

preliminary

Nothing ventured, nothing gained

*behavioral changes of Japanese
private investors*

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Conservative behavior of Japanese private investors

Japan	18.8%
UK	35.7%
US	45.4%

※ share of stocks and investment funds of total assets of private investors including indirect holding through pension and insurance

(source: JFSA)

Changes from 2012/9 to 2016/3 (trillion yen)

	Inflow	Price change	Total
Investment funds	20.2	15.6	35.8
Stocks	-17.0	48.6	31.6

(source: JFSA)

Growth rate and return of total private assets (2015 over 1995)

	Growth rate	Growth by Return
US	211%	132%
UK	127%	63%
JAPAN	47%	15%

(source: JFSA)

Reasons

- i.** History of strong banking system
 - Too much dependence on bank deposits
- ii.** High turnover facilitated by industry
 - Lack of long-term and diversified investment
- iii.** Less attractive products
 - Corporate bond market is very small
 - Comparison with investment fund market in US

Performance of top five investment funds

	Average outstanding	Years since start	Sales commission	Trust commission	Annual Return over the last 10 years
Japan	¥1.1 trillion	13	3.20%	1.53%	-0.11%
US	¥22.6 trillion	31	0.59%	0.28%	5.20%

(source: JFSA)

Behavioral changes in sight?

background for accelerated capital outflow

- i. Macroeconomic factors: “Zero-percent economy”
 - Both economic growth (actual and potential) as well as inflation are 0%
- ii. Tax reasons
- iii. Family office in future

Macroeconomic factors

- i. BOJ's new monetary policy leading to widening interest rate gap and yen depreciation
 - Target for 10-year government bond yield
 - “Overshooting commitment”
- ii. Imprudent fiscal policy helped by BOJ's fiscal finance
 - Fear for losing fiscal discipline and uncontrollable depreciation

Tax issues and family office

- i. Heavy inheritance tax burden on family businesses (FB) accounting for 90 % of all corporates

- ii. Family offices in future
 - Major foreign private banks failed in Japan
 - Alternative for existing Japanese FIs
 - Acute needs for dealing with family and management issues of FB

Real estates market: another hot topic

- i. Real estate market stimulated by BOJ
- ii. About 20% of transaction in Tokyo originates from overseas investors
 - Tokyo Olympic games in 2020
 - Spreading to other big cities
- iii. Financing issues for foreign buyers to be eased?
 - One example in Okinawa

Official land price

(annual change, %)

	2013	2014	2015	2016		2013	2014	2015	2016
	Residential property					Commercial property			
Total	-1.6	-0.6	-0.4	-0.2		-2.1	-0.5	-0.0	0.9
3 big cities	-0.6	0.5	0.4	0.5		-0.5	1.6	1.8	2.9
Tokyo	-0.7	0.7	0.5	0.6		-0.6	1.7	2.0	2.7
Others	-2.5	-1.5	-1.1	-0.7		-3.3	-2.1	-1.4	-1.5