

- Japan Exchange Group was launched in January with the goal of becoming “the most preferred exchange in the Asian region.”
- The Tokyo Market’s competitiveness has been diminished as a result of Hong Kong/Singapore’s development as global financial centers, the rise of Asian countries, and accelerated financial system reform in China.

JPX discussed and made policy recommendations about improving the appeal of the Japanese capital market through The Financial and Capital Markets Workshop

(1) Improving the Japanese Stock Market’s Appeal

[JPX’s View]

- “Low profitability” a common criticism of Japanese corporations
- Improve the appeal of the Japanese capital market by increasing Japanese corporations’ appeal

[Analysis]

- Bankruptcy, employment, and business restructuring laws give incentives to holding large amounts of cash and deposits
- Low societal awareness of outside directors’ roles as shareholder representative, regulatory revisions required
- Corporate managers are more concerned with their corporation’s survival than generating appropriate returns for risk-money providers
- Cross-holdings discourage shareholders from strongly demanding higher profitability

[JPX Proposals]

- Establish systems to allow outside directors to act as stakeholder representatives to substantially oversee management
- Revise laws regarding corporate restructuring and employment practices
- Promote stock-based compensation schemes to increase management awareness of shareholders
- Promote communication between institutional investors and companies via stewardship code, etc.

(2) Harmonized Growth with Asian Markets

[JPX’s Views]

- With the maturity of the Japanese economy, there is a steady trend of increasing new business opportunities in Asian countries.
- There are social demands for financial support to strengthen cooperation between Japan and the Asian region.

[Analysis]

- A response is needed to rising capital investment in the secondary industries that drive economic growth in developing ASEAN countries
- There will be an immense need for investment in infrastructure that is vital to industrial development
- Establishment of capital markets is needed in developing/semi-developed ASEAN countries
- Growing Asian asset management needs opens roads for proactive use of Japanese financial products

[JPX Proposals]

- Pro-actively expand Asian businesses of financial institutions and provide strong governmental support.
- Promote fund-raising via the PRO-BOND Market.
- Respond to infrastructure investment demands with listed infrastructure market
- Establish a public/private cooperative structure to promote development of Asian capital markets
- Extend promotion activities of Japanese market
- Promote a national strategy to make Tokyo an international financial center