

I. Outline of the Results of the Survey Concerning Corporate Restructuring and Employment (Company Survey)

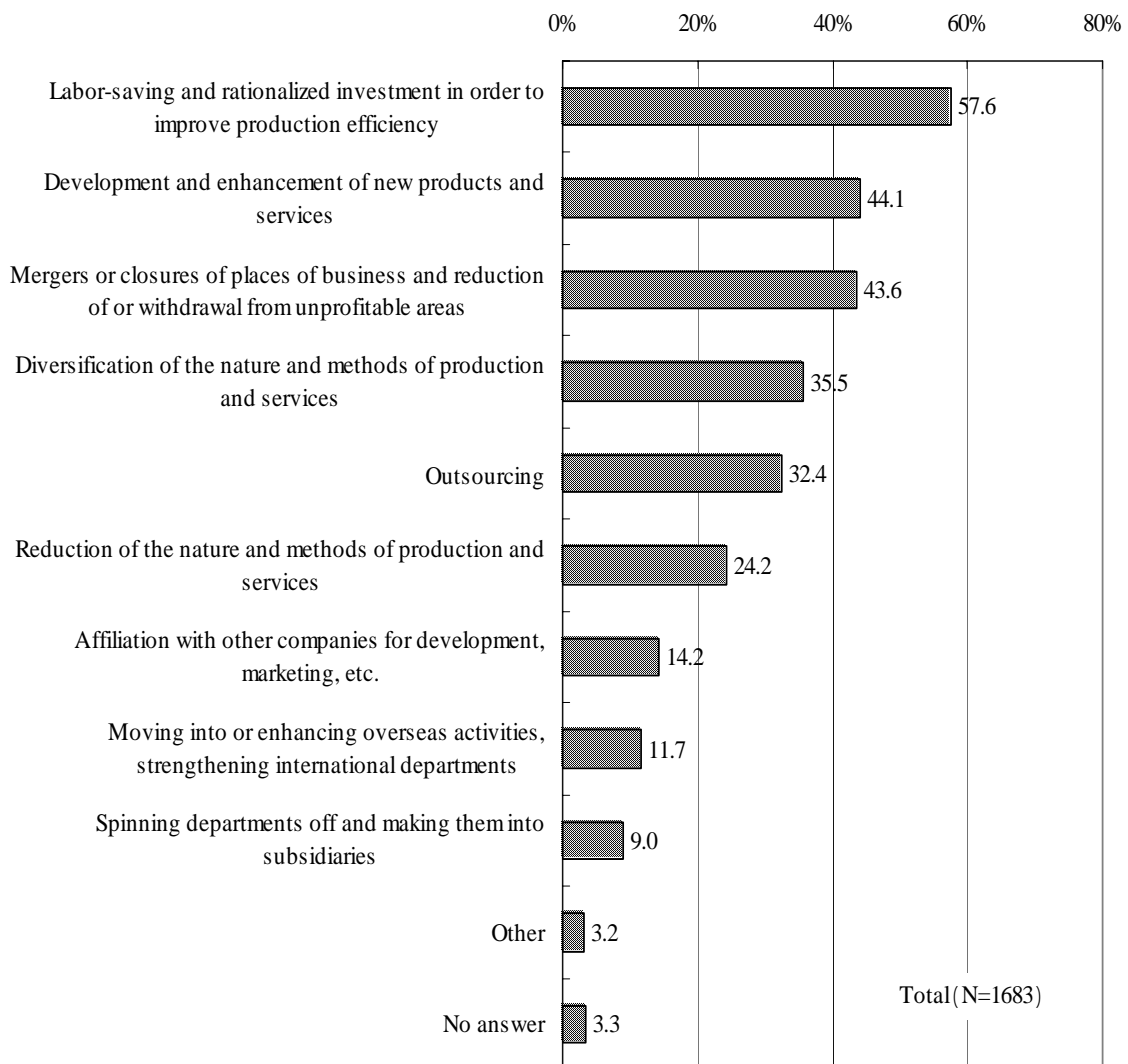
1. Trends in Corporate Restructuring

(1) Corporate restructuring strategies

Looking at the corporate restructuring strategies of all the companies, the highest percentages of companies reported “labor-saving and rationalized investment in order to improve production efficiency” (57.6%), “development and enhancement of new products and services” (44.1%), and “mergers or closures of places of business and reduction of or withdrawal from unprofitable areas” (43.6%). In addition, the responding companies selected an average of 2.8 items, which showed that most companies were adopting a multifaceted strategy aimed at increasing earnings and reducing costs.

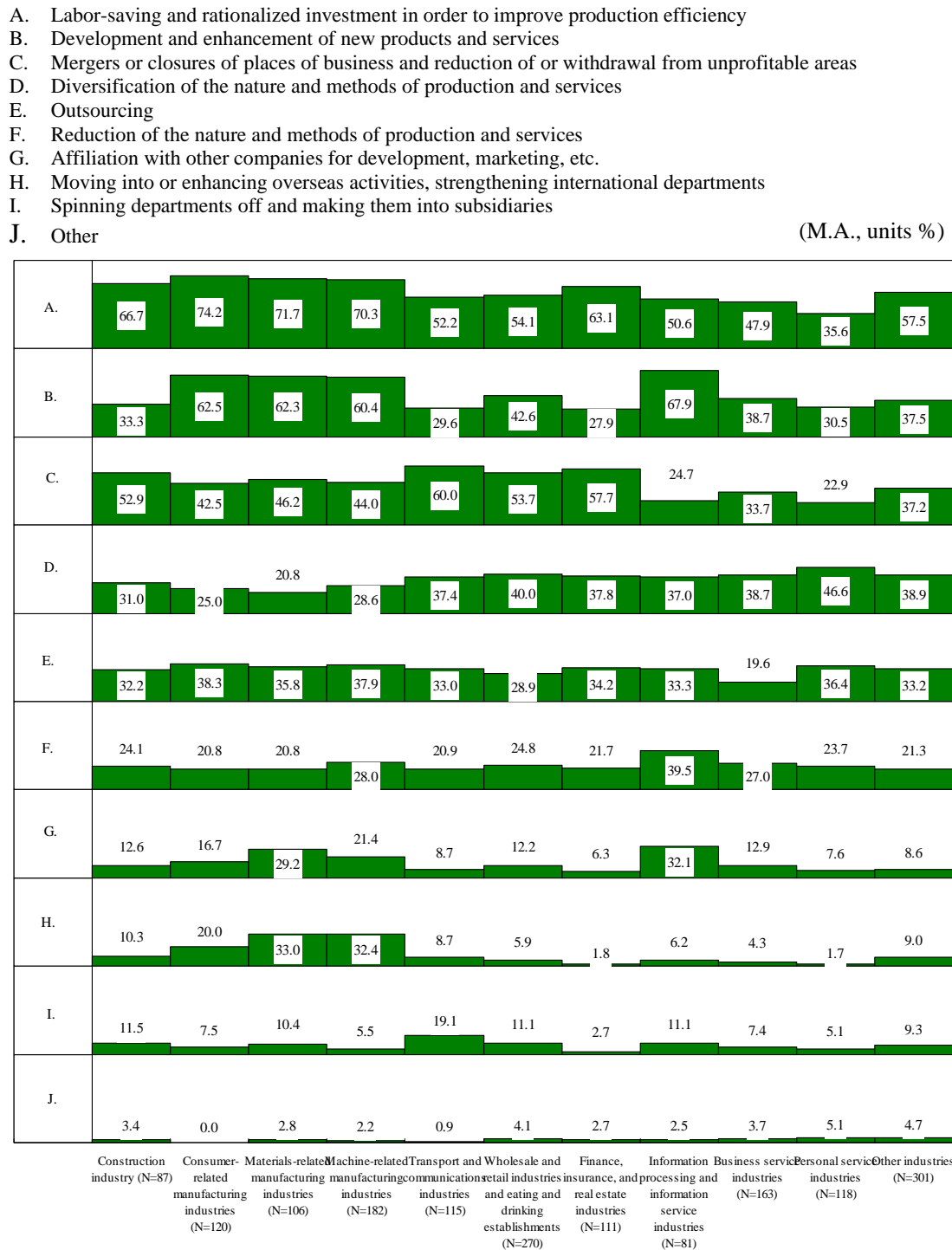
Fig. 1 Corporate restructuring strategies

(M.A.)



By industry, the manufacturing industries had the highest percentage of respondents citing “labor-saving and rationalized investment in order to improve production efficiency,” with figures of 70% or more for consumption-related, materials-related, and machine-related manufacturing companies.

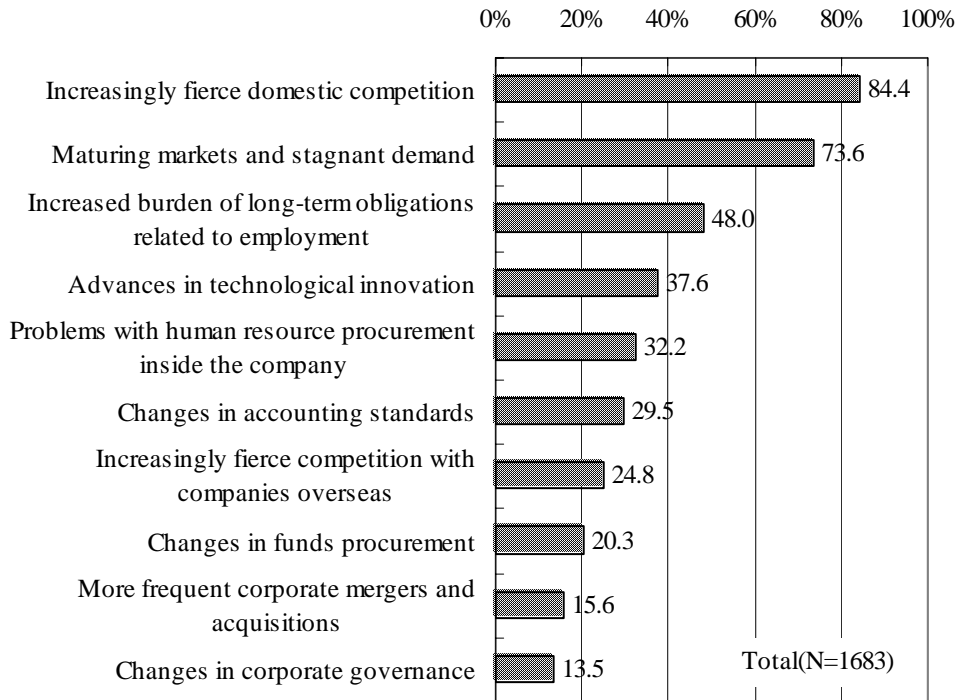
Fig. 2: Corporate restructuring strategies (by industry)



(2) Reasons behind the formation of corporate restructuring strategies

Asked about the business environment behind the formation of their corporate restructuring strategies, most companies mentioned “increasingly fierce domestic competition” and “maturing markets and stagnant demand.”

Fig. 3: Reasons behind the formation of corporate restructuring strategies



Note: Respondents answered by choosing one option out of the following five for each item: “A very major influence,” “a major influence,” “neither a major nor a minor influence,” “a minor influence,” “no influence/irrelevant.”

The numbers on the graph indicate the percentage of companies that selected “a very major influence” or “a major influence” for each item.

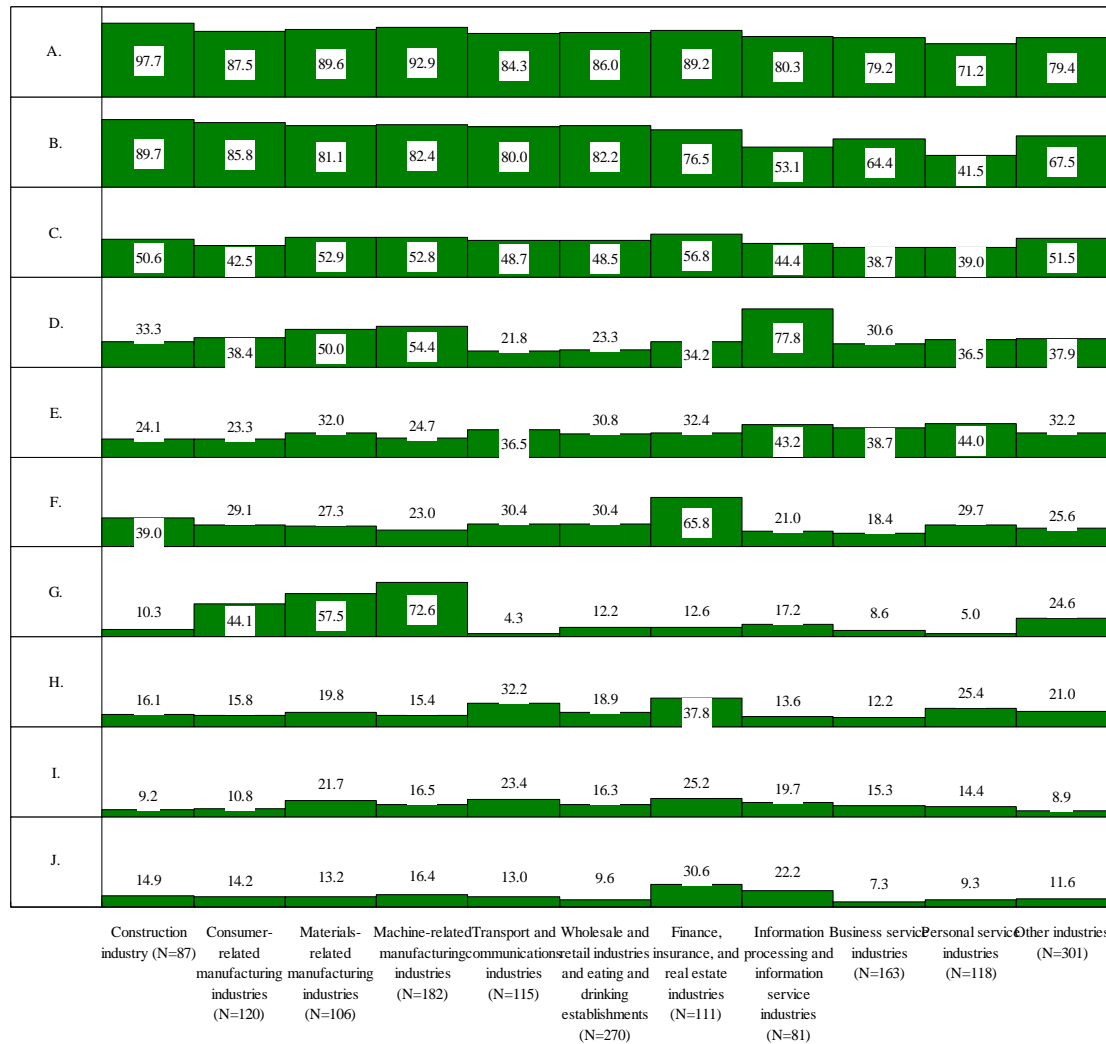
By industry, “increasingly fierce domestic competition” was a major factor for all industries. For all industries except the information service industry and the personal services industries, “maturing markets and stagnant demand” were the second biggest factor.

Fewer companies cited “increased burden of long-term obligations related to employment” than “increasingly fierce domestic competition” and “maturing markets and stagnant demand,” but about 40%-60% of companies in all industries mentioned it.

In other industries, more than half the companies in the manufacturing industries mentioned “increasingly fierce competition with overseas companies,” and “advances in technological innovation,” more than half the companies in the information service industry mentioned “advances in technological innovation,” and more than half of companies in the financial, insurance, and real estate industries mentioned “changes in accounting standards.”

**Fig. 4: Reasons behind the formation of corporate restructuring strategies
(by industry)**

- A. Increasingly fierce domestic competition
- B. Maturing markets and stagnant demand
- C. Increased burden of long-term obligations related to employment
- D. Advances in technological innovation
- E. Problems with human resource procurement inside the company
- F. Changes in accounting standards
- G. Increasingly fierce competition with companies overseas
- H. Changes in funds procurement
- I. More frequent corporate mergers and acquisitions
- J. Changes in corporate governance



Note: Respondents answered by choosing one option out of the following five for each item: “A very major influence,” “a major influence,” “neither a major nor a minor influence,” “a minor influence,” “no influence/irrelevant.”

The numbers on the graph indicate the percentage of companies that selected “a very major influence” or “a major influence” for each item.

2. Employment Strategies

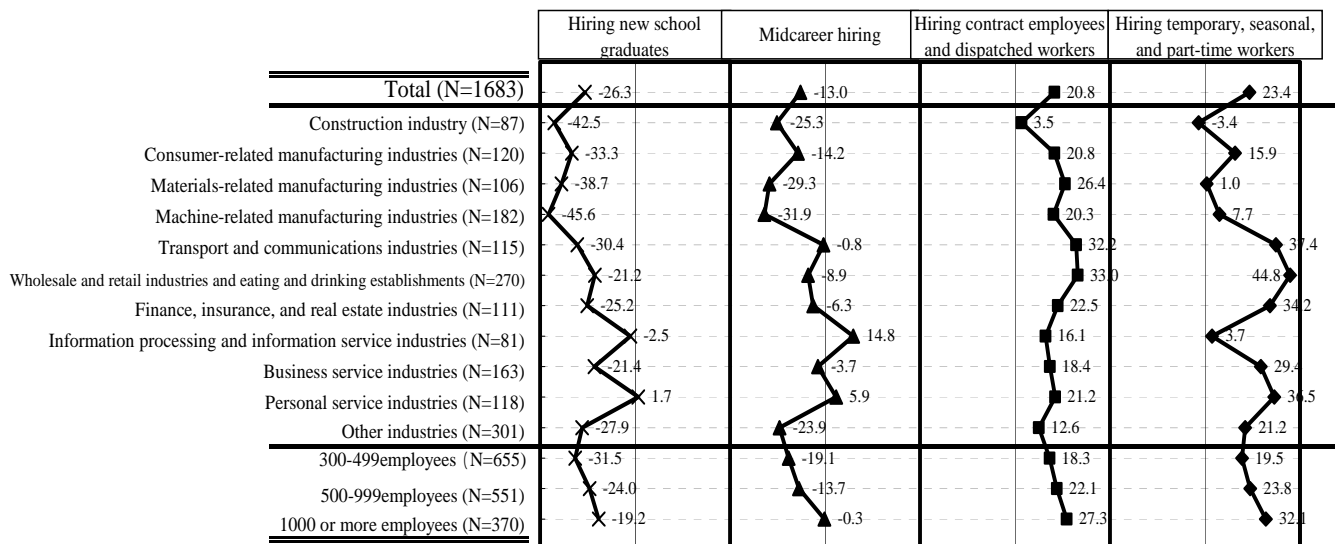
(1) Hiring policies

The companies were asked about their policies for future hiring and deployment of workers in the following categories: “new school graduates,” “midcareer hiring,” “contract employees and dispatched workers,” and “temporary, seasonal, and part-time workers.” We then created an index for this by subtracting the percentage of companies that reported a “tendency to reduce” from the percentage of companies reporting a “tendency to increase.” If the index number is marked with a plus sign, future hiring and deploying policies will be expansive, while a minus sign indicates that they will be contractive. The results showed that hiring of new school graduates and midcareer hiring tend to be contracting, while contract and dispatched workers and temporary, seasonal, and part-time workers are expanding.

By industry, the machinery-related manufacturing industries (-45.6) and the construction industry (-42.5) show a major reduction in hiring of new school graduates. By number of employees, the smaller the company, the more extreme these tendencies in hiring and employment are in all categories.

Fig. 5: Trends in future hiring policies (by industry and size of company)

(points)



Note: Respondents answered by choosing one option out of the following three for each item: “tendency to increase,” “maintain the status quo,” and “tendency to decrease.”

The values on the graph are the percentage of companies reporting a “tendency to decrease” subtracted from the percentage of companies reporting a “tendency to increase.”

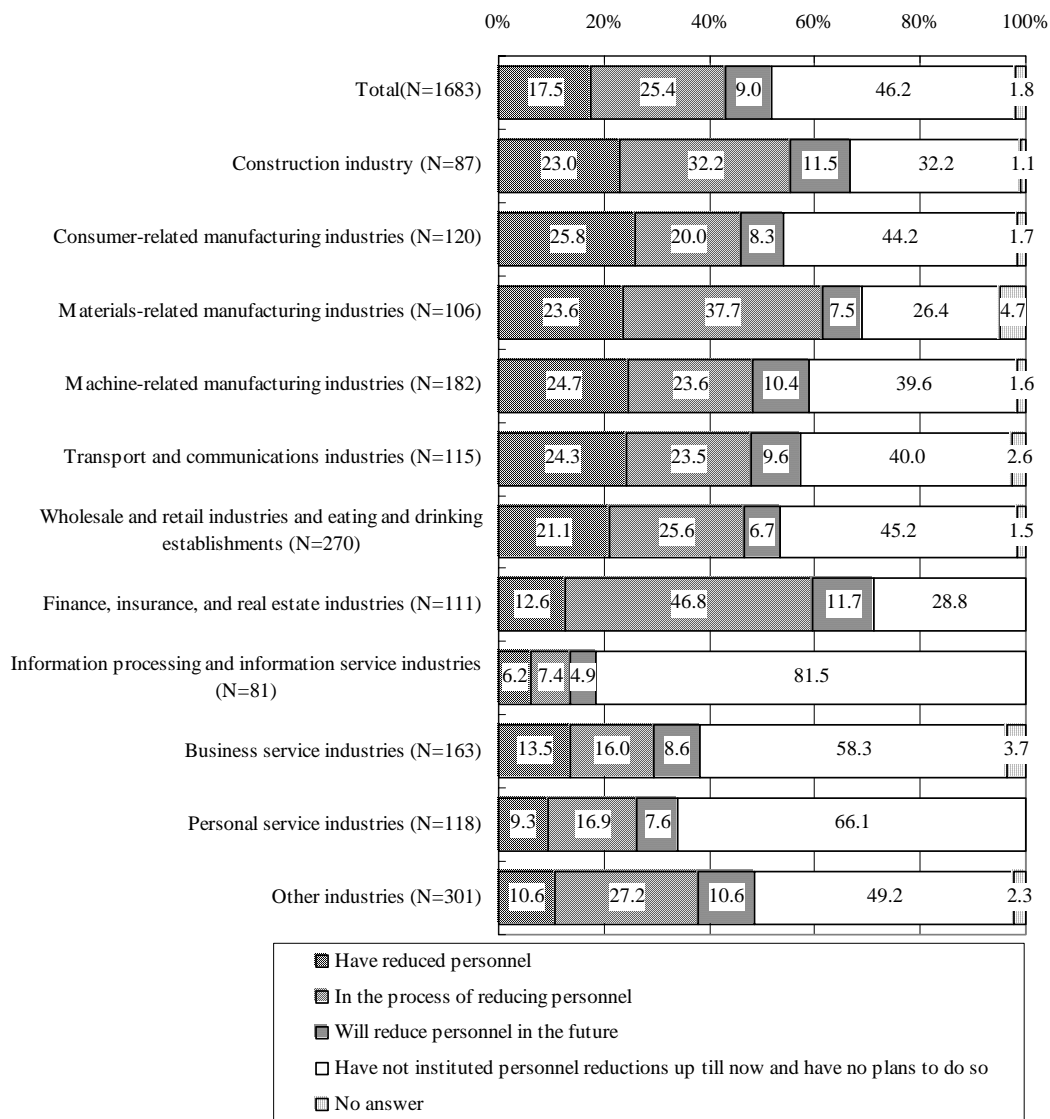
(2) Circumstances of Personnel Reductions

[1] By industry

Asked about personnel reductions among their domestic employees during the past three years, 25.4% reported being “in the process of reducing personnel,” 17.5% reported that they “have reduced personnel,” and 9.0% reported that they “will reduce personnel in the future,” which means that nearly half the responding companies are dealing with personnel reductions.

In particular, 3/4 of the companies in the financial, insurance, and real estate industries are dealing with personnel reductions. On the other hand, most of the companies in all types of service industries reported that they “have not instituted personnel reductions up till now and have no plans to do so.”

Fig. 6: Circumstances of personnel reductions (by industry)

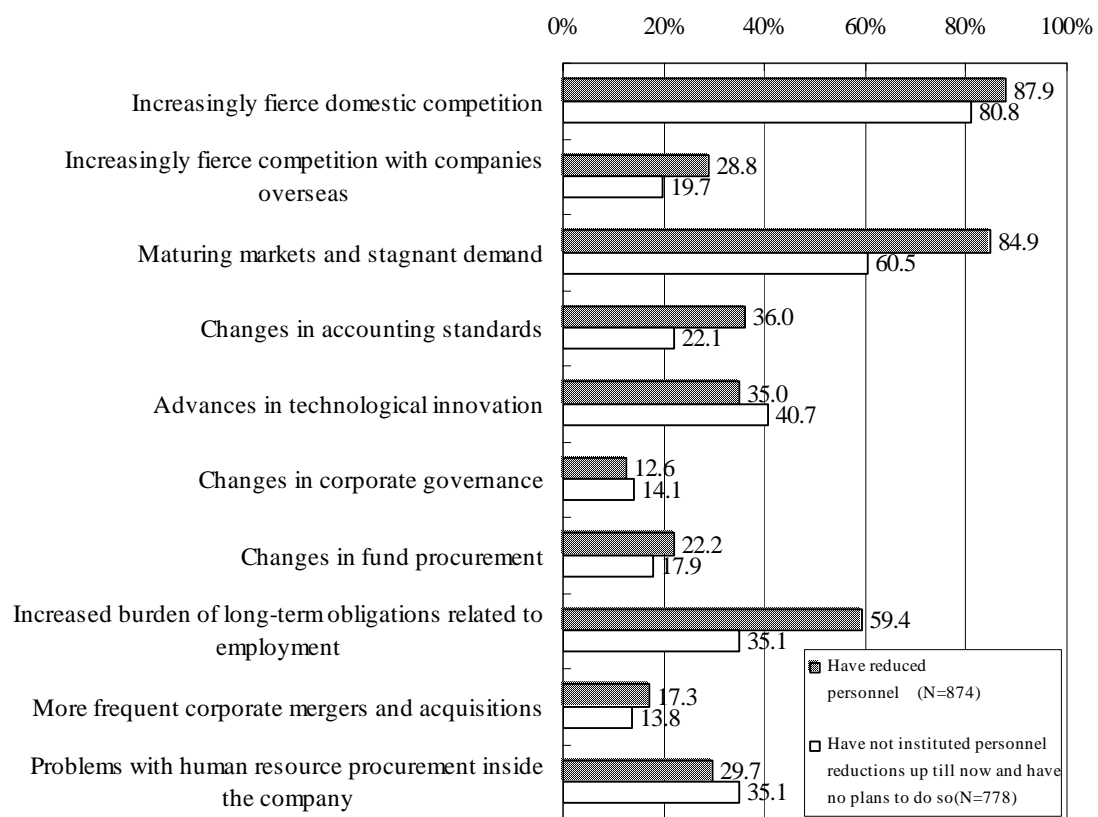


Note; “Personnel reductions” include personnel reductions throughout a company or in specific departments attained through hiring restrictions, non-replacement of retirees, temporary transfer, reassignment, solicitation of voluntary retirement, or dismissal.

[2] Reasons behind the formation of corporate restructuring strategies and circumstances of personnel reductions

Looking at the relationship between reasons behind the formation of corporate restructuring strategies (see Fig. 3) and circumstances of personnel reductions, we found that when we compared companies that had instituted (planned to institute) personnel reductions with companies that had not reduced personnel and had no plans to do so, a higher percentage of the former reported “maturing markets and stagnant demand” and “increased burden of long-term obligations related to employment.”

Fig. 7: Reasons behind the formation of corporate restructuring strategies and circumstances of personnel reductions



*The sum of companies that responded “have reduced personnel,” “in the process of reducing personnel,” and “will reduce personnel in the future.”

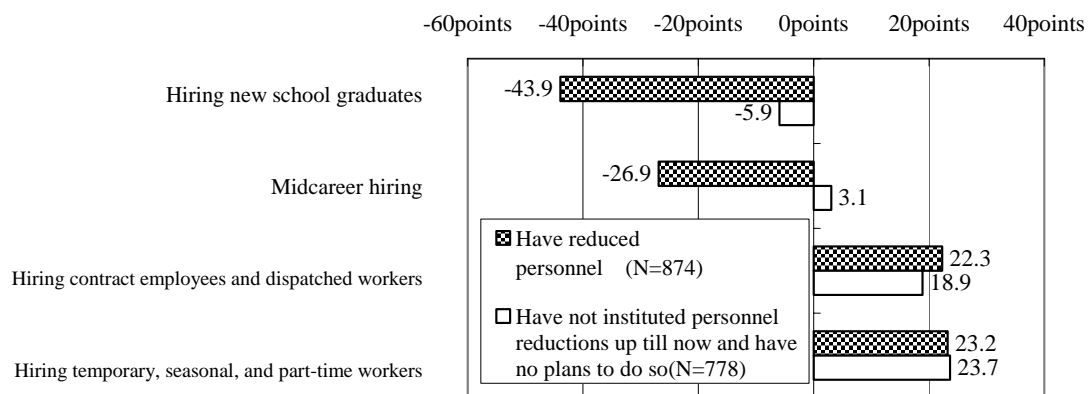
Note: Respondents answered by choosing one option out of the following five for each item: “A very major influence,” “a major influence,” “neither a major nor a minor influence,” “a minor influence,” “no influence/irrelevant.”

The numbers on the graph indicate the percentage of companies that selected “a very major influence” or “a major influence” for each item.

[3] Circumstances of personnel reductions and future hiring policies

A major difference can be seen between companies that have instituted (plan to institute) personnel reductions and companies that have not reduced personnel and have no plans to do so with respect to their policies about hiring new graduates and hiring midcareer employees. On the other hand, when it comes to the use of contract employees and dispatched workers, as well as temporary, seasonal, and part-time employees, more companies reported a “tendency to increase” than a “tendency to decrease,” whether they had personnel reductions or not.

Fig. 8: Future hiring policies by circumstances of personnel reductions



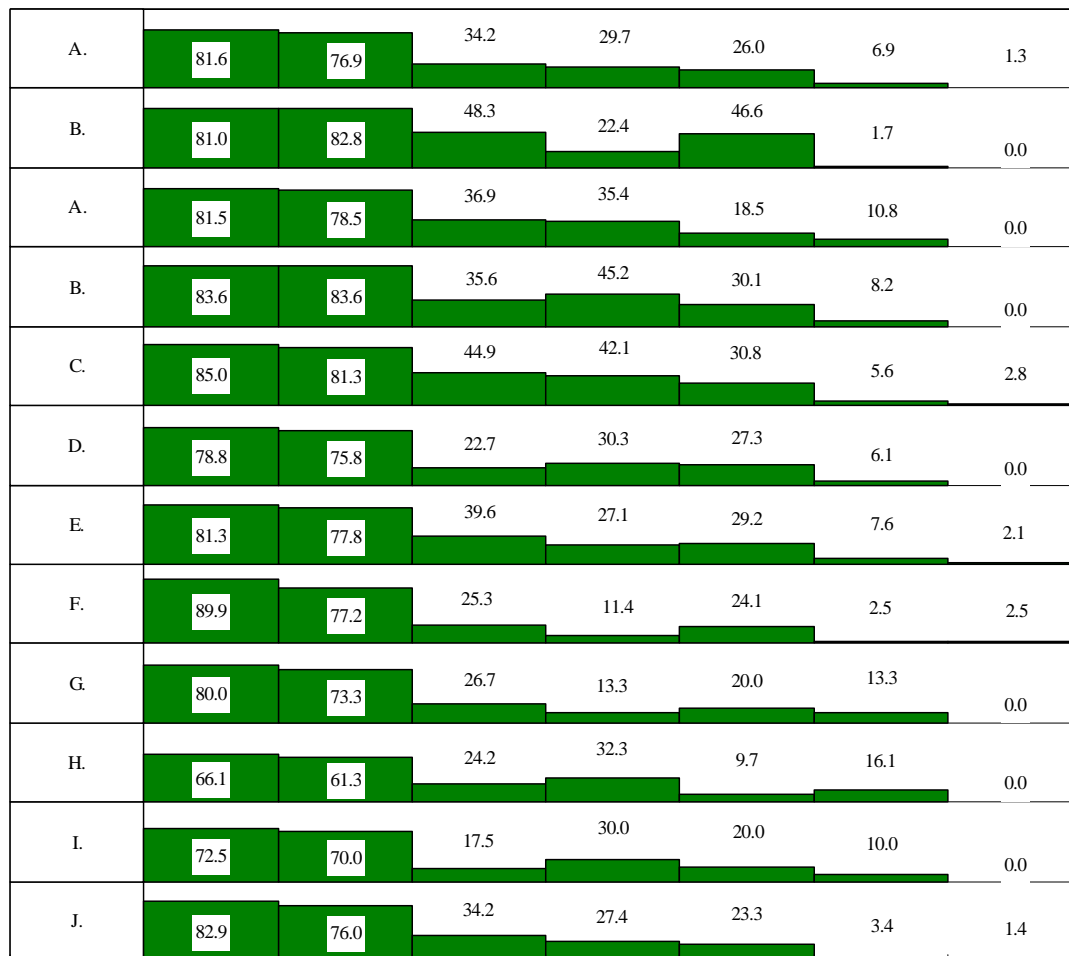
Note: Respondents answered by choosing one option out of the following three for each item: “tendency to increase,” “maintain the status quo,” and “tendency to decrease.”

(3) Methods of Reducing Personnel

The main methods of reducing personnel, “natural attrition” and “hiring restrictions” each of which scored about 80% overall. “Establishing and augmenting systems for soliciting voluntary retirement and incentives for early retirement” stood at 34.2%, while “dismissal” was rare, at only 6.9%. These tendencies were common to all industries, but “establishing and augmenting systems for soliciting voluntary retirement and incentives for early retirement” was most common in the construction industry, the machinery-related manufacturing industries, the wholesale and retail industries, and eating and drinking establishments. “Greater use of temporary transfer and reassignment” was most common in the construction industry.

Fig. 9: Methods of reducing personnel (by industry)

- A. Total (N=874)
 - B. Construction industry (N=58)
 - C. Consumer-related manufacturing industries (N=65)
 - D. Materials-related manufacturing industries (N=73)
 - E. Machine-related manufacturing industries (N=107)
 - F. Transport and communications industries (N=66)
 - G. Wholesale and retail industries and eating and drinking establishments (N=144)
 - H. Finance, insurance, and real estate industries (N=79)
 - I. Information processing and information service industries (N=15)
 - J. Business service industries (N=62)
 - K. Personal service industries (N=40)
 - L. Other industries (N=146)
- (MA, units %)



Natural attrition (in addition to retirements and resignations for personal reasons, this includes such things as previous systems of incentives for early retirement, temporary transfer, and reassignment)

Hiring restrictions (in addition to hiring of new graduates and midcareer hiring, this includes such things as hiring of temporary, seasonal, and part-time workers)

Soliciting voluntary retirement and establishing and augmenting systems for and incentives for early retirement

Employment contract for contract employees or part-time workers not renewed

Greater use of temporary transfer and reassignment

Dismissal

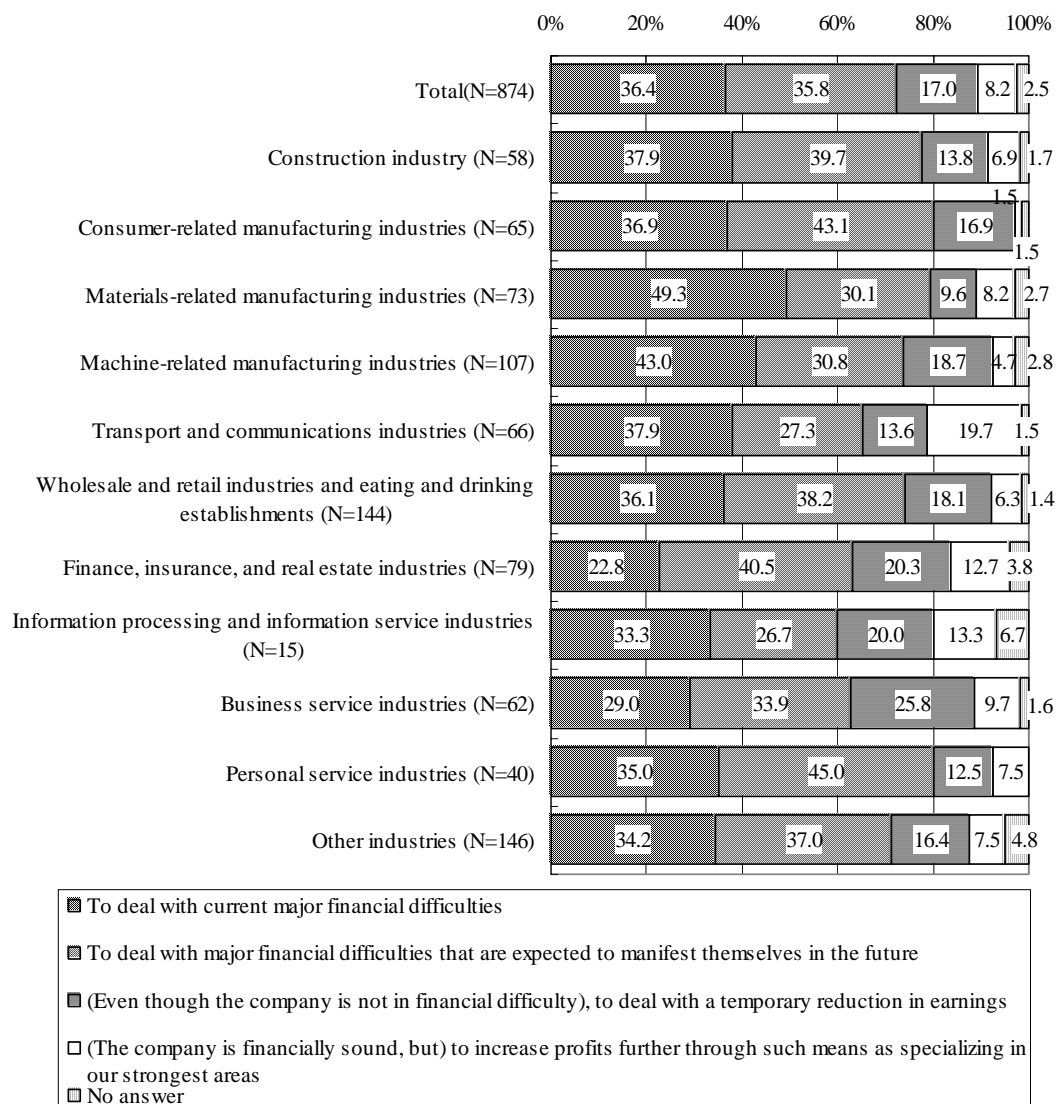
Other

(4) Reasons for Personnel Reductions

When companies were asked about their reasons for reducing personnel, the percentages of companies responding with “to deal with current major financial difficulties” and “to deal with major financial difficulties that are expected to manifest themselves in the future” were about the same, 36.4% and 35.8%, respectively. A minority of companies mentioned personnel reductions in the strategic sense, including “to increase profits further through such means as specializing in our strongest areas” (8.2%)

By industry, the percentage of companies responding “to deal with current major financial difficulties” was highest in the manufacturing industries, especially so in the materials-related industries (49.3%) and machinery-related industries (43.0%). The response “to deal with major financial difficulties that are expected to manifest themselves in the future” were most common in the consumer-related manufacturing industries (43.1%), the financial, insurance, and real estate industries (40.5%); and the personal service industries (45.0%).

Fig. 10: Reasons for personnel reductions (by industry)



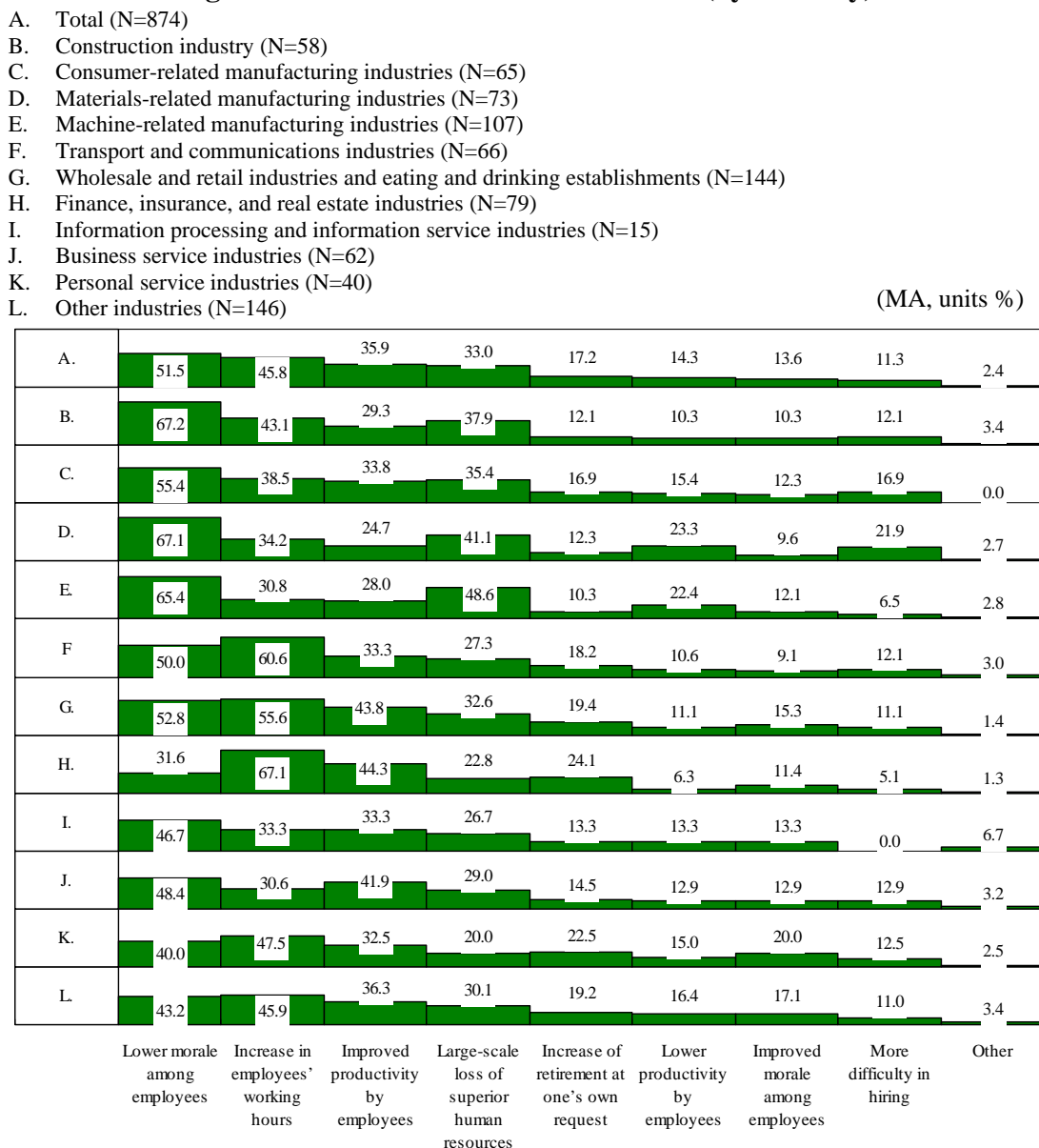
(5) Effects of Personnel Reductions

[1] Effects by industry

Overall, the effects of personnel reductions most frequently cited were “lower morale among employees”(51.5%), “increase in employees’ working hours”(45.8%), “improved productivity by employees”(35.9%) and “large-scale loss of superior human resources”(33.0%).

By industry, “lower morale among employees” and “large-scale loss of superior human resources” were most common in the manufacturing industries, while “increase in employees’ working hours” and “improved productivity by employees” were most common in the wholesale and retail industries, eating and drinking establishments, and the financial, insurance, and real estate industries; and “increase in employees’ working hours” was most common in the transport and communications industries.

Fig. 11: Effects of Personnel Reductions (by industry)

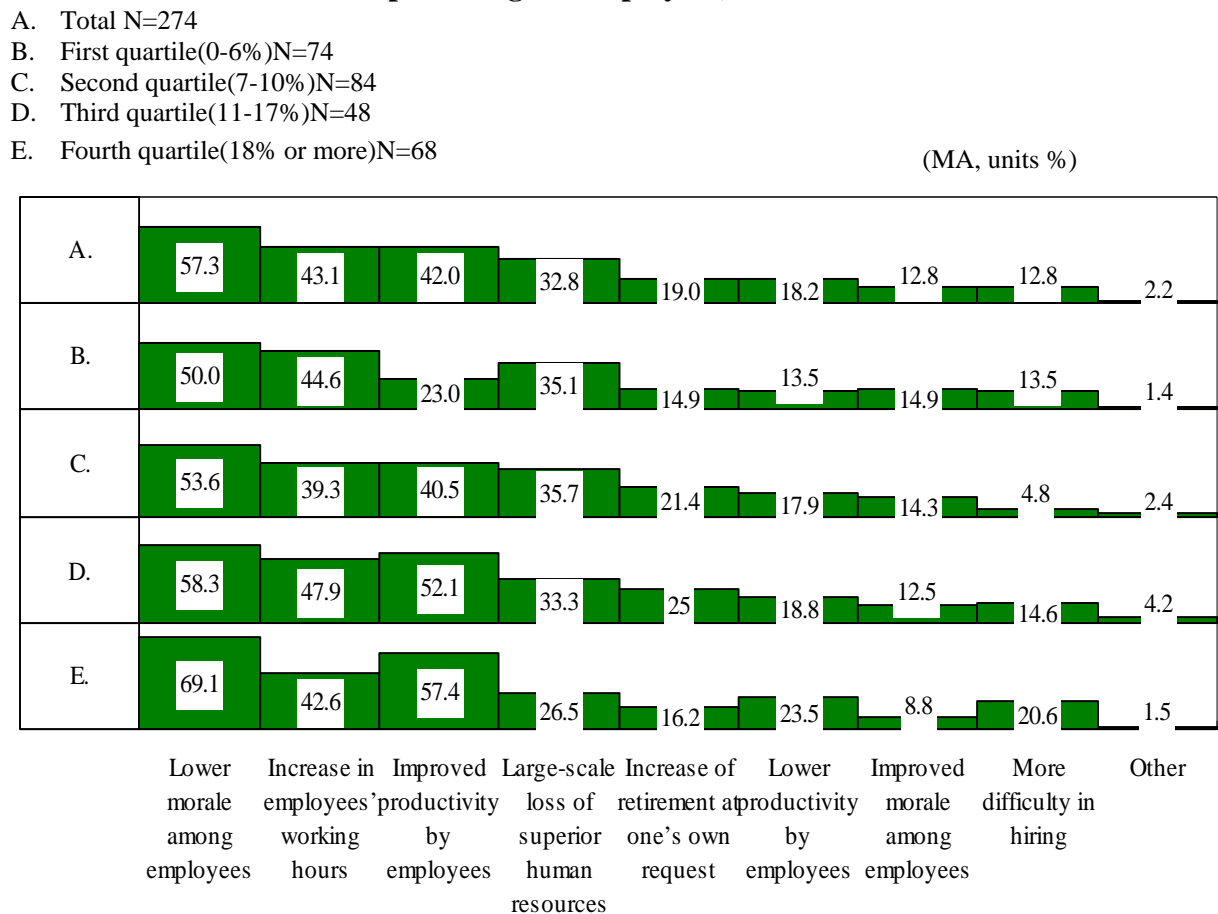


[2] Effects of personnel reductions by scale of reductions

We divided the companies that had instituted personnel reductions into quartiles, based on the reductions as a percentage of all employees and categorized the effects of personnel reductions for each cohort.

According to this, the higher the personnel reductions as a percentage of all employees, the higher the percentage of citations of “lower morale among employees,” “large-scale loss of superior human resources,” and “lower productivity by employees.”

**Fig. 12: Effects of personnel reductions by scale of reductions
(percentage of employees)**



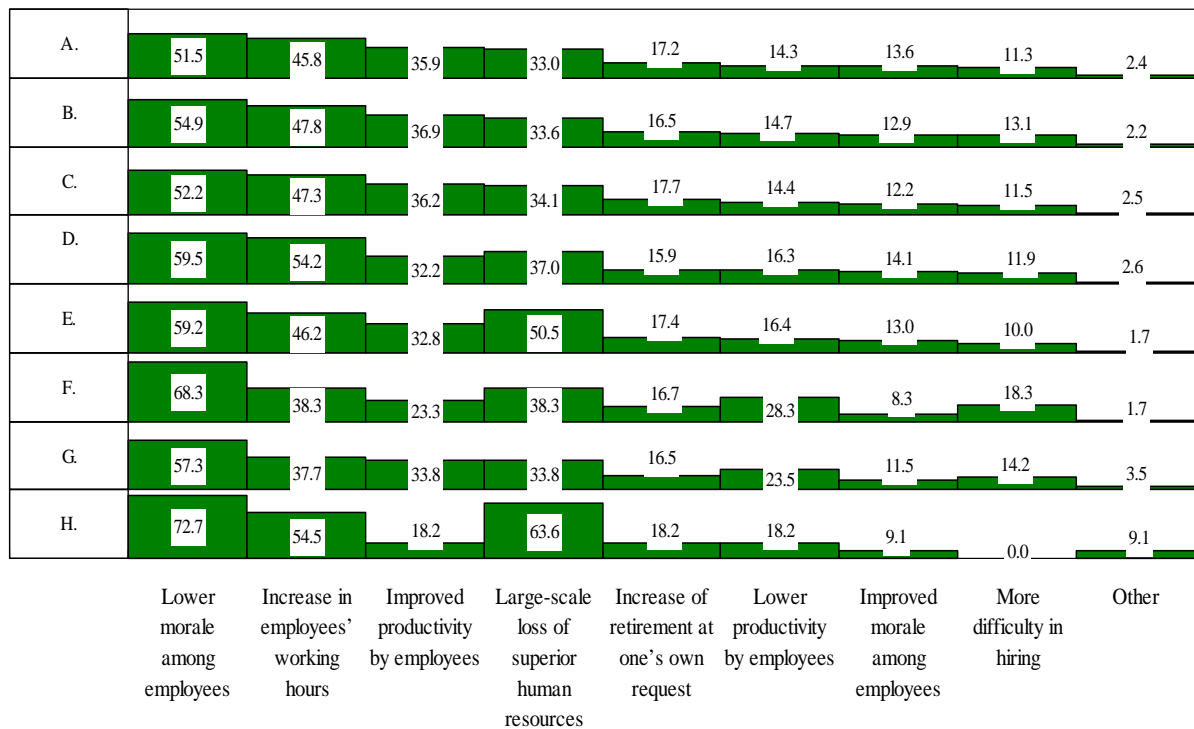
Note: Companies that reported that they “have reduced personnel,” “are in the process of reducing personnel,” or “will reduce personnel in the future” were asked how large these reductions were as a percentage of total employees, including non-regular employees.

[3] Effects of personnel reductions by method of reduction

Looking at the effects of personnel reductions by method of reduction, we found that companies reporting “greater use of temporary transfer and reassignment,” “soliciting voluntary retirement and establishing and augmenting systems for and incentives for early retirement,” and “dismissal” were more likely than companies that had used other methods to experience “lower morale among employees” and “large-scale loss of superior human resources.” In addition, few companies that practiced “dismissal” experienced “improved productivity by employees,” but on the other hand, the percentage of such companies experiencing “lowered productivity by employees” and “difficulties in hiring” was relatively large.

Fig. 13: Effects of personnel reductions by method of reduction

- A. Total (N=874)
 - B. Hiring restrictions (N=672)
 - C. Natural attrition (N=713)
 - D. Greater use of temporary transfer and reassignment (N=227)
 - E. Soliciting voluntary retirement and establishing and augmenting systems for and incentives for early retirement (N=299)
 - F. Dismissal (N=60)
 - G. Employment contract for contract employees or part-time workers not renewed (N=260)
 - H. Other (N=11)
- (MA, units %)



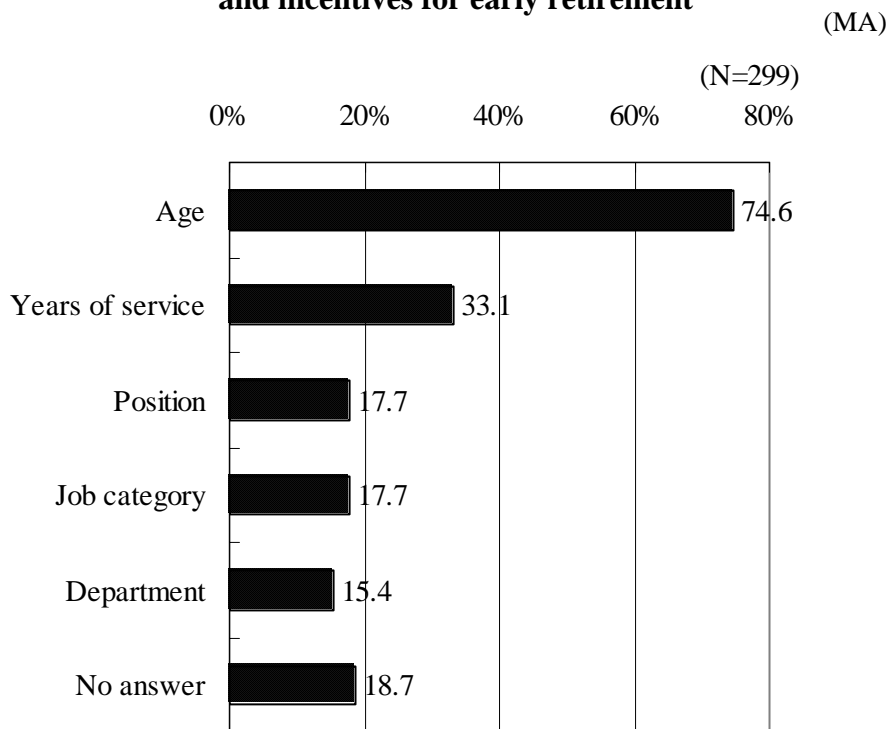
3. Circumstances of Systems for Voluntary Retirement and Incentives for Early Retirement

(1) Criteria for applying systems for voluntary retirement and incentives for early retirement

Companies that used “establishment and augmentation of systems for voluntary retirement and incentives for early retirement” as a method of personnel reduction were asked about their criteria for applying these systems. The most common response was “age,” at 74.6%, followed by “years of service” at 33.1%

A lower age limit for application of the system was set by 95.5% of these companies, and the average was 45.5 years. For the 57.0% of companies that set an upper age limit, the average was 58.2 years.

Fig. 14: Criteria for applying systems for voluntary retirement and incentives for early retirement

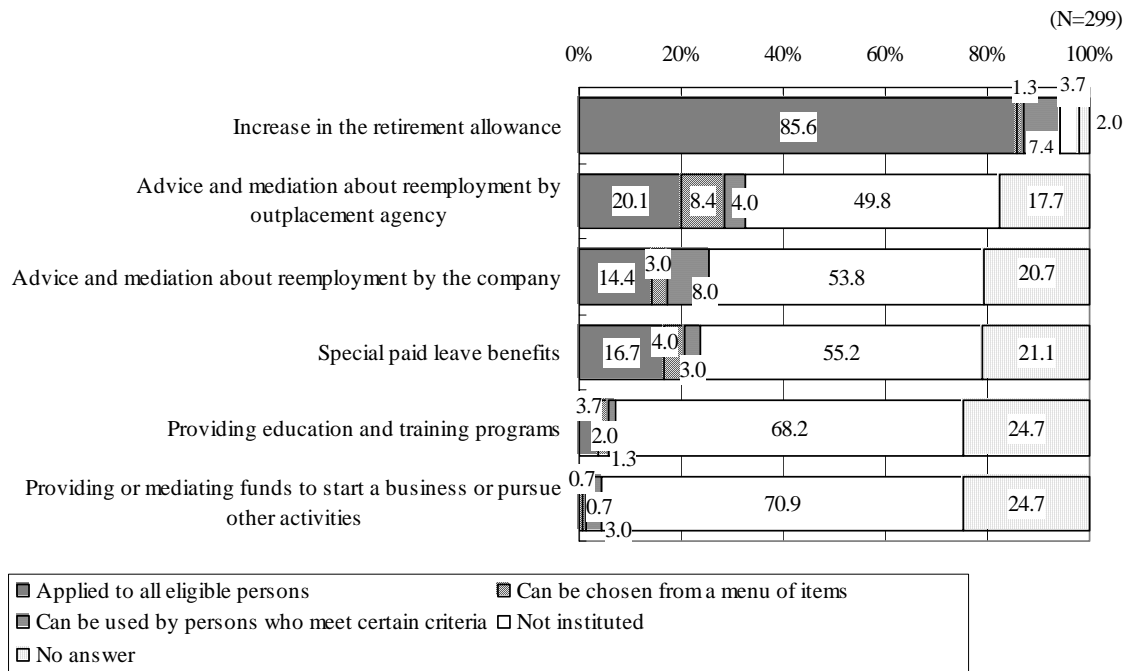


Note: Asked of companies that selected “establishment and augmentation of systems for voluntary retirement and incentives for early retirement” as methods of reducing personnel.

(2) Details of the measures for systems of voluntary retirement and incentives for early retirement

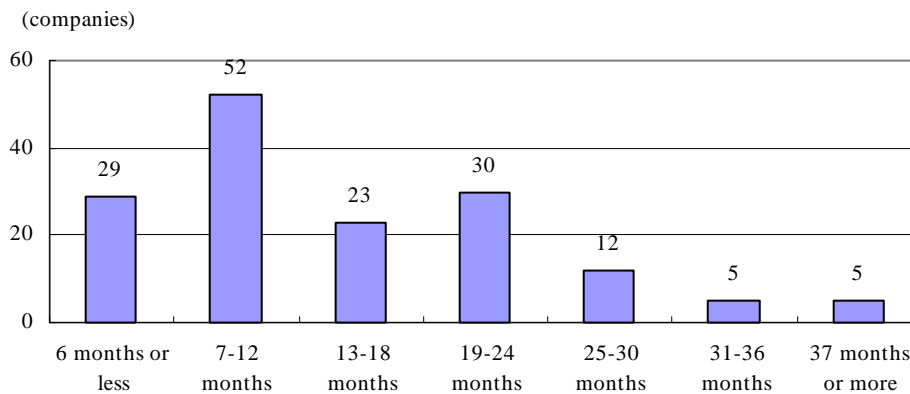
The details of the measures for systems of voluntary retirement and incentives for early retirement were such that more than 90% include “increase in the retirement allowance.” Of those, almost all companies “apply these measures to all eligible persons.” The mean amount of the increase in the retirement allowance was 15.7 months’ worth, and the median was 12 months’ worth.

Fig. 15: Details of the measures for systems of voluntary retirement and incentives for early retirement



Note: Asked of companies that selected “establishment and augmentation of systems for voluntary retirement and incentives for early retirement” as methods of reducing personnel.

Fig. 16: Amount of increase in the retirement allowance

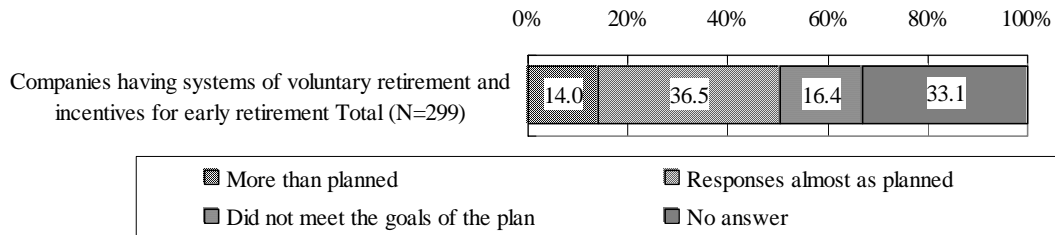


Note: Companies shown as responding “increase in the retirement allowance” in Fig. 15 were asked how many months’ worth of the normal increase was added in the average (or model) case. Those that did not respond are not shown.

(3) Responses to systems of voluntary retirement and incentives for early retirement

The most common answer overall when asked about responses to these offers was “responses almost as planned,” at 36.5%. In addition, 14.0% reported “more than planned.”

Fig. 17: Responses to systems of voluntary retirement and incentives for early retirement

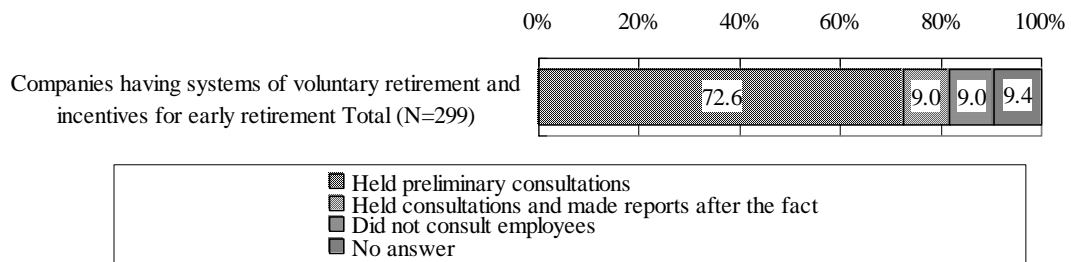


Note: Asked of companies that selected “establishment and augmentation of systems for voluntary retirement and incentives for early retirement” as methods of reducing personnel.

(4) Consultations between labor and management

More than 70% of companies have held preliminary consultations between labor and management or with labor unions or employee representatives concerning systems of voluntary retirement and incentives for early retirement.

Fig. 18: Existence of preliminary consultations between labor and management



Note: Asked of companies that selected “establishment and augmentation of systems for voluntary retirement and incentives for early retirement” as methods of reducing personnel.