

Study Group on Approaches to Securing Personnel for ICT Ventures  
Summary of Minutes (5th Meeting)

1. Date

Tuesday, February 6, 2007, 5:30 p.m. to 7:30 p.m.

2. Location

Conference Room 901, Ministry of Internal Affairs and Communications

3. Attendees (honorifics omitted)

(1) Members

Yuji Akabane, Shigesuke Ikegami, Etsuko Okajima, Satoshi Sekine, Tokuyuki Takahashi,  
Shuichi Matsuda, Tetsuro Matsumoto, Tetsushige Yaguchi

(2) MIC Representatives

Katsuno (Deputy Director-General, Minister's Secretariat), Sato (Director, Information Policy  
Division), Mishima (Deputy Director, Information Policy Division)

4. Outline of proceedings

(1) Call to order

(2) Agenda

1. Guidelines for Securing Personnel for ICT Ventures – Draft

2. Report of the Study Group on Approaches to Securing Personnel for ICT Ventures – Draft

The Secretariat explained Agenda Item 1 using Reference 2 and Agenda Item 2 using  
Reference 3. A discussion, including questions and answers, about these explanations followed.

<Re: Guidelines for Securing Personnel for ICT Ventures – Draft>

- Stock options do not have to be recorded in the profit and loss statement as long as the fair stock price when the options are vested is the exercise price. In addition, security analysts rate companies that use stock options higher than those that do not. Therefore, I suggest active use of stock options be promoted.
- In the United States, Microsoft, for example, has stopped using stock options. This is due to increasingly stringent regulations for stock options in response to an increasing number of cases of abuse of stock options by executives. Regulations are becoming stricter in Japan due to the strong influence of the United States.
- The history of stock options in Japan is still short, and there have been no cases of accounting fraud, unlike in the United States. In my opinion, this issue should not be regarded in the same

way as it is in the United States.

- The expense transaction of these stock options should be added to these guidelines.

<Re: Report of the Study Group – Draft>

(1) Use of overseas workers and global business development

- Inviting highly skilled workers, such as those from India and China, would be an effective way of stimulating Japanese workers to create new Japanese ICT ventures in increasing numbers, to develop them and eventually become leaders in the global market. At the moment, it seems that there are not enough workers to supply the market.
- Furthermore, an environment must be created which facilitates foreign nationals coming to Japan from abroad to start up businesses. Generally speaking, immigration criteria are currently being relaxed. However, highly skilled and low-skilled foreign workers are not distinguished from each other, which is one of the reasons why there is no support for highly skilled foreign workers who are starting or involved in new businesses.
- There is an increasing number of cases where ICT ventures employ a foreign national, usually Chinese, to assume the position of CTO.

(2) International comparison of the business start-up rate

- In contrast with the venture environment in the United States, with its high birth and high death rate, Japan has a low birth and low death rate. Japan's attitude toward the start-up of new businesses is one of caution, which is not good for cutting-edge industries (the so-called high risk and high return areas). On the other hand, the positive side is that a business once started is not easily shut down. In my opinion, these points should be also referred to in the Report.
- One of the problems that MBA holders in Japan have is that there are not many companies that are willing to employ them. Consequently, in most cases they find employment through more experienced MBA holders they know, and few find a job at a venture enterprise. In order to help MBA holders, venture enterprises that proactively make good use of MBA holders as a workforce must be located.
- For example, it may be possible to indicate a rising trend in the number of ICT ventures using statistics about changes in the number of employees of those companies listing stocks on the Tokyo Stock Exchange Mothers Market.
- As for the number of companies listing stocks on stock exchange markets, many of them are service enterprises, with food businesses accounting for a large proportion, while there are few ICT ventures. However, we can say—even during the period after the bubble burst—that the number of ICT ventures is increasing, as long as we see a trend over the past three years or so.

It was approved by the members that the compilation and release to the media of the Guidelines and the Report be left entirely to the Chair.

End