

Industrial Revitalization Corporation of Japan (IRCJ)

- *Successful government intervention to reform
Japanese industry* -

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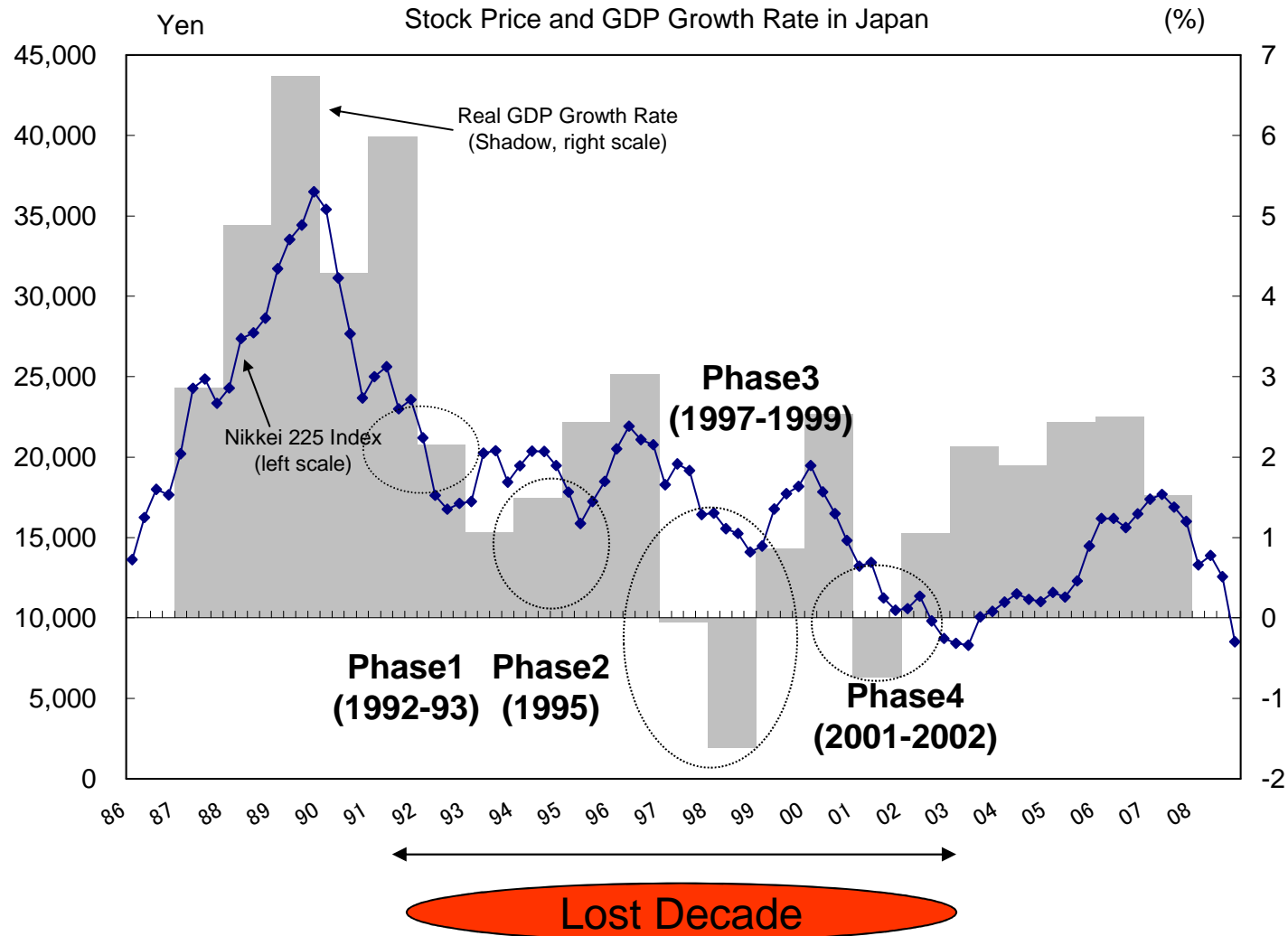
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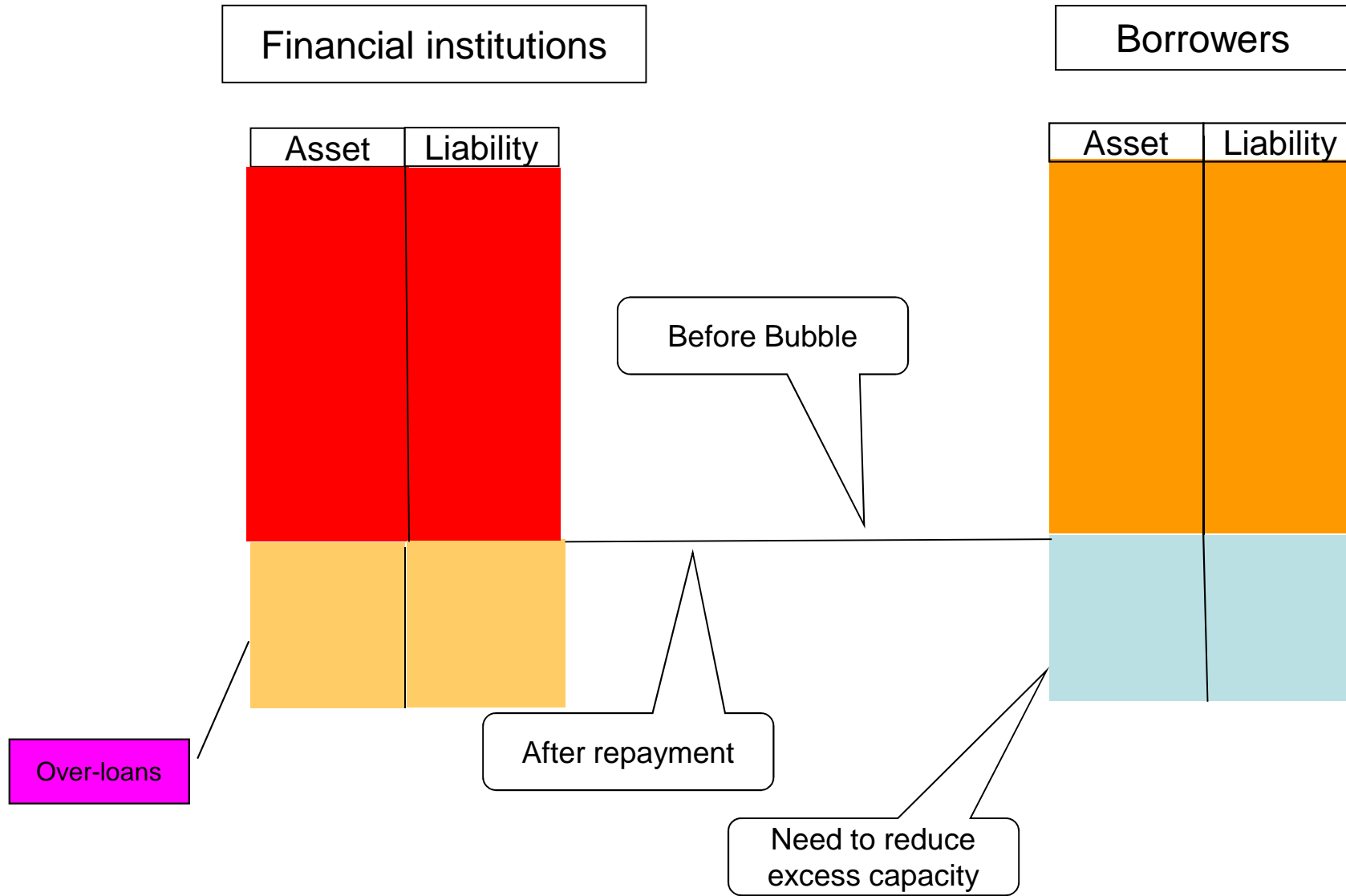
Moscow State University

Financial Crisis in Japan – 4 phases

- ❖ The financial crisis in Japan can be divided into 4 phases



Disposal of excess capacity



Financial Crisis in Japan – Phase 4 (2001-2002)

1. What happened?

- ❖ **The merger and consolidation of banks accelerated**
- ❖ **Early and full completion** of non-performing loan issues among major banks was strongly expected
- ❖ Limit and change of bank's supporting stance
 - bankruptcies of large corporate with excessive debt increased
 - **Focusing on need for turnaround of companies with excessive debt**

2. Policy direction / Major initiatives

Again I was in charge

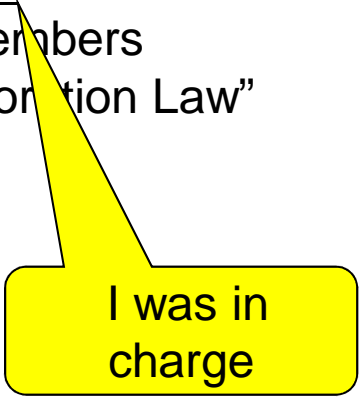
- **Mandatory disposal of NPLs** from B/S within 2 to 3 years (major banks only)

- **A mandatory quantitative objective** was imposed on major banks
 - NPL / total asset ratio must be lower than half of the current level by FY2004

- On April 2003, **Industrial Revitalization Corporation of Japan (IRCJ)** was **established** to support companies while they were being restructured (see page28)

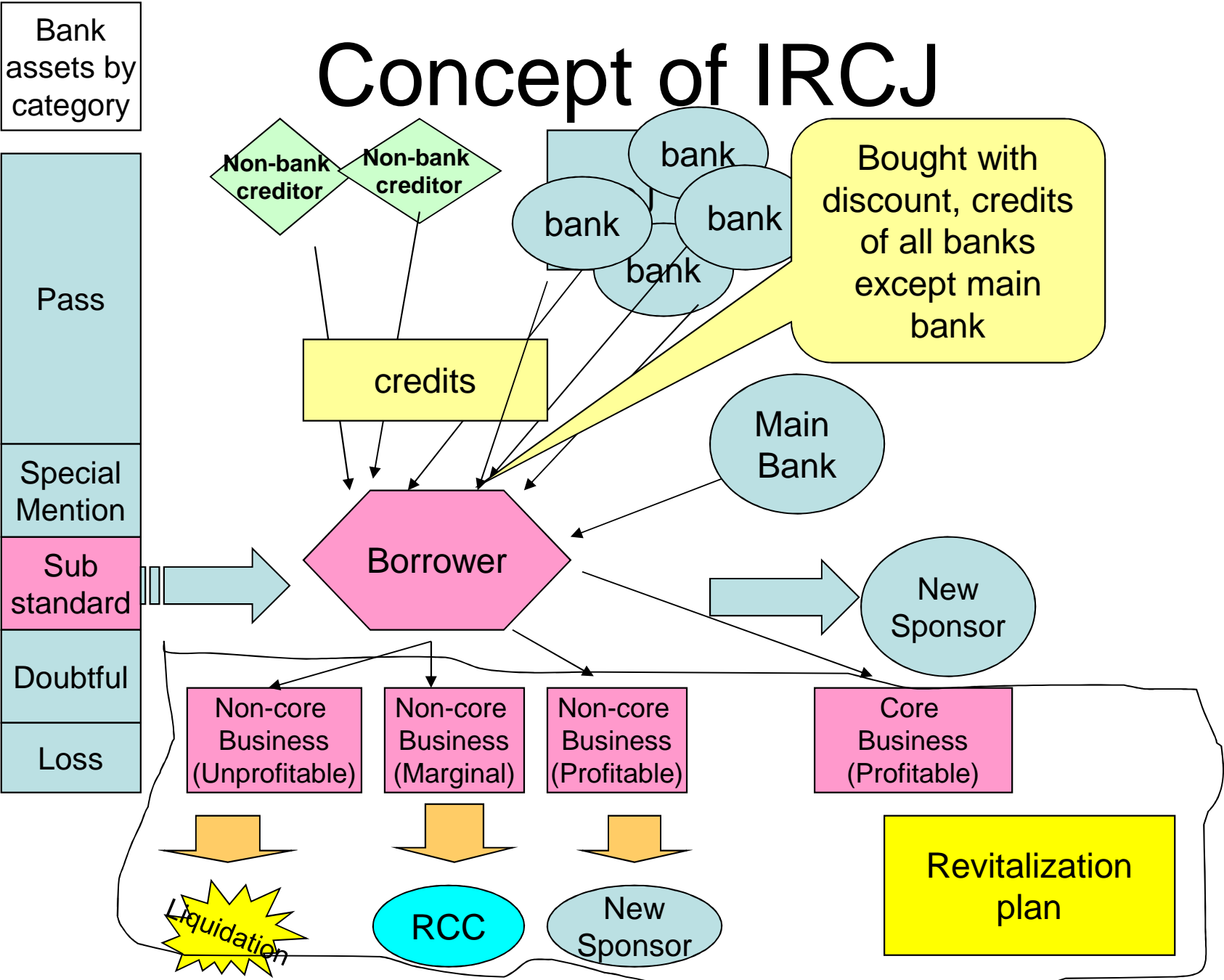
Road to the Establishment of Industrial Revitalization Corporation of Japan (IRCJ) 2002-2003

- September 30: Mr. Takenaka assumed the Minister in charge of FSA
- October 21: PM Koizumi approved Mr. Takenaka's Financial Reform Plan
- October 22: Scheduled announcement of Financial Reform Plan cancelled
- October 30: Comprehensive Plan for Acceleration of Reform (Proposal to establish IRCJ)
- November 7: Appointment of Mr. Tanigaki as the Minister in charge of industrial revitalization with three staff
- November 11: Special Task Force started with 30 members
- January 2003: The bill "Industrial Revitalization Corporation Law" submitted to the Parliament
- February 2003: The Lower House passed the bill.
- April 2, 2003: The Upper House passed the bill.
- May 8, 2003: IRCJ started operation.



I was in charge

Concept of IRCJ



IRCJ

- 50 billion yen as capital
- 10 trillion yen government guarantee for borrowing
- 160 employees

All from banking community

Only 1 trillion yen was used

90% from private sector, many US MBAs

Successfully finished after 4 years

Public prosecutor

Labor union

- 5 years limited life/ 2 years to buy bank loans

About 100 due diligence

- 41 finished projects

About 200 dropped after paper examination

- 43 billion yen profits

Total borrowing of 41 entities amounted to 4 trillion yen, 10% of the total NPLs held by banks

List of companies revitalized

- The largest supermarket chain
- Second largest cosmetic company group
- 4 large developers
- 9 local hotels
- 4 transportation companies
- Large discount electronic appliance store chain
- 2 local department stores, 5 wholesalers
- Others (high-tech manufacturers, computer school, leather companies etc.)

*Brought about a M&A boom
in 2004–2006 and helped
restructure Japanese industry*