

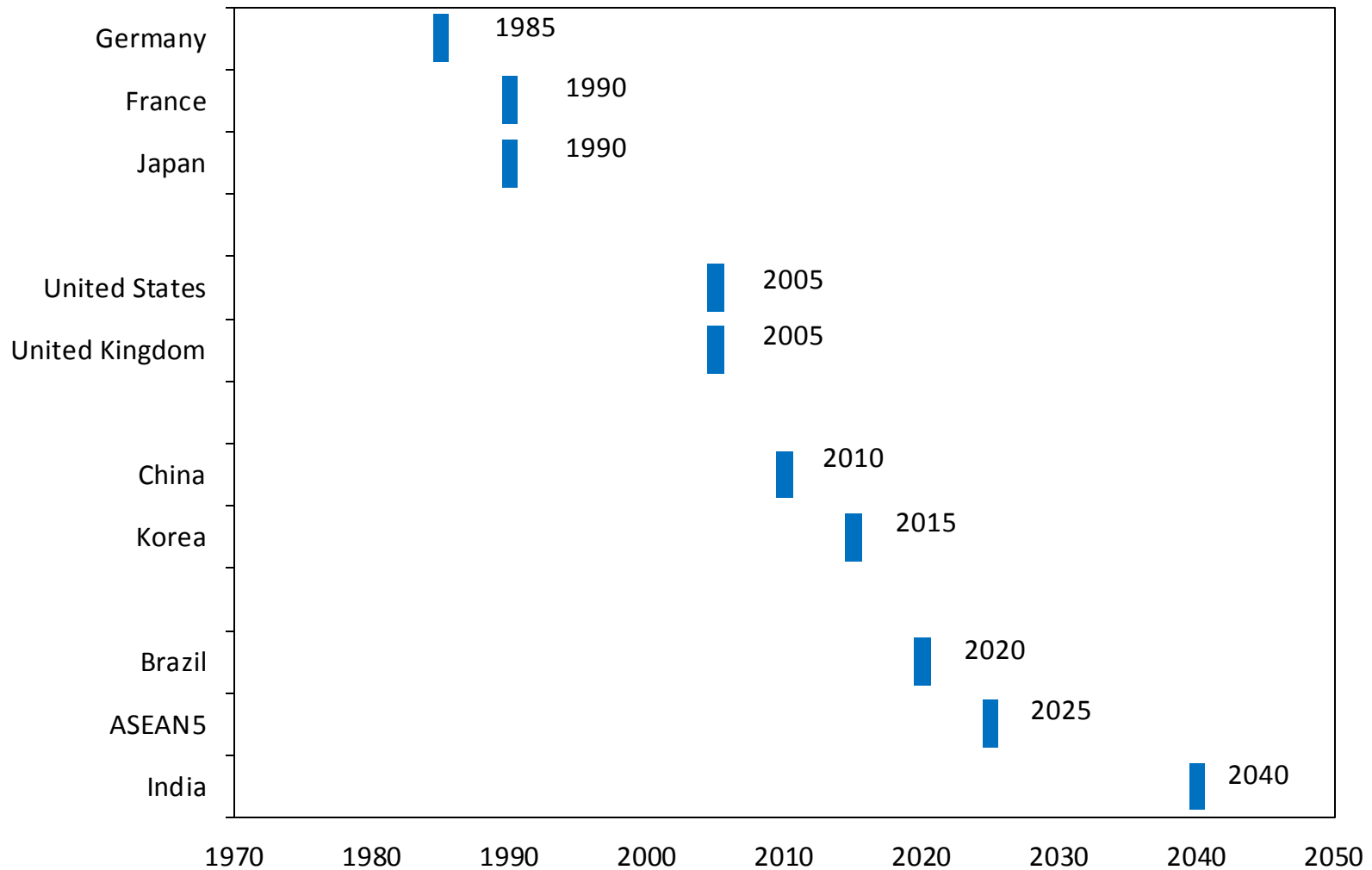
# Demography and Structural Reform

2014.5.2

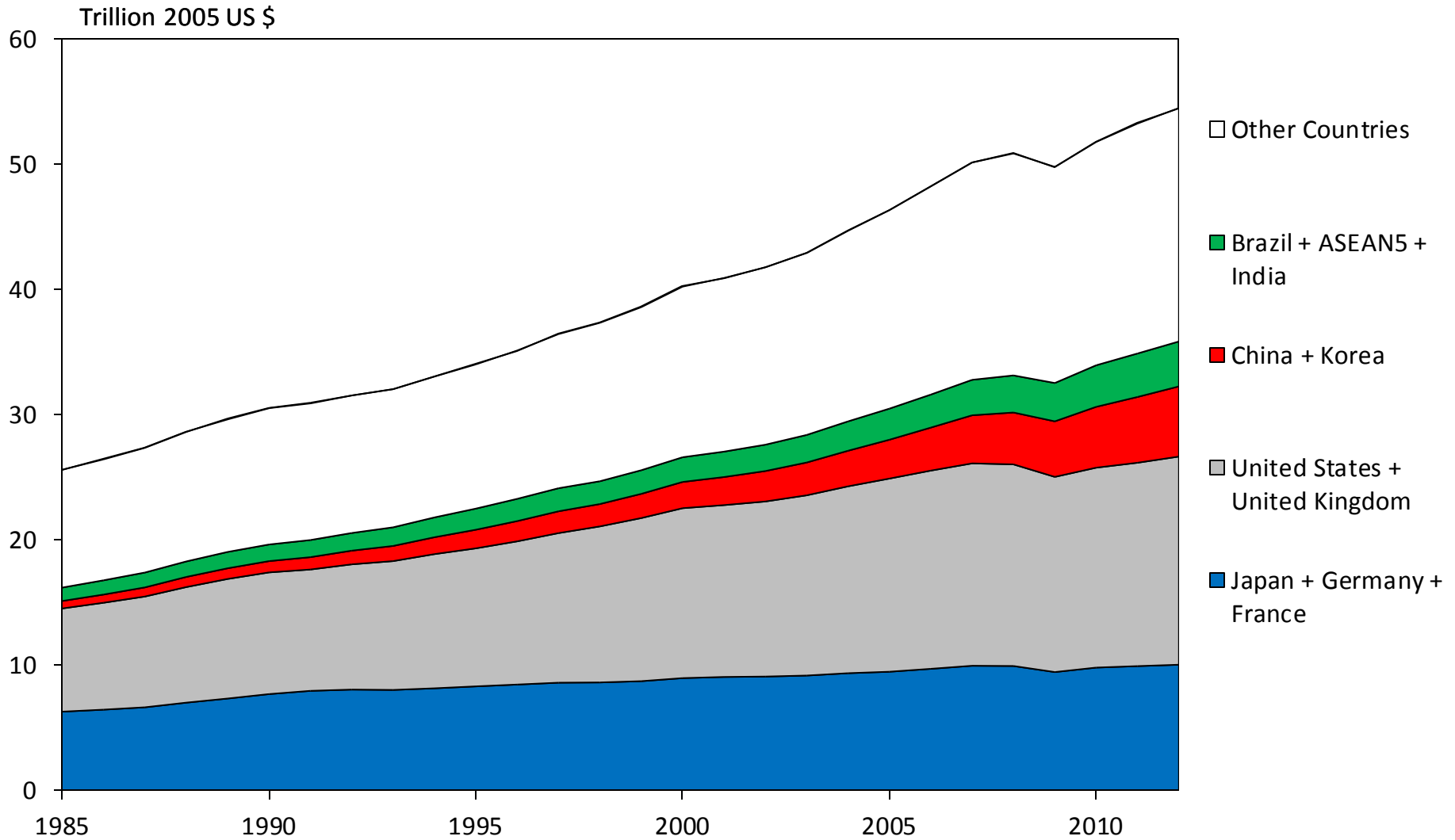
Executive Director, Bank of Japan

Nobuyuki Kinoshita

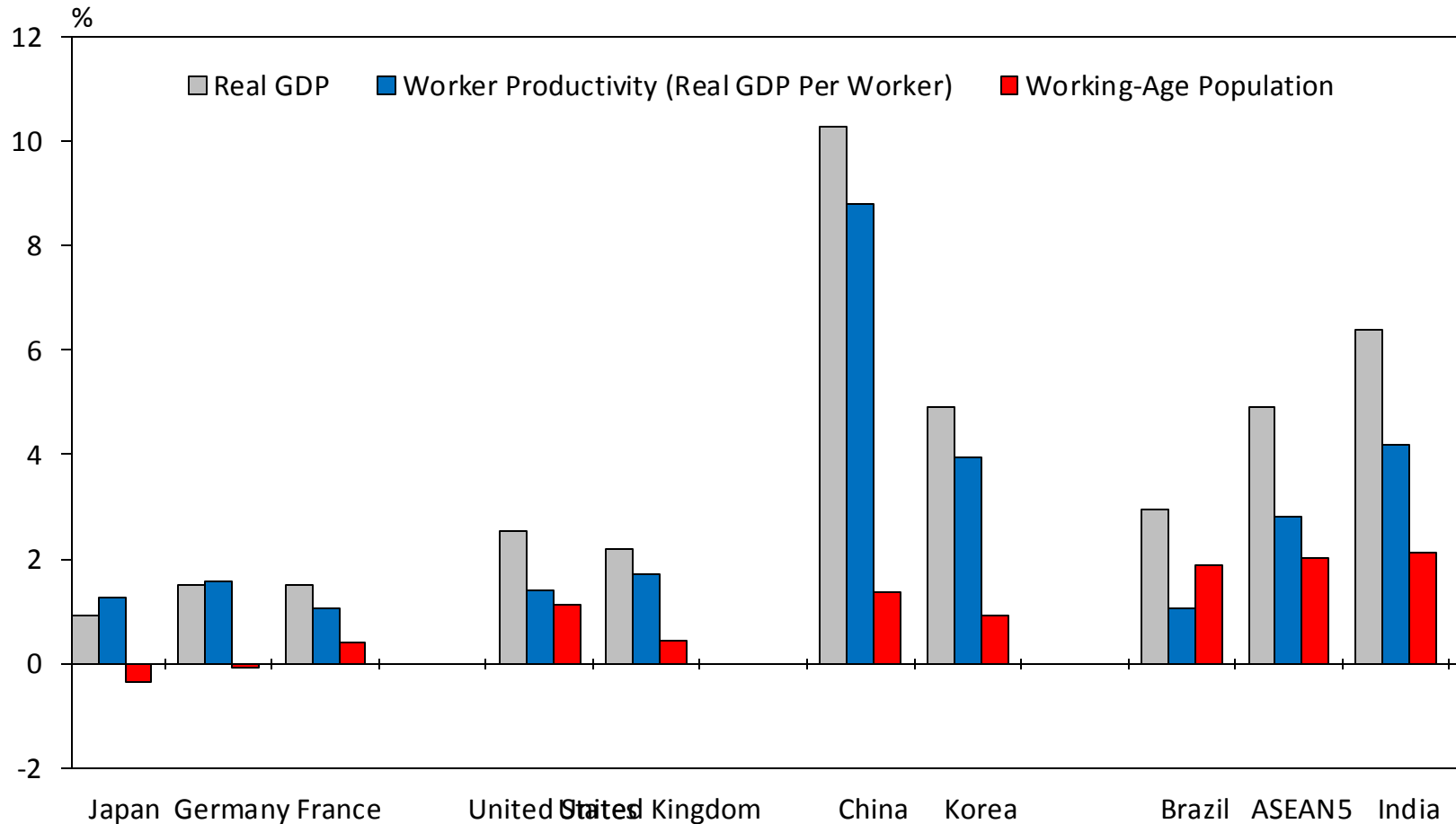
# 1 Peak Year of Working-Age Population Ratio



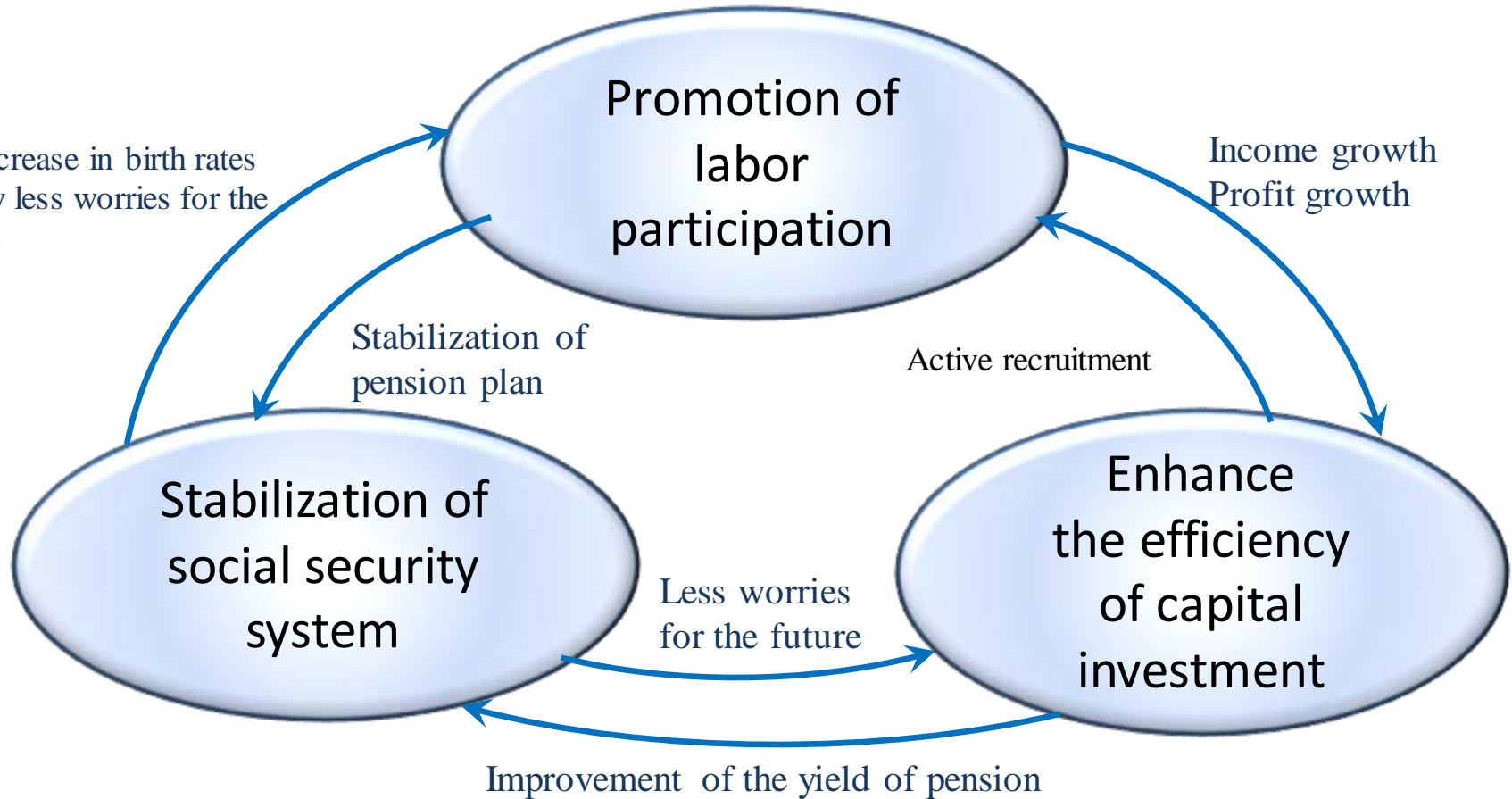
# 2 World Real GDP



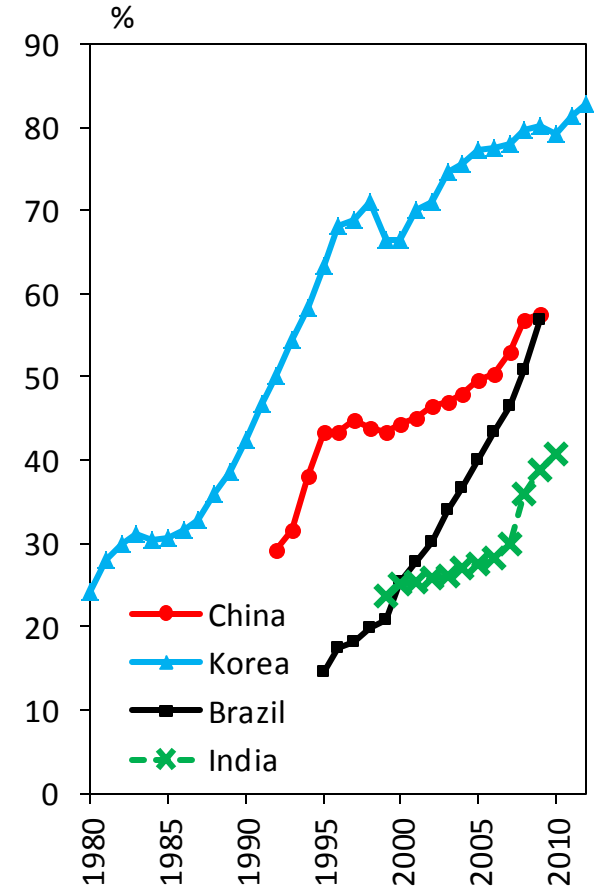
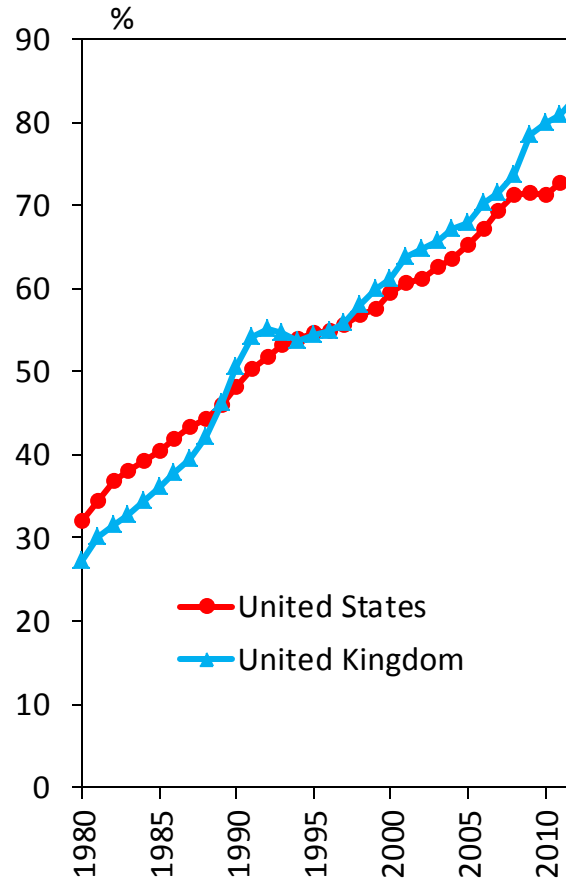
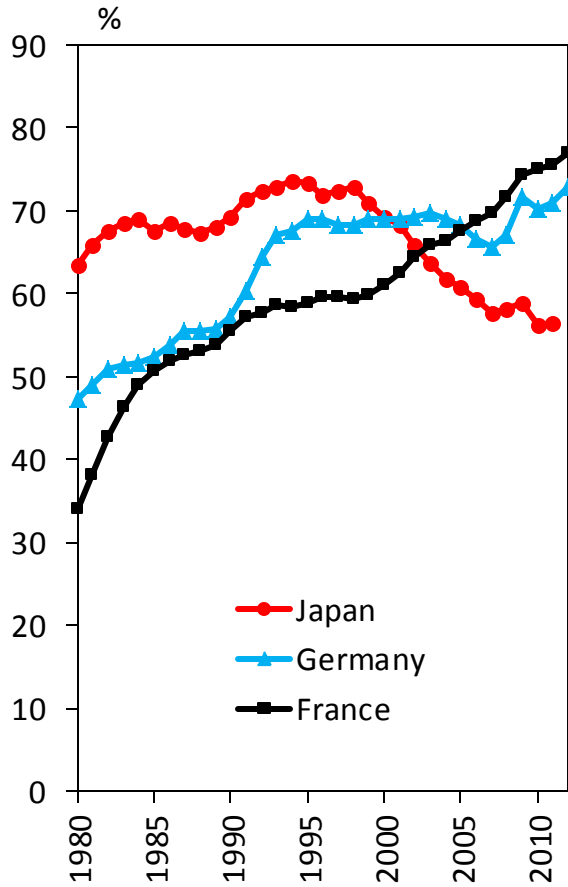
### 3 Average Growth Rate of Worker Productivity and Working-Age Population (1990-2012)



## 4 Structural Reform for a Country with Declining Labor Force



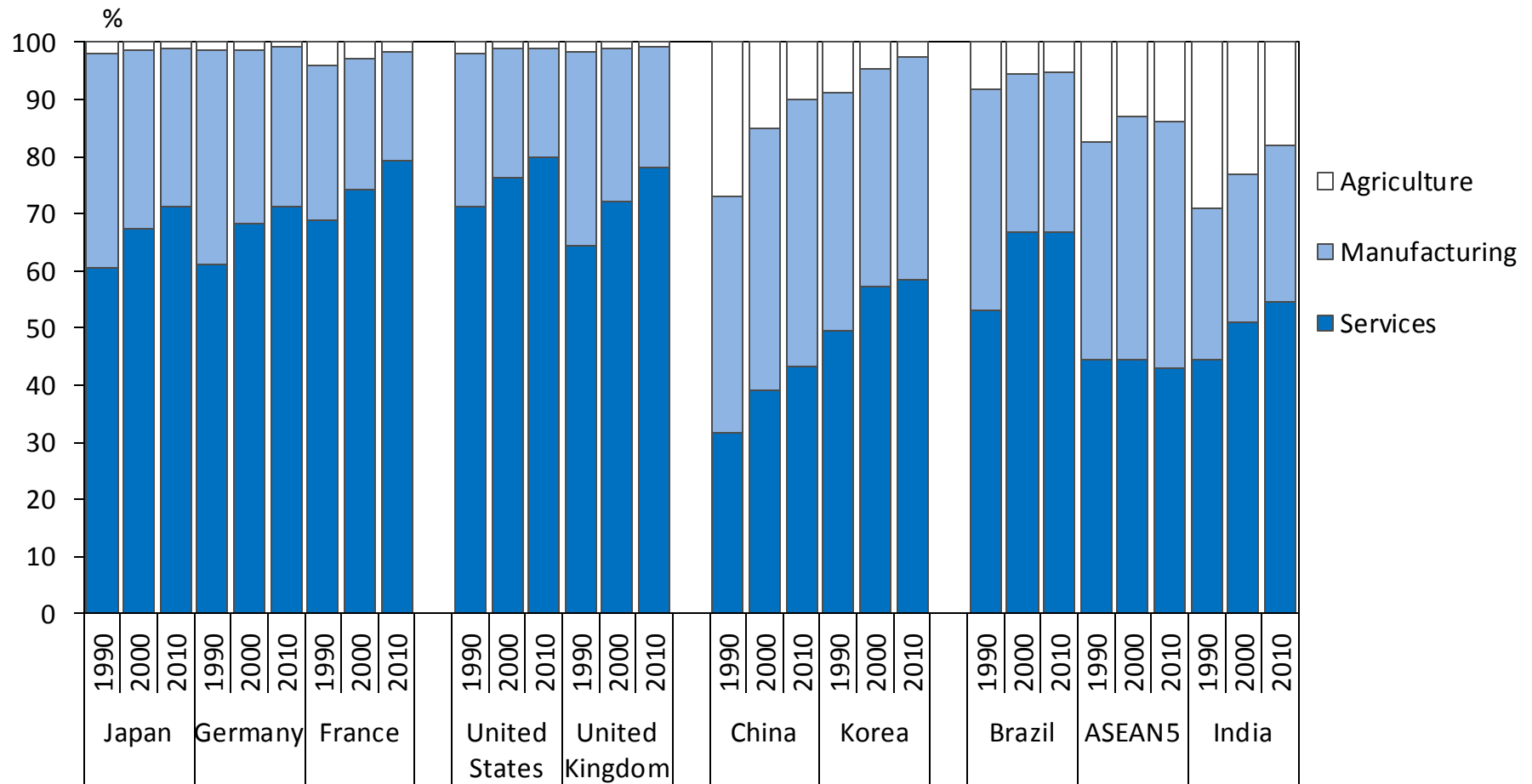
# 5 Unit Labor Cost



(Note) Unit labor costs are calculated as the quotient of total labor costs and real output.

(Source) OECD Database, UN data

## 6 Industry Share of GDP



(Note) "Manufacturing" includes manufacturing, mining, construction, electricity, water, and gas. "Services" are calculated by deducting agriculture and manufacturing from total GDP.

(Source) World Bank "World Development Indicators"

## 7 Openness and Metabolism of Industry

	Germany			Japan			United States		
	2000	2005	2010	2000	2005	2010	2000	2005	2010
FDI outstanding (per GDP)	43.1	50.7	65.9	6.9	10.7	19.1	54.9	51.0	56.2
< Outside Euro-zone for Germany >	<25.8>	<31.2>	<35.7>						
Inward FDI (per GDP)	14.4	17.2	21.7	1.1	2.2	3.9	27.9	22.3	23.4
< Outside Euro-zone for Germany >	<6.3>	<6.9>	<7.7>						
Foreign workers (per Labor force)	8.8	9.3	9.4	0.8	1.1	1.0	12.9	15.2	16.2
New-Business Openings (per all offices)		8.8			4.5			9.3	
Business Shut-downs (per all offices)		8.0			4.1			10.3	
Entrepreneurships (per all enterprises)< ii >	6.3	5.1	5.6	3.1	2.2	5.2	11.1	12.4	12.3
Managements Metabolism (2000's)< iii >		<1.0>			<0.5>			<1.8>	
Average Years of Service< iv >			<11.2>			<11.9>			<4.6>

(Note) < i > Figures in the column of 2010 are those in 2009 for the US and Germany  
 < ii > Figures in the columns of 2000 and 2010 are those in 2001 and 2011 respectively  
 < iii > The ratio of numbers of entrepreneurs per those of existing managements  
 < iv > For Japan figures in 2011, for the others those in 2012

(Source) 'Chuushoukigyou Hakusho'(METI) , 'International Comparison in Labor Statistics'(JILPT), 'Roudoukeizai no Bunseki' (MHLW)  
 Bundesbank, Eurostat, Global Entrepreneurship Monitor, OECD,UNCTAD



## 8 Measures in 'the Growth Strategy' of Japanese Government

### Promote private investment and business reorganization

(Key Performance Indicator)

◆ Fixed equipment investment : 63 trillion yen ⇒ 70 trillion yen (in 3 years)

- Support including tax advantage for replacement of production equipment
- Support and guideline for business reorganization and consolidation of excessive supply capacity

### Create new businesses

(Key Performance Indicators)

◆ Business opening and closing ratio : 5% ⇒ 10%

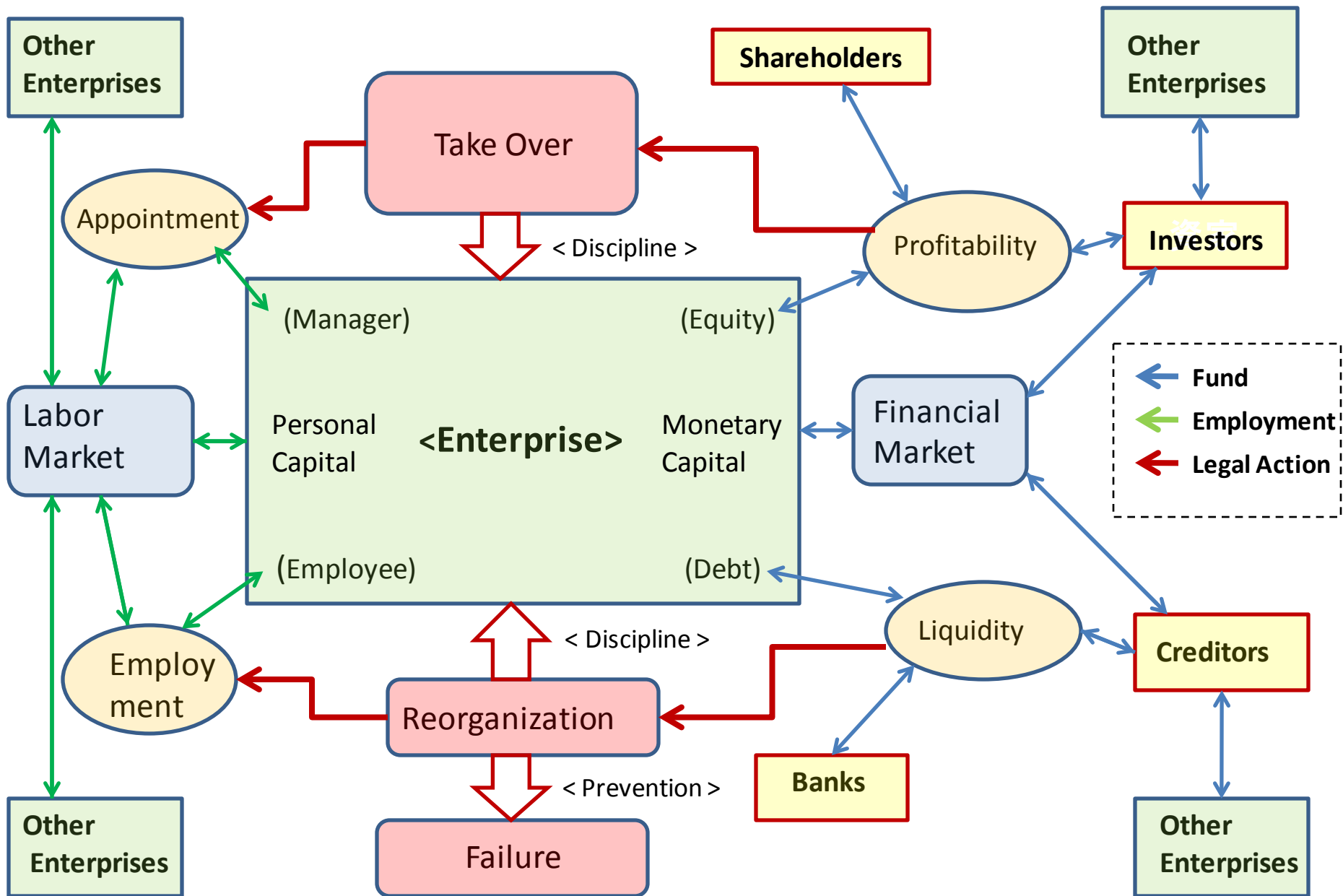
◆ Business environment ranking : No.20 ⇒ No.3

- Improvement of Angel tax system
- Introduction of cloud finance system
- Restriction of personal guarantee for business

### Amendment of corporate governance system and management of public funds

- Amendment of corporate law including the introduction of independent directors
- Compilation of Japanese version of Stewardship Code
- Study on the management of public funds by experts group

# 9 Mechanism of Industrial Metabolism



## 10 Agenda for the Enhancement of Risk Taking in Japan

### < Market Discipline by Debt – Business Reorganization >

- Sweeping Amendment of Bankruptcy System
  - Smooth and quick procedure including the pre-package
  - Early start of business reorganization
  - Predictability of reorganization plan
- More mobility of employee

### < Market Discipline by Equity - Merger & Acquisition >

- Introduction of the tax relief for the shareholder of target firms
- Transparency in the duties of managements of target firms against take-over

### < Internal Discipline by Monetary Capital – Corporate Governance >

- Enhance the role of institutional investors in corporate governance
  - Reform of public pension funds including GPIF(Government Pension Investment Fund)
  - Introduction of Stewardship Code
- Establish the market principle on the enterprises
  - Independent directors for listed firms
  - Introduction of corporate governance code