THE SITUATION OF THE CORPORATION MANAGEMENT IN JAPANESE CORPORATE SYSTEM†

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We would describe and analyze the various devices which tend to protect, or uphold the stability of, the corporate bureaucracy or technocracy in Japanese legal system. As noted by Professor Conard, the legal structure of private corporation (at least, of share company) conforms to a model of parliamentary democracy. The shareholders are able to choose their "leaders" with complete freedom to discharge the old managers and elect new ones. Theoretically, these arrangements might lead to frequent changes in management responding sensitively to changes in the opinions of the electorate. But it is obvious that in reality the corporation management are extremely stable. It appears that a group of managers, a kind of commercial "officer corps", choose among themselves those who are to be the leaders and those aspirants from outside who are to be admitted to the corps.

This system has been characterized as the corporate bureaucracy or technocracy: on the one hand the various mechanical legal devices exist as one may identify and on the other hand the management may be insulated by an "excess of democracy"—the corporation management is pro-

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tected not by the size of its own holdings, but by the minuteness of everyone else's. The corporation management is assured of the continuity of corporate management of its own by various factors in the legal and social system. Generally speaking, the similar circumstances and conditions are also found in Japan, but the functions of the legal devices and the social foundations on which the factors depend are somewhat different from those in other countries.

I. In general

1. Management and control of the stock corporation in Japan

Under the stock corporation law in Japan before 1950, the organs of the corporation were composed of the general meeting of shareholders, the directors and the supervisor (*Kansayaku*). It took the former German stock corporation law as a pattern and especially placed major emphasis on the organizational unity of the corporation; *i.e.*, the reciprocal allocation of the corporate powers among its organs was accomplished under the principle of the omnipotence of the shareholders' meeting, which had the binding power on the directors on the one hand and on the other made the individual or minority shareholders almost absolutely submissive to the resolution under the principle of majority rule. No means were generally available to respect the voices of the minority. As for the control, too, the supervisor had the supervisory power on the business management as well as the power of accounts auditing. Accordingly, the position of the directors was relatively inferior both to the shareholders' meeting and the supervisor, and each individual director separately composed the organ of the corporation; business conducts were to be decided only by their majority consent without the necessity of holding the meeting of directors, and each of the directors had the power to represent the corporation. These arrangements were well harmonious with the economic conditions and circumstances of those days. Because, the economic system of Japan in those days was supported by the holding companies in which the financial cliques performed a dominant part, and

at least the big corporations raised their capital mainly by the functional shareholdings of the financial cliques.

However, these arrangements were changed by the Japan's defeat in the World War II: the principal financial cliques and the monopolistic enterprises devided into pieces and all disappeared, and instead the economic and social basis in which the *laissez-faire* principle prevails has been established. Hence, for the raising of the capital stock of the corporations there was no other way than to rely exclusively upon the general public. Consequently, in 1950 the stock corporation law of Japan was revised on a large scale, *i.e.*, the democratization of the law was realized under the influence of the Anglo-American laws of stock corporation. Firstly, the powers of the General meeting are limited in such matters as provided for in the Act and other statutes or the articles of incorporation (Commercial Code, Art. 230-2) and the powers of the supervisor, henceforth as auditor, are restricted as well to the auditing matters only (Com. Code, Art. 275). Secondly, corresponding to these arrangements the institution of the board of directors as an organ of the corporation is to be established under the Act and to be conferred all the decision-making powers on the business conducts of the corporation (Com. Code, Art. 260). It is provided in the Act that the each individual director is nothing but a member of the board of directors and that only and exclusively the managing directors elected from the board's members represent the corporation (Com. Code, Art. 261). Although, needless to say, the board of directors is responsible for the control over the management conducts executed by the managing directors, in addition to and parallel with this function of the control the individual or minority shareholders as investors of capital stock for the corporation have the rights and powers for and over the control in the light of paralyzing tendency of the shareholders' meeting. The rights and powers of individual or minority shareholders' over the control were increased and strengthened by the Act (Com. Code, Arts. 245-2, 267, 272, 280-10, 293-6 etc.) It is to say that the stock corporation law of Japan is, in its fundamental character, linked together with the thought that the individuality of each share-

holder should deserve more respect than the organizational unity of the corporation.

Apart from the institutions and systems of the corporation law, it was considered necessary to protect the masses of the shareholders and investors in the securities transactions, and for that purpose the securities regulation law to regulate the issues and dealings of the corporate stock and other securities was enacted in 1948. With respect to the listed corporations and other stock corporations with their raised capital size exceeding the stated amount, their accounting should be auditted by the certified public accountant (C. P. A.) in order to protect public investors and to make public the exact financial conditions of the company (Se curities and Securities Exhange Act, Art. 193-2)

2. Other particular conditions and circumstances in Japan

(1) Social conditions for the evolution of the management control

Generally speaking, Japanese labourers would serve for the company for life once hired, and thus their wage system and personnel administration are based on the seniority rule. The same is true even of the corporate managers as well as the manual workers.[1] Therefore, most of the corporate officers such as directors and auditors are so-called "inside officers (directors and auditors)". In particular, the fact that the corporate directors are elected under the system of such a seniority rule is considerably inconsistent with the position of directors whom the stock corporation law of Japan will treat as quasi-trustees for the shareholders as a whole and confer on them the real management power as the board member, and it also shows the symbolical fact that the management control has been realized in Japan. It must be noted that the system such as the above-mentioned seniority system is attributed to a great extent to the national character of Japanese people which clearly shows the closed character of their life environment and attitude cultivated under the

1) A. Yamasiro (ed.), *Gendai no Keieirinen, Jittai-hen* (The Ideology of the Modern Business Administration, Its Actual Conditions), 1967, p. 173; K. Ogaka, *Nihon no Keiei* (The Business Management in Japan), 1969, p. 9 suiv.

national isolation policy in the past history and tightly closed family system or feudal regime which tied the people with land under the agricultural economy based on rice crop. These factors have even influenced the method of corporate management in the modern society of Japan: they have contributed to the establishment of the dictatorship in management and, in addition, have created the system of the disunion of responsibility from power by way of the collectively participated management. But under such a method of management, the power and responsibility are split into the form and substance. In other words, the top management who has in reality the substantial power assumes not the substantial but merely formal responsibility. Management control in Japan may have dangerous factors in the sense that there prevails the thought that the corporate property owned by shareholders in general may be treated as the manager's private property although it is "other people's money" (Brandeis).[2]

(2) Actual and financial conditions of corporations in Japan

Though there are now more than 780,000 stock corporations in Japan, the corporations whose stock is listed on the Securities Exchanges are at most 2,000 and most corporations are merely close or minor companies.[3] Moreover, one giant corporation has several tens of subsidiaries or subordinate corporations which place several hundreds subcontracted corporations at their disposal.[4] And many of such subcontracted corporations are under their exclusive control in order to secure the trade secrets. Such inter-corporate relations raise many problems producing, *inter alia*, the effect that these relations enlarge the management control: the managers of subsidiary or subordinate corporations are elected by their own shareholders, but their capital stock itself is always conditioned

2) cf., L.D. Brandeis, *Other People's Money and How the Bankers Use Its*, 1914.

3) In 1968, the number of corporate enterprises was 780,797, of which 769,623 were companies having capital less than ten million yen. The number of stock corporations with capital more than one thousand million yen respectively was only 1,018. (The Census by the Ministry of Finance, Kigyozaimu-Dai-I-ka).

4) The Sin Nihon Seitetu Kabusikikaisha holds 450~500 affiliated corporations by capital participation. (24/1/1970, *The Nihon Keizai Simbun*).

under the business judgement of their parent or controlling corporations, and therefore the former is in fact always and widely bound or controlled by the latter management: Numerous subcontracted corporations are almost negligible "individual or partnership incorporated" (Kessler).[5]

In Japan, the capital market is still undeveloped and is characterized by the unbalanced situation of the system of the money rates: the national financial assets are absolutely small and the long-term interest is fixed in cheap money. Therefore, most enterprises are in the low condition of the owned capital ratio and obliged to rely on the loans from the financial institutions. Thus, the corporation management is devoted to assure the loans for the sake of stability of management. And it is necessary to forward the stable dividends, and in extreme cases the dividend out of capital by means of the embellishment of the accounts is not rare. Thus, in Japan, if the stability of dividends is maintained, the shareholders do not interfere with the corporate management; the questions and answers on the approval of the accounts at the shareholders' meetings are almost always merely formal.

II. Various problems relating to the voting powers

(1) Non-voting stock

In the case in which a corporation has issued the classified share as regards the dividends preference shares the articles of incorporation may make them shares without voting powers, though this class-shareholders' voting powers will revive, if the stated preferred dividends could not actually be given. These arrangements are suitable for the investing shareholders who are indifferent to the corporate management, so far as the stable dividents are secured. But if this class of shares might be issued unrestrictedly, it will produce the bad result that the minority having the voting powers controls the shareholders having no voting shares who have contributed the most part of the capital stock of the

5) cf., R.A. Kessler, "The Statutory Requirement of Board of Directors: A Corporate Anachronism", 27 *Univ. of Chicago Law Rev.*, 1960, pp. 720 etc.

company. Therefore, the Act limits the number of non-voting shares to be issued at one quarter of all the issued share capital stock of the corporation (Com. Code, Art. 242).

However, these arrangements are in fact almost of no utility. Because, under the aforesaid dividends equalization policy, ordinary shares themselves would function as preference shares. Although it is advocated that the owned capital rate could easily be improved by means of the more frequent issue of preference shares, the issue itself in practice takes place only in some rare occasions. Thus, though a "thin incorporation" is also found in Japan, the undercapitalized corporations in which the corporation management holding the vast majority of the capital stock of the corporation controls the corporate property are very rare in the form of a thin incorporation by means of the classification of shares and their non-voting device.

(2) Treasury stock device

Under the Japanese stock corporation law, a corporation can, as a rule, neither acquire its own shares nor take them in pledge (Com. Code, Art. 210), and even in the cases of the lawful permission exceptionally granted, the corporation is prohibited to enjoy the voting powers on the shares (Com. Code, Art. 241, para. 2). However, in spite of this general prohibition, the corporation management usually evade the prohibition in order to their own stability through the following means.

In the first place, as an ordinary means, the shares which the corporation acquired in its account are held in the name of the security company or the syndicate which purchased them on the corporation's instruction, or in the second place these shares since old days have been held in the name of the subsidiary corporation established for that purpose. In the the third place, the aforesaid shares are held by the foundation, institution and other auxiliary organizations of which fund has been supplied by the corporation. Lastly, the shares are held by the corporation's affiliated subsidiaries or their dependent corporations.[6] Moreover, the stock

6) Y. Hirose, *Kabusikikaisha-sihai no Kôzô* (The Structure of the Corporate Control), 1963, p. 189 suiv.

sharing system in which the corporation lends the purchasing money to its employees has recently conspicuous, but its actual forms vary and not necessarily result in the evasion of the law.

(3) The stabilization of shareholdings

The distribution of shareholdings in Japan after the war shows the tendency that the appreciable progress has been made in the so-called popularization of shareholdings. But, in its process up to date the percentage of shareholding by corporate shareholders has gradually and consistently been overwhelming the shareholdings by natural persons: while the latter shareholders have been increasing in number up to 98 % of all the shareholders, the number of their shareholdings has been decreasing gradually from 69.14% in 1949 to 41% at present[7] and almost 90% of them are the owners of less than 10,000 shares.[8] Yet, in addition to the fact that the corporation management have only 1.7% of all the shareholdings on an average, the corporation management of giant corporations consist merely of the salaried executives. Thus, such salaried managers, for the purpose of securing their stability in management, attempt to advance the mutual shareholding both among the affiliated corporations and with the other business corporations as customers and to promote the shareholding by the related banking and other finance corporations. In fact, the stability of shareholding is brought about by the mutual shareholdings of corporations and this tendency will be more and more strengthened in coping with the rising of the international tide of capital liberalization in Japan. The corporation managment may assure the necessary shareholding for the management control through the stabilization of shareholdings.

(4) Multiple-voting shares device

It has not been admitted as a legal device in Japanese legislation (Com. Code, Art. 241, para. 1) and is also interpreted as void contrary to

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7) Ibid., p. 128.

8) Osaka Stock Exchange, *Kabusiki-bumpuzyôkyô-tyôsa* (The Census on the Dispersion of Stock), 1967, pp. 22, 24.

In Japan 50 yen par-value stock is common.

the principle of equal treatment of all the shareholders.

(5) Holding company device

Under the Japanese Anti-monopoly and Fair Trade Act, a holding company is defined as a corporation of which the main object consists in the control of other corporate business activities by means of holding the other corporations' share capital (Art. 9). The Act not only prohibits such a pure holding company, but also restricts the holding itself by a business corporation of the shares of other stock corporations either in the event of the substantial restraint of trade in a certain area of competition or by way of an unfair method of trade (Art. 10). And a finance corporation may not also hold the shares beyond 10% of the issued share capital stock of other corporation (ibid.). Other trade operations in the market are also in general laid under the supervision of the Fair Trade Commission. However, with the advent of the perfect international freedom of capital and trade activities, and by the general recognition of the necessity for the strengthening the international competitive power of enterprises, the industrial rearrangement has been considered indispensable by means of the amalgamation and combination of corporations and the strengthening of managerial basis by way of the holding company device. The rearrangement aims at the prevention of the take-over of the existing enterprises by foreign capitals, but at the same time it will be vulnerable to the management control.

III. Problems of the general meeting of shareholders

(1) The reduction of a quorum

A quorum at a general meeting consists of the shareholders present who have the majority of the issued share capital (Com. Code, Art. 239). But it may be reduced, by the articles of incorporation, on the matters of the ordinary resolution except for the election of directors, and such reduction of a quorum may contribute to the stability and maintenance of the management control.

(2) Subject matters of resolution

Under the Japanese stock corporation law of 1950 (Com. Code, Art. 230-2), the subject matters of the resolutions in the general meeting of shareholders become limited to those provided for in the statutes or the certificate of incorporation. It is natural that they are restricted by the certificate of incorporation to the basic and fundamental matters of the corporation itself at least in the cases of big corporations. However, since they contain the appointment and dismissal of the directors who may be invested the managerial powers in general, theoretically, the general meeting of shareholders is still at present the supreme organ of the corporation. But, in practice, the supremacy of the general meeting which requires various necessary procedures for the resolutions may be minimized or even lost.

The subject matters which may be resolved in a particular general meeting are strictly restricted, *inter alia*, to those indicated in the notice of calling the meeting and may not be added even by and at the general meeting itself. The agenda may not be altered, and only the modification of a particular original bill may be permitted. The power of proposing bills is exclusively attributed to the directors and individual shareholders' motion may be admitted only for the proceeding of meeting. For example, in case of nomination as well as dismissal, the names of particular candidates for directors are proposed, but they have already been decided by the directors. Thus, though the power of appointment of directors is in theory and law attributed to the general meeting of shareholders, in practice the power of decision as to who are to be proposed and when and how they are to be elected is wholly vested in the hands of the directors in office. And, in fact, individual shareholders have no opportunity even to recommend or nominate their own candidates: it is usual that the bill passes in its original form drawn up by the directors unless there is any internal trouble or discord among the directors. The cumulative voting system which was introduced for the first time in the 1950 statute is not very effectively made use of because of the strict conditions imposed upon its operations (Com. Code., Art. 256-3). In this sense, the power of appointment and dismissal of the corporation management ordinarily

consist in the hands of their own, not in the hands of shareholders in general.

In addition, the general meeting of shareholders does not exercise even in law any effective control available to them over the managing directors. As the top management they play the pivotal roll in the management of the corporation. In particular, the executive president, as the executive head on whom the managerial powers are concentrated in big business, is of an almost omnipotent position. But he is elected among the directors by the board of directors, not by the general meeting of shareholders and yet the directors themselves are in fact nominated by the executive president. Thus, the general meeting cannot deprive a director of the capacity of his being a managing director unless the general meeting denies his position as a director. Such a procedure appears almost impossible to be carried out. Consequently, the fact that the general meeting has no control over the managing directors secures in effect the almost perfect stabilization of the position of the corporation management.

(3) Availability of proxy system

As the result of the stabilization of shareholding devices as mentioned in Chapter II, Section (2), the fact that the high ranked large shareholders consist of the corporate shareholders is considered appropriate to maintain the corporate control in every company. Such large shareholders, so far as there is no gross mismanagement and at least reasonable dividends are secured, usually submit their proxies in blank on their voting powers to the voluntary dispositions of the corporation management. Therefore, in most cases, it amounts to the same thing that the corporation management previously gained the majority approval at the general meeting of shareholders. Consequenly, the general meeting is nothing but a ceremony rather than a forum of substantial discussions on the subject matters of the meeting. Paradoxically speaking, the general meeting is usually like a comedy from the viewpoint of the interests of the minor or ordinary shareholders.[9] In addition to this, so-called meeting-monogers who possess only a few shares of the corporation usually assist

the corporate managers in the proceeding of the meeting and in fact prevent the minor or ordinary shareholders from making burdensome questions. And the ordinary shareholders seldom present themselves at the general meeting and usually submit their proxies in blank to the corporation management.

On the other hand, in the case of the corporation with listed stock, the proxy in blank and especially its canvassing is subject to the regulations of the securities law (Securities and Securities Exchange Act, Art. 194). A canvasser must send to the each shareholders the printed form, in which they may clarify their ayes or nays on the notified subject matters of resolution at the general meeting, together with the reference documents disclosing the informations about the matters. But these printed forms are usually returned to the corporation without clarification of the ayes or nays, and even if there is the clarification, it is interpreted that the effect of the resolution disregarding the clarification should not be affected. Moreover, the expenses of the canvassing must always be borne by the canvasser, *i.e.*, whereas when the corporation management serves as the canvasser the corporation itself bears its expenses, an outsider serving as a canvasser cannot claim indemnity for the expenses to the corporation. Consequently, the corporation management holds the advantageous position in proxy conflicts. In addition, the corporation management usually nominates its subordinates as the proxy agents.

(4) Voting trust and voting agreement devices

Nothing is provided for as to these devices in Japanese stock corporation law. It will be probably interpreted that the voting trust may be the object of the trusts while the voting agreement is null and void concerning the effect of the resolution. But, in practice, these devices are hardly availed of.

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9) According to the census in June of 1966, the time required of the general meeting is almost always (at least in majority) within twenty minutes. The meeting which spent more than an hour are only 1 %. *Syôzihômu Kenkyû* (Commercial Law Review), No. 393, 1966, p. 38.

IV. Various problems relating to the management

(1) The power of share allocation of the board of directors

Under the authorized capital stock system introduced into Japanese stock corporation law in 1950 from the Anglo-American Law, the board of directors has, as a rule, the power of issuing the authorized shares of stock of the corporation. The grant of the preëmptive right to the shareholders or the third persons exclusively depends on the discrection of the directors, but in the case of the issue of new shares to the third persons at a price favourable to them, it is subject to the approval of the general meeting of shareholders by the special resolution about the numbers, the classes, the discrimination of shares with or without par-value and the minimum issued price, and, in addition, the board of directors is obliged to make a disclosure at this shareholders' meeting the reason for the necessity of issuing these shares (Com. Code, Arts. 280-2 suiv.). Consequently, subject to the only restrictions in those cases, the corporation management has the initiative as to the maintenance and strengthening of the corporate control.

(2) The obligations in the stock dealings

Under the present Japanese Securities and Securities Exchange Act (Art. 18) the listed corporations as issuers must draw up and notify the securities report to the Minister of Finance, but for its false or misleading statement only the publishing corporation itself shall be liable and the corporate officers as the subscribers of the report have not been responsible, and even the certified public accountants or the underwriting companies, by whom the guarantee for the fairness and accuracy of its report should be brought, have been treated as exempt from any liability. Although a recent amendment will improve on these points (Arts. 21, 22 of the revised Act in 1971), as are generally pointed out and criticized, many evils are present through the fraudulent acts of the corporate officers in drawing up its report. Theoretically, on the other hand, the directors and auditors publishing and circulating the prospectus and the accounts are liable for the same acts under the stock corporation law of Japan (Com. Code, Arts.

266-3, 280). In practice, however, since the burden of proof is imposed on the investers suffering from the damages the sufficient remedy is not necessarily available to them.

(3) The existence of the system of "*ringi* (approval by document)"

There exist in Japan the so-called "*ringi*" system, a customary dicision-making method of the enterprise.[10] Under this system, the draft documents concerning programs and decisions of the enterprise are to be made by subordinates and then read and passed on among the members concerned of the executive and finally submitted to the executive head for the approval. Its features or characteristics consist in that: (1) they will be made up by the rank and file in a terminal organization without the decision-making power and leadership: (2) they will be examined individually and separately without the deliberation at the meeting of the department relative to their contents: (3) the executive president having the legal power and authority of decision will normally approve them as they are without any alteration.

The "*ringi*" system has resulted from the traditional paternalism in the management of enterprises based on the system of employment for life and the seniority rule. It will remain the underlying factor of Japanese enterprises and will continue to survive in the future. Nevertheless, under the policy of democratization and rationalization of the principles of management such developments have taken place as the reformation of management organization by means of the stabilization of business management effected as the result of the legal recognition of system of board of directors which should be composed of expert managers, the strengthening of functions of top management, the equipment of staff distinct from line system, and the distribution of independent powers and duties to each department of enterprises. On contrary, the "*ringi*" system in fact impairs the business efficiency through its long

10) A. Yamasiro (ed.), *Ringi-teki Keiei to Ringi-seido* (The Management under the Ringi-system), 1966, p. 25 suiv.; K. Tsuji, "Nihon ni okeru Seisaku Kettei-katei—Ringi-sei ni kanren site— (The Policy-making Process in Japan —Matters concerned with the Ringi-system—)", *Sisô*, No. 487, 1960, p. 28.

process to reach the decision and disperses the sense of responsibility among many officers and officials concerned. In other words, while the top management who has the substantial power and authority is not in fact liable for the corporate management, the subordinates who only have the formal initiatives are made in reality to take partial charge of the corporate enterprise. Thus the corporate management under the "*ringi*" system may bring about the dispersion of the responsibility from the corporation management into the subordinates in general, may further the dictatorship of the top management through the paternalism in corporate enterprise, and may enable to assure the stability of controlling and manegerial powers of the corporation management.

(4) The reality of so-called "inside directors"

In Japanese practice, the overwhelming majority of the corporate directors and auditors are chosen among the native-born employees of the corporation by the recommendation of the executives under the system of seniority rule, except only in the case of the delegates from the parent corporation or the creditors against the corporation. In addition to this practice, in law and in fact, the directors may at once lawfully hold the position both of employees and of director of the corporation. These directors *qua* employees are subject and subordinate to the direction of the executive president. It is therefore impossible to expect that these directors have the same independent and equal position as that of the executive head. And the board of directors are governed by the executive president and other managing directors with almost absolute controlling leadership. More fundamentally, under the aforesaid "*ringi*" system it is not required for those directors-employees to have the qualities of an expert manager in charge of the entire enterprise, but the administrative quality which is merely required for the conduct of the department in charge.

The same is true of the auditors who in law should be in charge of the control over the corporate accounts but in fact they are almost always subject to and dependent on the managing directors, and it is impossible to expect them to control the accounts independently of the corporation

management. What is more important, the outside control over the corporate accounts by the certified pubic accountants who have to protect the investors in general public is also affected by the interference of the corporation management. The certified public accountants are in fact and in law selected and appointed by the executive president and other managing directors and are unable to perform their genuine duty without the aids and collaboration of the auditors. Consequently, the revision of the law is now under consideration to secure the true and fair accounts control and their independency and integrity.

The corporation management would try with might and main to maintain the averaging of devidends even by means of the embellishment of corporate accounts. Because, the shareholders at the general meeting may almost be silent so far as the reasonable dividends are given. Moreover, the financial conditions of the corporation depend upon whether or not it can continue to retain the confidence of the bankers.

(5) Depreciation of the owned capital ratio

In Japanese enterprises the ratio of the owned capital versus the the gross assets of a corporation was depreciated into about 21 % (12.5% for paid-in capital) in 1967; 5.5% of the borrowed capital (about 79% of the gross assets) is composed of the loan capital (debentures or bonds). As for the borrowed capital, the loan on a long term is 17.5% and the bills payable or debts is 21.3% and the loan on a short term is 17.3%.[11] The limit of the amount of the borrowed capital is fixed only with respect to the debentures or bonds; the total amounts of debentures or bonds shall not exceed the total sum of the paid-in and reserved capitals, and if the existing net assets of the company as shown in the last balance sheet is less than the aforesaid amount, it shall not exceed the sum of such net assets (Com. Code, Art. 297). Under the tax system in Japan, the loan interests are more advantageous than the dividends on shares, and generally the national financial asets themselves are few and also the invest ment companies have not sufficiently grown up. Thus the insufficiency of

11) Mitsubishi Keizai-Kenkyusyo, "*Kigyô-keiei no Bunseki, Syôwa 43 Nen, Zyo* (The Analyses on Business Management, 1968, Previous Term)", 1968, pp. 10, 11.

development in the capital market has caused the stiffness in the system of money rates under which the call rates are higher than the long term interests. The most of the debentures or bonds are subscribed by the banking and other finance corporations. Therefore, they are considered in substance as the metamorphosis of the bankers' long term loans.[12)]

The depreciation of the owned capital ratio signifies that the number of voting rights on shares necessary for the corporate control can absolutely be small for the corporation management, and in addition the heavy dependance on the banking loans makes the corporation management attach great importance to the voices of the banker-creditors. Thus the corporate management is apt to be restrained in their activities for the benefits of the shareholders as a whole.

12) Only 10% of the industrials (except electlic business corporations) is subscribed by individuals, but the majority (about 60%) is undertaken by the banking coporations. The amount of financial assets held by individuals is absolutely small and their employment almost (about 80%) composes the "inidirect financial assets" and in particular most deposits of the individuals consist of those in the finance corporations (30/5/1969, *The Nihon Kiezai Simbun*).