

Advisory Panel for Global Financial City Tokyo Member Interview Results

Conducted in Jan. 2017

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Appendix Main Opinions from Each Member

I Preliminary Interviews Overview (1/2)

Clarified differing opinions among 15 committee members interviewed with varying backgrounds

Conduct Overview	Preliminary Interview Dates		
<p>✓ Conducted one-on-one interviews in Jan. 2017 about what it means to be a global financial city. (All interviews face-to-face except for Sir Roger Gifford by phone).</p> <p>✓ Requested for candid responses on an anonymous basis</p> <p>✓ Asked for personal opinions, not representing each organization</p>	Jan 5 (Thur)	9:00-10:00 10:45-11:45	Jesper Koll, CEO, Wisdom Tree Japan Co., Ltd. Hiromi Yamaoka, Director-General, Payment and Settlement Systems, Bank of Japan
	Jan 6 (Fri)	9:30-10:30 11:15-12:15 18:00-19:00	Soichi Kariyazono, Chairman Japan Venture Capital Association Toru Suda, Certified Public Accountant Sir Roger Gifford, Chair, City of London Green Finance Initiative (Chairman, SEB UK)
	Jan 10 (Tues)	15:00-16:00	Atsushi Saito, Chairman, KKR Japan
	Jan 11 (Wed)	13:00-14:00 14:45-15:45	Yoichiro Iwama, Chairman, Japan Investment Advisers Association Jiro Makino, Vice Chairman, The General Insurance Association of Japan
	Jan 16 (Mon)	14:30-15:30 16:00-17:00	Jonathan B. Kindred, Chairman International Bankers Association Japan Nobuo Sayama, Representative Director, Integral Corporation & Professor of Graduate School of International Corporate Strategy of Hitotsubashi University
	Jan 17 (Tues)	13:00-14:00 14:45-15:45	Mamoru Taniya, Chairman & Founder, MONEY DESIGN Co., Ltd. Yuko Kawamoto, Professor of Waseda Business School
	Jan 19(Thurs)	14:30-15:30 15:30-16:30	Kazutoshi Inano, Chairman, Japan Securities Dealers Association Keiichi Aritomo, Representative Director, The Consortium for Japan International Asset Management Center
	Jan 20 (Fri)	11:30-12:00	Takeshi Kunibe, Chairman, Japanese Bankers Association

I *Preliminary Interviews Overview (2/2)*

Received various opinions on the seven themes.

Number of Respondents: 15

Please refer to following pages for details

Preliminary Interviews Results - Overview

- 1 Tokyo's Competitive Advantage as a Global Financial City
 - Abundant domestic funds, rich domestic industries, comfortable living environment, rich foods & arts culture etc.
- 2 Tokyo's opportunities to increase its competitiveness
 - Protective policies of other countries, low birthrate and aging society, Tokyo Governor's leadership etc.
- 3 Impediment Factors
 - Negative stereotype toward financial business, slow processing of public administration bodies due to silo effect, foreign countries' concerns about natural disasters and radiation contamination in Japan
- 4 Lessons Learned
 - Uncertain accountabilities (ultimate responsibility), lack of continuous follow up, changes in senior personnel in charge during tenure
- 5 Benchmarking
 - Singapore, Hong Kong, U.S. (New York, West Coast cities), London etc.
- 6 Priority Measures
 - Offshore promotion activities, improving investment education, establishing preferential tax system, establishing EMP, etc.
- 7 Metrics for Success
 - Number of investors, number of foreigners and volume of financial transactions

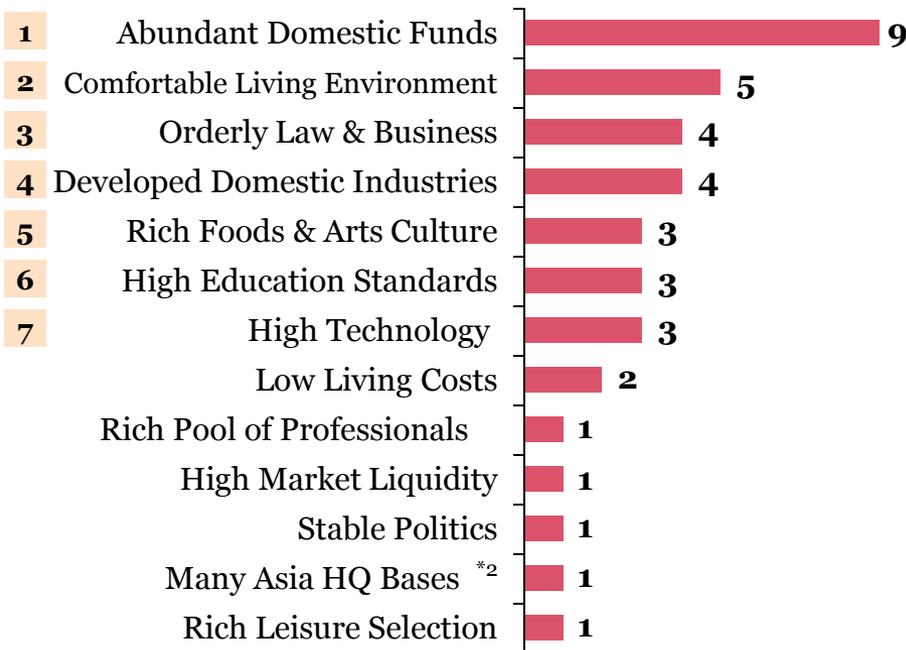
II Preliminary Interviews: Detailed Results

1 Tokyo's Competitive Advantages as a Global Financial City

Abundant domestic funds, comfortable living environment, orderly legal system and business practices were raised as competitive advantages.

No. of Respondents 15
Valid Responses: 38*¹

Members' Opinions



- 1 Japan is rich in funds and industries
- 2 Foreigners that have resided in Japan are impressed by its safety, clean air and comfortable living environment
- 3 Japan possesses legal norms, fair judiciary practices and a secure social infrastructure
 - However this may also be one factor hindering creativity
- 4 Japan has a large population with many developed industries and demanding consumers allowing a business environment for quick experiments
- 5 There are expressions such as “adore a car” and “countless gods” implying that the notion of “things have souls” is embedded in Japan’s culture.
- 5 The source of Japan’s technological development is its “sub cultures”. The Japanese are said to be not good at English but that is the prime reason it has developed its unique culture.
- 6 Japan’s education level up to high school is extremely high. Work experience should be gained at an earlier stage.
- 7 Japanese can compete head-to-head globally in the technology area.
- 7 AI/robotics, advanced element technology, are Japan’s strengths.

*1 One count each for multiple responses

*2 Indicates non finance companies’ Asia HQ bases

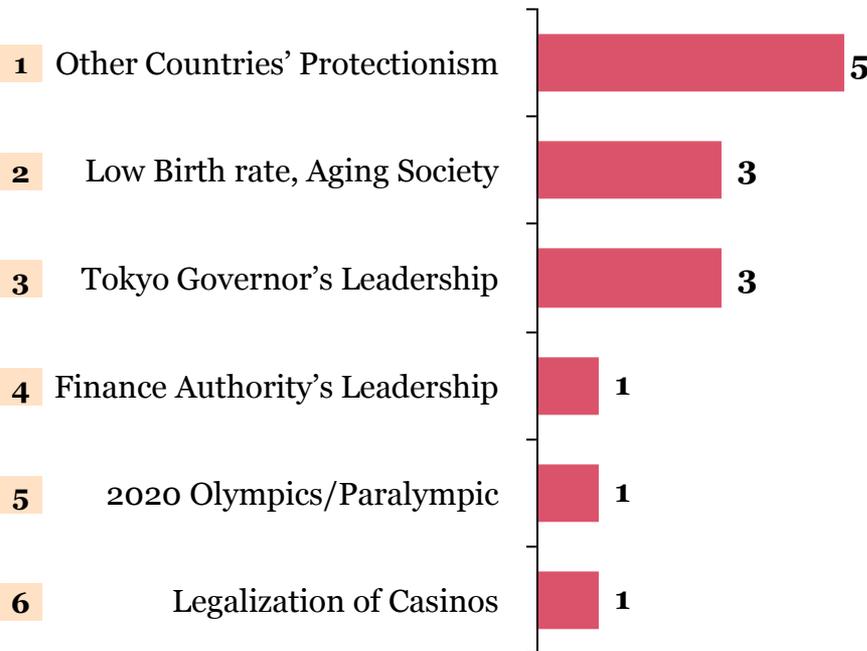
II Preliminary Interviews: Detailed Results

2 Opportunities for Tokyo to Increase Competitiveness

Received many opinions that other countries' protective policies, Japan's low birthrate and aging society and Tokyo Governor's leadership may provide opportunities for Tokyo to increase its competitiveness.

No. of Respondents: 15
Valid Responses: 14*

Members' Opinions



- 1 Opportune timing to invite highly skilled finance professionals with the Trump administration taking protectionist policies.
- 1 Due to Brexit, importance of Japanese partnership increasing for the UK.
- 2 With the aging society causing labor shortage, companies are expected to increase the use of AI/robotics to counter decreasing productivity. This may as a result, promote productivity gains.
- 2 A financial system should aim to be senior citizen friendly and which can be transacted from home.
- 3 Rare opportunity to create momentum to increase Tokyo's competitiveness with Governor Koike's strong leadership.
- 4 Japanese financial authority's progressive (constructive) leadership can be expected.
- 5 Gaining attention from the world as the Olympic, Paralympic Games city creates many opportunities. For example, looking ahead to 2020, it may be a good idea if foreigners can stay in Japan without exchanging currency to Yen.
- 6 Since Japan does not have too many data scientists, with casinos legalized, there may be foreign professionals coming. Japan may have more opportunities to acquire knowledge and experience.

*One count each for multiple responses

II Preliminary Interviews: Detailed Results

3 Impediment Factors

Negative stereotype of financial business, slow processing of public administration bodies due to silo effect were mentioned by many.

No. of Respondents: 15
Valid Responses: 19*

Members' Opinions



- 1 Persistent negative stereotype in Japan of financial business.
- 1 Churning of investment trust products in Japan is one of the root causes of distrust.
- 2 Need to increase companies that are design-oriented like Apple. Production should be shifted to the lowest cost locations. Profitability could differ by 2 to 3 times.
- 3 Japan's public authorities' decision making speed is extremely low. Quick decision making and effective communication are essential.
- 4 Need to clear and remove foreigners' fears and misunderstanding of earthquakes and radiation.
- 5 Past policies were executed more for popularity in elections than for need.
- 6 English services are not provided in Tokyo (e.g. many public facilities do not have English & Japanese signs or lack bilingual consultation counters)
- 7 Predictability of taxation system is low. In Japan, some taxes are imposed without any forewarning.

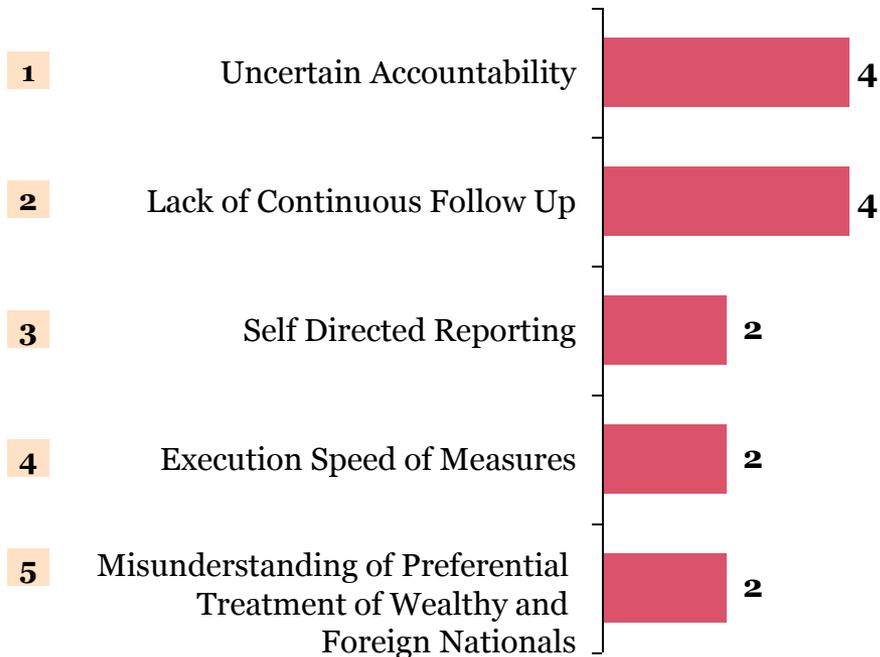
*One count each for multiple responses

II Preliminary Interviews: Detailed Results

4 Lessons Learned

Uncertain accountabilities, lack of continuous follow up, changes in senior personnel during tenure were shared as lessons learned.

No. of Respondents: 15
Valid Responses: 12*



Members' Opinions

- 1 Need to create a cross functional body coordinating various public administration organizations, along with the establishment of a body clarifying the roles of industry associations and private enterprises.
- 1 Primary person in charge changes during program execution.
- 2 Past programs were not appropriately followed up. It is important to keep the momentum going after being launched.
- 3 While the Japanese are very studious and consume much time deeply studying successful business model examples of major overseas financial centers, the research becomes the objective.
- 4 Rather than spending a year thinking about actions, measures that have impact in the short term should be taken. Communication strategy is one such speedy measure.
- 5 The Japanese oppose any preferential treatment for foreigners and the wealthy. It is important to make them understand that these measures are employed to bring advanced technology from overseas and to build Japan's capabilities (people & skills).

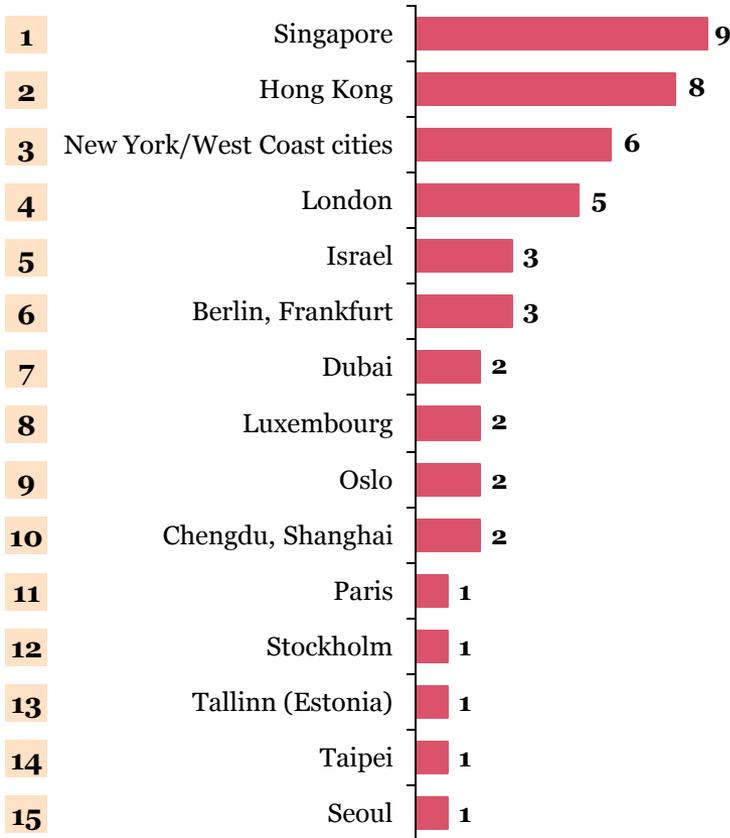
*One count each for multiple responses

II Preliminary Interviews: Detailed Results

5 Benchmarking Against Foreign Financial Cities

Singapore, Hong Kong, U.S. (New York, West Coast cities), London were mentioned.

No. of Respondents: 12
Valid Responses: 47*



Member's Opinions

- 1 Singapore is good at adopting promising talent from overseas that match timely needs.
- 2 Hong Kong is special. It has high volume of investment deals and a strong ability to aggregate information and can attract human capital.
- 3 New York's invitation program for start ups provides funding, deduction for income, local and consumption tax and incubation facilities to gather high potential people.
- 4 London has transformed to a city of arts with the Olympics. It has fused incubation of AI and IoT with the arts.
- 5 Tel Aviv has become one of the most creative cities in the world.
- 6 Berlin attracts young people through its liberal nature, development of art, redevelopment of the city and the numerous cafes. As a result, IoT and innovation are progressing.
- 7 Dubai has established their own arbitration centre conducting trials using English Law. Using English Law as the governing law allows for more predictability in business as it is rich in judicial precedents.
- 8 Luxembourg is especially quick in reacting to new laws and other changes. Much can be accomplished in one day. It is extremely fast in new undertakings.
- 9 Oslo's success lies in its rich natural resources and having abundant funds that resulted in attracting talented investment managers and knowledge.
- 10 Chengdu (China) has established international schools, improving the living environment.
- 11 What Paris and Frankfurt are doing since Brexit is a good reference. Paris is making steady efforts to reduce income tax.
 - Paris' culture and liberalism is attractive but its labor regulations are too strict.
- 12 Stockholm has experienced low birthrate and aging society before Japan. It has been able to adapt to aging society, accepting immigrants and advancing digitalization simultaneously.
- 13 Estonia is exposed to cyber attacks. It is however, using the experience to advance technology.
- 14 Taipei has become an ICT city in the past twenty years. It is the first Asian city to legalize same gender marriage and is liberal.
- 15 Seoul has changed to invite cartoonists and has become the city of artists.

*One count each for multiple responses

II Preliminary Interviews: Detailed Results

6 Priority Measures

Improving investment education, reviewing taxation, communicating overseas using AI and robotics were clarified as priorities.

No. of Respondents: 15
Valid Responses: 104*

 To execute as “Immediate measures for attracting foreign financial institutions”



- Invite international finance conferences
- Deregulate TSE to operate 24 hours
- Sort and coordinate activities of industry development by various public offices
- Integrate applications to one channel

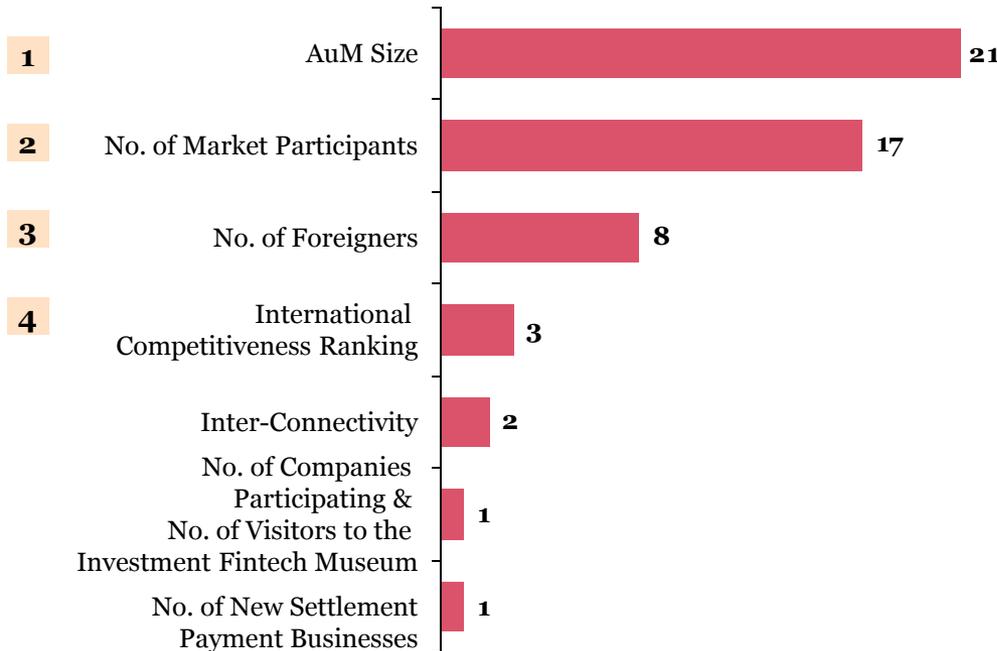
*One count each for multiple responses

II Preliminary Interviews: Detailed Results

7 Success Metrics as Global Financial City

Size of AuM (assets under management), number of market participants, and foreigners were raised as major metrics.

No. of Respondents: 15
Valid Responses: 53*



Member's Opinions

- 1 AuM Size
 - (Please refer to following pages)
- 2 No. of Market Participants
 - No. of Financial Services Companies
 - No. of Professional Firms (e.g., Law Offices, Accounting Firms)
 - No. of New Foreign Financial Institutions
 - No. of Members in Int'l Bankers Association
 - No. of Publicly Listed Companies in Japanese Stock Market
 - No. of Foreign Companies Publicly Listed in Japanese Stock Market
 - No. of Major Players
 - Percentage of Global Large Scale Investment Managers in Japan
 - No. of Asian HQ bases of Foreign Financial Institutions Publicly Listed on the TSE
 - No. of AI/ Robotics Engineers Involved in Investments
 - No. of Fin Tech Companies
 - No. of Investment Managers
 - No. of Angel Mentors
- 3 No. of Foreigners
 - No. of Foreign Residents
 - No. of Foreigners Working at Japanese Financial Institutions
 - Headcount at Various Financial Services Sectors. All headcount (including foreigners and those in infrastructure).
- 4 International Competitiveness Ranking
 - World Bank Survey (ease of establishing business in Japan)
 - International Employment Ranking (Global Employment Ranking)

*One count each for multiple responses

II Preliminary Interviews: Detailed Results

Metrics on AuM Size

Metrics Classification	Chief Indices
Conventional Assets	<ul style="list-style-type: none">▪ Equity Trade Volume▪ Foreign Bonds Sold▪ Green Bonds Issued by Japanese Organizations, Domestic and Overseas▪ Amount of Funds Raised by Asian Companies in Japan▪ Green Bond Issuance Amount
Alternative Assets	<ul style="list-style-type: none">▪ AuM by Foreign Companies, Hedge Funds and Private Equity Firms▪ AuM of Alternative Asset Funds Managed by PE/VC▪ AuM of AI Powered Hedge Funds/Investment Management▪ AuM of EMP Programs (Post execution)▪ AuM Using EMP Technology
Other	<ul style="list-style-type: none">▪ Financial Services Industry's Contribution to GDP▪ Capital Amount Raised by Tokyo Metropolitan University Alumni▪ Percentage of Investment Type Financial Assets to Total Individual Financial Assets▪ Number of Investment Agreements or Retail Investment Trusts▪ Amount Invested from "Sleeping Funds" (money not put to work previously)



Prioritizing Each Member's Recommendations

Start from high impact, highly feasible measures to steadily establish a financial infrastructure to serve as the foundation of Tokyo becoming a global financial city.

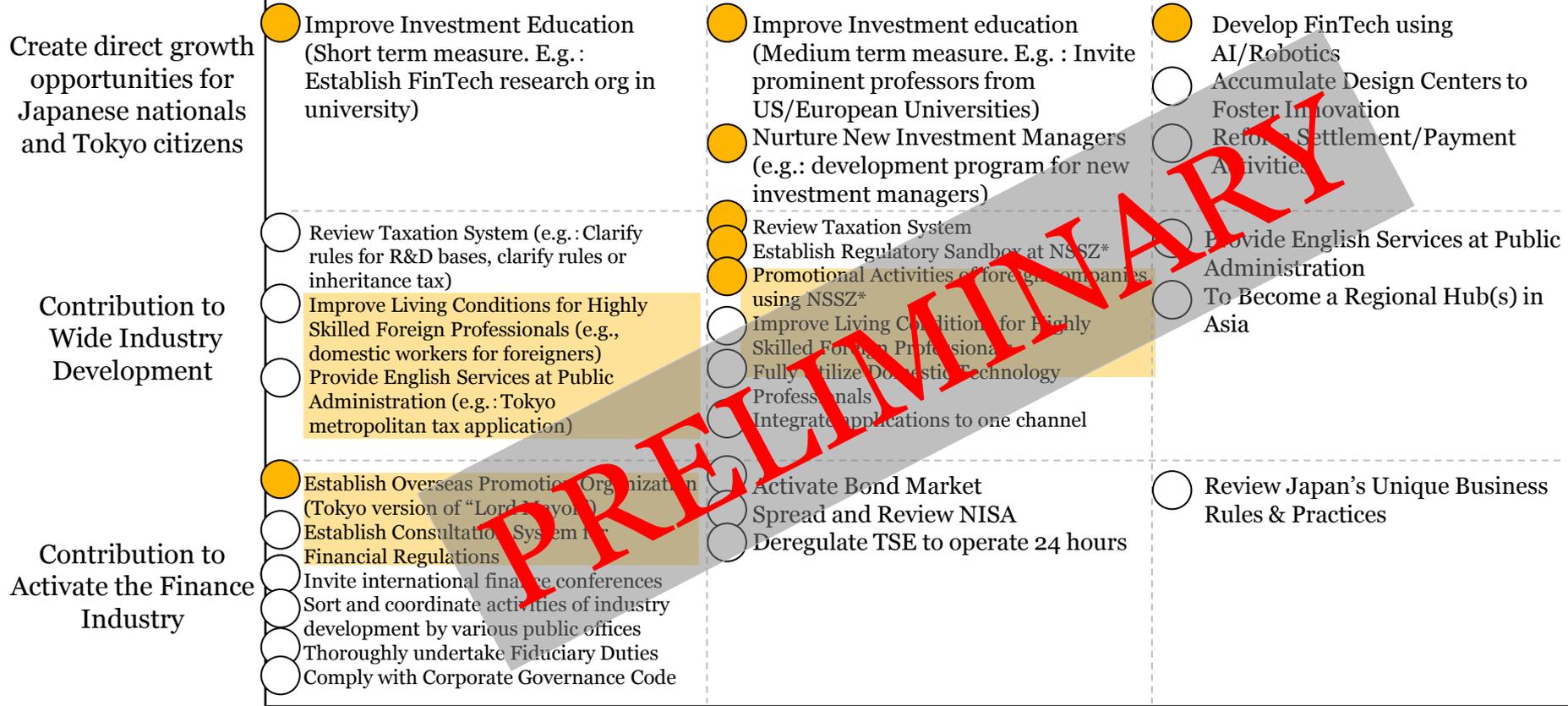
No. of Respondents: 15

Yellow box: To execute as "Immediate measures for attracting foreign financial institutions"

White circle: Recommended by small no. of members

Yellow circle: Recommended by a Majority of the Members

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PRELIMINARY

<Required Period to be in Effect >

*NSSZ = National Strategic Special Zone

Main Opinions from Each Member

1 Investment Education Measures

Main Themes	Members' Opinions
Teach investments at elementary and junior high schools	<ul style="list-style-type: none">Should further improve investment education in elementary and junior high schools. Building assets is important for the individual and this will serve as a foundation.
Acquiring expertise in English	<ul style="list-style-type: none">Not many Japanese lawyers or accountants are English proficient. Globally, it is common for legal and accounting professionals to use English in the business. In order to compete globally where English is the chief language, it is necessary to provide education for professionals to acquire such skills in English.
Establishing a Start Up Prep School	<ul style="list-style-type: none">Create a start up preparation (entrepreneurship) course at TMU<ul style="list-style-type: none">At Galvanize in Denver, JAVA/JAVA script, big data science and machine learning lectures are intensively offered over a 2 month period. By the end of the program, it prompts students to start up a company (also provides mentors and office space).
Play a leadership role in finance theory studies	<ul style="list-style-type: none">Compared to US/European universities, Japan has very few prominent professors in finance theory research. It may be effective to award professors who have contributed to international finance theories, for example, with a Governor Koike Award.
Invite short-term, prominent professors from US & Europe	<ul style="list-style-type: none">To make TMU's program more attractive, it is important to invite recognized overseas universities for JV, like universities in Hong Kong and Singapore did with US and European ones.
Enter into JVs with US/European Universities	<ul style="list-style-type: none">Reform TMU programs by inviting globally renowned professors from Harvard, Wharton etc. for about a month for intensive lectures.
Establish on site FinTech research org at universities	<ul style="list-style-type: none">In collaboration with academic institutions such as TMU, conduct conferences and establish FinTech research organization on site at universities.
Strengthen computer science education	<ul style="list-style-type: none">While Japan has many system engineers, have the impression that experts in computer science are scarce<ul style="list-style-type: none">The fact that so many Indians work at Silicon Valley means that their education level is up to global standardsCould discuss how to produce extremely high level engineers like India does

Main Opinions from Each Member

2 Taxation System Measures

Main Themes	Members' Opinions
Income Tax Corporate Tax	<ul style="list-style-type: none">▪ The largest impediment to Japan entry is related to income and corporate taxes. Changes are necessary.▪ Even though corporate taxes are declining, Japan needs to further continuously reduce them. The US and UK are reducing corporate taxes.▪ If the effective corporate tax rate falls to 20% from 35%, those considering entry to Japan are likely to dramatically increase.▪ Rent is said to be high in low tax countries. If a player makes 10 billion Yen annually, high rent should not be an issue. Talented people can make money regardless of country or location. Tax is the greatest issue.▪ Tax reform requires everyone's support; the most difficult part is negotiating with MOF.
Full Tax Deduction System for R&D Bases Established	<ul style="list-style-type: none">▪ Tax rules do not specify applicable industries and tax deduction can be also utilized for industries other than finance. An incorrect interpretation that "rules do not apply to service industries" however, spread as this was written in a prominent technical book. This became an implicit industry rule leading to a misunderstanding of Japanese tax rules. (Such misunderstanding need to be extinguished).
Permanent Establishment Taxation	<ul style="list-style-type: none">▪ Believe that the Permanent Establishment Tax, a tax applicable to foreign-based investment firms that possess 25% or more stake in a Japanese investment company is deemed to have a permanent establishment in Japan, is a serious issue.
Inheritance Tax	<ul style="list-style-type: none">▪ Inheritance tax is also an impediment to those making decisions to enter Japan. While this issue is currently being solved, this issue is unknown to many.
Portability of Social Welfare Expenses	<ul style="list-style-type: none">▪ There is a need to improve portability of social welfare expenses. Regardless of how long you work in Japan, you are only eligible to receive 2 year's worth of value, if not retiring in Japan.
Overseas Assets Report	<ul style="list-style-type: none">▪ Reporting for overseas assets is too complex. The law requires to list up and report all assets possessed globally worth over 100,000 Yen. No other country has such a requirement.
Other Comments	<ul style="list-style-type: none">▪ Taxes are related to politics. In the past, it turned out to be a failure to get involved in them without bearing any fruit.▪ Preferential tax systems require significant political clout so should not be prioritized.▪ New York taxes are clearly high but that does not appear to prevent foreign firms' entry there.▪ Japan has its unique strengths so there is no need to reduce taxes to Singapore's levels.

Main Opinions from Each Member

3 FinTech Development Using AI/Robotics Measures

Main Themes	Members' Opinions
A City Specializing in AI/Robotics	<ul style="list-style-type: none">One idea is to change the rather vague conception such as “Tokyo Global Financial City” and make it more specific, for example, “AI Power Investment Center”, a city specializing in AI and Robotics.Make Tokyo a city where investment managers (investors) specializing in AI/Robotics gather.
Example of Subsidies	<ul style="list-style-type: none">A short term impact may be created by doing a contest and awarding subsidies for “innovative finance ideas” like Singapore’s national policy, which provides subsidies to companies performing FinTech R&D.Another measure may be to provide subsidies for those establishing FinTech research centers and R&D for finance businesses in Japan.
Attraction of the Tech Savvy	<ul style="list-style-type: none">Attract tech savvy active investment managers and FinTech active investment managers with the condition of enhancing Japan’s investment management skills.
Investment FinTech Museum Plan	<ul style="list-style-type: none">While FinTech is starting to flourish in Japan, many Japanese FinTech companies appear to be just replicating those US West and East Coast 10,000-plus FinTech companies, and this is nothing but inefficient. In order for FinTech to truly thrive in Japan, it would be better to establish a museum where examples of FinTech companies in the world can be exhibited. Since FinTech solutions can be observed on websites, it should be easy to create an environment where you can easily see the services in Japan with servers remaining offshore.

Main Opinions from Each Member

4 Regulatory Sandbox Measures Using Nat'l Strategic Special Zone

Main Themes	Members' Opinions
Need for Sandbox	<ul style="list-style-type: none">▪ Domestic lobbying activities for regulatory reforms are defensive and do not entail activities for finance business in the future. Progress in finance business should not be impeded due to over emphasis of investor protection.▪ It is necessary to harmonize the balance of complying with rules and being accurate, and, on the other hand, permitting liberal activities and measures.▪ For foreign companies and venture companies, judgement criteria of regulations seems to be gray for the most part, and through social punishment may lose appetite to enter Japan or become too weak domestically.▪ Creativity, demonstration experiment and a financial function to foster innovation are important.▪ While not legally verified yet, a sandbox could be an effective measure to build a foundation for innovation.▪ Japan is focused on investor protection. A special zone for people who don't require protection can be an effective measure.
Permissible Scope under Sandbox	<ul style="list-style-type: none">▪ Create a sandbox (special zone) limited to specific areas such as part of Chiyoda ward and/or Chuo Ward.▪ Being rigid has its pros and cons. If a sandbox (special zone) were to be created, there is a need for flexibility.▪ Since there are only a few foreign firms that are familiar with Japanese laws and regulations, it is necessary to create an environment where it is easy to establish businesses.

Main Opinions from Each Member

5 New Investment Manager Development Measures (e.g., EMP Programs)

Main Themes	Members' Opinions
Significance of the EMP	<ul style="list-style-type: none">▪ Shift from the existing finance model of funding large corporations to providing growth funds to small to medium sized companies▪ By developing new types of managers, produce new and innovative people▪ It is important to develop new investment management businesses with TMG providing seed money. It will help attract talent from the world.
Example of EMP from Overseas	<ul style="list-style-type: none">▪ In the US and Singapore, as national policies, public funds are operating seed money programs▪ In UK's case, The City UK is permanently promoting an EMP; one idea would be to request GPIF to operate a seed money program▪ Consider talented individuals in China, Korea and Taiwan that are not known overseas, to provide asset management solutions using AI/Robotics.
Contemplated EMP Mechanism	<ul style="list-style-type: none">▪ Perform EMP to both engineers in finance and non finance, encompassing Fin Tech, AI, Robotics, Gaming areas▪ Investments should have a theme/philosophy. Attract not only passive investment managers, but also focus on active FinTech investment managers that can employ innovative activities, such as using algorithms of their preferred investment style/philosophy (e.g., Warren Buffet or George Soros, etc.).

Main Opinions from Each Member

6 Establish Overseas Promotion Organization (Tokyo version of “Lord Mayor”)

Main Themes	Members’ Opinions
Necessity to Develop a Promotion Structure	<ul style="list-style-type: none">▪ Involve the Governor of Tokyo for effective promotion. Need to actively promote and communicate to those who vaguely believe that “Tokyo is not liberal”.▪ Address that Tokyo is free, transparent and has respect for diversity.▪ There is a need to show that Tokyo and Japan, is progressive toward investments and is not a difficult place to do business.
Promotion Methods	<ul style="list-style-type: none">▪ Establish an organization to promote one-stop consultation services for Japanese laws and regulations and business environment.▪ Ask the media to write about these efforts is one idea. Also using real time digital media such as TechFrank, Forbes, Endeavor may be good.

Main Opinions from Each Member

7 Attraction of Foreign Firms Utilizing National Strategic Special Zone System

Main Themes	Members' Opinions
Adopting Foreign Law as Governing Law at National Strategic Special Zone	<ul style="list-style-type: none">▪ Consider adoption of English Law as governing law in National Strategic Special Zone▪ In Dubai, for example, trials are based on English Law. This is because there are many UK lawyers in UAE.▪ Should US/European Laws (e.g. laws of New York, Delaware and the UK) be adopted, a more predictable business environment is possible as judicial precedents will be accumulated.
Introduction of Employee Termination in National Strategic Special Zone	<hr/> <ul style="list-style-type: none">▪ Regarding the labor-related regulations, there is some insufficiency in the measures available for dismissal. When an employer (e.g. a financial institution) considers dismissing employees, it is very inflexible that the employer would have to put the employee back in his/her original position who would not agree with the dismissal.▪ Higher flexibility in dismissal would have positive impact on the hiring of new employees. With more options for dismissal, an employer would be able to more flexibly increase employment.

Main Opinions from Each Member

Other Measures

Main Themes	Members' Opinions
Review Japan's Legal System	<ul style="list-style-type: none">▪ Governor Koike has the power to make changes to Japan's legal system.<ul style="list-style-type: none">✓ However, conflicts with the government and Japan's Lawyer Association may arise.
Improvement to Consultation Services on Taxation System	<ul style="list-style-type: none">▪ As feasible measures the TMG can take, establish an advance consultation/confirmation system for taxation in order to enhance transparency and business predictability.▪ Many foreigners are reluctant to enter Japan due to the wait-and-see attitude responses to their inquiries.▪ Insufficiency of predictability is an issue for Japan's tax system.
Comfortable Office Environment	<ul style="list-style-type: none">▪ Essential to have suite (luxury residential) rooms in order to gather fund managers in the Kabutocho area. Having a high rise building like Trump Tower where residential areas are on the upper floors and offices and shopping malls on the lower floors is convenient for commuting and may appeal to foreigners.

