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Business Restructuring of Japanese Firms: Structural changes during the "Lost Decades"

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Abstract

This paper is an overview of the business restructuring—the entry into new businesses and the exit from unprofitable ones—of Japanese firms and its relationship with the corporate governance system. Specifically, we analyze changes in the restructuring behavior of Japanese firms by comparing two identical surveys conducted in 1998 and 2012. These surveys include large listed and small unlisted firms. There are many stable characteristics of Japanese firm restructuring behavior: the significant role of workers and customers/suppliers as stakeholders and the reluctance to reduce the number of employees. Japanese firms have become active in restructuring their businesses through mergers and acquisitions (M&As) to expand business areas and divestitures of unprofitable segments.

Keywords: Japanese firms, Restructuring, Stakeholder, M&A, Divestiture
JEL classifications：G34, L20, L21, M52

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1. Introduction

The slowdown of the economic growth rate, the globalization of business activities, technological progress such as IT revolution, and the financial crisis have forced Japanese firms to restructure their businesses. Additionally, the Japanese Government has conducted various legal reforms since the 1990s to remove barriers against smooth business restructuring. The legal reforms have included revisions to both the Corporate Code and the Antitrust Law related to corporate organization and governance and the enactment and revisions of the Law on Special Measures for Industrial Revitalization to support the reorganization of private firms. Recently, the "Japan Revitalization Strategy," a new growth strategy of the Abe Cabinet that was finalized in June 2013, stresses the significance of promoting business restructuring and reorganization. This study uses micro data from firm surveys and presents the empirical findings with respect to the business restructuring of Japanese firms — the entry into new businesses and the exit from unprofitable ones — from the perspective of changes in the corporate governance system during the last two decades.

We compare the results from an original survey from 2012 — the "Survey on Management and Economic Policy" — to a similar survey conducted in 1998. This paper offers new research and applies the data from surveys with the same design to investigate changes in Japanese firms. The number of sample firms in each of the two surveys are several thousand, and the surveys include both large listed (publicly traded) firms and small unlisted SMEs (small and medium sized enterprises) covering both manufacturing and non-manufacturing firms. This study therefore obtains results with respect to the overall characteristics of Japanese firms and changes that are not limited to listed large firms. [1] The two surveys used exactly the same questionnaires, and we can compare the same respondent firms by matching the two surveys at the firm-level.

This paper is related to several strands of literature. First, the recent empirical studies concerning product switching within multiproduct firms indicate that product switching significantly contributes to the reallocation of resources and to changes in the industrial structure of the overall economy (Bernard et al., 2010; Broda and Weinstein, 2010; Kawakami and Miyagawa, 2010; Bernard and Okubo, 2013). Certain studies suggest that product switching positively contributes to productivity improvement. However, these studies have not analyzed the factors underlying product switching, and the samples of past studies

[1] Miyajima et al. (2013) present findings with respect to changes in corporate governance arrangements and managerial practices in Japanese listed firms.

have been limited to the manufacturing industry.[2] To further investigate this issue, this paper includes a large number of firms from the service sector and analyzes the firm governance mechanisms that are related to product/service switching.

Second, this paper is related to the studies concerning corporate diversification and internal capital markets (see Martin and Sayrak, 2003; Stein, 2003; Maksimovic and Phillips, 2007, for surveys). Because external capital markets are imperfect, internal capital markets may effectively function to allocate resources within multiproduct firms (Stein, 1997). Whereas earlier studies discovered the diversification discounts that result from agency problems (Lang and Stulz, 1994; Berger and Ofek, 1995), later U.S. studies tend to suggest that internal capital markets are efficient in reallocating resources (Maksimovic and Phillips, 2007).[3] However, certain papers still find evidence of misallocation of capital within conglomerates (Glaser et al., 2013) and the literature has not yet reached a consensus.[4] This paper addresses this issue and presents facts with respect to the stakeholders who affect firm entry and exit of Japanese businesses.

Third, the studies concerning the relationship between corporate governance and employment adjustment are relevant to this paper. The employment practice of Japanese firms has been characterized as a lifelong employment system, and the speed of employment adjustment has been considered slower than other advanced countries (Tachibanaki, 1987; Abraham and Houseman, 1989). Certain recent empirical studies analyze the relationship between corporate governance structure and the employment adjustment behavior of Japanese firms (Abe, 2002; Abe and Shimizutani, 2007; Noda, 2013) and indicate that the influence of the main banks, the composition of shareholders (e.g., foreign ownership), and the composition of board members (e.g., outside directors) affect employment adjustment behavior. Noda (2013), using a sample of listed Japanese firms, indicates that changes in corporate governance — the weakening of the influence of the main banks and the stronger influence of foreign owners — have changed employment adjustment behavior, but that consideration for job security still persists in Japanese firms. Although the focus of this paper is not employment adjustment, the treatment of employees at the time of exit from unprofitable businesses is an important component of the analysis, which is complementary

[2] Morikawa (1998) is an exception, as he uses micro data of Japanese firms from both manufacturing and non-manufacturing industries to analyze product/service switching. The result indicates that the contribution of product/service switching to firms' total sales is non-negligible.

[3] Hann et al. (2013) find that diversified firms, through a coinsurance mechanism among segments, have a lower cost of capital than comparable stand-alone firms.

[4] In Japan, Fukui and Ushijima (2007) analyze the relationship between diversification and performance of Japanese large manufacturing firms and indicate that the average relationship between diversification and firm performance is negative.

to the recent studies on this issue.

To summarize the results, there are many stable characteristics of Japanese firm restructuring behavior despite the change in the economic situation and various legal reforms. For example, workers and customers/suppliers are important stakeholders that affect the decision to restructure. As a result, Japanese firms remain reluctant to reduce the number of employees when faced with deterioration in financial performance. However, in recent years, the influence of shareholders on managerial decisions has been strengthened and creditor influence (mainly of banks) has decreased. Among publicly listed firms, the internal governance mechanisms, such as outside directors and auditors, are gaining significance, which suggests that the legal reforms have enhanced the functioning of the internal governance mechanisms.[5] Additionally, irrespective of the listing status, Japanese firms have become active in restructuring their businesses through the acquisition of new businesses from other firms and the divestiture of unprofitable segments, which suggests that legal reform to remove barriers to smooth business restructuring may have been successful.

The remainder of this paper is organized as follows. Section 2 explains the two surveys used in this study. Section 3 presents an interpretation of the results, and Section 4 presents a conclusion.

2. Data

The data used in this paper originate from the "Survey of Corporate Management" by the Small and Medium Enterprise Agency in 1998 and the "Survey on the Outlook of the Japanese Economy and Economic Policy" by the Research Institute of Economy, Trade and Industry (RIETI) in 2012. The aim of the Survey of Corporate Management was to gather data related to the structure and governance of Japanese firms. The Survey of Corporate Management investigates factors such as a firm's managerial objectives, the composition of shareholders, the internal organization, and business restructuring. The Survey of Corporate Management, although conducted by the Small and Medium Enterprise Agency, includes both SMEs and large firms to facilitate a comparison by firm size. The number of firms surveyed was 10,000 and 5,095 firms responded (the response rate was 51.5%). We refer to this survey as the "1998 Survey." The "Survey on the Outlook of the Japanese Economy and Economic Policy" is an original survey conducted by RIETI from December 2011 to

[5] "Japan Revitalization Strategy" (June 2013) states that the Government will amend the Corporate Law to promote the installation of external directors.

February 2012. The questionnaire was sent to 15,500 large and small, manufacturing and non-manufacturing firms. A total of 3,444 firms responded to the survey (the response rate was 22.2%).[6] The survey questionnaires included topics such as the managerial objectives, the composition of shareholders, the internal organization, and business restructuring. The wording included in the 2012 survey is consistent with the 1998 survey to ensure an accurate comparison. We refer to this survey as the "2012 Survey" throughout this paper. This study uses questions from the two surveys with respect to entry into new businesses and exit from existing businesses to investigate the change in the restructuring behavior of Japanese firms.

Generally, a simple comparison of two cross-sectional datasets can result in possible sampling bias and prevent an accurate comparison. However, we included all of the firms that responded to the 1998 survey in the 2012 Survey. A total of 877 firms responded to both surveys. As a result, we are able to compare the responses of the same sample firms and to verify the robustness of the results using all sample firms.

Table 1 indicates the distribution of sample firms by industry, size, and listing status. Table 1 also demonstrates that the samples included manufacturing and non-manufacturing firms, large firms and SMEs, and listed and unlisted firms. The next section presents descriptive statistics with respect to the questionnaires that are related to business restructuring. Because the management and governance characteristics of unlisted firms are believed to be different from those of listed firms with a dispersed shareholding structure, we conduct separate calculations for listed and unlisted firms and test the significant differences between these subsamples.

3. The Results

3.1 Entry into new businesses

The decision to conduct innovative activities, including the start of new projects, is among the most important managerial decisions of firms. The surveys asked respondents to indicate the new activities that they engaged in during the last three years from a list of the following four activities: 1) the entry into new businesses; 2) the development of new products/services; 3) the improvement of existing products/services; and 4) the adoption of new production or delivery methods.

According to the 2012 Survey, 42.0% of firms developed new products/services and

[6] Sample firms of both include firms with 50 or more regular employees. In this paper, SMEs are defined as firms with 100 million yen or less of capital stock.

20.7% of firms entered into new businesses (column (1) of Table 2). A comparison with the 1998 survey results indicates that the percentage of firms that chose these two activities was lower in 2012. Even if we limit the sample firms to those that responded in both surveys, the results are similar (column (2) of Table 2). The decline in innovative activities is more pronounced among listed firms (column (3) of Table 2).

In contrast to the profit-maximizing shareholder-oriented firm, Japanese firms are often regarded as stakeholder-oriented. That is, shareholders, creditors, employees, and customers/suppliers are important stakeholders of typical Japanese firms. The surveys examined which stakeholders are influential in the decision to enter into new businesses. The respondents were asked to choose up to two entities from the following twelve options: 1) parent firms, 2) institutional investors, 3) other shareholders, 4) creditors, 5) outside directors, 6) outside auditors, 7) inside auditors (or board of auditors), 8) employees, 9) labor unions, 10) customers/suppliers, 11) contractors (for subcontractors), and 12) other entities.

Table 3 presents the results of this examination. The questionnaires are in multiple-choice style and the total number of firms that responded to the question is used as the denominator (the sum of the individual answer exceeds 100%). According to the 2012 survey, parent firms (38.3%) are the most influential group followed sequentially by customers/suppliers (38.1%), and employees (33.4%). The result is consistent with the notion that stakeholders other than shareholders, especially customers/suppliers and employees, have substantial influence on the managerial decisions of Japanese firms. A comparison with the 1998 survey indicates that the percentage of shareholders — the sum of 1) parent firms, 2) institutional investors, and 3) other shareholders — had increased by 6.6% points, but the percentage of creditors and employees including labor unions had decreased (by -6.0% points, and -5.7% points, respectively). The results for the firms that responded to both surveys demonstrate a similar pattern (column (2) of Table 3). These results suggest an increase in shareholder influence to a certain extent, but a more remarkable finding is that the influence of customers/suppliers and employees on the decision to enter into new business is substantial in both surveys. With respect to the differences between listed and unlisted firms, the percentages for institutional investors and other shareholders are higher for listed firms as expected (columns (3) and (4) of Table 3). Additionally, although the absolute number remains small, the influence of outside directors, outside auditors, and (inside) auditors has increased among listed firms. [7]

The acquisition of other firms or segments of other firms is a potentially important measure with respect to entry into new business. Since the 1990s, various legal reforms have

[7] t-test results for the statistical differences between listed and unlisted firms are indicated in the table.

been conducted to promote M&A (merger and acquisition) activity: the simplification of the merger procedure (revision of the Commercial Code, 1997), the removal of a ban on the establishment of pure holding companies (revision of Antitrust Law, 1997), the relaxing of the rules and regulations to approve mergers (revision of Antitrust Law, 1998), and the introduction of the consolidated tax system (2002). The surveys examined M&A firm experiences. The specific question is straightforward: “Has your firm ever conducted a merger or acquisition?” The results demonstrate that 23.5% of firms in the 1998 survey and 28.4% of firms in the 2012 survey had experienced M&As and the percentages had therefore increased (Table 4). Whereas the results for those firms that responded to both surveys are lower than the results for the full sample in absolute terms (20.0% in 1998 and 26.1% in 2012), the trend of an increase in M&A activity is confirmed (column (2) of Table 4). Interestingly, the experience of M&As is not limited to publicly listed firms. According to the 2012 Survey, 57.2% of listed firms and 26.5% of unlisted firms were involved in M&As and the percentages have increased for both types of firms.

The firms that had experience of M&As were asked to comment on the merits of M&As by choosing from the following 12 responses: 1) an advantage of M&A activity is the expansion of market share; 2) an advantage of M&A activity is the acquisition of new markets; 3) an advantage of M&A activity is the development of new businesses; 4) an advantage of M&A activity is increased financial ability; 5) an advantage of M&A activity is the reduction of costs; 6) an advantage of M&A activity is improvements in R&D capability; 7) an advantage of M&A activity is improvements in organizational efficiency; 8) an advantage of M&A activity is an increase in production capacity; 9) an advantage of M&A activity is the securing of a successor; 10) an advantage of M&A activity is employment adjustment; 11) an advantage of M&A activity is restructuring other than employment adjustment; and 12) there are no specific merits to M&A activity. Respondents were asked to select up to three choices. The questionnaires were in multiple-choice style and the total number of firms that responded to the question (934 firms in 2012) is used as the denominator. The sum of the individual answer therefore exceeds 100%. According to the 2012 survey, with respect to the merits of M&A activity, the expansion of market share (39.1%), the acquisition of new markets (35.7%), improved organizational efficiency (27.8%), the development of new businesses (21.4%), and increased financial ability (19.8%) were chosen by a large number of firms (Table 5). The “acquisition of new markets” and the “development of new businesses” can be interpreted as the expansion of business areas. The responses are similar in the 1998 survey; however, when the two surveys are compared, the number of respondents who claimed that an advantage of M&As is to expand business areas increased (the number of respondents who chose the “acquisition of new markets” increased by +4.9%

and the number of respondents who chose the "development of new businesses" increased by +2.8%).[8] The results for those firms that responded to both surveys indicate a similar pattern (column (2) of Table 5). These results suggest that Japanese firms have become active in restructuring their businesses through M&As.

3.2. Exit from unprofitable businesses

The exit from unprofitable businesses in addition to the entry into new businesses is essential for firms to maintain or to improve profitability. In the context of a low-growth economy, the skill in exit strategy directly affects a firm's performance. Additionally, from an overall economy perspective, resource reallocation through the exiting of inefficient business and growth of efficient business is desirable to enhance aggregate-level productivity (see for example, Baily et al., 1992; Foster et al., 2001; Disney et al., 2003; Fukao and Kwon, 2006).

The surveys examined firm experience with respect to exit from businesses: "Has your firm ever exited from unprofitable or low growth potential businesses?" The results demonstrate that 45.8% of firms in 1998 and 49.6% of firms in 2012 experienced exit, an increase of +3.6% points (column (1) of Table 6). The results for those firms that responded to both surveys are similar and the percentage of firms increased by +4.1% points (column (2) of Table 6). The results for listed firms are that approximately two thirds had exited from businesses, but approximately half of the unlisted firms had also experienced exit (columns (3) and (4) of Table 6).

The firms use alternative strategies when exiting businesses such as reshuffling segments with the redeployment of workers within the firm, and selling off the segments to other firms (divestitures). The surveys asked respondents "What is the major method of exit from unprofitable businesses?" This question was posed to all sample firms and not only those that had experienced exit. The questionnaire asked "If your firm has not experienced exit, please provide a hypothetical case of an example of exit in the future." The choices were the following: 1) disposition inside the firm, 2) selling off the businesses to other firms, 3) both 1) and 2), and 4) others. Table 7 shows the response to this question: 80.2% of firms in the 1998 Survey and 72.0% of firms in the 2012 survey indicated that the major method of exit is to reshuffle segments and redeploy workers within the firm. However, the number of firms considering divestiture has increased rapidly: the percentage of respondents who chose selling

[8] This change is remarkable among listed firms (column (3) of Table 5).

off the businesses to other firms (the sum of the choices 2) and 3)) was 25.2% in 2012, which represents a substantial increase from 12.1% in 1998. The results for those firms that responded to both surveys are similar and the percentage of firms increased by +13.7% points (column (2) of Table 7). These results suggest that the market for business segments has been prevailing during the last two decades.

The next question examined the criterion used with respect to the exiting from existing businesses. The specific question posed was "What criterion does your firm consider with respect to the decision to exit?" This question was posed to all firms including those firms without exit experience. The response choices were the following: 1) "when the profit rate of the segment does not reach the target rate," 2) "when the segment becomes a deficit," 3) "do not exit as long as segment growth is expected," 4) "do not exit as long as the overall firm has a positive profit," 5) "do not exit as long as the competing firms do not exit," and 6) "others." The responses are presented in Table 8. The results of the 2012 survey demonstrate that "do not exit as long as the growth of the segment is expected" (38.1%) was followed sequentially by "when the segment becomes deficit" (23.2%), "do not exit as long as the overall firm has a positive profit" (17.2%), and "when the profit rate of the segment does not reach the target rate" (12.8%). A comparison with the results from the 1998 survey indicates that "do not exit as long as segment growth is expected" increased substantially (+10.6% points), but "do not exit as long as the overall firm has a positive profit" decreased (-8.8% points). The results for those firms that responded to both surveys are similar: "do not exit as long as segment growth is expected" increased by +10.3% points and "do not exit as long as the overall firm has a positive profit" decreased by -8.8% points (column (2) of Table 8). The separate calculations for listed and unlisted firms indicate that the percentage of firms that responded "do not exit as long as the overall firm has a positive profit" is smaller among listed firms (9.3% in 2012), but the percentage of respondents who chose this response decreased by approximately 10% points for both subsamples (columns (3) and (4) of Table 8). These results indicate that Japanese firms are beginning to attach significance to the profitability and growth potential of the individual segments.

The obstacles with respect to the decision to exit were then examined. The specific question posed was "What is the most significant obstacle for your firm with respect to exiting from unprofitable businesses?" The response choices were the following: 1) "historical background (importance) of the business," 2) "difficulty in appropriate treatment of the employees of the segment," 3) "continuous operation of the competing firms," 4) "fear concerning the deterioration of firm reputation," 5) "relationships with the customers/suppliers," 6) "fear concerning the (negative) shock to the stock price," 7) "large exit costs," 8) "laws and regulations," and 9) "others." Table 9 summarizes the results. The results from the 2012 survey demonstrate that the percentage of firms that chose the response "difficulty in appropriate treatment of the employees of the segment" is 42.4% and far exceeds the other choices, followed sequentially by "relationships with supplier/customer" (14.7%), "large exit costs" (14.5%), "historical background of the business" (13.1%), and "fear concerning the deterioration of firm reputation" (10.6%). A small number of firms selected the other factors as significant obstacles. A comparison with the 1998 survey indicates that the number of firms that chose he response "difficulty in appropriate treatment of the employees of the segment" continued to be the most popular choice and that the percentage increased substantially (increase of 10.9% points). The pattern is the same for the subsample of firms that responded to both surveys (column (2) of Table 9) and for listed and unlisted firms (columns (3) and (4) of Table 9). Whereas the Japanese labor market has become more flexible, represented by the increase in non-standard employees during the last two decades, the consideration of job security for employees with respect to the managerial decision to restructure business is of increasing concern. However, the percentage of firms that chose the response "fear concerning the deterioration of firm reputation" decreased by -5.4% points, indicating that the negative perception by society toward firm exit is decreasing.

Finally, similar to the decision to enter into new businesses, the surveys examined which stakeholders are influential with respect to the decision to exit from unprofitable businesses. The choices were the same as those with respect to the decision to enter new businesses: 1) the parent firms, 2) the institutional investors, 3) other shareholders, 4) the creditors, 5) the outside directors, 6) the outside auditors, 7) the inside auditors (board of auditors), 8) the employees, 9) the labor union, 10) the customers/suppliers, 11) the contractors (for subcontractors), and 12) other entities. The respondents were asked to select up to two groups. Table 10 summarizes the responses. The results are similar to the answers with respect to entry into new businesses and indicate that customers/suppliers and employees have a substantial influence on the managerial decisions of Japanese firms. In the 2012 survey, shareholders — the sum of 1) parent firms, 2) institutional investors, and 3) other shareholders — are chosen by 58.2% of firms. A comparison with the 1998 survey indicates that an increase in the influence of shareholders (the sum of 1) to 3) has increased by 9.3% points) and decreases in the influence of employees (the sum of 8) and 9) has decreased by -14.4%) and creditors (decreased by -6.2% points) are significant. Table 9 demonstrates that the consideration of job security for employees has become a concern, but the direct influence of employees on the exit decision itself appears to be decreasing. The results for the subsample of firms that responded to both surveys indicate a similar pattern as the results for all firms, whereas the percentage of firms who chose customers/suppliers is larger (column (2) of Table 10). A possible reason for the significant role of customers/suppliers is the relatively high share of manufacturing firms in this subsample. A comparison of the results for listed and unlisted firms indicates that, similar to the results for the decision to enter, the percentages of institutional investors and other shareholders are higher for listed firms and the percentage of parent firms is higher for unlisted firms (columns (3) and (4) of Table 10). The relative influence of shareholders is increasing for both listed and unlisted firms. The influence of outside directors, outside auditors, and (inside) auditors increased substantially among publicly listed firms, whereas the absolute figures remain small when compared to other stakeholders.

4. Conclusion

This paper utilized the data from surveys conducted on Japanese firms to examine the behavior of business restructuring, the methods of restructuring, and the stakeholders that affect the decision to restructure. The paper presents evidence with respect to changes in the restructuring behavior of Japanese firms by comparing two surveys conducted in 1998 and 2012. The sample firms included large listed large firms and unlisted SMEs and covered both manufacturing and non-manufacturing industries. Because prior empirical studies concerning management practices generally focus only on listed firms, the management practices of unlisted firms are not well researched. An advantage of this study is its inclusion of a variety of Japanese firms.

We use data from the two surveys which included exactly the same questionnaires. A comparison of two cross-sectional datasets often suffers from possible sampling bias. However, we overcame this problem by matching the two surveys at the firm-level and comparing the results for the full sample and the results for the subsample of firms that responded to both surveys. The comparisons indicate that the results for the subsample are generally similar to the full sample, which confirms that the observed changes during the last two decades are not caused by a sampling bias.

The main findings can be summarized as follows. First, the employees and customers/suppliers are significant stakeholders that affect Japanese firms' decisions to restructure. Consequently, Japanese firms remain reluctant to reduce the number of employees when faced with deterioration in firm performance. This has been a stable characteristic of Japanese firms since the late 1990s despite the drastic changes in the economic situation and various institutional reforms. Second, the influence of the shareholders on managerial decisions has increased and the influence of creditors (mainly banks) has decreased in recent years. Third, whereas the influence of outside directors and auditors is limited, internal governance mechanisms on restructuring decisions have become more effective among publicly listed firms. Fourth, Japanese firms have become active in restructuring their businesses through M&As to expand business areas and divestitures of unprofitable segments. As expected, listed and unlisted firms often exhibit different behaviors, but we note similar changes between 1998 and 2012 for both types of firms.

The main purpose of this paper is not to evaluate the policies related to firm restructuring; however, the results suggest that the legal reforms to enhance the functioning of internal governance and to remove barriers against smooth business restructuring may have contributed to the intended purposes. Although there has been a gradual increase in the importance of shareholders, customers/suppliers and employees as stakeholders, the long-term transaction relations and long-term employment practices appear to be the consistent characteristic of Japanese firms and stakeholder management is therefore central to successful restructuring.

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Table 1 Distribution of sample firms

	(1) 1998 Survey		(2) 2012 Survey	
Non-manufacturing	1,782	35.0%	1,799	52.2%
Manufacturing	3,313	65.0%	1,645	47.8%
Large firms	1,956	38.4%	1,067	31.0%
SMEs	3,139	61.6%	2,377	69.0%
Listed firms	304	6.0%	206	6.0%
Unlisted firms	4,743	94.0%	3,206	94.0%

(Note) SMEs are defined as firms with 100 million yen or less share capital.

Table 2 New activities during the last three years (multiple choices)

		(1) All firms		(2) Common firms		(3) Listed firms		(4) Unlisted firms			
		1998	2012	1998	2012	1998	2012	1998		2012	
1	Entry into new businesses	21.1%	20.7%	20.8%	18.5%	33.6%	27.7%	20.2%	***	20.2%	***
2	Development of new products/services	47.0%	42.0%	46.2%	43.9%	72.8%	62.1%	45.3%	***	40.8%	***
3	Improvement of existing products/services	48.6%	40.1%	50.2%	41.7%	76.5%	59.5%	46.8%	***	38.8%	***
4	Adoption of new production or delivery methods	28.8%	17.7%	26.6%	19.0%	50.7%	29.7%	27.4%	***	17.0%	***
	Number of firms	4,834	3,310	837	847	298	195	4,536		3,115	

(Notes) “Common firms” (column (2)) means the firms responded the two surveys. ***, **, and * indicate the statistically significant differences between listed and unlisted firms at the 1%, 5%, and 10% level, respectively.

Table 3 Influential stakeholders on the decision to enter into new businesses (multiple choices)

		(1) All firms		(2) Common firms		(3) Listed firms		(4) Unlisted firms			
		1998	2012	1998	2012	1998	2012	1998		2012	
1	Parent firms	36.9%	38.3%	31.5%	31.4%	18.2%	18.1%	38.2%	***	39.6%	***
2	Institutional investors	2.0%	1.9%	2.2%	2.3%	10.5%	10.7%	1.5%	***	1.4%	***
3	Other shareholders	8.3%	13.7%	8.0%	14.9%	18.2%	16.4%	7.7%	***	13.5%	
4	Creditors	9.8%	3.8%	9.5%	4.0%	7.3%	3.4%	10.0%		3.8%	
5	Outside directors	2.6%	3.4%	3.0%	2.3%	1.5%	4.5%	2.6%		3.3%	
6	Outside auditors	0.5%	0.5%	0.4%	0.7%	1.1%	2.3%	0.5%		0.4%	***
7	Inside auditors	1.0%	2.2%	0.9%	2.0%	1.8%	8.5%	1.0%		1.8%	***
8	Employees	37.4%	33.4%	39.8%	36.1%	32.4%	28.2%	37.7%	*	33.8%	
9	Labor union	2.7%	0.9%	3.0%	1.2%	5.1%	0.6%	2.5%	**	1.0%	
10	Customers/suppliers	44.4%	38.1%	47.2%	40.5%	50.5%	45.8%	44.0%		37.7%	**
11	Contractors	2.3%	2.0%	2.4%	2.8%	1.1%	0.6%	2.3%		2.1%	
12	Others	14.8%	18.3%	15.7%	19.3%	15.6%	25.4%	14.8%		17.8%	**
	Number of firms	4,361	2,952	739	746	275	177	4,086		2,775	

(Notes) “Common firms” (column (2)) means the firms responded the two surveys. ***, **, and * indicate the statistically significant differences between listed and unlisted firms at the 1%, 5%, and 10% level, respectively. This questionnaire is a multiple-choice style and the total number of firms responded to the question is used as denominator (the sum of the individual answer exceeds 100%).

Table 4 Experience of M&As

	(1) All firms		(2) Common firms		(3) Listed firms		(4) Unlisted firms			
	1998	2012	1998	2012	1998	2012	1998		2012	
Experienced	23.5%	28.4%	20.0%	26.1%	54.0%	57.2%	21.6%	***	26.5%	***

(Notes) “Common firms” (column (2)) means the firms responded the two surveys. ***, **, and * indicate the statistically significant differences between listed and unlisted firms at the 1%, 5%, and 10% level, respectively.

Table 5 Merits of M&As (multiple choices)

		(1) All firms		(2) Common firms		(3) Listed firms		(4) Unlisted firms			
		1998	2012	1998	2012	1998	2012	1998		2012	
1	Expansion of market share	31.0%	39.1%	32.0%	33.8%	28.5%	48.2%	31.4%		37.8%	**
2	Acquisition of new markets	30.7%	35.7%	33.3%	35.6%	41.5%	45.6%	29.1%	***	34.3%	**
3	Development of new businesses	21.4%	24.2%	24.7%	26.0%	27.7%	36.8%	20.4%	*	22.4%	***
4	Improving of financial ability	19.8%	10.7%	14.7%	12.8%	13.8%	5.3%	20.6%	*	11.5%	**
5	Reduction of costs	15.2%	16.3%	16.7%	17.4%	14.6%	12.3%	15.3%		16.8%	
6	Improving R&D ability	5.0%	4.6%	6.0%	4.6%	11.5%	10.5%	4.1%	***	3.8%	***
7	Improving organizational efficiency	27.8%	26.1%	25.3%	20.1%	34.6%	20.2%	26.8%	*	27.0%	
8	Increase in production capacity	18.5%	14.2%	19.3%	17.8%	21.5%	17.5%	18.1%		13.8%	
9	Securing to have a successor	2.1%	2.1%	2.7%	1.4%	0.0%	2.6%	2.4%	*	2.1%	
10	Employment adjustment	12.0%	8.9%	8.7%	7.8%	4.6%	5.3%	13.1%	***	9.4%	
11	Other restructuring	4.7%	3.1%	4.0%	2.3%	1.5%	0.9%	5.2%	*	3.4%	
12	No specific merits	11.2%	8.4%	14.7%	11.4%	9.2%	4.4%	11.5%		8.9%	
	Number of firms	992	934	150	219	130	114	862		820	

(Notes) "Common firms" (column (2)) means the firms responded the two surveys. ***, **, and * indicate the statistically significant differences between listed and unlisted firms at the 1%, 5%, and 10% level, respectively. This questionnaire is a multiple-choice style and the total number of firms responded to the question is used as denominator (the sum of the individual answer exceeds 100%).

Table 6 Experience of exit from unprofitable businesses

	(1) All firms		(2) Common firms		(3) Listed firms		(4) Unlisted firms			
	1998	2012	1998	2012	1998	2012	1998		2012	
Experienced	45.8%	49.6%	46.3%	50.4%	67.7%	68.5%	44.4%	***	48.4%	***

(Notes) "Common firms" (column (2)) means the firms responded to the two surveys. ***, **, and * indicate the statistically significant differences between listed and unlisted firms at the 1%, 5%, and 10% level, respectively.

Table 7 Major method of exit from unprofitable businesses

		(1) All firms		(2) Common firms		(3) Listed firms		(4) Unlisted firms			
		1998	2012	1998	2012	1998	2012	1998		2012	
1	Disposition inside firm	80.9%	72.0%	84.4%	74.5%	74.7%	54.9%	81.3%	**	73.1%	***
2	Selling off the businesses	4.3%	7.6%	3.0%	6.8%	4.8%	9.7%	4.2%		7.4%	
3	Both 1 and 2	7.9%	17.9%	6.5%	16.3%	16.9%	33.3%	7.2%	***	16.9%	***
4	Others	7.0%	2.5%	6.1%	2.3%	3.6%	2.1%	7.3%	**	2.6%	
	Number of firms	3,482	3,249	604	833	249	195	3,233		3,054	

(Notes) "Common firms" (column (2)) means the firms responded to the two surveys. ***, **, and * indicate the statistically significant differences between listed and unlisted firms at the 1%, 5%, and 10% level, respectively.

Table 8 Criterion to exit from existing businesses

		(1) All firms		(2) Common firms		(3) Listed firms		(4) Unlisted firms			
		1998	2012	1998	2012	1998	2012	1998		2012	
1	When the profit rate of the segment does not reach the	13.9%	12.8%	13.9%	13.2%	12.4%	13.4%	14.0%		12.7%	
2	When the segment becomes deficit	22.1%	23.2%	24.2%	24.4%	18.7%	22.2%	22.3%		23.3%	
3	Do not exit as long as segment growth is expected	27.5%	38.1%	26.2%	36.5%	38.6%	38.7%	26.8%	***	38.1%	
4	Do not exit as long as the overall firm has a positive	25.9%	17.2%	26.0%	18.7%	19.5%	9.3%	26.4%	**	17.7%	***
5	Do not exit as long as the competing firms do not exit	0.9%	0.5%	0.7%	0.2%	0.4%	0.0%	1.0%		0.5%	
6	Others	9.7%	8.3%	9.0%	7.0%	10.5%	16.5%	9.6%		7.7%	***
	Number of firms	4,056	3,257	703	833	267	194	3,789		3,063	

(Notes) "Common firms" (column (2)) means the firms responded to the two surveys. ***, **, and * indicate the statistically significant differences between listed and unlisted firms at the 1%, 5%, and 10% level, respectively.

Table 9 Most significant obstacle for your firm to exit from unprofitable business

		(1) All firms		(2) Common firms		(3) Listed firms		(4) Unlisted firms			
		1998	2012	1998	2012	1998	2012	1998		2012	
1	Historical background of the business	13.5%	13.1%	12.4%	12.0%	13.7%	10.9%	13.5%		13.2%	
2	Difficulty in appropriate treatment of the employees of the segment	31.5%	42.4%	31.1%	42.9%	27.5%	35.2%	31.8%		42.8%	**
3	Continuous operation of the competing firms	0.8%	1.0%	0.5%	1.2%	0.0%	1.0%	0.8%		1.0%	
4	Fear concerning the deterioration of firm reputation	16.0%	10.6%	17.2%	11.0%	9.5%	7.3%	16.4%	***	10.8%	
5	Relationships with suppliers/customers	17.5%	14.7%	19.2%	16.0%	18.0%	15.5%	17.4%		14.6%	
6	Fear concerning the shock to the stock price	0.1%	0.1%	0.0%	0.0%	1.1%	0.0%	0.0%	***	0.1%	
7	Large exit costs	10.9%	14.5%	9.5%	13.6%	22.5%	23.8%	10.1%	***	13.9%	***
8	Laws and regulations	0.1%	0.4%	0.1%	0.4%	0.4%	0.5%	0.1%		0.4%	
9	Others	9.7%	3.4%	9.9%	3.0%	7.4%	5.7%	9.8%		3.2%	*
	Number of firms	4,377	3,249	777	833	284	193	4,093		3,056	

(Notes) "Common firms" (column (2)) means the firms responded to the two surveys. ***, **, and * indicate the statistically significant differences between listed and unlisted firms at the 1%, 5%, and 10% level, respectively.

Table 10 Influential stakeholders on the decision to exit from existing businesses (multiple choices)

		(1) All firms		(2) Common firms		(3) Listed firms		(4) Unlisted firms			
		1998	2012	1998	2012	1998	2012	1998		2012	
1	Parent firms	36.8%	40.1%	29.3%	33.4%	17.9%	19.0%	38.1%	***	41.5%	***
2	Institutional investors	2.2%	2.3%	1.6%	2.8%	12.1%	14.5%	1.6%	***	1.5%	***
3	Other shareholders	9.9%	15.8%	9.3%	16.5%	21.4%	20.1%	9.1%	***	15.5%	
4	Creditors	12.8%	6.6%	13.3%	6.4%	8.2%	5.6%	13.1%	**	6.7%	
5	Outside directors	2.3%	4.1%	1.9%	2.8%	0.4%	5.0%	2.5%	**	4.0%	
6	Outside auditors	0.8%	0.7%	0.5%	0.9%	1.8%	2.2%	0.7%	*	0.6%	**
7	Inside auditors	2.3%	3.8%	2.6%	3.5%	3.9%	11.2%	2.2%	*	3.3%	***
8	Employees	35.4%	24.5%	40.5%	27.5%	25.7%	22.3%	36.1%	***	24.6%	
9	Labor union	5.6%	2.2%	5.9%	2.0%	16.8%	4.5%	4.9%	***	2.1%	**
10	Customers/suppliers	39.8%	33.3%	41.5%	36.0%	49.3%	39.7%	39.2%	***	32.9%	*
11	Contractors	2.6%	2.3%	3.1%	2.7%	1.4%	1.1%	2.7%		2.3%	
12	Others	14.4%	20.3%	15.2%	21.1%	10.7%	22.3%	14.6%	*	20.2%	*
	Number of firms	4,315	2,928	735	739	280	179	4,035		2,749	

(Notes) “Common firms” (column (2)) means the firms responded to the two surveys. ***, **, and * indicate the statistically significant differences between listed and unlisted firms at the 1%, 5%, and 10% level, respectively. This questionnaire is a multiple-choice style and the total number of firms responded to the question is used as denominator (the sum of the individual answer exceeds 100%).