Voices at the Australian Embassy Roundtable on October 11, 2017

Comments and opinions from Australian Financial Institutions

- To achieve the goal of possessing manufacturing capability in Japan, a local distribution network is necessary.
- Japan is one of our first target markets. We worked closely with a local retail partner in equity retail, and that such access and scale would not have been possible without the partnership. Fiduciary Duty Principles are contributing to the maturity of the Japanese market.
- Investment managers needed a reason to bring their Asian headquarters back to Tokyo; here one reason could be that existing retail product was not yielding sufficient returns.
- Architecture necessary in Japan would be familiar structures and systems that could be leveraged by global players.
- The Tokyo Metropolitan Government approach is appreciated. One of the reasons why Japan was not known globally as an investment management leader was that although the country had a strong, hyper-competitive industry, investment managers tended to be captive to banks and other financial institutions and were thus introspective.

Comments and opinions from Japanese Financial Institutions

- What has been the impact of Abenomics to the institutional investment market in Japan?
  ・Abe administration's reforms in Japan can be seen as a pledge to recapture some of that stature, and "Yurinomics" as placing further pressure to implement these reforms. Structural reform and change take time, we need to give Abenomics more time.

- What has been the effect of the recent corporate governance changes in Japan? Has it impacted the institutional market in terms of how asset owners choose both investments and intermediaries?
  ・The core economic structure in Japan centered on banks had not changed, the Corporate Governance Code was starting to help create a virtuous cycle in the equity markets and capital flows in the Japanese economy, that would help it escape from inflation.
  ・Foreign investment managers saw a positive impact on corporate governance at Japanese corporations.
  ・The Stewardship Code had helped change the attitudes of both investors and corporations. The performance of the JPX-Nikkei Index 400, whose constituents needed to adopt the Corporate Governance Code, had been good.
  ・The Corporate Governance Codes had helped foster a longer term perspective in both investors and intermediaries.

- Are there generally differences in appetite between institutional investors and retail investors? If so what are these?
  ・Both are still recovering from deflation, but are trying to take more risk, and diversify.
  ・The current top priority of retail investors is capital preservation, and even after the Bank of Japan introduced negative interest rates, deposits increased in Japan. On the other hand the younger generations are slightly different and are taking some action to plan for the future, with monthly investment schemes growing rapidly.
  ・A discrepancy exists between Tier 1 investors and other investors. Tier 1 investors were becoming more aggressive in their allocation, regional banks were more conservative.