations. While the globalization of the Japanese economy has advanced at an astounding pace since then, significant differences still remain between the management philosophy and techniques used within traditional Japanese companies and those which exist within Anglo-American companies. Thus, although my article was written many years ago, it remains relevant today. (This article was published in Colum. J. World Business, Vol. XXII, Mitsuru Misawa, *New Japanese-Style Management in a Changing Era*, pp. 9–17, Copyright Elsevier 1987.)

Chapter 15: Successful Japanese Management Cases as a Contrarian

Again, when the world economy is facing serious difficulties, the management of Japanese corporations is attracting attention from all over the world. Many of these corporations have been successful in the marketing, production, financing, and allocation of their resources in today's borderless environment. However, these success stories are only partially known in the West.

I recently conducted case constructions of 11 Japanese companies from field studies consisting of numerous visits to and interviews with managers of those corporations. Analyses of these cases revealed an interesting and noteworthy common principle as the basis of their success, which was their position as a “contrarian.” “Contrarian” refers to someone who moves in opposition to others. As two of the most successful companies in this context, a full analysis of the cases of Tokyo Disneyland and Ina Food Industry is provided.

(This article is abstracted from the author's previously published articles:

1. A Case Study, Asian Case Research Centre, The University of Hong Kong, Ref. 05/254C, August, 2005, Mitsuru Misawa, Tokyo Disneyland — Joint Venture vs. Licensing.
2. A Case Study, Asian Case Research Centre, The University of Hong Kong, Ref. 06/305C, November, 2006, Mitsuru Misawa, Ina Food Industry: A New Management Philosophy For Japanese Businesses.)

As shown in this book, Japanese businesses have already entered a new era in which they must modify major traditional management practices, such as corporate solidarity, homogeneity, and commitment, in order to succeed. They must introduce the concepts of individualism and the merit system into their management practices. They must also maintain the advantages of their present legal and regulatory system while at the same time discarding its weak points. They have realized the necessity of shifting away from their conventional system and adopting some new practices. Japanese businesses are aware that the economy can take new steps toward progress only when a new style of Japanese business and legal system is established. Today, Japanese businesses feel the necessity of maintaining their positive assets while at the same time nurturing management techniques oriented towards entrepreneurship and high-technology industries.

In coping with rapid changes in the environment, Japanese management techniques and legal practices continue to change. In the era of internationalization, Japan and foreign countries have followed a path of convergence, despite differing traditions. By following this course, businesses both in Japan and abroad are expected to achieve greater progress in productivity, cost efficiency, and profit maximization, while maintaining good quality control. Professionals must be open-minded in evaluating these techniques and practices, regardless of the source country, and must try to be both flexible and aggressive in experimenting

with innovations, in order to refine and polish the traditional techniques and practices of their own styles of business. An analysis of these techniques and practices, based on a wide range of actual case studies, would be invaluable for anyone seeking to improve his or her business practices. The efficacy and practicality of any management technique is put to the test only when transplanted from the soil in which it was nurtured to a new and different environment.

There is a great deal to be learned from such a study by both Japanese and foreign professionals. In this sense, the management techniques and legal practices newly adopted by Japan, and the Japanese management techniques and legal practices adopted by foreign countries are an area of research that fully deserves the attention of scholars and experts both in Japan and foreign countries. These studies should serve as valuable test cases for the theory and practice of modern business. It is hoped that this book will be used as a starting point for such studies.

Finally, I would like to express my deep appreciation to my two daughters, Anne Megumi Misawa and Marie Lei Misawa, who have provided me with continued support and encouragement during the writing of this book.

Mitsuru Misawa
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Preface to the 1st Edition

As a finance professor in a US university, I have not noticed many books on Japan, especially books written by Japanese authors. I have 30 years of experience as an investment banker in Tokyo and New York. Over these years I have gained tremendous insight into both Japanese and American issues in finance, law and business. My expertise in these three areas contributes to a unique perspective, as shown in this book. Because I am from Japan, this book was written from an insider's perspective.

Japanese corporate behavior and practice raise a number of issues for international businessmen, accountants and lawyers. In today's globally developed economy, it is important that Japan's current law, system and way of thinking are easily and accurately comprehended by those in foreign countries whose structures differ from those in Japan. Japan's economy is the second largest in the world, but there are many things that outsiders find difficult to understand. Their interest in the Japanese law, market and economy is significant and increasingly prominent. This book on Japan is surely relevant to their interests.

This book includes a number of citations as footnotes that show the readers how they may begin to collect vital information from Japan. The data here are pertinent to any understanding of the Japanese markets but are difficult for people outside the Tokyo markets to obtain.

The book is based on ten articles on Japanese finance and law that have already been published in respected journals. For each chapter, I have included additional and introductory comments regarding Japan's banking and finance industry. I would like to thank the journals for permitting me to use my articles, copyrights of which are held by them.

Financial support from the Center for Japanese Global Investment and Finance at the University of Hawaii, is gratefully acknowledged. To know more about the Center, please see the Appendix of the book. I also greatly acknowledge the support and understanding of my family, which has helped complete the book.