



SMAM

Applause to Abenomics? – Japanese Equity Held by Foreign Investors Substantially Increased

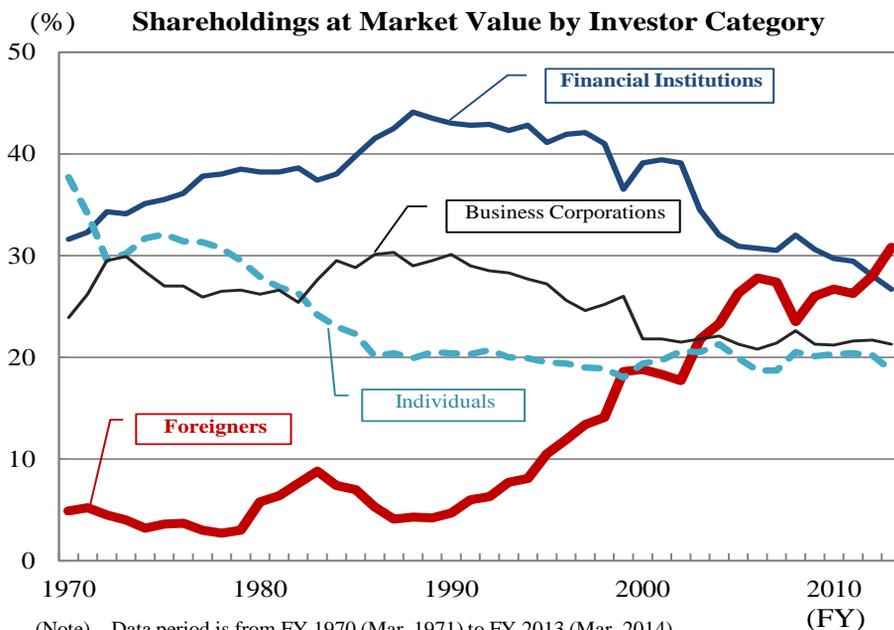
1. How to Find Status of Shareholding?

The shareholding weight by individuals, foreign investors etc. can be found in the statistics called “Share-ownership Survey” released around June every year by the four stock exchanges of Japan. (Tokyo, Nagoya, Fukuoka, Sapporo). Net trade value by investor category is also included in the survey. The survey questionnaire was sent to 3,525 companies out of 3,541 companies listed on the four stock exchanges. (excluded 16 companies as their shareholders were unidentified after listed)

2. Latest Trend

According to the “Share-ownership Survey” released on June 19 by the four stock exchanges, Foreigners’ share-ownership weight (based on market value) of the Japanese stocks as of March end rose 2.8 points y-o-y to 30.8%. Foreigners became the largest shareholder of the Japanese stocks beyond Financial Institutions for the first time since FY1970 from when the comparable data was available. Net trade value of Foreigners was + 9,538.7 billion yen, a net purchase for five consecutive years.

On the other hand, share-ownership ratio of Financial Institutions, after reaching the peak of 44.1% in the end of March 1989, declined due to the unwinding of cross shareholdings among corporations. It marked the lowest-ever record of 26.7% (-1.3 points y-o-y) in the end of March 2014. Individuals lost its share to 18.7% (-1.5 points y-o-y), falling below 20% for first time in six years.



(Note) Data period is from FY 1970 (Mar. 1971) to FY 2013 (Mar. 2014)
(Source) SMAM, based on Tokyo Stock Exchange data



3. Future Outlook

The share-ownership ratio of Foreign investors has been rising steadily as Financial Institutions continued to unwind their cross shareholdings since around 1990, and it accelerated in FY2013. One reason could be the rising expectation of foreign investors for a further growth of the Japanese economy after the announcement of “Japan Revitalization Strategy” (Third Arrow of Abenomics). Foreign investors might have considered that the growth potential of Japanese economy was relatively high amongst the developed countries after experiencing a long lasted deflation since 1990s. Japanese investors, on the other hand, seem less confident on the economic recovery than foreigners as they were accustomed to long-lasting deflationary environment.

The revision of “Japan Revitalization Strategy ” was approved by the Japanese cabinet on the 24th of June. Compared to the original version, concrete plans such as reduction in effective corporate tax rate, increase in women workforce and agricultural reform were included. We believe that effective implementation of the “Japan Revitalization Strategy ” is the key for additional investment by the “largest shareowner” in the Japanese equity market.

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