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A Japanese Lawyer Takes On The System, Big Corporations

By MARCUS W. BRAUCHLI
Staff Reporter of THE WALL STREET JOURNAL

TOKYO—On a wall in Kanji Ishizumi's well-appointed law office hangs his credo, in Chinese characters: "Do what you believe in."

Mr. Ishizumi's adherence to that maxim has cost him business and made some powerful enemies. That's because much of what Mr. Ishizumi believes in is anathema to Japan's corporate giants. He favors an end to interlocking corporate groups, for instance, and a lot less chumminess between government and industry. Greater competition among Japan's harmony-conscious companies would be good, too, he says. He also likes the idea of more hostile takeovers.

Kanji Ishizumi

"I am doing what government officials and other corporate lawyers cannot," says Mr. Ishizumi, who quit a career-track post at the Ministry of International Trade and Industry, or MITI, to launch his crusade. "Corporations have become so gigantic that we need some checks and balances."

He first began trying to curtail corporate hegemony a decade ago. He has consistently battled corporate insiders on behalf of outsiders. He fought investment restrictions for a bitter Hong Kong businessman. He was involved in Japan's first two big domestic takeover fights. He advised T. Boone Pickens Jr. on the Texas oilman's controversial but ultimately unsuccessful battle for control of a Toyota Motor Corp. affiliate. His most recent campaign is the cause of a businessman who accuses Nissan Motor Co. of stealing away his family company.

Mr. Ishizumi has jarred the establishment. Some of the biggest companies in Japan, Toyota, Nissan, Nomura Securities Co., the advertising giant Dentsu Inc., have found themselves on the receiving end of his complaints. Though most companies have defeated any legal claims against them, Mr. Ishizumi's clients feel they get their money's worth. Mr. Pickens praised his legal advice during the struggle to gain board seats at the Toyota affiliate, Koito Manufacturing Co.

Praise for Actions

Even those who aren't clients of Mr. Ishizumi's Chiyoda Kokusai law firm—some U.S. officials, for example—privately praise his efforts to dismantle *keiretsu*, the extensively interlocking corporate groups that dominate Japanese industry.

Mr. Ishizumi is a study in contrasts, both meticulously up-to-date and traditional. Though his office is in Tokyo's newest, most modern office building, it is trimmed with symbols of old Japan: calligraphy, ceramic tea cups on polished wood saucers, bonsai trees.

Nor does Mr. Ishizumi, who is 43 years old, view himself as an outsider. He grew up in Kyoto, the country's capital until the mid-19th century, and studied law at prestigious Kyoto University. He sees himself as a traditionalist—"Tokyo is just a newly born government of 100 years," he complains—who believes in the "unyielding spirit" of the Japanese, not in the group behavior he thinks characterizes the country's corporate world today.

After graduating and passing Japan's bar examination, Mr. Ishizumi moved to Tokyo to join MITI, the agency most associated with protecting corporate Japan. He quit after only three years to join a law firm and, later, to build his own practice. Now, his firm is one of Tokyo's bigger firms, though its 10 lawyers and 24 staff make it small by U.S. standards.

"It is almost impossible for MITI officials to speak out on keiretsu and the anti-competitive aspects of Japanese business," Mr. Ishizumi says. "I am doing what the MITI officials or other lawyers cannot do.... I am fighting against Toyota and Nissan, the big keiretsu bosses."

Key Career Event

The seminal event in his career was working with Takami Takahashi, the late chairman of Minebea Co., in the mid-1980s. Mr. Takahashi was the first big businessman in Japan to wage a hostile takeover fight for another Japanese company, and the first to ward off an unfriendly takeover attempt. His willingness to go to the mat with Japan's corporate establishment impressed Mr. Ishizumi, who went on to write a book advocating the use of hostile mergers and acquisitions in Japan.

"Mr. Takahashi was a very, very aggressive businessman," Mr. Ishizumi says. "He gave me so many lessons and the fighting spirit." Other Japanese executives also admired Mr. Takahashi for increasing competition in Japan, Mr. Ishizumi says, but few were courageous enough to say anything until Mr. Takahashi's funeral two years ago, when a handful praised him in eulogies.

"We need that kind of person, who will fight against the establishment," Mr. Ishizumi says. "That's why T. Boone Pickens came to Japan at the right time, with a good and symbolic fight against unfairness in Japan."

Working for Mr. Pickens revealed how resistant corporate Japan is to change. After Mr. Pickens won the legal right to examine the accounting books at Koito, he was unable to find any accounting firm in Japan willing to assist in the review. "We felt like a very small ant who is trying to fight an elephant," Mr. Ishizumi says.

The wide publicity surrounding Mr. Pickens's battle hurt Mr. Ishizumi's firm. A Toyota affiliate withdrew business, and potential corporate clients Chiyoda Kokusai was wooing turned away.

Though Mr. Pickens two months ago decided to sell his shareholding in Koito back to the Japanese investor he bought it from, Mr. Ishizumi is finding new uses for much of what he learned.

"I like fights," Mr. Ishizumi says. "I like hostile atmospheres."

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ON THE COVER

Representing T. Boone Pickens was only the tip of the iceberg

'I don't discriminate against anyone who comes to me with a legitimate grievance, especially if it is against Japan's excessive corporate conglomerates.'

The conflict that smolders inside Japanese companies

The business department and the planners: forever at odds. Page 10.

Profile: Noboyuki Sonobe, shoeshines, news and philosophy

He's seen the boots of the American occupation, political turmoil during the student activism of the 1960s, the excitement of the Tokyo Olympics and an increasingly affluent and cosmopolitan city. Page 16.

Attorney Kanji Ishizumi

THE LAW and SELF-RELIANCE

Miura photo

By Janese Beckwith

In a country in which social harmony is the rule of the game, Kanji Ishizumi has made a career out of bucking the system. Perhaps more than any lawyer in Japan, he fought for democratic principles and individual rights in the face of what he calls "the world's most dangerous communist regime."

Japan Inc., Ishizumi says, is the angry pit bull following at the heels of Japan's huge corporate cliques.

"There are very few cases in Japan where individuals dare to fight a large corporation, and even fewer lawyers who will represent them," he says. "This is unfair! It makes me angry, and is becoming my specialty."

Ishizumi also complains that it is also very difficult for foreigners to find a Japanese lawyer who will fight for them, and says he is filling an important gap in the Japanese legal system. "Most Japanese lawyers don't want to rock the boat, but I will if I believe in the cause."

Mounted on a wall in his office is a carefully drawn Confucian edict: *Believe what you do, and do what you believe.*

"This saying is what I really care about," Ishizumi goes on. "It is at the heart of all my work, and I stick to it no matter who tries to change my mind."

He says that he believes in equal

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Janese Beckwith is a free-lance writer who is completing a doctorate in cultural anthropology.

motivation was "greenmail," and did not objectively consider both sides of the case.

In a previous case, against a French company, Ishizumi found that the French use of the mass media was very effective. So in the Pickens case he tried to follow the same strategy. "But I made a mistake by approaching the Stock Exchange Press Club. They, and the Kanto Press Club, are only interested in the price of stock," he says. He believes that their perspective is extremely narrow, and therefore not open to fair coverage.

"So I decided to switch to Keidanren or MITI," he says. "But now I know that there exists what I consider an illegal conspiracy between the Japanese press clubs. Once you approach one, the others will not accept a meeting offer from you, and they all print the same thing whether it is true or not. This isn't fair. I have learned now that fresh news must first be given to the foreign press."

The big newspapers have a similar problem with bias, Ishizumi says, because their financial survival is so dependent on advertisements from major keiretsu companies. "For example, Mr. Pickens wanted to have his opinion published in Japanese newspapers, but he had a very difficult time. The press was very slow. They put the story through many committees to check language and so on. So it was informally refused."

Ishizumi has discovered that the foreign press is even more effective in motivating the Japanese legal system, as well as its press, to move on a case. After being given the runaround by the Japanese media, he took Pickens' side of the story to the United States domestic press in Washington. When it appeared in the American press — along with staunch accusations of a Japanese keiretsu conspiracy against free access to the press! — his article was finally printed in Japan. Ishizumi claims that negative foreign press was also very effective in speeding up the legal process.

Although he has an established reputation as the nation's corporate antagonist, Ishizumi's belief in fair legal representation stands out as a priority in his choice of cases. He has now found a chance to put what he has learned from the Pickens case to use.

Among his current cases, the one that excites him most is the defense of a Japanese high-tech manufacturing company being sued by a French company that claims the Japanese outfit copied one of its products. This is the second case of its kind in five years for Ishizumi, and it has all the ingredients of a juicy international battle. "The French government will protect even the smallest company in an international dispute, so I am really fighting the French government," he says gleefully. "I enjoy that kind of dispute: it's exciting."

Meanwhile, Ishizumi is relieved to have a rest from being closely scrutinized by the media. "Now that the Pickens case is over, people don't call me in the middle of the night, which is nice. But if someone came in my door tomorrow with a case like that of Mr. Pickens, I would definitely take it."

When asked what he was doing today, Ishizumi laughed and said that while he may be the boss, he also performs general office duties and secretarial work. "When it is your firm, you have to do just about everything sometimes."

Ishizumi, who will be 44 on Nov. 11, and who is the father of three sons and a daughter, says that he is vitally concerned about Japan's future. His face tightens as he describes what he believes is the coming war between Japan's great economic giants and the rest of the world, "if not in my lifetime, then in that of my sons." Although he knows that his battle is essentially quixotic, that he has little real chance of winning a legal battle for an individual against a large company, Ishizumi says that he believes in his cause because Japan's huge, interwoven corporate institutions have the potential to take over the world economic system. "Keiretsu is being exported to the United States, and the American people are accepting it little by little," he claims. "This is *very* dangerous."

Japan, Ishizumi says, is the most dangerous country that the United States must confront. "Russia fell because its people were not supportive of the communist state. But in Japan, the people are 100 percent behind corporate expansion. Our educational system creates obedient salarymen and discourages any kind of creative, individual thought. Japanese people, therefore, do not question authority. And you cannot change the educational system because it is supported by the very government that is deeply involved in corporate interests. It is very dangerous."

Ishizumi favors the break up of corporate Japan as it stands, but says that it is next to impossible. He says a significant drop in the Nikkei stock average might weaken the bonds that hold keiretsu together. This would loosen the two thirds of the Tokyo stock market that is protected from trading, and open the market up for the smaller investor, he says, adding that he thinks the government would step in before this could happen.

The future?

"Sometimes a political party asks me to run for election. But when I tell them I need ¥100 million, they back down. Besides, my range of influence now is much greater than what I would have as a first term Diet member." Ishizumi says that his reputation as an antagonist of Japan's corporate world would prevent him from being elected in any case. "You have no power here if you are not part of a group. I get my power from my clients."

Ishizumi's favorite movie is "Godfather II." His favorite scene is the ending, when the godfather confesses to a Catholic priest that he betrayed his family, his wife, and killed his brother. "He risked everything in his life for his 'group,' which is *tragic* devotion," Ishizumi says. "I pay a price for standing up for my beliefs. I am not hooked into any cushy corporate network. But if I die tomorrow, I will be happy, because I paint my own picture with my life on my own canvas. I do what I believe in at all costs, and because of this I feel happy every day."

(Continued from Page 1)

rights, fair representation and perhaps most of all, in matching wits against all odds. Underlying his well-publicized tenacity against unfair business practice is a powerful attraction to adversity itself. "If you want to have an exciting time as a lawyer," he says, "you must be involved in hostile, adversary cases. Friendly business negotiation is very boring."

Japan's corporate cliques offer the perfect target for Ishizumi's aggressive spirit. "You create a hostile environment if you fight a big monster, and in Japan, the biggest monster is the *keiretsu*. The only alternative would be to fight the *yakuza*, Japan's underground crime syndicates, but that is too dangerous."

Some of the biggest corporations in Japan — Toyota, Nissan, Nomura Securities Co. and the advertising giant Dentsu Inc. — have felt the sting of Ishizumi's lance. In addition to his law practice, he has written more than 10 books on subjects ranging from "intelligent office management" to "winning logic of American lawyers." These are not books that collect dust. His recently published series on mergers and acquisitions in Japan has been a best seller among U.S. businessmen.

His international fame was boosted during the last few years by his highly publicized representation of Texas oil man T. Boone Pickens Jr. in a controversial and ultimately unsuccessful battle for control of Koito Manufacturing Co., a main subcontractor of Toyota Motor Co. Ishizumi is also in the spotlight this year for his defense of the former chairman of Ichikoh Industries Ltd., a rival of Koito, who claims that he was forced out of the top spot at the company by Nissan, a dominant customer. "I don't discriminate against anyone who comes to me with a legitimate grievance, especially if it is a grievance against Japan's excessive corporate conglomerates," Ishizumi says.

He thinks keiretsu and its chummy relationship with government is dangerously out of hand, and that more competition and hostile takeovers would be a healthy challenge to Japan's insular corporate giants.

Ishizumi's passion for courtroom battles and legal fairness, however, has cast him as a loner in Japan's clubby political world, and has made him some powerful corporate enemies. He gave up a career-track post at the powerful Ministry of International Trade and Industry to establish his own law firm, Chiyoda Kokusai. The Pickens case cost him some well-paying corporate clients, and other companies that his law firm was wooing have since turned away.

Ishizumi says that his efforts and unpopularity among the higher echelons of Japan's business world are for a worthy cause, insisting that a greater struggle is at hand, that between Japan's keiretsu and the rest of the world, particularly the United States. "Keiretsu is like a virus which cannot be killed," he says. "They only care about taking more market share, which ultimately means taking over the world." And he adds, "Japan is a very dangerous country. We are a fundamentally communist country economically, and we have a lot more power in the economic sphere than Russia ever had. American leaders are making a mistake by not realizing that."

He says quite simply that corporate Japan has grown so large that it threatens the world. "We need some checks and balances from a Japanese," he says, "and I help fill that need."

For a man with so much fire and conviction, Ishizumi has a surprisingly quiet, gentle manner. Far from being born an outsider in Japan, he grew up in the ancient city of Kyoto, the country's ancient capital, the only child of a salaryman who worked for a shipping company. "I don't know why I am so rebellious, but I have been this way all my life," he says. "I attended a very strict Canadian mission high school. I didn't like their rules, so I was always in trouble. I have always felt more comfortable being apart from the group. It gives you perspective."

When in his early 20s, Ishizumi spent some months at Saicho, a Zen shrine in the mountains near Kyoto, where he practiced *shikan*, a meditation similar to *zazen*. Saicho opened in the sixth century, and is one of the oldest Buddhist temples in Japan. It was famous for its resistant spirit against the prevailing political authority of the times. "The experience at that Zen temple formed part of my spirit, because you are the only man at the temple. Only the strength of your own mind keeps you surviving alone."

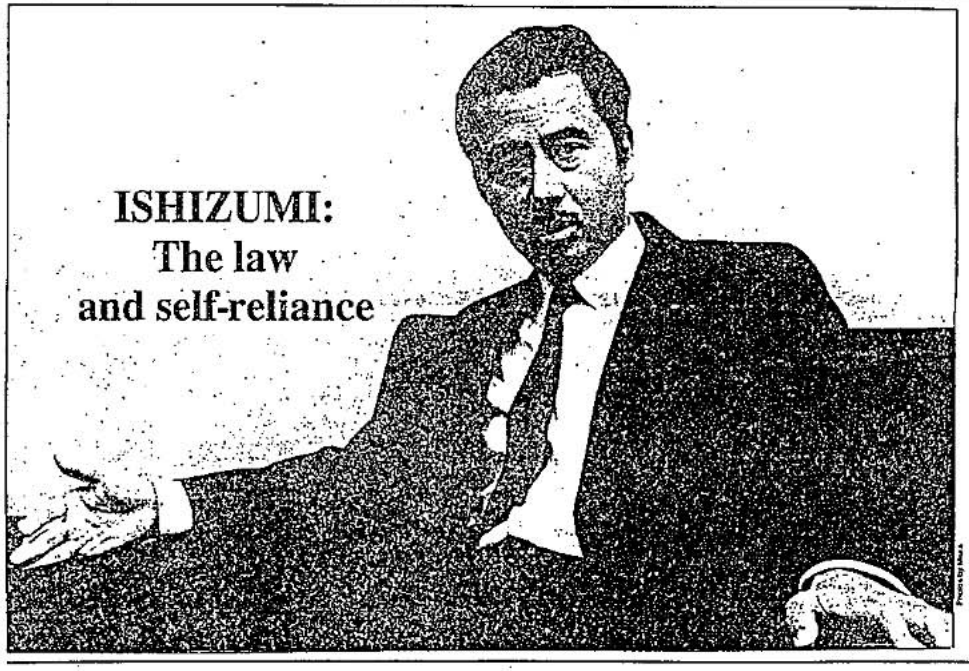
Ishizumi later studied law at prestigious Kyoto University, and was one of the select few to pass Japan's rigorous bar examinations. After moving to Tokyo to join MITI, the government agency most associated with protecting corporate Japan, he became disillusioned with government policy. Had he remained with the ministry he probably would have been a section chief today. But he wanted more control over the cases he worked, so after three years he left to form his own law firm.

Ishizumi's career as a controversial crusader against corporate hegemony began more than a decade ago, when he took the case of an embittered Hong Kong businessman who felt that investment restrictions in Japan were unfair. "He was a sincere man who loved Japan. He was educated here and I felt that he had a right to demand fairness."

Ishizumi's subsequent involvement in Japan's first two hostile takeovers set the stage for the controversial T. Boone Pickens case. "Mr. Pickens came to Japan at just the right time, especially for media attention against keiretsu. We need people like him to fight against the establishment. His case was a good and symbolic fight against unfairness in Japan."

His experience with the Pickens case taught him several lessons about the role of the media in big legal battles, and how to use it effectively. "I learned from the Pickens experience to use both the Japanese and foreign media in Japan," he says.

He says he also found that Japanese press clubs display a built-in bias toward whatever keiretsu they are tied into. "Nikkei, for example, has never written articles on a neutral basis," Ishizumi claims. The Nikkei press, he says, assumed from the beginning that Pickens'



THE ASIAN WALL STREET JOURNAL

TOKYO, MONDAY, JUNE 17, 1991

Lawyer Takes On Japan's Corporate Cliques

By Marcus W. Brauchli
Staff Reporter

TOKYO – On a wall in Kanji Ishizumi's well-appointed law office hangs his credo in carefully drawn Chinese characters: "Do what you believe in."

Mr. Ishizumi's close adherence to the Confucian maxim has cost him business and made him some powerful enemies. More than any other lawyer – or nearly any other figure – in Japan these days, Mr. Ishizumi has assumed the role of gadfly to Japan's clubby corporate world.

That's because much of what Mr. Ishizumi believes in is anathema to Japan's corporate giants. He favors an end to the country's huge interlocking corporate groups, for instance, and a lot less chumminess between government and industry. Greater competition among Japan's harmony-conscious companies would be good, too, he says, as would hostile takeovers.

Mr. Ishizumi is doing more than his bit to realize these ideals. "I am doing what government officials and other corporate lawyers cannot," declares Mr. Ishizumi, who quit a career-track post at the powerful Ministry of International Trade and Industry to launch his crusade. "Corporations have become so gigantic that we need some checks and balances." He says he fills that need.

Mr. Ishizumi first began trying to curtail corporate hegemony in Japan a decade ago. Since then, he has consistently battled the most insular of corporate worlds on behalf of outsiders. He battled investment restrictions on behalf of an embittered Hong Kong businessman. He was involved in Japan's first big domestic takeover fight, and the second. He advised T. Boone Pickens Jr. on the Texas oil man's controversial and ultimately unsuccessful battle for control of a Toyota Motor Corp. affiliate. And now, he is trumpeting the case of a Japanese businessman who accuses Nissan Motor Co. of stealing his family company.

Kanji Ishizumi

Mr. Ishizumi's docket has jarred the establishment. Some of the biggest companies in Japan – Toyota, Nissan, Nomura Securities Co. and advertising giant Dentsu Inc. – have found themselves on the receiving end of his complaints. Most ultimately defeated any legal claims – if perhaps not all of Mr. Ishizumi's verbal barrages – and most reserve few kind words for him. A Nissan spokesman, for instance, termed the lawyer's work against his company "outrageous."

But Mr. Ishizumi's clients feel they receive their money's worth: Mr. Pickens more than once praised his legal advice during the struggle to gain board seats at the Toyota affiliate, Koito Manufacturing Co. And even those who aren't clients of Mr. Ishizumi's Chiyoda Kokusai law firm – some U.S. officials, for example – privately praise his efforts to dismantle *keiretsu*, the extensively interlocking corporate groups that dominate Japanese industry.

Mr. Ishizumi isn't above self-promotion in newspapers, magazines and television, but he also takes his work extremely seriously. He is a study in contrasts, both meticulously up-to-date and religiously traditional. Though his office is in Tokyo's newest, most modern office building, with a view through reflective glass of Japan's financial center, it is trimmed with symbols of old Japan: calligraphy, ceramic teacups on polished wood saucers, and bonsai trees.

Nor does Mr. Ishizumi, who is 43 years old, view himself as an outsider in Japan. He grew up in the ancient city of Kyoto, the country's capital until the mid-19th century.

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Lawyer Wages War Against Corporate Japan

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and studied law at prestigious Kyoto University. He sees himself as a traditionalist – "Tokyo is just a newly born government of 100 years," he complains – who believes in the "unyielding spirit" of the Japanese, not in the group-like behavior he thinks characterizes the country's corporate world today.

After graduating and becoming one of the select few to pass Japan's rigorous bar examination, Mr. Ishizumi moved to Tokyo to join MITI, the agency most associated with protecting corporate Japan. If he had remained at the ministry, he points out, he would be a section chief today. But he says he wanted to operate on his own, so he quit after only three years to join a law firm and eventually start building his own practice, now one of Tokyo's bigger firms, with 10 lawyers and 24 other staff.

"It is almost impossible for MITI officials to speak out on keiretsu and the anti-competitive aspects of Japanese business," Mr. Ishizumi says. "I am doing what the MITI officials or other lawyers cannot do. . . . I am fighting against Toyota and Nissan, the big keiretsu bosses."

Mr. Ishizumi's first big clash with the establishment came a decade ago, when he took on a case for T.H. Wang, a wealthy Hong Kong investor who was prevented by Japan's tough foreign-investment code from taking over a nylon-stocking company in which he had bought a big stake. Mr. Wang never got control, but the investment restrictions eventually were loosened. "It was very unfair," Mr. Ishizumi recalls.

For Mr. Ishizumi, though, the seminal event in his life was working with Takami Takahashi, the late chairman of Minebea Co., in the mid-1980s. Mr. Takahashi was the first big businessman in Japan to successfully wage a hostile takeover battle for another Japanese company, and the first to ward off an unfriendly takeover attempt by a foreign consortium. Mr. Takahashi's willingness to go to the mat with Japan's corporate establishment impressed Mr. Ishizumi, who went on to write a book advocating the use of hostile mergers and acquisitions in Japan.

"Mr. Takahashi was a very, very aggressive businessman," Mr. Ishizumi says. "He gave me so many lessons and the fighting spirit." Other Japanese executives also admired Mr. Takahashi for increasing competition in Japan, Mr. Ishizumi says, but few were courageous enough to say anything until Mr. Takahashi's funeral two years ago, when a handful praised him.

"We need that kind of person, who will fight against the establishment," Mr. Ishizumi says. "That's why T. Boone Pickens came to Japan at the right time, with a good and symbolic fight against unfairness in Japan."

Working for Mr. Pickens revealed how resistant corporate Japan is to change. After Mr. Pickens won the legal right to examine Koito's financial records, he was unable to find any accounting firm in Japan willing to assist in the review. "We felt like a very small ant who is trying to fight an elephant," Mr. Ishizumi says. "Any foreigner coming into this country must have at least the right to be represented by an accountant."

The publicity surrounding Mr. Pickens's battle hurt Mr. Ishizumi's firm. A Toyota affiliate withdrew business, and other companies Chiyoda Kokusai was wooing turned away.

Mr. Pickens two months ago decided finally to sell his shareholding in Koito to the Japanese investor he bought it from. But Mr. Ishizumi has found a new use for much of what he learned from the experience: He has taken on the case of the former chairman of Ichikoh Industries Ltd., a rival of Koito, who claims that he was forced out of the top spot at the company by Nissan, a dominant customer. Mr. Ishizumi says the case illustrates the excessive influence large Japanese companies have over their affiliates.

Mr. Ishizumi doesn't hold out much hope of restoring his client to the company – "he came to me 10 years too late," he says – but Mr. Ishizumi relishes the opportunity to attack the closely woven corporate sphere at Nissan. "I like fights," he says. "I like hostile atmospheres."

THE ASIAN WALL STREET JOURNAL

Monday, March 21, 1988

Bridgestone Defends Offer For Firestone as Necessary

Special to THE ASIAN WALL STREET JOURNAL

TOKYO — Bridgestone Corp. chairman Teiji Eguchi defended the high premium his company offered to acquire Firestone Tire & Rubber Co. as an investment necessary for its expansion into the U.S. tire market.

Mr. Eguchi said Saturday that Bridgestone's $2.6 billion offer for Firestone, nearly 40% more than a competing $1.86 billion bid by Italy's Pirelli S.p.A., represents "a quite reasonable purchase."

Firestone on Thursday said it agreed to Bridgestone's offer, 11 days after Pirelli's hostile offer, which involved a promise to spin off part of Firestone to France's Michelin & Cie.

This article was prepared by Elisabeth Rubinfien, Masayoshi Kanabayashi and Jeremy Mark.

"Our payment will be bigger than initially estimated," Mr. Eguchi said. "But at the same time, what we will get for that amount is also significant."

Some analysts here said the premium offered by Bridgestone was much too high and may create unrealistic expectations for future Japanese acquisitions. But there was widespread agreement that an expensive bid was necessary, given the company's need to beat out Pirelli for a major piece of the U.S. tire market.

The price was the highest ever offered by a Japanese company for a takeover in the West, eclipsing the $2 billion Sony Corp. paid last November for the Columbia Records unit of CBS Inc.

"In terms of money, this will be an exception among Japanese companies because Bridgestone is cash-rich," said Hideaki Fukazawa, a manager of corporate finance at Long-Term Credit Bank of Japan. "Not many companies can afford it. But in terms of trends, this is a good example. Bridgestone goes on the offense and shows that a Japanese company is accustomed to the (mergers and acquisitions) world."

In late February, Firestone accepted a $1.25 billion Bridgestone offer to purchase the Chicago-based company's tire business. Under that offer, the two companies would have set up a joint venture giving Bridgestone a 75% stake in Firestone's tire factories and retail network.

Instead, the Japanese company has been forced to acquire all of Firestone. Mr. Eguchi acknowledged that his company was "surprised" by the Pirelli offer. He attempted to put the best face on the $1.35 billion increase in Bridgestone's spending plans, saying he is happy with the acquisition of additional divisions because they are "divisions creating high value."

Bridgestone plans to fund half of the Firestone purchase with its own funds, and the other half with bank borrowings. The company is believed to have about 200 billion yen ($2.33 billion) of its own funds available, including about 80 billion yen raised last year through the issuance of short-term securities and other financial instruments. Mr. Eguchi said Bridgestone has no concrete plans to issue additional securities.

As for the increase in borrowing, Mr. Eguchi said: "It is just like bending over for a jump to a higher place. It is a necessary thing for a jump." He added: "The decision was indispensable for Bridgestone to become a true international enterprise."

Tony Moyer, an industry analyst with SBCI (Securities) Asia Inc., a brokerage affiliate of Swiss Bank Corp., agreed that the investment is important to Bridgestone. "It'll be a burden for a while," he said. "But it's a major strategic move. If they hadn't done it, they would have had to build up piecemeal, and that would take a lot longer."

Many analysts said the need to carve out a significant position in foreign markets — particularly the U.S. — will fuel more mergers and acquisitions by Japanese industrial concerns in the future. In the case of competitive industries like tires, where the U.S. market offers little room for newcomers, acquisitions may offer the only option for the Japanese.

Kanji Ishizumi, a Tokyo attorney specializing in mergers and acquisitions, said some Japanese companies are "buying time" through takeovers because "traditional overseas investment" now takes too long to bear fruit, particularly since the high yen makes Japanese exports too expensive during a time of transition to local production.

As a result, according to Jonathan Colby, vice president in charge of First Boston Corp.'s mergers and acquisitions group in Tokyo, the likely candidates for takeover bids in the near future could be U.S. companies that already have business relationships with Japanese counterparts. This was the case with Firestone, which sold a truck-tire factory to the Japanese company in 1983. Likewise, Sony and CBS had a longstanding relationship through Columbia Records.

There have been exceptions in recent years — the successful hostile bids by Dainippon Ink & Chemicals Inc. for a unit of Sun Chemical Corp. and all of Reichhold Chemicals Inc.

Pirelli reacted to Bridgestone's success by saying it won't raise its bid for Firestone. Page 4.

But Mr. Colby said he expects most takeovers by Japanese industrial concerns to occur where the "comfort factor" is involved. "I would expect a substantial pick-up in activity," he said. "But I'd see it in a careful, sensible fashion."

On the other hand, the steep premium offered by Bridgestone may pose some problems for future Japanese acquisitions. "It's too bad for all the other Japanese companies who are going to want to buy," said a mergers and acquisitions specialist with a U.S. investment bank in Tokyo. "This is going to raise tremendously the expectations for all Japanese purchasers. Sellers are going to be looking for larger premiums from the Japanese than they are from anybody else."

Trafalgar Holding Attempting To Acquire Japanese Firms

By MYRA PINKHAM and J.D. KIDD

TOKYO—Attracted by the strong growth potential of the Japanese market, Los Angeles-based Trafalgar Holding Ltd. is seeking to acquire either Minebea Co. Ltd. or Sankyo Seiki Ltd., or both.

Trafalgar's acquisition of an option to buy a 23 percent stake in Minebea brought the United States firm into what could be one of Japan's first hostile takeovers. Minebea, Japan's largest manufacturer of precision ball bearings and a major manufacturer of audio components, keyboards and other computer peripherals, had earlier bought 19 percent of Sankyo Seiki, a large electronics manufacturer and maker of robots and machine tools. Sankyo Seiki, however, is resisting Minebea's proposal for a merger.

Trafalgar's interest in these two Japanese firms, according to Mark Dodge, executive vice president and general counsel to the holding company, reflects the company's interest in the Japanese market as a whole. "Japan is the second largest capital market in the world, and the country is committed to liberalizing its financial market," he said.

Trafalgar, which was founded last year by controversial financier Charles Knapp, who had been chairman of Financial Corp. of America until he resigned last year, has been involved in several domestic acquisition attempts involving the firm and oil industries, and now plans to pursue future acquisitions both here and abroad, Dodge said.

He added that the two Japanese companies have all of the key factors that Trafalgar finds attractive for acquisition candidates: undervalued assets, strong cash flow, strong market position, and being an asset-oriented rather than a service-oriented-business.

The initial reaction to the Trafalgar bid also has been one of resistance, Dodge said, but the holding company still is planning to move forward with the attempt. "We are serious about this, since it would mean tremendous growth potential, and we want to be part of it, and not just as a passive investor," he said.

No Legal Barriers

There are no apparent legal barriers standing in the way of a hostile takeover of either Minebea or Sankyo Seiki by Trafalgar.

But that doesn't mean Trafalgar has clear sailing ahead. According to legal and financial sources in Japan, there are at least two reasons why a Trafalgar bid might be unsuccessful. First, said Kanji Ishizumi, an international legal expert with the firm of Chiyoda K.K., a Tokyo law office, "The laws are not framed in such a way as to allow a foreign tender offer." By Japanese law, the bidder must first inform the government on its application of the timing, amount and method it wishes to acquire shares in another firm—information which, Ishizumi says, "cannot be known until the tender offer itself if actually made."

Moreover, any concern which seeks to acquire 10 percent or more of a listed company must inform both the Ministry of Finance and, in this case, the Ministry of International Trade and Industry (MITI) of its intentions, and secure both ministries' approval. Past experience with foreign bids suggests this approval will be difficult to obtain.

(Continued on page 40)

Greenmail Seen Behind Minebea Takeover Proposal

Continued From First Page

panies and their relative obscurity aren't likely to win over the company's "stable shareholders," who own more than 51% of Minebea securities. (Stable stockholder is the term used here for investors who don't actively trade and are considered loyal to a company.)

The Trafalgar-Glen offer seeks to buy all outstanding Minebea shares, convertible debentures and warrants.

Nov. 4 Deadline

According to Minebea's executive vice president, Iwao Ishizuka, Trafalgar and Glen plan to set up a partnership in the U.S. to buy the shares and then to merge with Minebea. The offer, which comes with a Nov. 4 deadline, promises incentives for Minebea executives who cooperate with the partnership, Mr. Ishizuka says.

For each Minebea share, Trafalgar-Glen would pay 550 yen ($3.55) in 20-year 3.25% convertible bonds, 200 yen in 30-year zero-coupon bonds and 150 yen in cash for a total of 900 yen. Glen says the offer is being supported by U.S. and European Banks, which it won't name. Minebea shares closed at 800 yen Saturday on the Tokyo Stock Exchange, unchanged from Friday.

Minebea's president, Takumi Takahashi — a takeover expert himself — says the company will fight to keep its independence. Friday's offer brought a quick and sharp response from the company.

"This offer is an insult to (Minebea's) Japanese investors," says Mr. Ishizuka, who describes the offer as "a very threatening love letter." He declines to say what Minebea's response will be.

He certainly isn't being offered a bargain. Only 12% of the Trafalgar-Glen bid is in cash. And bankers have raised questions about the value of the remaining 88%. The interest rate of 3.25% on the convertible debentures is low, even by Japanese standards, and the 30-year maturity is unusually long for securities issued in a takeover.

Trafalgar and Glen say they will secure their zero-coupon bonds with U.S. Treasury issues. But even those might not provide enough security, bankers say, because the partnership's bonds will mature in yen, while the Treasury's are dollar-denominated. "The foreign-exchange risk is enormous," says Robert Lloyd, head of corporate finance for Drexel Burnham Lambert Inc. in London.

Still Restrictions

What's more, experts in Tokyo say the offer is legally unfeasible. Japanese commercial code bars a Japanese corporation from merging with a foreign entity, they say. Even if Trafalgar-Glen were to set up a Japanese subsidiary, it would run into problems with still restrictions here that limit convertible bond issues to under 30% of paid-in capital, they say.

Besides establishing such a subsidiary could infringe on a postwar Japanese ban on holding companies, legal experts say. It would also involve a battle with the Ministry of Finance, which must approve foreign acquisitions of Japan of more than 10% of a listed company's shares. The ministry would look askance at Trafalgar-Glen's convertible bonds, they say, because the bonds probably wouldn't satisfy the ministry's requirements for fair present value.

"The Trafalgar people haven't studied the situation in Japan well enough," says Tsuneo Nakamura, a legal authority on acquisitions. He says, however, that the assault on Minebea could become a catalyst for a wave of Western-style takeover bids in Japan. "This is a vanguard case," he says.

Many businessmen say the biggest hurdle to a complete takeover is Japan's insular business culture, which even new Japanese companies find hard to crack. "It's a club," says Kanji Ishizumi, a Tokyo lawyer who does work for Minebea. "If they stick around for 20 years, they might be let in."

Glen's chairman, Terry Hamsden, a 33-year-old former stockbroker's clerk who favors shoulder-length hair, says he began buying Minebea warrants more than a year ago and enlisted Mr. Knapp's support earlier this year. Although the partners now claim holdings equivalent to more than 30% of Minebea's shares, Glen officials acknowledge that most of these are unexercised warrants, rather than stock. It would take more than $150 million to convert the warrants into equity.

'What Do They Want'

That has led some market participants to speculate that the takeover offer is just part of a maneuver by Trafalgar and Glen to get Minebea to buy out their stake at a premium. "What do they want with a Japanese ball-bearing company anyway?" says a New York arbitrageur who is active in Minebea. "I think they're just trying to sell the stake."

Bankers close to the foreign companies say Mr. Hamsden and Mr. Knapp are likely to pressure Minebea to find buyers for their stake at around 1,100 yen a share when the two men visit Japan today. (Japanese corporations can't legally buy their own shares.)

Tokyo analysts say Minebea is a well-managed company that has successfully diversified into high-technology fields in recent years. Still, it is clearly on the defensive. Last month, Minebea's board of directors approved a plan to issue 15 billion yen in convertible debentures to stable shareholders to help fend off the acquisition attempt.

The debenture issue angered Trafalgar and Glen. Donald L. Reynolds, Trafalgar's executive vice president, says the partnership will bring suit against Minebea if it attempts to further dilute its stock by issuing new securities.

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The LAWYER

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City Update

High take-up for share issue

● Simmons & Simmons acted for ML HOLDINGS in their recent £12.8 m rights issue. It was one of the few issues of ordinary shares since the October equity crash, and has been successful — over 89 per cent has been taken up by shareholders. The issue is intended to finance the group's acquisition programme, and was underwritten by Hoare Govett and Lazard Brothers.

The underwriters were represented by Linklaters & Paines.

Barrett buy-out

● HENRY BARRETT GROUP has acquired the PARK PALLETT GROUP for £3.8 m in cash and shares, the cash being raised through a vendor placing.

A V Hammond & Co acted for Henry Barrett Group. Alsop Stevens represented the Vendors.

A broader base

● IN SHOPS are joining the main market via a £3.3 m placing by ALBERT E SHARP & CO. The listing is intended to broaden the financial base and increase public awareness of the company.

Wragge & Co acted for In Shops. Pinsent & Co are solicitors to the placing.

Shipping orders flooding in

● One of the UK's largest coastal tanker fleet operators, BOWKER & KING, has signed a shipbuilding contract for a 2,500 tons deadweight products carrier, for an undisclosed sum. The ship is intended to be the first in a series of such vessels to be built by COCHRANE SHIPBUILDERS for Bowker & King, a wholly owned subsidiary of HAYS MARINE SERVICES.

Carter Faber of London acted for the shipowners and Andrew M Jackson & Co of Hull for the shipbuilders.

Park Industries get hostile

● DOBSON PARK INDUSTRIES has launched a £25 m hostile takeover bid for MS INTERNATIONAL. The offer values each MS International share at 90p against a market price of 113p.

Herbert Smith is advising Dobson Park, while Alsop Stevens represents MS International.

Pearson stalled in French bid

● PEARSON's acquisition of LES ECHOS, (*The Lawyer* 26 January), has been delayed by the French Government, who have questioned the Community status owner of Les Echos, supported by its journalists, stopped production of the paper for a day in protest at the French Government's stance. Pearson has put in a formal complaint to the European Commission.

Freshfields are acting for Pearson. American firm Cleary Gottlieb Steen & Hamilton represent Les Echos.

Baker Perkins lose bearings

● The Japanese industrial bearings manufacture MINEBA has acquired the ROSE BEARINGS division of BAKER PERKINS, a subsidiary of AVP, for approximately £9 m in cash.

Payne Hicks Beach, instructed by Kanji Ishizumi of Tokyo, acted for Mineba. McKenna & Co advised AVP.

£37 million for distribution bid

● Beazer has agreed to sell BEAZER PRODUCTS & SERVICES and TOD to the B M GROUP, machinery manufacturers and distributors. The price is £37 m, to be satisfied by an issue of ordinary and preference shares placed by Shearson Lehman Securities, subject to clawback.

Ashurst Morris Crisp acted for the B M Group. Travers Smith Braithwaite represented Beazer and Shearson Lehman Securities were advised by Frere Cholmeley.

TKB advise on livestock deal

● Turner Kenneth Brown is acting for CHANCERY SECURITIES who are sponsoring an unusual offer for subscription under the Business Expansion Scheme by WOODSTOCK BREEDING SERVICES. Woodstock intends to establish high quality breeding herds of cashmere goats, angora goats and red deer on a farm in the Cotswolds. Up to 2.7 m ordinary shares of 50p each at £1 per share are on offer.

Nabarro Nathanson are advising Woodstock Breeding Services.

Deal Finnished

● IMI have sold IMI YORKSHIRE IMPERIAL PLASTICS to the Finnish owned UPONOR for £13.5 m (including repayment of group loans).

Pinsent & Co acted for IMI. Norton Rose Botterell & Roche advised Uponor.

Market placing for designers

● Design and management services company, AUKETT ASSOCIATES, is joining the main market by means of a £4 m placing sponsored by Hill Samuel. The placing consists of 4,200, 559 ordinary shares of 5p each at 95p

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BUSINESS TOKYO

LAW

Insiders Accepted

Why insider trading is OK in Japan

By Kanji Ishizumi

In every country there are differences between principles and real intentions, between systems and their enforcement in society or between the provisions of the law and the applications. Japan is no exception. There are numerous cases where, despite the provisions of a law, people ignore legislation and the authorities do little to enforce it.

Examples are legion, but perhaps the best are the speed regulations on highways and the prohibition of drinking and smoking by minors.

The same is true of insider trading. The regulation of insider trading in the U.S. is conducted under Rule 10 B-5 and Section 16 of the law of 1934. Because of this, insider trading is controlled relatively well, and penal regulations including imprisonment are severely applied to violators. Nevertheless, on Wall Street, young consultants of large investment banks engage in insider trading.

"In our country we tend to debase Western laws"

Insiders' Japan

What is the situation in Japan? In our country, we tend to debase Western laws, by only adopting them on the surface. I must confess that the law in Japan on insider trading is a case in point. Article 58 of the Securities & Exchange Law in Japan and Article 189 of the same law are complete translations of Rule 10 B-5 and Section 16 respectively, of the American legislation. However, since the establishment of the Securities & Exchange Law in 1948, there has been virtually no prosecution for insider trading.

What is the reason for such a discrepancy? The most important point is that the U.S. is, after all, a nation of lawyers, while Japan is a police state. In the U.S., per capita, the number of lawyers is 40 times as great as that in Japan. In order to earn legal fees, many American lawyers diligently go to the SEC every day, and as soon as they obtain information about insider trading, file a class action suit on behalf of stockholders. Here, you see a very ingenious system, which is applauded by Congress, as it keeps unemployed lawyers busy, and polices the market.

Let's look at the situation in Japan. The number of lawyers is one-fortieth of the U.S., and most are very busy. This means that in terms of law enforcement, lawyers in Japan can hardly play the role of private policemen. Police in Japan are occupied with the investigation of criminal offences such as murders, burglaries and kidnappings in order to uphold the reputation of Tokyo as the safest city in the world. They are not keen on investigating economic crimes. Nevertheless, owing to police efforts, the citizens of Tokyo enjoy extraordinarily safe urban lives.

A second reason for the discrepancy is the defects in the system. According to Section 16 (a) of the American 1934 Securities Exchange Act, company executives have to report any transfer of their shareholdings to the SEC. Article 189 of the Securities & Exchange Law of Japan does not have such provisions. The lack of this stipulation has allowed covering up of much insider trading. Owing to the internationalization of securities dealings and the increase of insider trading in the U.K. and the U.S., the Tokyo and Osaka Stock Exchanges, and the Japan Securities Dealers Association have agreed that securities companies must register customers if they are the executives of issuing companies. The purpose of this agreement is to offset the lack of provisions that impose the duty to report insider dealing, under Article 189 of the Securities & Exchange Law of Japan.

Meaningless Provision

However, for lawyers, the new provision is totally meaningless for the following three reasons. First, the registration is merely a registration within a securities company. Second, the registration is required only when the nominal person who made the dealings is an executive of the issuing company, and anyone could evade the registration by using the names of others, including those of relatives. Thirdly, the so-called Beneficial Owners in Section 16 of the 1934 Law of the U.S. is not taken into consideration because the duty to report is imposed by the Securities & Exchange Law.

Allow me to mention my opinion as a private person. My view is that to regulate insider trading is socially too expensive. This means that there can hardly be a balance between the social cost required to strengthen the regulation and the maintenance of the credit of investors in relation to the stock market. It is undeniable that stock markets are inherently tinged with gambling, and in Japan, all of society is extremely insensitive to information secrecy. Moreover, promotion of entrepreneurship is necessary for the growth and revitalization of the Japanese economy. From this viewpoint, it would be the greatest incentive for founders and owners of enterprises to exert their entrepreneurship, if they could promptly pursue capital gains in the stock market by using information from their own enterprises. Therefore, I believe its desirable to leave the insider trading regulations in Japan as they are. There should be a difference between one's principle and one's real intention. If Americans commit insider trading on the Tokyo Stock Exchange, I think they should be punished by the application of American law. ⊐

Monthly Express BUSINESS TOKYO February 1987 経済界

LAW AND BUSINESS

Hostile Takeovers in Japan

By Kanji Ishizumi
Attorney at Law

In the summer of 1986, two foreign investment companies failed in their effort to take over a big Japanese company. The Trafalgar Holdings Ltd. of the U.S. and Glen International PLC of Britain made a determined attempt to acquire Minebea Co., Ltd., a technology concern. The case is interesting because it has lessons for foreign investors who may be contemplating unfriendly mergers and acquisitions (M&A) in Japan.

In early 1985, Glen International was able to acquire convertible bonds and warrant bonds of Minebea, a $623 million maker of miniature ball-bearings and electronic equipment. Subsequently, Glen International purchased about 10.5 million shares of Minebea on the stock exchange, so that after full conversion of the convertibles and warrants it could control about 30 percent of Minebea's shares.

In August, the U.S. finance company Trafalgar Holdings announced it had acquired an option from Glen International to purchase its current position in Minebea. Meanwhile, Minebea was making headlines of its own by proposing a merger with Sankyo Seiki Manufacturing Co., Ltd., a precision-equipment maker. This led Trafalgar Holdings to say it intended to acquire either Minebea or Sankyo Seiki, or both.

Minebea quickly took defensive measures. In September, Minebea issued about 16 billion yen of convertible bonds for private placement, which if converted would represent about 8.3 percent of issued shares. The result would be a diluting of Trafalgar-Glen's shareholding from a potential 30 percent to 19.5 percent. As an additional defense, Minebea also signed a merger contract with Kanemori Co., Ltd., a kimono and textile maker and a member of the Minebea business group.

In February 1986, Trafalgar-Glen, a company formed to carry out the takeover, filed suit in Japan in protest of the dilution of its shareholdings and also applied for a provisional order blocking the impending merger between Minebea and Kanemori. Two days later, Trafalgar-Glen filed papers with the Japanese government seeking permission to increase its shareholdings to more than 10 percent of Minebea, in effect asking to be allowed to convert its bonds and warrants to equity.

The Ministry of Finance (MOF) however, found that some 10 percent of Minebea products are defense-related, such as revolvers for the Self-Defense Forces, industrial fasteners and aircraft bolts. Therefore, MOF decided on March 13 to prolong the decision-making for three months since the the case involved "national security."

At the end of March, a Japanese district court dismissed the application by Trafalgar-Glen to block the merger between Minebea and Kanemori.

Kanji Ishizumi

In the meantime, private negotiations resulted in Nomura Securities Co., Ltd. and Daiwa Securities Co., taking over the resale of the shares and bonds held by Trafalgar-Glen. The foreign investors had decided to abandon their unfriendly acquisition attempt.

Minebea used what may be the most common defense of Japanese companies under threat of unfriendly takeovers: namely, to place large blocks of shares in the hands of stable shareholders such as institutional investors or banks. Minebea's private placement, though a novelty in Japan, had the same effect. Minebea also managed to dilute Trafalgar-Glen's holding by issuing new convertible bonds.

The merger with Kanemori was self-damaging and intended to make Minebea less attractive to the aggressor. Kanemori's product lines were hardly harmonious with Minebea's high tech products and, additionally, Kanemori's sales were sluggish.

The Japanese government's reaction to the case is noteworthy. The relevant law allows the government the discretion to prohibit the purchase of a domestic company by a foreign investor if " the national security, public order or welfare, or ....the national economy" could be harmed in consequence of the transaction.

Because Minebea was producing revolvers for the Self-Defense Forces, industrial fasteners and aircraft bolts, officials of MOF informally expressed hesitation. The decision-making, which normally is processed within 30 days, was therefore extended for four months. During that time, Trafalgar-Glen abandoned its efforts and settled amicably while making what it said were "substantial profits" after selling off its holdings.

The informal and invisible power of governmental agencies, the so-called administrative guidance, is a large factor to consider when making takeover bids. Another factor is that Japanese companies prefer to place their shares in the care of stable shareholders. However, under Japanese Antimonopoly law, the prohibition against acquiring more than 5 percent of one company will be legally binding at the end of 1987.

A foreign investor taking over a Japanese company to gain entrance into the Japanese market should observe two conditions necessary for success: first, the employees and shareholders of the company have to be convinced of the merger's mutual benefits; and second, the good image of the company must not be injured as a result of the acquisition.

However, Japanese industry has recently become increasingly interested in M&A. Banks and securities houses have established special M&A research departments. And the number of members in the M&A Research Group, which was founded in July 1985 with 15 companies, now has 50 members. Thus, in spite of difficulties, the foreign investor should not underrate the feasibility of M&A in Japan.

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LAW AND BUSINESS

Friction in Financial Markets

By Kanji Ishizumi

As part of the move to denationalize Nippon Telegraph and Telephone (NTT), the Ministry of Finance recently listed a portion of its NTT shares on the Tokyo Stock Exchange and other regional exchanges in early February. The buying rush during the first day of trading made it difficult to fix an initial price, but it eventually reached a record-breaking 1.86 million yen per share. The NTT offering was one of the largest ever made in Japan, representing over 1% of the total capitalization of the Tokyo stock exchange.

Although financially successful, the NTT listing has brought a new problem to international attention. International fund managers in the United States and Europe, who are aggressively targeting Japanese equities for portfolio investment, are unhappy that non-Japanese investors are denied the right to purchase NTT shares under Article 4 of the NTT Corporation Law.

Given the increasing listing of Japanese shares on foreign exchanges, and the listing of foreign shares on the Tokyo Stock Exchange, it is clear that not allowing foreign investors to take part in the highly publicized sale of NTT shares symbolizes the fundamentally closed nature of Japan's capital markets.

The Japanese government has long had objections to allowing foreign investors to hold shares in Japanese corporations deemed important to national policies. In the revision of the Foreign Exchange and Foreign Trade Control Law in 1980, the government specifically named those companies in which foreign ownership was to be controlled.

This system of control seems to have been tacitly accepted, until a case was brought against the Japanese government by a foreign investor group which challenged the prohibition against majority foreign ownership of these 11 companies. A Hong Kong investor group, centered on a company called Newpis Hong Kong Limited, brought suit in the Tokyo Circuit Court against the government in an effort to lift the ban on foreign ownership of Katakura Industries.

The Hong Kong investors had bought close to 25% of the outstanding shares of Katakura, but were prevented from acquiring a larger portion due to the limit. The basis of their suit was that, unlike the other named companies that are engaged in strategic sectors—such as computers, petroleum and pharmaceuticals—that have an acknowledged national importance, the inclusion of Katakura, a major silk spinning company, had little strategic importance.

Although the legal proceedings lasted over a year, the Japanese government position, as could have been predicted, prevailed. The court decided that it had no jurisdiction to rule on the legality of the government's actions. To put it bluntly, the court simply threw the case out without conducting a serious investigation. The important point, however, is that immediately after the ruling, the government decided to abrogate the limits on foreign ownership in these companies, probably because this was easier than facing an ongoing series of legal challenges by foreign investors.

Even though the government has eliminated the designated companies list, it would be wrong to draw the conclusion that foreign investors today can freely acquire the shares of any Japanese corporation. In addition to the specific prohibition against foreign ownership of NTT shares, there are other general stipulations in the Foreign Exchange and Foreign Trade Control Law.

Even though under the current foreign exchange law the Bank of Japan has only acted to hold up a few foreign acquisitions in Japan, the fact remains that foreign investors are required to notify the bank if they intend to acquire the shares of unlisted companies, or a minimum of 10% of the outstanding shares of publicly listed companies.

More specifically, Article 27 of the Foreign Exchange and Foreign Trade Control Law still mandates a waiting period of up to four months between the time of application to the bank and the actual acquisition of the shares in:

1) cases where the transaction may threaten public order or create a public nuisance;
2) cases where acquisition of such shares may cause serious economic harm to particular Japanese entities or to the Japanese economy in general;
3) cases where foreign investors are from a country with which Japan does not have treaties or other agreements governing the acquisition of shares, and where the Japanese government recognizes its authority to amend the conditions, or prohibit, the proposed acquisition of Japanese companies, in order to assure that Japanese investors receive equivalent treatment.

In practice, therefore, by reserving the right of approval in such cases through the issuing of a request to amend or prohibit the proposed acquisition, the government reserves final authority over proposed foreign acquisition of Japanese companies.

The rarity of foreign acquisitions in Japan suggests legal restraints constitute a considerable psychological obstacle to foreign investors contemplating acquisitions in Japan. With the growing demand for the rapid internationalization of Japanese capital markets, it can only be to Japan's advantage to eliminate the remaining bans on foreign ownership of Japanese equities and to issue clear and distinctive guidelines for the regulation of foreign acquisitions.

Attorney Kanji Ishizumi is a principal of Chiyoda Kokusai, a Tokyo law firm that specializes in mergers and acquisitions. ❑

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INTELLECTUAL PROPERTY

Copyright Protection of Computer Programs and Semi-conductors in Japan

Kanji Ishizumi
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Because of the fact that data bases are a newly-emerged product or product concept, there are no specific provisions in the Copyright Act (Act No 48 of 1970), as amended (hereinafter referred to as 'the Act') regarding their copyright protection in Japan. (They are not included in the non-exclusive list of 'writings' provided in Article 10.1 of the Act.) Nor has there been any uniform understanding among the courts or commentators regarding their nature or copyrightability.

In September 1986 the Data Base Task Force Unit ('DBTFU') of Subcommittee VII of the Copyright Council of the Agency for Cultural Affairs, a department of the Ministry of Education, which had previously submitted an interim report in December 1984, submitted its final report, in which the task force unit affirms the copyrightability of data bases. Following the publication of the final report, more active and specific discussions than ever have taken place regarding their copyrightability.

Legal protection of data bases

In this section, I will first discuss the copyrightability of the information per se stored in data bases. Generally, theses, monographs and summaries thereof and newspaper and magazine articles are 'writings' as defined in the Act. By virtue of Article 10.2 of the Act, however, newspaper articles can be denied copyright protection only when they are nothing but reports of factual information having no recognisable creativity, such as obituaries and personal information reports. As one can easily see from the fact that newspaper reports dealing with one and the same affair usually vary distinctively from one newspaper publisher to another or from one reporter to another not only in the way of expression but also sometimes in the message or view which they convey, ordinary newspaper articles are in most cases creative works and therefore are considered to be copyrightable items. Their summaries, except those consisting only of their respective titles, are also generally considered to qualify for separate copyright protection. I do not, however, think that the generally accepted standard or threshold for summation of 'two hundred words or so', which has no justification whatsoever that I know of, is reasonable.

Factual information per se, such as numerical data, the titles of theses, monographs or magazines or the names of authors or publishers are not copyrightable. Numerical data are nothing but factual information and, therefore, do not qualify for copyright protection, no matter how huge the amounts of money and human resources invested to develop and compile them. (These days I have noticed so many of the corporate clients of our firm complaining about this disqualification that I think I should take every available opportunity to appeal for some kind of legal protection as trade secrets to be given to numerical data.) Charts and diagrams designed to represent, express, explain or illustrate numerical data are, however, undoubtedly copyrightable.

It should be noted that storing any existing data or information protected by copyright in a computer memory is considered to constitute an 'act of reproducing [the existing data and information] in a tangible form with the aid of a machine or device' and, therefore, constitutes copying under the Act (see Articles 2.1.15 and 21 of the Act.)

The copyrightability of data and information stored in data bases is one question and that of data bases as a whole is another. Views affirming, though on different grounds, the copyrightability of data bases have been voiced by more than just a few commentators to date. Dealing with this problem, the DBTFU has stated in its final report:

> 'It is not enough to determine whether any data base satisfies the "originality" requirement based solely upon what is generally called the "Test of Selection and a Novel Combination and Arrangement of Common Materials" — the test exclusively applied to determine the copyrightability of works of independent editing or compilation efforts. Rather, we should turn our thoughts to the basic definition of the term "writings", as set forth in Article 2.1.1 of the Act — "original works of expression of any idea, thought or feeling . . ." Their originality should be determined

Kanji Ishizumi is an Attorney-at-law and a member of the Tokyo Bar Association. He is chairman of the Intellectual Property Law Committee of Asia Pacific Lawyers Association. Chiyoda Kokusai is a group of experts consisting of specialists in Law, Patent and Trademark, Accounting and Tax.

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Japan's Use of Hostile Takeovers Abroad Isn't Likely to Extend to Domestic Scene

By KARL SCHOENBERGER
And CHRISTOPHER J. CHIPELLO
Staff Reporters of THE WALL STREET JOURNAL

TOKYO—Minebea Co., a maverick ball-bearing manufacturer known for aggressive growth tactics, started plotting an acquisition in 1985 that was heralded as Japan's first hostile takeover.

Soon, however, Minebea itself became the target of an unfriendly takeover attempt in a bizarre episode involving another taboo: foreign raiders. Minebea drove off the alien assault from Trafalgar Holdings Ltd. of the U.S. and Britain's Glen International PLC.

Now Minebea is back to stalking its own prey. It wants to acquire all of Sankyo Seiki Manufacturing Co., the world's largest maker of music boxes, over the adamant opposition of that company's management. Sankyo Seiki won't even talk with Minebea, its largest stockholder with 18% of shares outstanding.

Still Avoid Hostilities

The standoff illustrates that, while attitudes about corporate takeovers may be changing, Japan's corporate culture still eschews open hostilities that are commonplace in the West. Investment bankers don't recall a single merger here in which both sides didn't embrace in the end.

Yet Japanese companies are undoubtedly gaining sophistication when it comes to aggressive takeovers on foreign territory. The $550 million purchase of Sun Chemical Corp.'s graphic-arts division last year by Dainippon Ink & Chemicals Inc.—or its recent $473 million hostile attempt on another U.S. concern, Reichhold Chemicals Inc.—could herald a new wave.

But at home, corporate behavior remains genteel. If there is dirty work to do, it is done by speculator groups that quietly buy up shares in the market and serve as intermediaries.

Actually, mergers aren't uncommon in Japan; Sanwa Bank counts about a thousand annually in recent years. But acquisitions of listed companies are relatively few, and successful mergers generally follow years of tight business relationships or precede a bankruptcy. Tender offers are allowed under Japan's securities laws, but since World War II the tactic has been used only two times—both friendly.

Talk but No Change

"Nobody's sure how you fill out the form for a tender offer and submit it to the government," says Jun Imanishi, head of Morgan Stanley & Co.'s mergers-and-acquisitions team in Tokyo. "People talk about a mergers-and-acquisitions boom hitting Japan, but we haven't seen any drastic changes in the way things are done."

A big damper on such activity is the reluctance to abandon traditional social contracts. A company is held in trust to be passed on to the next generation, not sold for profit. Corporate takeovers are loathed—and widely described with the same word used for hijacking: *nottori*.

As such, foreign companies shopping for acquisitions in Japan face major difficulties. Japanese shares are thought to be overvalued, with average price-earnings ratios more than triple those in the U.S.; the high yen makes buying them even more prohibitive. (The P-E ratio, the share price divided by earnings per share for a 12-month period, is a common way to assess a stock's underlying value.) Even when enough shares are obtained, the foreign suitor must engage in the delicate, protracted process of wooing employees and shareholders.

Chiyoji Misawa, president of Misawa Homes Co. and one of Japan's most aggressive mergers-and-acquisitions practitioner, says he goes to great lengths to reassure people about his good intentions. He says he has never fired an employee of a company he has taken over.

"Simply transfering the stock means nothing," Mr. Misawa says. "The order is to talk [first] with the executives. If you go about it in reverse order, things get emotional and don't work out. There's nothing you can do about it—it's tradition."

Little Alternative

Practically speaking, there is rarely an alternative, says Daiwa's Mr. Yamamoto. Cross-holdings among institutional investors and companies loyal to management keep out of circulation the vast majority of shares outstanding. That is why tender offers aren't done in Japan, and why Minebea hasn't raised its stake in Sankyo Seiki in two years, he says.

"After a certain point, Minebea just can't buy up any more Sankyo Seiki stock," Mr. Yamamoto says. "It isn't for sale."

Minebea's gambit may yet pay off, though. Many takeovers in Japan start out unfriendly but turn sweet by the time the deed is accomplished.

"It starts out with a vicious fight and in the end you see pictures of the two presidents shaking hands and smiling," says Kanji Ishizumi, a Tokyo attorney specializing in mergers and acquisitions. He estimates at least three out of every 10 takeovers have hostile origins.

Serving as catalysts in many of these deals are shadowy stock-market speculators called *kaishime*, or "cornering" groups. They discreetly buy up stock in a company, often fishing for bargains. The objective is to drive up the stock price and sell for capital gains. Often this takes the form of greenmail, when a company buys back stock from an unwanted suitor at a premium.

Friendly Persuasion

Because companies in Japan are forbidden by law from owning their own issues, managers must persuade friendly concerns such as financial institutions or other major investors to bail them out. That is how Fujiya Co., a big confectionary maker, resolved a three-year stalemate with a speculator group in December. Fujiya arranged to have Fuji Merchant, a related company, buy back the 47.6% of Fujiya shares outstanding from a kaishime group, for about 75 billion yen ($501.5 million).

Sometimes a speculator group will sell to an outsider, who emerges in the "white knight" role. Or, a publicity-shy conglomerate might recruit a kaishime group to quietly amass shares on its behalf.

Whether it is advisable for foreign concerns to play ball with the kaishime groups is a sensitive question. While the speculators have recently become openly identified with legitimate transactions, they retain the stigma of being associated with "dirty money," an underground economy that evades taxes and launders the profits of loan sharks.

Even if the indigenous takeover game isn't fully accepted, there is increasing speculation that American-style takeovers will one day arrive in Japan.

"The prevailing tides of internationalization can eventually be expected to bring hostile M&A to Japan's shores," says a report by Sanwa Bank. "The relentless trend toward an international borderless economy will ... require the reconciliation of American-style M&A activities with Japanese management practices."

With the expected boom comes a rush to provide consulting, banking and legal services. The field is already getting crowded.

"The competition is booming, but the deals aren't. The whole pie isn't expanding," says Morgan Stanley's Mr. Imanishi. "But then, you don't need many deals to be profitable. This is a very lucrative business."

West German Wholesale Sales

WIESBADEN, West Germany — West German wholesale sales fell an inflation-adjusted 1% in the first half from a year earlier, the government said.

Reprinted from
FORDHAM LAW REVIEW
March 1979

INSIDER TRADING REGULATION: AN EXAMINATION OF SECTION 16(b) AND A PROPOSAL FOR JAPAN

*KANJI ISHIZUMI**

TABLE OF CONTENTS

* Member of the Second Tokyo Bar. LL.B. 1971, Kyoto University; LL.M. 1977, Harvard University; LL.M. 1978, University of Pennsylvania. Mr. Ishizumi was with the Ministry of International Trade and Industry of Japan (1971-1974) and is presently associated with the firm of Shearman & Sterling and the Tokyo firm of Adachi, Henderson, Miyatake & Fujita. This Article was written while Mr. Ishizumi was a fellow at the Center for Study of Financial Institutions, University of Pennsylvania Law School. Mr. Ishizumi wishes to thank Simon M. Lorne, Esq. for his assistance in the preparation of this Article.

Going on sale from December 10

Acquiring Japanese Companies

Kanji Ishizumi

240pp. 210mm × 148mm ¥2,500

Acquiring Japanese Companies is written specifically for foreign readers by a Japanese lawyer specializing in mergers and acquisitions as a guidebook on mergers with and acquisitions of Japanese corporations by American, European and other foreign corporations and investors. In the book, the author successfully tries to give the readers full and detailed practical knowledge not only about the fundamental procedural aspects of mergers and acquisitions in Japan and highly sophisticated strategical and tactical know-how and considerations required for successfully making mergers and acquisitions in Japan, but also about Japanese corporate culture, social structure, Japanese business executives' ways of thinking and their behavior patterns when their companies become acquisition targets, referring to many past merger and acquisition cases which have occurred in Japan.

This book will readily provide its readers with practical answers and the most up-to-date information with respect to matters and questions like:

1. What are the expected merits of foreign corporations acquiring Japanese firms as a means to participate in the Japanese market?
2. How do the Japanese generally accept mergers and acquisitions as a means to expand or diversify business?
3. Recent merger and acquisition cases in Japan and the general trend which can be observed from them.
4. Recent cases in Japan of merger and acquisition attempts by foreign corporations and the general trend observable from them.
5. How were and are hostile mergers and acquisitions accepted in Japan?
6. Cases of unsuccessful merger and acquisition attempts by foreign corporations in Japan, particularly by American and European corporations, and the lessons to be learned from them.
7. What precautions should foreign business executives take when they deal with their Japanese counterparts, particularly founders and owners of businesses, in an attempt to acquire the latter's businesses or companies? Discreet preliminary groundwork and face-saving problems . . . Special considerations required when dealing with Japanese business executives.
8. How should foreign acquiring companies or their executives approach and negotiate with Japanese acquisition targets and their executives and major stockholders? Analysis of good and bad model cases.
9. When acquiring Japanese companies, how should they be evaluated? Are there any special aspects which foreign acquirors should keep in mind when they evaluate their Japanese acquisition targets? What are "hidden assets," distribution networks and governmental business franchises and permits? How should they be evaluated? How should stocks and other equity interests be evaluated?
10. Practical strategical and tactical approaches and considerations for acquiring Japanese corporations:
    - — Due respect for Japanese corporate and business culture;
    - — How should the acquisition price be determined?
    - — The role of Japanese commercial banks as M & A advisors;
    - — How to make the best use of lawyers and accountants;
    - — How to make the best use of arbitrageurs;
    - — How to approach and work with the Japanese Government; and
    - — How to approach and use the main bank of the acquisition target.

Kanji Ishizumi is one of the most prominent M & A lawyers in Japan, having experience working as legal counsel for either acquirors or acquisition targets and otherwise in a number of takeovers where Japanese corporations acquired or were acquired by foreign corporations or other Japanese corporations. In particular, he has been involved in almost all of the recent tough and complicated cases which have received wide publicity including the attempted hostile acquisition by a major Japanese company listed in the first section of the Tokyo Stock Exchange of another Japanese company also listed in the same section, the first proxy battle case in Japan and several hostile acquisitions involving foreign corporations as acquirors and Japanese corporations as acquisition targets. He has a wide circle of acquaintance not only in commercial and investment banks and securities firms in Japan but also in the Japanese government agencies and political circles on account of his past service experience with the Ministry of International Trade and Industry and also his current position as a member of the team of legal counsel for the Liberal Democratic Party. He is the father of two sons and one daughter.

NORAM

A NEW BOOK RELEASE "ACQUIRING JAPANESE COMPANIES" by Kanji Ishizumi.

A NEW BOOK OF COMPELLING INTEREST TO WESTERN BUSINESSMEN AND INVESTORS.

Until quite recently successful acquisition of Japanese corporations by non-Japanese firms was very rare and generally believed to be virtually impossible to accomplish. Like so many things in Japan, this situation is changing dramatically, offering new opportunities for European and North American companies with an interest in the Japanese market.

Kanji Ishizumi's Acquiring Japanese Companies is the first book ever written in English on this subject. It is a remarkable pioneering effort that makes the intricacies of successful merger and acquisition strategies available to the non-Japanese businessman. The book is remarkable not just because it is the first one on the subject, but perhaps more importantly because, unlike so many "*how to do business in Japan*" works written by American academics, Acquiring Japanese Companies is written by a Japanese, and a Japanese who is an insider with enormous practical experience.

Kanji Ishizumi is sometimes referred to as the "*king*" of mergers and acquisitions in Japan. Trained at Kyoto University and Harvard Law School, he understands Japanese and Western ways of doing business equally well. His book is written with the authority of someone who has actually participated in and managed the business of mergers and acquisitions in Japan. The book covers all the tactical and strategic issues as well as the procedural aspects of mergers and acquisitions in Japan. It also explains how Japanese corporate culture and social structure affects Japanese executives' ways of thinking when their companies become acquisition targets.

The book is *must* reading for internationally-minded businessmen and investors. Published by *The Japan Times*, 5-4 Shibaula 4 chome, Minato-ku Tokyo 108 Y 2500, Japan.

Prof. Tomasz Mroczkowski
The American University
Washington, D.C.

INVITATION

Noram Capital Management, Inc. is pleased to invite you to an investor presentation:

Topic: Japan's Strategy for the 1990's: Implication for North American Businessmen and Investors.

Speaker: Prof. Tomasz Mroczkowski of The American University in Washington, D.C.; International Trade Specialist recognized as an authority on Japanese - US relations, Chairman, International Business Round Table.
Prof. Mroczkowski is also a member of Noram's Advisory Board.

Place: Commerce Hall, Commerce Court West,
King and Bay Streets, Toronto.

Time: Monday, May 15, 1989,
7:30 p.m.

Admission is free of charge to Noram's clients and unitholders.

Information: Ms. Jana Blackmore at (416) 364 2642.

Whether or not this is true, the real strengths of the *zaibatsu* lie hidden deep within the corporations themselves and in their cultural traditions. "Everything here is based on two words, *giri* and *on*" says Gregory of Sophia. "I give you a gift and you give me one of the same value in return." This simple folk tradition is what drives the *zaibatsu* and has allowed them to flourish despite the imposition of foreign laws. "One Sumitomo company is obliged to buy from another Sumitomo company," explains Kanji Ishizumi, a Harvard-educated Japanese M&A lawyer and the author of the book *Acquiring Japanese Companies*. "That's legal. There is no binding agreement among the companies. They work as gentlemen, as businessmen moving under the badge of the Sumitomo group."

Gift-giving goes beyond reciprocal sales arrangements, however. It is evident in even the most important financial transactions. "Mitsui bank stands always behind Mitsui trading company," says Nobuchika Shinohara, general manager of the planning department for the finance division of the Mitsui trading company. "If anything should happen so that the company defaults on the bonds, then the main bank will take care of everything. The bondholder will not suffer at all." In return, the member companies provide "daily communications" with the bank about their financial condition. They also give preference to their bank when issuing bonds or commercial paper.

The *zaibatsu* show their colors most vividly during times of trouble. Hostile acquisitions are prevented by the elaborate cross-ownership of shares. And corporate *zaibatsu* members actively restructure failing fellow members, providing capital or advice, or simply by sopping up displaced workers. "The chairman and presidents of group companies have confidential discussions at the beautiful Japanese restaurants behind our offices," says Tadayuki Ito, who runs the M&A department for Nissho Iwai. "They say 'Can you rescue our company?' This kind of transaction is popular in Japan."

The case of Ataka is a classic example. In the late 1970s, this trading company faced bankruptcy. Its main bank, Sumitomo, asked C. Itoh, a major trading house for the Dai-Ichi Kangyo bank group, to absorb the company. C. Itoh resisted at first because Ataka was dangerously leveraged. Rather than let the company fail, Sumitomo accepted some of the debt and took a loss. In this case everybody won: Ataka stayed in business, C. Itoh is now the second-largest company in the world, and Sumitomo won points with the government.

Arrangements like these could come in handy in the U.S. If Chrysler had been part of a *zaibatsu* when it fell on hard times in the early 1980s, rather

財閥 ZAIBATSU

For 100 years, Japan has adapted its feudal customs to challenge the West at its own capitalist game. Is it time for the U.S. to play samurai?

Donning Japan's Old Armor

TOKYO Business Today
A MONTHLY MAGAZINE OF JAPAN'S BUSINESS & FINANCE
JUNE 1989

BOOK REVIEW

ACQUIRING JAPANESE COMPANIES

by Kanji Ishizumi

The Japan Times, Ltd.
Tokyo 1988
223 pages
Price: ¥2,500

An American business craze, mergers and acquisitions, is about to become a worldwide phenomena. Three seemingly unrelated events in December 1988 bear witness to the fact that ideology and culture are no longer insurmountable barriers to international corporate acquisitions. In Moscow, the Council of Ministers amended its foreign investment decree to permit joint ventures with up to 99 percent foreign ownership. Theoretically, a state owned enterprise can indirectly be acquired if it contributes a significant part of its assets to a joint venture. Poland has enacted legislation which specifically authorizes foreign parties to acquire an interest in state owned enterprises. And, most startling of all, a Japanese lawyer, Kanji Ishizumi, has announced in his English language book, *Acquiring Japanese Companies*, that there are no significant legal obstacles to a foreign party acquiring a Japanese company and that the so-called cultural barriers are merely obstacles. T. Boone Pickens, the American corporate raider, underscores the truth of Ishizumi's statements by his acquisition of a 20 percent stake in the auto partsmaker, Koito Manufacturing Co.

Ishizumi acknowledges that an acquisition, whether undertaken by a Japanese or a foreign company, is still held to be an antisocial activity in Japan and may well require Herculean efforts to carry through. He points out, however, that the internationalization of business, both Japanese and foreign, no longer permits business in Japan to be conducted strictly according to traditional concepts. The great strength of this groundbreaking book is the unequivocal pragmatic advice and insight provided by one of Japan's few experienced M&A lawyers.

In blending legal, business, cultural and sociological factors into a practical handbook on how to acquire a Japanese company, Ishizumi not only hammers home the simple message of "when in Rome, do as the Romans do," but he also states in comprehensible Western terms what this means. For example, a Japanese company, according to Ishizumi, is not a widget that can be bought and sold, subject only to the price. A company is a family, and its members, namely its employees, must be respected, if not protected. Ishizumi cites examples like this not to lecture the Western business person on how different the Japanese are or how the Japanese business environment is impossible, but to emphasize the need to use a different, but still comprehensible and logical, mindset. Traditional Western approaches are not wrong; they are simply not applicable. All except those without patience or a long time perspective will find in Ishizumi's advice the basis for a successful, if different, acquisition strategy. Even Pickens has paid at least lip service to that perspective by announcing that his purchase is for the long term.

Ishizumi sees the successful acquisition process in Japan as something like a marriage ritual. There is the courtship in which gifts such as a cross-license or a subcontract are exchanged. At some future date, after the parties, including the Japanese employees, have come to know each other better, there can be a marriage of sorts. Shares can be purchased in the target company. Admittedly, most successful acquisition marriages involve a poor "spouse," a company in financial difficulty or otherwise incapable of keeping up with the competition. If Ishizumi's book has a significant failing, it lies in his belief that it is not possible to acquire a rich Japanese "spouse."

Even laws, identical in parts to those of the United States or other Western countries, receive different interpretations in Japan. A company whose shares are publicly traded on a stock exchange is obligated to make timely disclosures of material facts. To the shock of an American SEC attorney, there is no "objective" standard. Instead the companies are free to determine the meaning of such a requirement, with the result that public disclosures can legally be made one month after the execution of an acquisition agreement. As Pickens has demonstrated, the Japanese laws are not in and of themselves obstacles.

Ishizumi is optimistic about the development of M&A and positive in his approach. He does not just raise problems, but offers solutions. Even the Pickens transaction attests to the fact that in Japan a block of stock can only be acquired from a "friendly" and significant seller, preferably in an "off-exchange transaction basis." U.S. acquisition methods are not applicable unless they are adapted to the Japanese setting.

Although Ishizumi's book at times reads negatively to a would-be acquirer, Ishizumi's forthrightness and pragmatism are evident in his chapters on lawyers and accountants. The accountant is clearly "invaluable" in the Japanese acquisition process. *Acquiring Japanese Companies* has a refreshing and open approach which makes it a must for those businessmen and scholars new to Japan as well as for the experienced. It is incomprehensible that so much advice has been provided without a statement for services rendered.

(Jenik Radon)

SEMINAR '89 INDUSTRIAL INVESTMENT IN JAPAN

Dear Sir/Madam:

Japan Regional Development Corporation (JRDC) and Japan External Trade Organization (JETRO) have the pleasure of inviting you to a special seminar which aims to introduce opportunities in the regional areas of Japan especially of interest to foreign companies.

Recently, an increasing number of foreign-affiliated companies are opening their research and development bases in Japan to take advantage of the Japanese technology developing power; and the location of plants or laboratories in outlying areas is not necessarily disadvantageous to such R&D-oriented operations.

It has become extremely difficult to locate plants in the Tokyo metropolitan region due to the recent sharp rise in land prices. On the other hand, the environment in regional areas has undergone a dramatic improvement over the several years, as exemplified by, the diversification and development in the means of transportation, the development of industrial complexes and joint industry-university R&D, thus encouraging a movement toward relocation of plants.

This seminar is intended to provide detailed information on the overall investment climate of regional areas in Japan for foreign companies.

We hope you will take advantage of this occasion and we shall look foward to seeing you at the seminar.

Japan Regional Development Corporation (JRDC)
Japan External Trade Organization (JETRO)

DATE : Wednesday, March 15, 1989
TIME : 14:00 to 17:20 Reception from 17:30
PLACE : **INTERNATIONAL CONFERENCE ROOM**
(Golden Room) (11F), **KEIDANREN KAIKAN**
1-9-4 Otemachi, Chiyoda-ku, Tokyo Phone: (03) 279-1411
PROGRAM : P.T.O.
PARTICIPATION FEE : Free of Charge
ATTENDANCE : Attendance will be limited to approximately 150 participants.

PROGRAM (Simultaneous Interpretation provided in Japanese and English):

14:00 **Welcome Address** by Mr. Takashi Mogushi; President, JRDC
"Recent Trends in Plant Site Selection and Promotional Measures"
Mr. Masatake Wada; Director, Industrial Location Guidance Division, MITI
"How to Find the Best Partner"
Mr. Kanji Ishizumi; Attony at Law, Representative partner of Chiyoda Kokusai Law Offices
"How to Recruit Qualified Human Resources"
Mr. Peter J. Cohen; Director, Human Resources & Administrative Services, Dow Chemical Japan Ltd.

15:15 —Coffee Break—

15:30 **Panel Discussion and Q&A on Industrial Investment by Foreign Companies in Japan**
<What is the Key to Success? —How to Utilize High-Tech Resources>
Panelists:
Mr. Kyoshiro Miyata Director, JETRO (Cordinator)
Mr. Rikihiro Madarame; President, Nemic-Lambda K.K.
Mr. Masatake Wada; MITI
Mr. Kanji Ishizumi; Chiyoda Kokusai Law Offices
Mr. Peter J. Cohen; Dow Chemical Japan Ltd.
Mr. Shoichi Takasaki; Director, JDB
Mr. Eisaku Tsuchida; Executive Director, JRDC
Another Panelist (waiting confirmation)
(The audience will participate in the discussion and the questions will be answered by panelists, organizers, sponsors and supporters.)

17:30 **Reception:** Diamond Room (12F)

THE JAPAN ECONOMIC JOURNAL

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America's merger 'disease' hits Japan's shores

(Continued from Page 1)

understatement: Less than a year after he established Recof with four staffers, he now has 32 employees manning the phones.

The situation is similar at Nomura Wasserstein Perella Co., a company affiliated with Nomura Securities Group. More than half the M&A deals handled by the new company have involved only Japanese firms. (See related story.)

Allergy cure

Corporate chiefs are having less of an allergic reaction to the idea of selling their companies, says Yamaichi Securities' M&A department general manager Koichi Aoki.

Among them, he adds, are an increasing number of sons of corporate barons who refuse to take over the business. And that opens the way to M&A activity.

"In the distribution industry, such a tendency is most conspicuous," Aoki says.

But not everyone is quite so enthusiastic about this "tendency."

Take the Ministry of Finance.

Japan's chief financial authority has joined some securities firms in hastening to set up the so-called 5% rule, which would require any shareholder to inform authorities whenever his equity holding in a firm exceeds 5% of total outstanding shares.

There is no current minimum reporting requirement.

And, not surprisingly, Japanese corporations themselves are studying various measures to block buyout attempts — poison pills, golden parachutes and "pac man" defenses (where a targeted company threatens to take over the acquiring firm) — which are widely practiced in the U.S.

In any event, successful M&A deals in Japan have been mostly limited to friendly buyouts. At least so far.

Recof's Yoshida attributes the phenomenon to the close relationship between corporate managers and employees.

"As long as employees continue to think of their firms as 'our companies,' hostile takeovers are unlikely to succeed in a big way," he says. It is difficult for even the most determined corporate raider to take control of a firm when the employees unanimously oppose the move, he adds.

Both Peat Marwick's Kuze and Morgan's Okusu say the existence of reliable and friendly corporate shareholders — "stable shareholders" — is another big obstacle to "hostile" acquisition. The practice leaves only a limited number of shares for trading on the stock markets, making it hard for any outsider to secure the majority of a firm's equity.

According to a recent analysis by Nikko Research Institute, outstanding shares on the market account for only 20-30% of total stock. The rest is held by stable shareholders.

In the meantime, foreigners who try to purchase shares in Japan face two other imposing hurdles — the often exorbitant price of both shares and land.

High equity prices make returns on equity purchases here substantially lower than in the U.S., according to an industry expert. Higher land prices, which are latent assets, also push up acquisition costs.

These problems have severely limited foreigners' attempts to swallow up Japanese firms. Indeed, in the four years to 1988, only 86 such deals were consummated. In the first half of 1989, the figure stood at five.

Yet, despite the difficulties, more and more foreigners seem to be eyeing Japanese firms, analysts say.

"In the electronics and pharmaceutical fields, in particular, inquiries by foreign firms seeking to acquire Japanese companies are rising sharply," says Aoki of Yamaichi Securities.

Kanji Ishizumi, a lawyer and an expert in Japanese business practices, warns that such attention is bound to create some problems for business executives comfortable with the cozy relationships they enjoy with shareholders and employees.

"In the course of increasing M&A attempts by foreigners," he says, "peculiar Japanese corporate practices such as cross shareholding will come under stronger criticism from overseas."

Far Eastern Economic REVIEW

JAPAN COMPANIES

The Merger Virgins

Pickens has been trying to exert some control over Koito's management since he bought 20% of the company last April. This makes him the largest shareholder, a position he has since strengthened by increasing his stake to 25-26% at a total cost of about ¥170 billion. Pickens asked for directorships for himself and three others. It was rejected at the annual general meeting in June 1989. He asked the court to force Koito to disclose more financial information, but this was turned down. And in November, Koito's board rejected a request to raise its interim dividend from ¥4 to ¥7. In the latest twist, Pickens is threatening court action if Koito does not show him the books.

The reason for his failure is that the second-largest shareholder is Toyota, which holds 19% of the equity and is Koito's largest customer. With five other stable shareholders, Toyota controls 63% of the company. It has supplied Koito's president, a vice-president as well as a director.

But the relationship goes much deeper than that. According to Kanji Ishizumi, an M&A lawyer and spokesman for Pickens, Toyota effectively controls the price, delivery time and profits of Koito products. If Koito makes too much profit in one year, the company will be asked to reduce it in the next period by discounting its sales. Hence, the low dividend, Ishizumi says.

The affair has become an international issue. The two houses of the US Congress are due to consider a resolution calling on Koito to accept Pickens' request for board membership. Even if Pickens manages to join the board, his victory could prove hollow, because Toyota can always switch its orders to rival headlamp makers, which are just as much under the thumb of the car manufacturers. In Japan, "big companies always squeeze the smaller companies and abuse their power," Ishizumi maintains. And if nothing happens, Koito faces delisting because the top seven shareholders control 88% of the company's shares.

The experience of Pickens illustrates the fact that shareholders other than the big, stable ones have no influence in Japan. Hardly surprising that a Texan oilman finds this difficult to swallow. After Koito's annual meeting, Pickens said: "When you buy a stock in a company, you're one of the owners. You don't have to work your way in with the management; the management has to work its way in with you. You're the owner, they're the employee." As Shuwa's experience with the retailers has shown, foreigners are not the only ones who are shut out.

> "When you buy stock in a company, you're one of the owners . . . the management has to work its way in with you."
>
> **T. Boone Pickens**

This often ruthlessly hierarchical business relationship has helped Japan to achieve its present economic power. By ignoring shareholders, managers have been able to concentrate on long-term returns. The interests of employees, suppliers, customers and creditors are paramount. They almost always comprise the stable shareholders. The question is whether the *keiretsu* system can survive the competitive pressures at home and its growing unpopularity abroad.

The system has proved itself extraordinarily resilient. After all, when Gen. Douglas MacArthur dissolved 10 *zaibatsu* and 83 holding companies in 1945, the shares in all of them were handed over to a liquidation commission which sold them off cheaply to the public. An Anti-Monopoly Law was introduced to curb the power of big business, but this was progressively watered down. When the Tokyo stockmarket reopened in 1949, individual investors held 69% of all issued shares. Since then, the industrial groupings have re-emerged by steadily buying back shares owned by individuals, to the point where Japanese companies now own 75% of themselves.

The *keiretsu* (which literally means "a group arranged in order") are different from the pre-1945 *zaibatsu* in that there is no holding company at their head. This has been replaced by interlocking shareholdings, which is probably a much stronger way of linking companies together because it is so flexible.

The four successors of the old *zaibatsu* (Mitsubishi, Mitsui, Sumitomo and Fuyo) and the two more recent bank-centred groups (Sanwa and Dai-Ichi Kangyo) now own 24% of all Japanese shares outstanding, according to *Toyo Keizai*. To this number should be added about 30 large *keiretsu* which have grown up since the war.

They have prospered by being a lot less exclusive than the *zaibatsu*. A Mitsubishi group company will buy from a Sumitomo firm and borrow from Dai-Ichi Kangyo Bank. But when the integrity of the group is threatened, as in Tokyu's case, affiliates are expected to rally round to protect the centre. It is probably too much to expect a second MacArthur to succeed where the first failed. But corporate Japan may be starting to realise that it has as much to lose as to gain by sticking so closely together.

That small band of company marriage brokers in Japan seems convinced that it will become easier for foreign firms to buy Japanese ones. Rules can be circumvented, high asset prices overcome to a point where the Japanese M&A market will resemble the European one, if not that of the US.

There is another alternative. The rest of the world may become a bit more like Japan. Recof's Yoshida believes that domestic Japanese grouping will not necessarily be weakened by takeovers and mergers. Instead, they will be replaced by international *keiretsu* in which companies from different countries team up to beat the competition. Trade warriors will ask whether this is the next stage in Japan's plan to conquer the world. ■

Los Angeles Times

SATURDAY, JANUARY 13, 1990

T. Boone Pickens Jr.

Pickens Sues to See Japanese Firm's Books

From Reuters

TOKYO—T. Boone Pickens Jr. is carrying his Japanese corporate battle to court with a lawsuit to gain access to the financial books of Koito Manufacturing Co., the auto parts maker of which he is the largest shareholder, Pickens' lawyer said Friday.

Pickens filed the lawsuit in Tokyo District Court, his lawyer, Kanji Ishizumi, said.

"We are confident that Pickens will win. But it is all up to the judges," Ishizumi said. Koito has not agreed to Pickens' request for the right to look over its account books covering the years from April 1, 1979, he said.

Koito told Pickens to wait until Jan. 22 for a response, Ishizumi said. "But there is no reason why we have to wait that long," he said in a telephone interview.

Pickens holds a 26% stake in Koito through his private investment firm Boone Co.

Last November, Koito's board decided not to raise its interim dividend for the six months ended Sept. 30 to 7 yen from 4. Pickens had requested such an increase.

Koito said in a statement that the reason it asked Pickens to wait until Jan. 22 for a response was because he asked to see the account books just before year-end and new year holidays and the company needed time to consider the matter, the statement said.

The Asian Wall Street Journal Weekly January 22, 1990

Pickens Resorts to the Japanese Courts In Bid to Win Seats on Koito's Board

By MARCUS W. BRAUCHLI
And MASAYOSHI KANABAYASHI

TOKYO—Hoping to break a long stalemate in his landmark battle for participation in the management of a Japanese company, T. Boone Pickens Jr. has resorted to an American tactic: a lawsuit.

In a society that traditionally isn't very litigious, the U.S. investor's strategy will attract plenty of attention here. But lawyers and financial analysts don't expect it to advance Mr. Pickens's efforts to gain seats on the board of Koito Manufacturing Co.

In the lawsuit filed in Tokyo District Court, Mr. Pickens demanded the right to review corporate accounts and certain business arrangements at Koito—including the company's relationship with financial advisers hired to fight his approaches. Mr. Pickens isn't seeking any monetary damages, although his lawyers hinted that they might later seek compensation for any financial underpayments to shareholders. Among those named was Nomura Wasserstein Perella Co., which is a joint venture of Nomura Securities Co. and Wasserstein Perella & Co., and the Blackstone Group.

Mr. Pickens's suit is predicated mainly on a section of the Japanese commercial code that permits holders of more than 10% of a company's stock to review its books. Last year, Mr. Pickens became the largest single investor in Koito when he amassed a 26% shareholding in the Tokyo-based automotive-parts maker. The second-largest shareholder is Toyota Motor Corp., Koito's largest customer, which has a 19% holding.

Mr. Pickens bought most of the shares last March from a stock speculator, Kitaro Watanabe, and owns them through Boone Co., a Dallas-based investment bank. Mr. Pickens hasn't disclosed the price at which he bought the shares, nor has he revealed how he financed the acquisition. Those ambigdous circumstances have stirred widespread speculation in the stock market here that he is trying to force Toyota or other Koito allies to buy him out at a profit, a practice known as "greenmail." His last major effort to win representation on Koito's board came at its annual shareholders' meeting in early July, when his request for seats was voted down.

Litmus Test

While his lawsuit doesn't mark the first time an investor has resorted to the courts to gain seats on the board of a Japanese company, lawyers said Koito may be the biggest company ever targeted. The case also has implications for relations between the U.S. and Japan: Mr. Pickens's fight is considered by many in Washington to be a litmus test of the freedom of Americans to invest in Japan at a time when many Japanese companies are buying up companies and property in the U.S.

His lawyers steered away from such rationales, though. "We think this case is unprecedented if for no other reason than that a shareholder with 26% of a company is denied access to its accounts," said Kanji Ishizumi, a lawyer for Mr. Pickens. He is one of 17 Japanese lawyers retained by the Texas oilman; nearly every lawyer prominent in Japan's nascent shareholder-rights movement is involved.

Mr. Ishizumi said he believes the lawsuit will show that Koito has been making sales to Toyota at deep discounts. "The chance of success (in the lawsuit) is about 100%," he said.

Koito didn't deny that the lawsuit might prove effective. But the company protested in a statement that Mr. Pickens wasn't sufficiently specific in his requests to review corporate documents and didn't allow the company adequate time to prepare for his review.

Closely Watched Case

"Our basic stance is to comply with a shareholder's request for perusal . . . as long as it is within the limit permitted legally," Koito said. The company added that it is considering its response.

In a statement, however, Boone Co.'s lawyers said they have repeatedly sought information without success. "It is not too much to say Koito's behavior has shown only its unfaithfulness."

A spokesman for Toyota refused to comment on the lawsuit, saying it is a matter between Koito and Mr. Pickens.

When the case comes to court in a month or so, lawyers at other companies in Japan will be watching closely. Corporate Japan is generally averse to disclosing financial accounts to outsiders, and a favorable ruling could spur stock speculators to buy shareholdings in companies in hopes of making similar demands as a greenmail tactic.

Nonetheless, a victory by Mr. Pickens wouldn't put him any closer to seats on Koito's board and may strengthen the resolve of the company's directors—many of whom come from Toyota—to keep out the unwanted investor. Toyota and other friendly companies have 60% of Koito's stock and could block Mr. Pickens's advances.

"The fact is, corporations are the biggest shareholders in Japan, and their rights may come before individuals sometimes," said Lawrence S. Prager, chief analyst and strategist at Nikko Securities Co.

Toyota Agrees to Export Station Wagons to Hungary

TOKYO—Toyota Motor Corp. agreed to export 2,550 Hi-Ace model station wagons to Hungary over the next decade.

The vehicles will be purchased by Technoimpex Trading Co. Ltd., a state-owned Hungarian company, a Toyota official said. Toyota will ship the vehicles over ten years, beginning with 1,300 units between 1990 and 1994. It will export 200 to 300 units annually over the remaining six years, the official said.

Toyota didn't divulge the price of the transaction.

Japan's exports of vehicles to Hu.. including trucks and buses, totaled . units in the first 11 months of 1989.

90% Of Companies Hold Stockholders Meetings

Daily Yomiuri 6/29/'90 #1385-1

About 90 percent of companies settling their accounts in March held their annual stockholders meetings Thursday in an attempt to deter paid troublemakers and to avoid conflicting with the Imperial wedding, according to National Police Agency figures.

A total of 1,682 companies, with almost half in Tokyo, held meetings, the agency said. Last year's peak was June 29 with 1,503 companies.

NPA officials said that many firms picked Thursday because they wanted to avoid Friday, the wedding date for Prince Aya and Kiko Kawashima.

The police also said that many companies wanted to deter efforts by sokaiya, stockholders who extort money from firms by threatening to cause trouble at shareholder meetings, by picking a day when many others are holding their meetings.

The NPA lists 1,307 persons as known sokaiya as of December last year. In addition, 123 suspected gangsters act as sokaiya.

About 6,000 police officers were dispatched to stockholders meetings at the request of 1,544 companies fearing trouble from sokaiya.

In Tokyo, the Metropolitan Police Department mobilized about 2,700 officers in response to requests from about 700 companies, including Nippon Telegraph and Telephone Corp. and the Tokyo Electric Power Co. A total of 783 Tokyo companies held meetings on Thursday.

One meeting that has gained worldwide attention is that of Koito Manufacturing Co., where U.S. oilman T. Boone Pickens is a major stockholder but has been continually denied seats on the company's board of directors.

Pickens and other American shareholders attended the stockholders meeting of the auto parts maker at a hotel in Tokyo Thursday morning, but left three hours later in protest against Koito's tactics to ignore any questions from them.

Before he left, the Texas oilman demanded four seats on Koito's 20-member board of directors. Pickens and 52 other Americans own 26 percent of the total shares in Koito.

AP reported that Koito said it has overwhelming support from its other stockholders to reject Pickens' demand for a say in running the company.

According to the MPD, 883 firms in Tokyo have held or will hold stockholders meetings this month. Nearly 90 percent of them held meetings on Thursday. (Photo on P8)

THE DAILY YOMIURI

Friday, June 29, 1990

T. BOONE PICKENS (2nd from R) leads a group of U.S. stockholders in the Koito Manufacturing Co. to the company's meeting held Thursday at a Tokyo hotel. The U.S. stockholders have been feuding with Koito over their right to dictate company policy. Currently they own 26 percent of the shares in the auto parts maker.

The Japan Times

Established 1897

Incorporating The Japan Advertiser 1890-1940
The Japan Chronicle 1868-1940
The Japan Mail 1870-1918
The Japan Times 1865-1870

Time for trade reforms

Second of two parts. The first part appeared on this page yesterday.

By KANJI ISHIZUMI

Another decisive difference between Japan and the United States regarding antitrust legislation has been brought into sharp relief. The execution of law is conducted not only by state agencies; consumers in general also have a role. In the U.S., consumers can take legal action to demand damages if they believe they have suffered a loss as a result of corporate violation of the Antitrust Act. Japan should adopt this system with minimum delay.

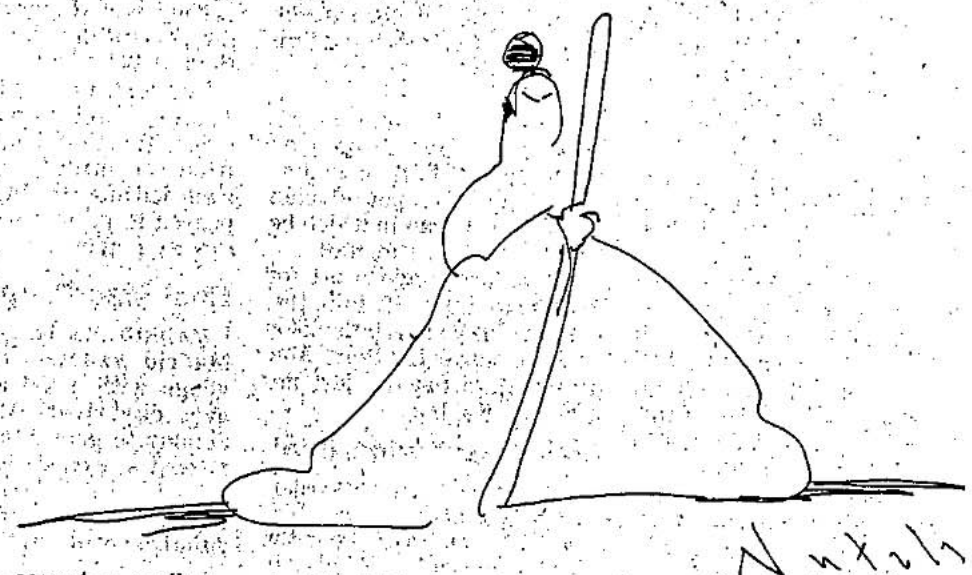
The battle between the two countries over Japan's Antimonopoly Law is likely to intensify in the days ahead. The Japanese business community, relieved at seeing the law emasculated, may not be so happy when a big new burden falls on them out of the blue.

During his visit to Tokyo in early April, U.S. Secretary of Commerce Robert Mosbacher pressed Foreign Minister Taro Nakayama for both the revision of the Antimonopoly Law and correction of the *keiretsu* affiliated-firms issue. These are the very questions on which the U.S. is about to launch its next offensive. Let's look at some practical examples.

The U.S. government sees the keiretsu sales relationship in the automobile industry as a major obstacle to selling American auto parts in the Japanese market. In other words, the system linking carmaker, parts producer and dealer is seen as an obstacle to the entry of foreign parts manufacturers. The U.S. government points out that American parts comprise only 1 percent of Japan's ¥14 trillion auto parts market.

Take another example. I am the representative of T. Boone Pickens, the largest shareholder in Koito Manufacturing Co. As such, Pickens demanded that he be allowed to send a director to sit on Koito's board but was refused. The reason is the keiretsu affiliation system.

Approximately 70 percent of the shares of Japanese listed companies are cross-held by related companies as stable shareholders. Therefore Pickens, who holds 26 percent of Koito's shares, cannot so easily exercise his rights as a major shareholder.



If he wishes to do so, he must possess 51 percent of the shares. But this is difficult to realize, because 70 percent of the shares are held by stable shareholders and only about 30 percent are available on the market. This makes it actually impossible to acquire a 51 percent share. In effect, Japanese companies cannot be purchased by foreign firms or even by other Japanese companies.

This cross-holding of shares constitutes the basis of the *zaibatsu* (financial and industrial cliques) keiretsu affiliations as well as such relationships as those between Toyota and Koito and Nissan and Ichiko.

There is a firm belief in the U.S. that enterprises exist to contribute to the happiness of the individual. But corporate well-being comes first in Japan's economic and political system.

In the course of the Japan-U.S. Structural Impediments Initiative negotiations, the U.S. said that in the event a shareholder holds 25 percent of a company's shares that shareholder should be allowed to send a director to the board in the ratio of 1-to-4 persons. The U.S. is pressing Japan for restoration of the shareholder's democratic rights. This is the fundamental idea behind the curren U.S. offensive against Japan.

As the U.S. makes one move after an other, the Japanese economy will be come divided and, like the popular Othel lo game, economic relations between Ja pan and the U.S. will be reversed at a stroke. Will Japan then have the grounds to justify its own arguments?

Japan will have to change its corporate system itself if it is to comply with the U.S. demands regarding direct investment in Japan by Americans and the rights of minority shareholders.

The U.S. has thrown a net around Japan from which there seems to be no way out. As Japan remains greatly dependent on the American market, the only way it can survive is to go along with U.S. rules, in other words, international rules as regards the Antimonopoly Law, shareholders' rights and corporate systems.

Is Japan to maintain its present economic, social and cultural systems because they are "Japanese practices?" Or take bold steps toward changing them? Japan stands at a crossroads indeed. This country will be pushed out of the world's free-trade system if it hesitates to undertake the necessary reforms.

BLACKWELL Business

VOLUME 1, SUMMER 199

LIBRARY NEWS

a newsletter for business libraries and information centres

BLACKWELL BUSINESS

Welcome to the first issue of ***Blackwell Business Library News***, a newsletter designed to improve our service to corporate and special libraries. We are Blackwell Business, an imprint of Blackwell Publishers, the new trading name of Basil Blackwell Ltd.

The genesis of this change is described in an article which appeared recently in *The Bookseller* (reproduced on page 5).

Blackwell Business publishes books and periodicals for professional and academic markets, concentrating on corporate finance, banking, financial markets, human resource development, business strategy, and organisational behaviour.

We also publish two successful trade series, ***Barclays Guides for Small Business***, (p.6) a series of handbooks for small businesses published in association with Barclays Bank, and ***Developmental Management***, (p.6) a series focusing on global organisational behaviour and strategy.

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MERGERS AND ACQUISITIONS

M&A specialists shouldn't miss three new publications from Blackwell Business:

Acquiring Japanese Companies: Mergers and Acquisitions in the Japanese Market by Kanji Ishizumi, provides detailed practical guidance on formulating strategy and includes several case studies illustrating the key procedural aspects of M&A work in this difficult market. The author is a partner in the Chiyoda Kokusai law offices.

0-631-17716-7 hardback £45.00
October 1990

Bidders and Targets: Mergers and Acquisitions in the US by Leo Herzel and Richard Shepro, is a meticulous account of the many innovations in takeover offence, defence and financing that characterise the current M&A market in the US. It is unique in its analysis of strategy from the point of view of both bidders and targets, in its explanation of the special takeover problems associated with areas of environmental and pension regulation (and other regulated industries) and in its reproduction of the full text (along with clause by clause annotations) of the controversial Time-Warner deal.

The authors are partners in the international law firm Mayer, Brown and Platt.

1-55786-096-3 hardback £50.00
September 1990

The Monopolies and Mergers Yearbook
Volume 1: March 1989 to December 1990

Edited by ROBERT MILLER, *Institute of Economic Affairs, London*

This is the first complete reference source for decisions made in the previous year by the Monopolies and Mergers Commission. It draws together summaries and conclusions of the March 1989 to December 1990 MMC reports in one easily accessible indexed volume.

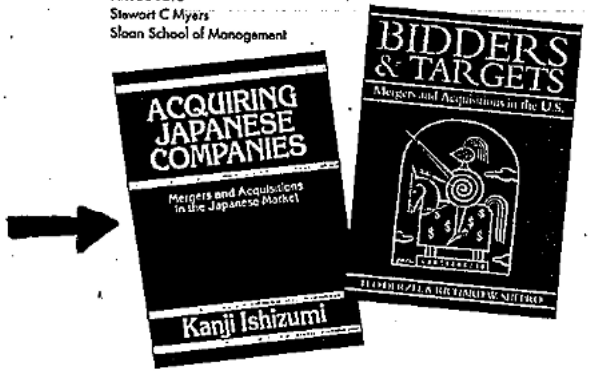
The key information in the book is supported by:

- Indexes of the companies involved
- A full description of the role and structure of the MMC
- Listings of statutes related to the work of the Commission
- An index of the names and addresses of the MMC and related organisations
- A section of articles by experts examining the development of policy in the field

The Monopolies and Mergers Yearbook will become an annual reference book.

297 x 210mm 660 pages
0-631-18194-6 hardback £125.00
November 1991

'The one book to have on takeovers'
Stewart C Myers
Sloan School of Management



Prices are provisional and are subject to change without notice.

GEORGE BAIN ON BOARD

George Bain has recently joined the Board of Blackwell Publishers.

The Canadian-born Principal of the London Business School first became associated with Blackwell Publishers back in 1976 when the firm published his book ***Union Growth and the Business Cycle***. An authority on industrial relations, he was at that time Director of the Social Science Research Council's Industrial Relations Research Unit at Warwick University, where he was instrumental in establishing the successful monograph series ***Warwick Studies in Industrial Relations*** (the latest title to be published in this series is ***Farewell to Flexibility?*** edited by Anna Pollert, 1991). In 1983 he became Chairman of the Warwick Business School and was closely associated with its rapid growth and development over the next six years. In 1989 he was headhunted by the London Business School and has begun an ambitious programme of internationalisation, involving the expansion of the faculty base and an overhaul of its portfolio of degree and executive programmes.

An inveterate catalyst for change, George Bain's presence on the Blackwell Board has coincided with new publishing ventures and new ways of working, and is a reflection of the company's growing commitment to becoming Europe's leading business publisher.

TRAVELLING AUTHORS

It may be a truism to say that the key to a successful publishing programme is the strength of the author base, but the Blackwell Business list has been especially lucky in past months in attracting some of the world's leading businessmen and women as authors.

Many of our authors are in demand as international speakers and consultants. This keeps us busy establishing links with management institutes and multinational corporations to develop appropriate lecture series and workshops to coincide with an author's international travel plans.

Recent authors and events have included the following:

PETER BENTON: *Riding the Whirlwind*
- Lecture tour in association with various institutes of management in India, Singapore, Hong Kong, Japan and Australia

PAULINE GRAHAM: *Integrative Management*
- Lecture tour to Japan and China and consultancy in South Africa

ROBERT COPE: *High Involvement Strategic Planning*
- Workshops and lectures in Australia

JAGDISH PARIKH: *Managing Your Self*
- Lecture tour, consultancy in Belgium, Germany, Switzerland, India and Australia

If you would like further information on Blackwell Business' lectures, or details of author schedules, please contact: Philip Blackwell, International Sales Manager.

BUSINESS ETHICS

In 1991 we are launching two new quarterly periodicals which will interest public affairs departments, corporate lawyers and European Community information centres:

Review of International and European Environmental Law, will be published in conjunction with the Centre for International Law at Kings College.

Business Ethics: A European Review, will be edited by Jack Mahoney of the Business Ethics Research Centre, Kings College.

ISSN: 0962-8770

FREE SAMPLES WILL BE AVAILABLE IN SPRING 1992.

ASAHI EVENING NEWS
Asahi Shimbun

SATURDAY, NOVEMBER 16, 1991

NATIONAL

L.A. Lawyer Offers Advice To Japanese on U.S. Visas

A Los Angeles lawyer specializing in immigration, during a recent visit here, said Japanese multinational corporations and others should always seek advice from reliable lawyers on visa applications before sending their employees to the United States.

"Even people from multibillion-dollar companies have come to me asking me during my seminars here why their visa applications had been rejected," said Mark Ivener, speaking in a interview with the Asahi Evening News.

Ivener said Japanese applying for work visas commonly misinterpret words and phrases that have special legal meanings and fill out the application forms wrongly.

The companies that had their applications turned down incurred large losses because they could not send their people on time to get certain projects started, Ivener said.

The Japanese corporations could have saved money in the long run by buying legal advice before applying for the visas, he added.

Ivener, whose Japanese-version book on visa applications is to appear next April, also said none of the American law firms that have their offices here specializes in immigration, but Kanji Ishizumi, a lawyer at Chiyoda Kokusai based in Tokyo, does.

Ishizumi's phone number is 03-3231-8800.