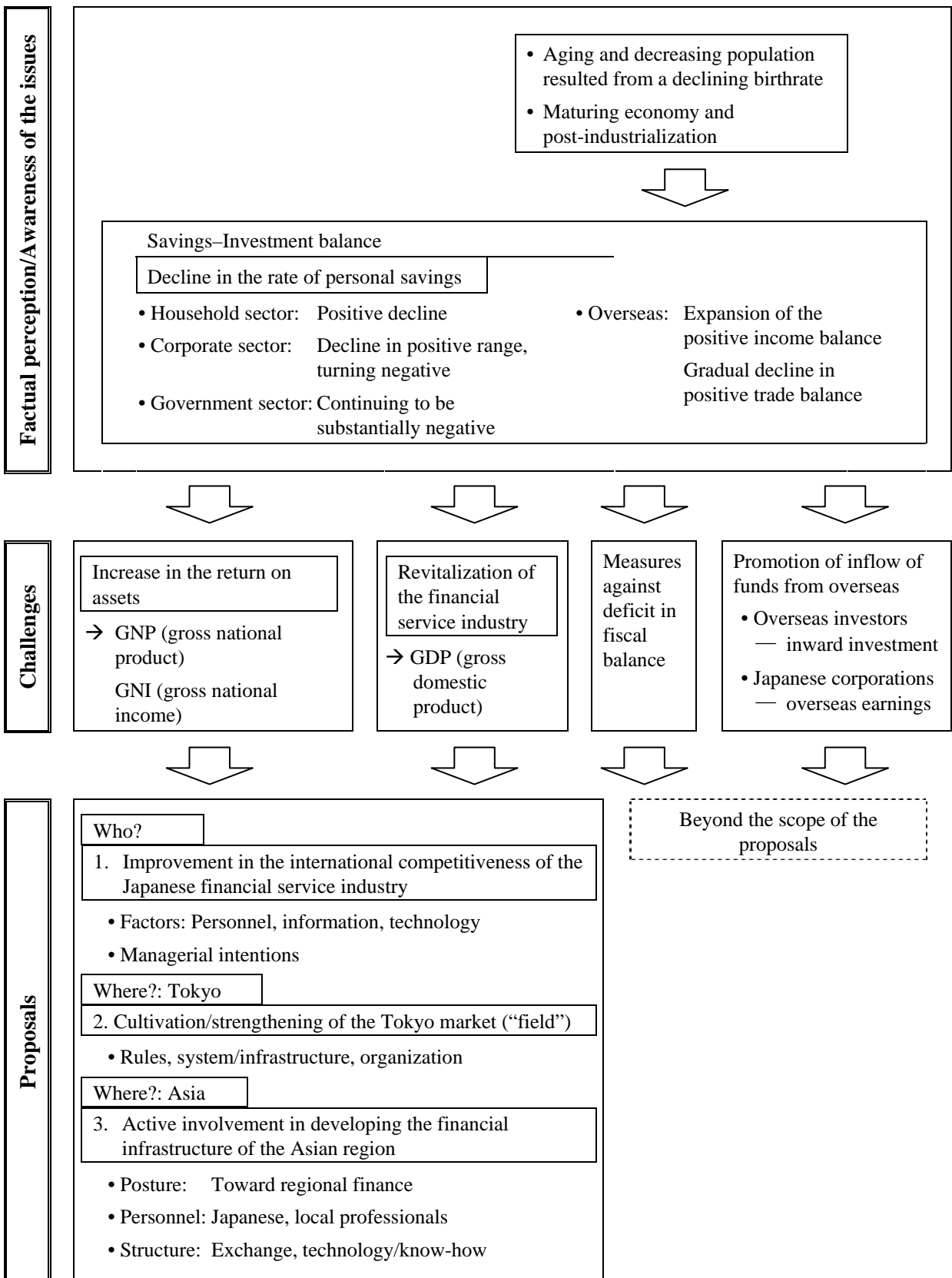


**Decline in the Savings Ratio,  
Change in the Savings-Investment Balance,  
and the Japanese Economy**

— Efficient investment management and the international competitiveness  
of the financial service industry in Japan —

Executive Summary



**Proposals and Purport of the Report**

The Savings ratio in Japan was quite high from the high-growth period through the latter half of the 1980s, but it has now begun to show a declining tendency due to the declining of economic growth and the aging of population. Under these circumstances, the government sector continues to carry a huge amount of fiscal deficit with the government debt remaining at a high level. After the the recession caused by the collapse of the bubble has been overcome, corporate demand for funds, such as for capital investment, has returned to normal while the situation is quite different from that of the high-growth period. Under these circumstances, will the “Savings-Investment balance”, the gap between savings and investment, be stably maintained in future?

In Asian countries, while they have been increasing their savings in step with their economic growth, just like Japan, they invest the funds generated from them in Western countries, and Western financial institutions in turn invest these funds in high-growth Asian countries. Is such a money flow favourable for the Japanese economy?

This Committee has conducted surveys and research, hearing opinions from eminent people representing various fields, concerning the awareness of the issues and factual perception referred to above, and, after having putting together the results, hereby puts forward a report and proposals.

**<Proposals>**

For the purpose of

- improving the investment efficiency of financial assets in Japanese economy, and
- revitalizing Japan’s financial service industry,

this Committee recommends the following:

1. Enhance the international competitiveness of the Japanese financial industry;
2. Cultivate and strengthen the Tokyo market as a “playing field” with more competitiveness;
3. Commit proactively to the development of the financial infrastructure of the Asian region, and play a reliable and responsible role in the Asian market.

## <Purport of the Report>

<b>Viewpoint #1:</b>	<b>Enhancement of the asset efficiency of the household sector and the government sector</b>
----------------------	--

1. Improvement of the investment performance of personal assets
  - Further improvement of individuals' knowledge for investment
  - Necessity of cultivating financial planners that support individuals
2. Efficient investment of national assets, such as public pension funds and foreign reserves
  - Foreign currency reserves: necessity of diversified investment to reduce currency risk
  - Public pension funds: Improvement of investment performance is required.
3. Strengthening of the ability of investors, such as investment advisors
  - Experience is important; Long-term cultivation is the key.
  - “Gai-jin”, non-Japanese professionals: hired and utilized as well

<b>Viewpoint #2:</b>	<b>Improvement of the financial functions; strengthening of players and development of the financial market</b>
----------------------	---

1. Strengthening the functions of Japanese financial market (represented as the “Tokyo market”) as the “playing field”
  - A policy is required to actively invite both risk money and its users not only from Japan but also from overseas, especially from Asia.
  - The key: how to secure the smooth financing and supply of risk money
2. In order to increase the overseas earnings of the financial service industry,
  - Urgently cultivate regional specialists well versed in the local economy abroad
  - Provide overseas products by way of a “plane”: top-down approach to find and filter target assets for investment and/or loan, that is, search without pinpointing them
3. Organization for developing financial methods to be learned from the manufacturing industry
  - Learn from the experience and know-how of the Japanese manufacturing industry that is highly competitive and appreciated in the global markets
  - Collaborate not only within financial institutions but also with the outside world, such as universities and the government sector.

### **Viewpoint #3: Expansion across Asia**

1. Lessons from the Asian currency crisis
  - Importance of bond markets in Asia
2. Improve the accuracy of information of the Asian region
  - In order to improve the quality of information, there should be more opportunities for exchanging information with fellows in neighboring countries.
3. Participate in the strengthening of Asia's regional financial system
  - An idea: to provide financial know-how as part of economic assistance
  - Integrate screening know-how and data analysis, and then expand across Asia

### **Complementary Viewpoint: Financing and investment through the formation of regional funds and venture funds**

Supplementary comments: Financing and investment to local enterprises

<Middle risk/middle return products are necessary to promote the sustainable revitalization of the local economy.>

- To support the revitalization of the regional economy by way of financial tools
- “Relationship banking”: make the most of the advantage inherent in the Japanese market
- Securitization: money provided through to enterprises with high business risk, as direct loan is difficult
- Financing and investment of risk money through the form of a fund: “Regional fund”
- Risk and return: Individual shares > Regional funds > Individual corporate loans

### **Supplement: Matters remaining to be examined**

1. Reduction and financing of fiscal deficit
  - Making public finances sound
  - Expansion of holders of Japanese government bonds
2. Measures to promote inflow of overseas funds
  - (1) Development of the infrastructure for promoting active inward investment
    - Aspect of information provision
    - Aspect of governance
  - (2) Promotion of transfer of overseas earnings to Japan
    - Financial constraints imposed upon Japanese global companies