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CONTENTS

Feature Articles

This month's focus: **What Securities Analysts Need to Know about DX**

What is the essence of digital transformation (DX), and why is it necessary now? In this paper, we recognize the essential value of DX as the revolutionary reduction of "MURI (conventional constraints), MUDA (essentially unnecessary), and MURA (uncertainty and anxiety)" in the entire supply chain and value chain. This is only possible now that all things are connected in cyberspace and value creation is shifting from physical space to cyberspace. At this revolutionary point of change, companies and organizations have a great opportunity to take advantage of DX, but at the same time, there are various challenges and difficulties in promoting it. This paper summarizes the various challenges and difficulties in promoting DX, and explains several approaches to solve these challenges and overcome difficulties.

This article introduces the latest DX trends in Japan, with a brief summary of the meaning of DX. Toyota Motor Corporation, Bridgestone, and Marui Group are taken up as firms pursuing DX that bring new points of contact and experiences to customers. Misumi Group Inc., which has succeeded in providing time value to customers through DX, and Yamato Holdings are given as examples of various approaches to DX. Finally, the key points in evaluating DX are summarized.

DX is a hot topic these days. However, it seems that the purpose and aim of overseas companies' DX are slightly different from that of Japanese companies. In this paper, we first take a bird's-eye view of the progress of DX overseas and its essence from three perspectives:

(1) the expansion of digital technology performance and impact on corporate organization/"boundary between company and market";
(2) the essence of the GAFA model and its application to conventional industries; and
(3) system architecture design of a new industry as a policy for accelerating open innovation.

Special Postings

The question “Does the social return produced by a company lead to economic return in the long term?” is one of the biggest concerns in ESG investment. In this study, as an attempt to verify this question, a future simulation using a causal linkage model was performed. As a result, it was found that single efforts such as “reducing greenhouse gas emissions” and “increasing the ratio of female managers” may reduce economic returns. On the other hand, it has been shown that multiple efforts will greatly improve economic returns. Furthermore, it was suggested that timely and appropriate policy implementation by the government and stakeholders is necessary to realize a good path in the future. This report is a summary of a portion of the results of the “Search for Corporate Value in a Post-COVID Society” carried out with the support of the 2020 GAP Fund Program of Kyoto University.

The task for Japan’s corporate governance reform is to realize technological innovation and economic dynamism by increasing emphasis on the role of the stock market without falling into the trap of short-term profit-driven myopia and to create a framework for companies to internalize critical social values and sustainability. In other words, the goal is not to move simply closer to the US governance model or to revive the traditional Japanese model, but to newly design a “Japanese model 2.0.” It would be a hybrid of those two models. From those perspectives, this paper first summarizes the economic consequences of corporate governance under Abenomics. Then, it suggests crucial focal points for designing Japanese model 2.0. We address the redefinition of the purpose of Japanese firms, the new roles of corporate boards, and an appropriate ownership structure that could support the purpose of the corporation.