



YUTAKA ASO

President, Aso Group

Jean-Claude Trichet, former President of the ECB

Thank you very much indeed, Jeff, you addressed a large number of questions very Euro centred and I am sure that we will have a lot of remarks. I have some; I do not want to do that now, we will do that in the discussion.

I give immediately the floor to Yutaka Aso san; you have the floor, sir, please.

Yutaka Aso, President, Aso Group

Thank you very much for your nice introduction but one correction is that we are running the family business, cement, hospitals and others but not in financial business, you will find out my lack of knowledge of the topics later...

I will give you more practical levels of what is going on in the Far East, again mainly concentrating on Japan, on the Abenomics and others. Prime Minister Abe has worked hard to get away from two decades of recession after being elected. The result of the second quarter was minus 0.4% from the previous quarter which translates into an analysed growth rate of minus 1.6%. The first quarter was minus 7.6% on an annual basis, this was a strong rebound of the implementation of consumer tax rate increase from 5% to 8% from April. Recently Moody's Investor Service downgraded the government of Japan's debt rating from the Aa3 to A1.

There is a strong worry whether Japan can take off from the deflation trend as he committed, the word recession is sometimes used for phenomenon. I have a different opinion. The reason of the minus 0.4% result of the second quarter is partly because of private sector inventory decrease which affected minus 0.6% and adverse weather in summer which discouraged the consumption energy. The real term consumption expenditure and the index of industrial production in October show plus 0.9% and 0.2% from previous months respectively. The debt of the country that is double the amount of the GDP is well known and the aging issue is a big headache. The politics between China Japan and Korea Japan is not very smooth now. Having these issues, the first arrow of bold monetary policy works for CPR index improvement and at the same time the foreign exchange rate dropped from unreasonably high value of the yen. The second arrow of flexible fiscal policy gave an impact as well; stock rate went up drastically. The biggest and most important issue is whether the third arrow of economic growth will take a positive movement.

Due to Prime Minister Abe's strong leadership all the bureaucrats started to support this challenge of taking off from deflation. Positive action and encouragement from the official to our business circle, such as increase of wage to workers, any hint listening for improving our company competitiveness by removing overdone regulation, any grey zone features unnecessary to keep etc. This action from bureaucrat's side to private business people is very unusual. Business men accept and think these continuous efforts of government side, our position should take more positive action towards the success of the third arrow with a sense of opportunities and responsibility. Furthermore, the strong intention of Governor Kuroda of the bank of Japan is working. He says the bank will do whatever it can to overcome the deflation that has long undermined Japanese economy.

Japanese technology is strong. The strength of teamwork is really competitive. Loyalty and morale are high. Once a target becomes clear and share the same mission we show strong teamwork power, historically. I do feel a big difference of the CEOs' attitude and manners compared with two years ago. We have a strong intention to participate in the third arrow policy by challenging the emerging markets in Asia. M&A for next business opportunities and spending the Capex for our sake. However, it needs a certain time for it to become more obvious and more visualised by figures.



The financial situation is one of the headaches. It has a massive volume of Japanese government bond issued but the breakdown is unique. That 92% of them are held by Japanese people. For the improvement of the debt position, the government raised the consumption tax from five to eight this April, then next step up to 10% next autumn was an original plan which was postponed for 18 months due to the non positive result of the second quarter. For this postponement the Prime Minister will dissolve the parliament and the coming election is in a week's time. He found that raising tax to 10% now creates the commitment of taking off deflation, which could fail. I personally feel the LDP makes a reasonable victory for this election and I also think the result of the third quarter, which will be announced in January, will not be so bad or may even be quite good because the reasons for the second quarter were largely due to the reason I have aforementioned.

The background of my positive thinking is the strong intentions of CEOs. They want to share the opportunity to restore Japanese presence by participating in this Abenomics economy. This is rare timing which we have been awaiting for two decades. The Japanese market is matured and boiling down-market; however, growing and emerging Asian markets are very close by and this expansion will continue for a decade or more. The big debt of the government is well known but private sectors are very healthy and cash rich. For more than half of the listed companies, net debt is zero. The accumulation of private people's cash and deposit are over JPY 1,600 trillion that is, USD 15 trillion despite of zero interest rate for the deposit.

We are patiently depositing, once they have got some good news of finding opportunities they will join the M&A project or asset purchasing. Fortunately, Asian people like us and business alliances are increasing with them. TTP negotiation is moving. The foreign agriculture is good; mainly beef from US and Australia will be imported with lower prices which makes us happy. Our export of agriculture goods used to be very small amount of now JPY 500 billion but we increase this four fold by 2020, all the Asian rich people are waiting to buy safe and healthy Japanese vegetables and fruits. At the same time our transport technology of these fresh foods has tremendously improved enabling ship transportation rather than by air for a far lower cost. Foreign exchange rates attract sensitive tourists, a big increase of 25% compared with the previous year. Even this increase the figure shows only 10% of the total Japanese population of 120 million, whereas the tourists going to France are 90 million people, the total population there is 65 million. Room for business growth is immense; the tourist business has turned out to become a huge industry for Japan. We have many attractions for this coming core industry. Our environmental technology is strong and so many business offers from Asian countries. The Chinese people used to say, 'Oh, this is a developed country's issue' but their attitude is changing to become the challenger to solve this serious internal environmental problem together with our experience and evidence based technologies.

Shinkansen, the bullet train has had no fatalities over its 50 years of operation. Our punctuality is fantastic; cleanliness and good service are first class. How we operate these timetables so successfully has led to a growing business opportunity. By using our experience and knowledge, Japan railway has made this kind of service contract with Thai train service as a package. Power station has also business chances to offer a kind of service package. The background of these offers and opportunities are; our financial position, technology, brand image etc. But most importantly, Asian people like Japanese manners, which the previous generation had created to Asian countries. Therefore, our present generation have to keep this image as our first priority attitude and same for the next generation.

Thank you.