

The Japanese Financial Industry: Desirable State in the Medium- and Long-Term (Present State and Future Outlook) [Outline]

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New phase for the Japanese economy #1

- Structural changes of the Japanese economy and society.
 - Declining birthrate, aging population, and population decrease.
 - Short demand / excess supply, and deflation.
 - Decline of regional economies.
 - Diversification of values and lifestyles (incl. the heightened awareness of the environment).

New phase for the Japanese economy #2

- Progress of economic globalization.
 - Efforts to harness high overseas growth.
 - Japanese firms' international expansion and Japanese individuals' overseas investment.
 - Steps towards becoming an investing nation.

New phase for the financial regulatory environment

- Domestic financial stability relatively maintained amid a global trend of tightening financial regulations.
- Momentums to positively reappraise the business model based on commercial banking.

The roles of the financial industry:

- (1) To support the real economy
- (2) To lead the economy as a growing industry

Towards a financial industry creating value that wins the admiration of customers

- (Financial institutions)
- Fulfillment of the risk conversion function and the information production function.
 - Management strategies with a greater emphasis on the customer perspective.
 - Development and expansion of business foundations.
 - Cultivation of human resources.
- (Financial and capital markets)
- Markets serving as the base for Japanese firms and individuals to make investments.
 - Markets serving as the hub of the global flow of funds, especially in Asia.

Corporate financial services (global expansion)

- (Outward globalization)
- Enhancement of the "breadth" and "depth" (localization) of Japanese financial institutions' international expansion.
 - Development and utilization of global networks.
 - Raising of local currencies; collection of practical and specialized local information.
 - Development of global networks of foreign bases and information systems.
 - Overseas expansion with building own branch network and local subsidiaries or conducting international M&As.
 - Development of human resources; promotion of local employees.
- (Inward globalization)
- For enhancing the international attractiveness of Japan's financial and capital markets, acceleration of improving financial market infrastructure (incl. the utilization of reinsurance markets and systems).

Corporate financial services (local expansion)

- (i) Rehabilitation and revival of local SME's.
 - (ii) General revitalization of individual rural communities.
 - (iii) Promotion of new industries and New Town Planning. Urgent issues
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- Broadening financial institutions' means of taking risks.
 - Strengthening of the risk conversion function.
 - ... Making loans and investment without depending on real estate for collateral.
 - ... Utilization of investment funds.
 - Expansion of the information production function.
 - ... "Industry, academia, finance + government" collaboration.
 - ... Development of human resources with the ability to discern the sustainable business potential of companies and industries; utilization of outside experts.
 - Reforms on human resources and know-how, financial affairs, and organizational affairs (implementation of integration / realignments and cooperation / alliances among different financial institutions, etc.).

Personal financial services

- Challenge for Japanese financial institutions: Enhancement of their capacity to develop and sell investment products in appropriate response to a wide variety of needs of services users.
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- Development of human resources (cultivation of sales people assuming the professional responsibility, etc.); and, improvement of the transparency of financial products and services.
 - Reviewing the state of institutional investors' asset management.
 - Managerial efforts for the development of products and services.
 - Fostering of independent financial intermediaries and neutral financial advisors; and, reviewing the state of the production and sales separation for financial services.
 - Reviewing the state of distributors' sales channels.

Public-private collaboration efforts for the improvement and revitalization of financial functions

Global corporate financial services

- (Outward globalization)
- Review of domestic and foreign regulations and institutions that impede the international expansion of Japanese financial institutions.
 - Cultivation of strategic cooperative relationships with third parties, mainly Japanese government-affiliated financial institutions.
- (Inward globalization)
- Improvement of financial market infrastructure for enhancing the attractiveness of Japan's financial and capital markets.
 - Exploration of their own distinctiveness which will be appraised by Asian investors and fund-raisers.
 - ... For example, local currency transactions in Asia.

Local corporate financial services

- Correction of factors that are preventing financial institutions from supplying funds in ways conducive to economic growth.
 - ... For example, the so-called 5% Rule.
- Development of an environment which encourages financial institutions to actively exercise their functions, mainly the risk conversion function.
 - ... For example, ABL.
- Support for financial institutions to expand and reinforce their business foundations.

Personal financial services

- For the enhancement of personal financial services, strengthening human resources, improving financial literacy, supporting the entry and development of new players.
- Transformation of personal funds into capital inducing economic growth.
 - Expansion of the capacity to supply funds in ways conducive to economic growth through institutional investors' investing activities.
 - Opening up new fund mediation channels.
 - ... For example, nurturing of microfinance-based funds.

Utilization of the public-private roundtable

- Sharing of codes of principles.
- Formulating action plans.