

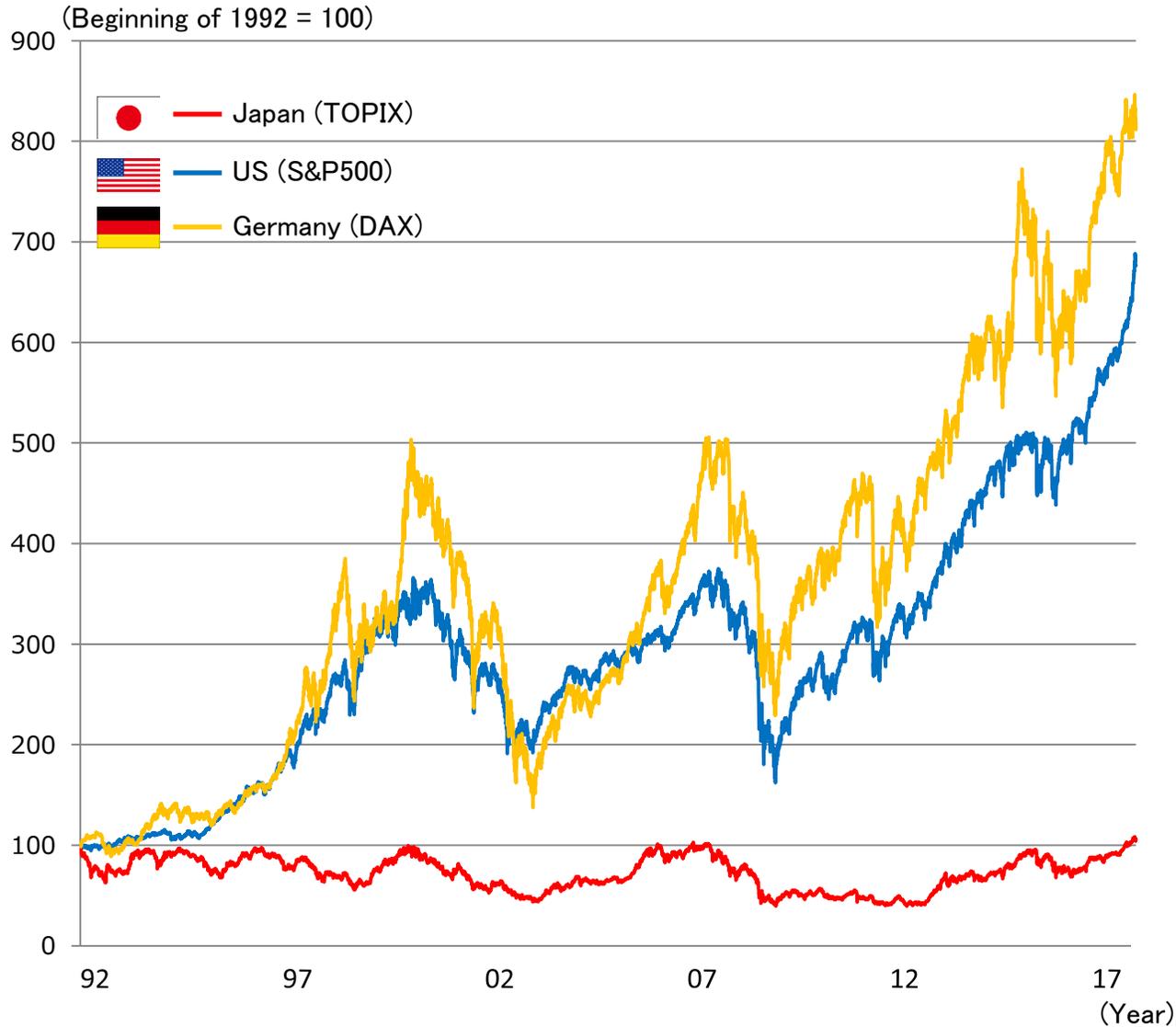
# **Toward a Virtuous Cycle of Finance and Economy**

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10<sup>th</sup> Japan Securities Summit

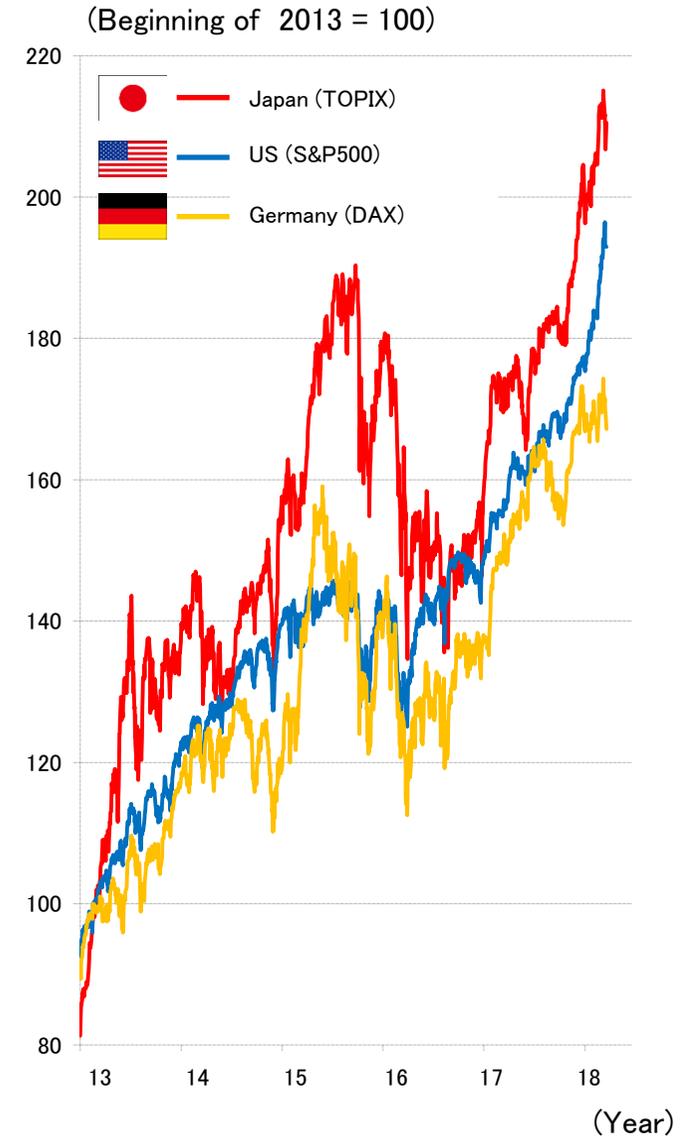
February 7, 2018

# Stock prices (Japan, US and Germany)

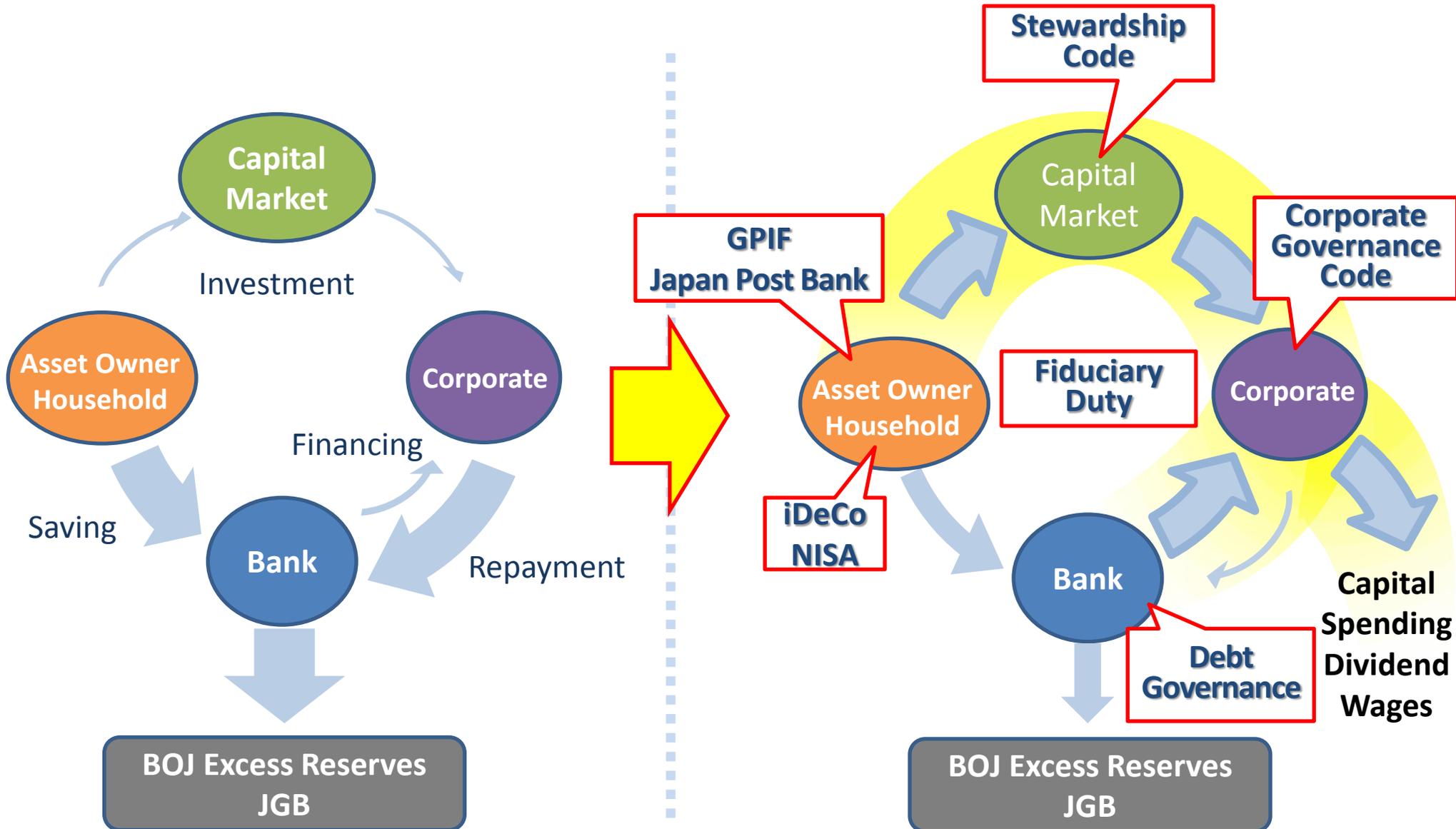


(Note) Figures in local currency.

(Source) Bloomberg

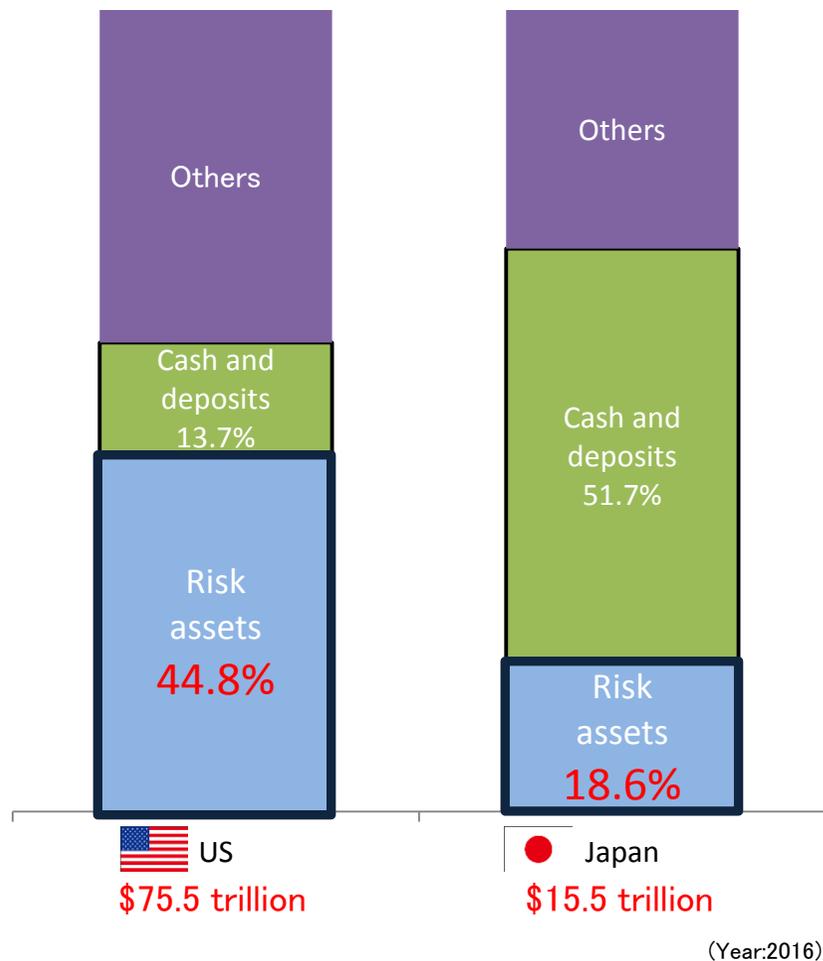


# A virtuous cycle of finance and economy



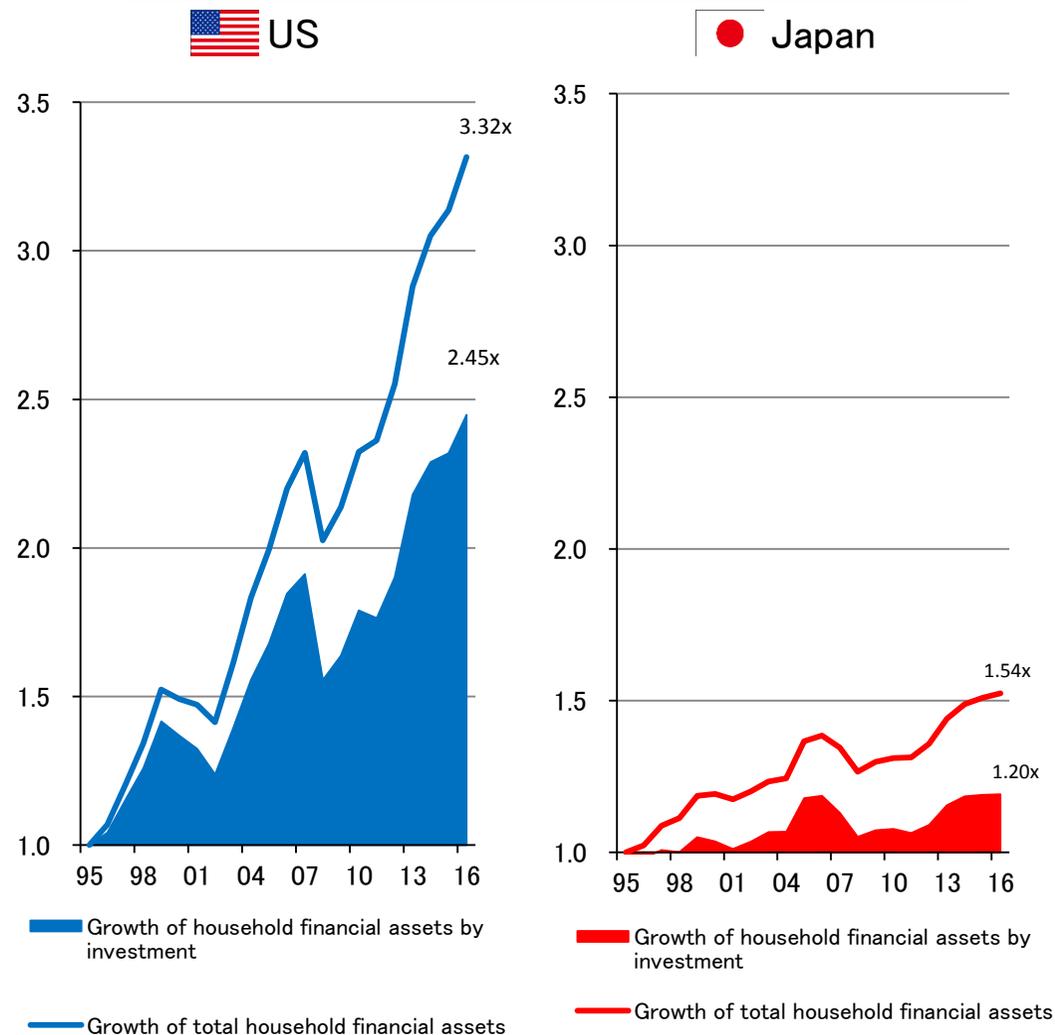
# Households' financial assets in the US and Japan

## Composition of household financial assets



(Note1) Exchange rates at the end of 2016. (\$1 = 116.9JPY)  
 (Note2) Risk assets include indirect investment via insurance and pension reserves.  
 (Source) FRB, BOE and BOJ

## Growth of household financial assets



(Note) Base years are 1995(US, Japan).  
 (Source) FRB and BOJ

# Overview of “Dollar-Cost Averaging NISA”

Many Investment trust funds have been theme-based, short-term with high turnover ratio.



In January 2018, a new tax incentive scheme (“**Dollar-Cost Averaging NISA**”) was introduced to promote **long-term, regular and diversified investment for households**.

## “Dollar-Cost Averaging NISA”

■ Tax exemption; Up to **JPY 400,000 (USD 3,551)** of investment per year for **20 years**

※ Total amount of JPY 8 million(USD 71,023)

■ Applicable only for qualified investment trust funds suitable for **long-term installment investment**

### Criteria

(generally designed for index funds)

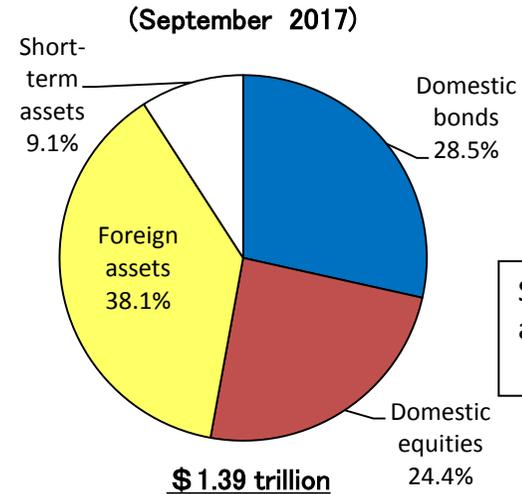
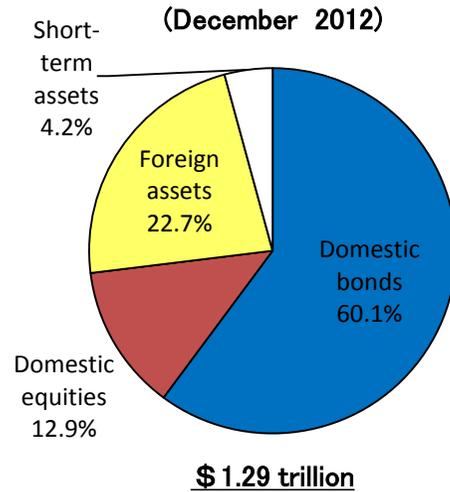
- **No-load funds**
- **Annual trust fees capped**  
(e.g. 0.5% for domestic index investment trust funds)

### Number of qualified investment trust funds

**50** → **141**  
(Nov. 2017) (Jan. 2018)

# Transforming the portfolios of GPIF & JAPAN POST BANK

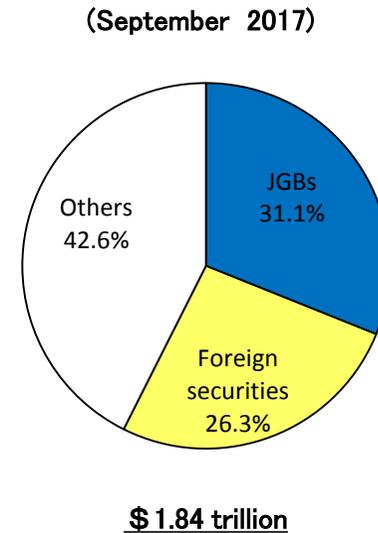
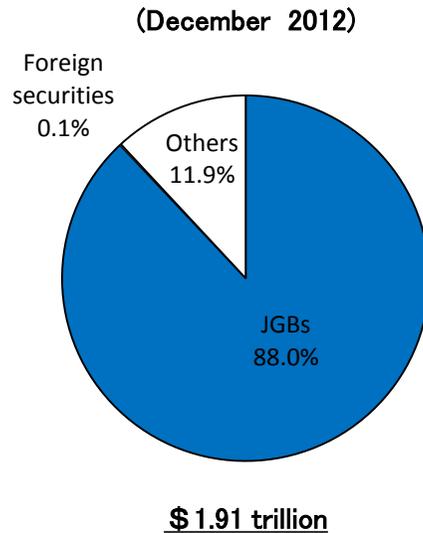
## GPIF (Government Pension Investment Fund)



Started to invest in alternative assets:  
**\$1.4 billion**

(Source) GPIF

## JAPAN POST BANK



Started to invest in alternative assets:  
**\$7.1 billion**

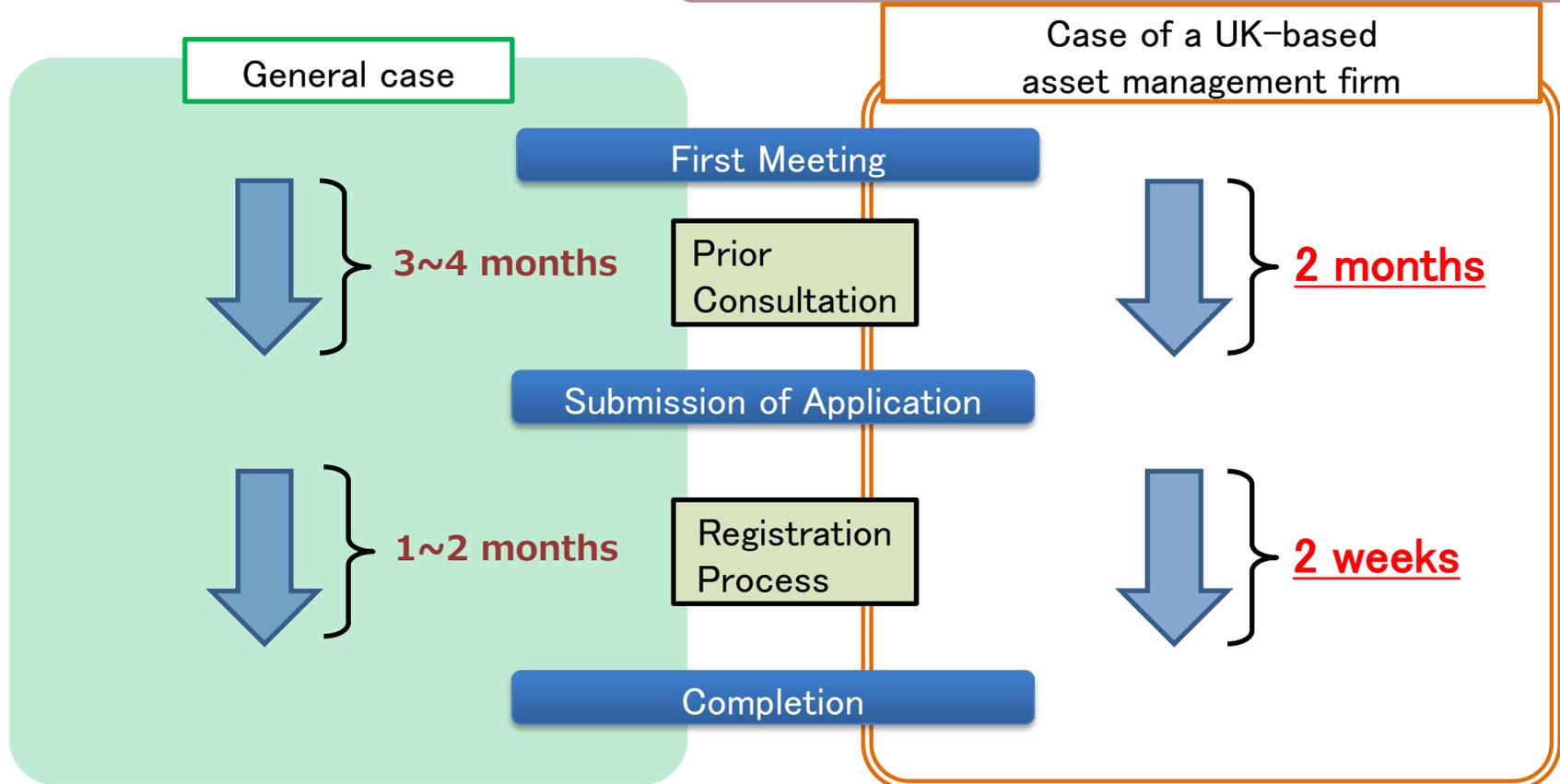
(Source) Japan Post Bank

## “Fast Entry” ; Financial Market Entry Consultation Desk

■ JFSA launched the “*Financial Market Entry Consultation Desk*” to realize “*Fast Entry*” into Japan’s financial market for well-established asset management firms overseas.

### *Financial Market Entry Consultation Desk*

E-mail: [marketentry@fsa.go.jp](mailto:marketentry@fsa.go.jp) Tel:+81-3-3506-7109



## Toward a more substantial corporate governance reform

- Since the inauguration of the Abe administration, corporate governance reform has been an integral part of Japan's economic growth strategy
  - ✓ **“Stewardship Code”**: introduced in February 2014 ⇒ revised in May 2017
  - ✓ **“Corporate Governance Code”**: introduced in July 2015
  
- As a result,
  - ✓ **Listed companies**: the percentage of listed companies with two or more independent outside directors has risen from **17%** in 2012 to **88%** in 2017 at Tokyo Stock Exchange, 1<sup>st</sup> Section
  - ✓ **Asset managers and asset owners**: progress seen in management of conflict of interest and disclosure of voting records
  
- JFSA will continue to encourage:
  - ✓ Resolute decision-making by the management to address changes in business environment
  - ✓ Corporate pension funds to play a larger role as asset owners
    - ⇒ To this end, JFSA will
      - Formulate **guidelines for dialogue** between institutional investors and investee companies
      - Consider a review of the **Corporate Governance Code**

# Toward improvement of service industry productivity

## Case: Revival of *Kinugawa Onsen* resort town

- Most hotels at *Kinugawa Onsen* resort town had continued to operate at a loss.
- The Ashikaga bank:
  - i. supported smooth exit of some uncompetitive resort hotels;
  - ii. injected the capital to hotels expected to exist in collaboration with private equity funds; and
  - iii. introduced co-management of resort hotels' procurement.



【*Kinugawa Onsen* resort town】



【*Ashi-yu* (foot bath) at the station square】

# Seven Fiduciary Duty Principles (March 30, 2017)

1. Develop and Publicize the Customer-Oriented Business Conduct Policy



2. Pursue Customers' Best Interests

3. Manage Conflicts of Interest Appropriately

4. Clarify Fees and Expenses

5. Provide Easily Understandable Important Information

6. Provide Services Suited to Each Customer

7. Introduce Frameworks for Motivating Employees Appropriately