

Financial Seminar for Tokyo Citizens

~Understanding Finance from the Basics and Sustainable Finance~

From October 14 to 23, 2021, the Tokyo Metropolitan Government held "Tokyo Sustainable Finance Week" with two aims: promoting ESG investing and sustainable finance (which contribute to developing sustainable cities), and enhancing the Tokyo Metropolitan Government's presence in these fields. During that week, we held the Financial Seminar for Tokyo Citizens, aimed at improving financial literacy and raising awareness of sustainable finance.

Outline

Date & Time	Saturday, October 23, 2021 13:00 - 16:30 (JST)
Organizer	Office of the Governor for Policy Planning, Tokyo Metropolitan Government
Fee	Free
Video streaming	https://www.sustainablefina.metro.tokyo.lg.jp/seminar2021/english

Program *This seminar was held in Japanese only.

13:00~ 13:05 (5min)	Opening address	Tokyo Metropolitan Government's opening address	Eiichiro Kodama Director General for Global Financial City Strategy, Office of the Governor for Policy Planning, Tokyo Metropolitan Government
13:05~ 14:35 (90min)	Investment Basics	<ul style="list-style-type: none"> How to Create an Asset-Based Long-Term Life Plan 	Kotona Kitano Financial Planner (CFP® Certified by Japan Association for Financial Planners)
		<ul style="list-style-type: none"> Investment Basics How to Select Financial Institutions and Financial Instruments iDeCo and Tsumitate NISA 	Shunsuke Yamasaki Financial Planner, Representative from Financial Wisdom
		Talk session	Kotona Kitano Financial Planner (CFP® Certified by Japan Association for Financial Planners) Shunsuke Yamasaki Financial Planner, Representative from Financial Wisdom Tomu Muto AKB48 / Weather Forecaster / Financial Planner
14:50~ 16:30 (100min)	Sustainable Finance Basics and Investment Practices	<ul style="list-style-type: none"> Sustainable Finance Basics Views on ESG Investing 	Makiko Hashizume Senior Manager at Center for the Strategy of Emergence, the Japan Research Institute, Ltd.
		<ul style="list-style-type: none"> How to Select Specific Investment Trusts and Stocks Views on Sustainable Finance 	Asumi Kantake Store Manager (Machida) at Marui Group Co., Ltd. (Former CEO of tsumiki Securities Co., Ltd.)
		Talk session	Makiko Hashizume Senior Manager at Center for the Strategy of Emergence, the Japan Research Institute, Ltd. Asumi Kantake Store Manager (Machida) at Marui Group Co., Ltd. (Former CEO of tsumiki Securities Co., Ltd.) Tomu Muto AKB48 / Weather Forecaster / Financial Planner

Report of the Financial Seminar for Tokyo Citizens

Tokyo Metropolitan Government's opening address

**Director General for Global Financial City Strategy, Office of the Governor for Policy Planning,
Tokyo Metropolitan Government / Eiichiro Kodama**

- Eiichiro Kodama pointed out that Japan's individual financial assets equal approximately 1,900 trillion yen—second to the US and China—but about half of that is in cash and deposits, while stocks and other investments comprise only around 10 percent. He said this is in contrast to the US, where cash and deposits make up about 10 percent of assets, and stocks and other investments make up about half. He also said that Japan's interest rate has been low for a long time, and because assets do not increase through deposits and savings alone, asset management is becoming important as a way to increase money through money itself. He said that the Tokyo Metropolitan Government is moving ahead with revising its "Global Financial City: Tokyo" Vision, and one of its major pillars is today's theme: promoting sustainable finance. He then shared that promoting decarbonization requires a great deal of funding, and creating a flow toward investment from deposits and savings is important not only in forming one's own assets but also in the arena of Japan's sustainable growth beyond the pandemic.
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Think about your life's financial plan!

- Ms. Kotona Kitano used a simplified example of a couple with two children to explain about income and expenditure estimates before retirement. She set the husband's annual take-home income at 4.7 million JPY with 30 years of work and at 2.4 million JPY for the wife with 20 years of work, considering childbirth and childcare, etc., which amounts to the total of 189 million JPY. Conversely, (1) monthly living expenses are 240,000 JPY for 30 years for the total is 86.4 million JPY; (2) total housing costs (including home purchase fees: deposit, loan repayment, and ongoing costs during ownership) come to 70 million JPY; and (3) education expenses come to 8 million yen, or 16 million yen for two children. That total comes to 172.4 million JPY, leaving 16 million JPY on hand, she shared.
- She also shared the post-retirement income and expenditure estimate based on an assumption of retiring at age 60 and dying at age 90, for reference. She explained that according to the Ministry of Internal Affairs and Communications' Family Income and Expenditure Survey, elderly unemployed couples' average living expenses are around 270,000 JPY monthly. Given that the average pension amount a couple receives is 220,000 JPY monthly, she said, it would be good to prepare around 30 million JPY for the 30 years of living expenses from age 60 to 90.
- She finished by explaining that before retirement, there was about 16 million JPY calculated to be left on hand, but living expenses after retirement require about 30 million JPY. She said that many people fill in the gap using retirement benefits and concluded that in any case, the challenge is how to secure the necessary funds after retirement.

How to Create an Asset-Based Long-Term Life Plan

- Ms. Kotona Kitano said first that one key to long-term asset formation is asset management from early on. She gave an example: if someone has 20 years until retirement and saves 30,000 JPY monthly, the total would be around 7.2 million JPY. However, that if the money were invested with a 2% yield, that total would change significantly to be 8.84 million JPY (before compound interest and tax). Therefore, it is important to start asset management as soon as possible, even with just 10,000 JPY, she said.
 - While showing the Nikkei Stock Average's progress from 1981 to 2021, she explained that spreading out asset management over time is important because stock prices rise and fall from time to time, including the bubble economy period and following collapse, the Lehman crisis, etc. She gave the example that rather than investing 1 million JPY all at once, continually investing small amounts for 20 to 30 years would eventually become a profit.
 - She then said that another important aspect of asset management is diversifying types of investment targets. She said the four basic types are domestic bonds, foreign bonds, domestic stocks, and foreign stocks, and explained that bond prices have relatively little fluctuation while stocks fluctuate a lot, along with explaining each type's characteristics. She concluded by stating that the Government Pension Investment Fund (GPIF), which manages Japan's public pension system, currently invests equally in each of these four areas. She hoped that people would reference cases like that when diversifying investment targets.
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Investment Basics

- Many people still have a negative image of investment, Mr. Syunsuke Yamasaki said, but investment is purchasing stocks and bonds with presently unused money which is then lent out to the national and local governments and companies. Companies use the money to develop new products, and the national and local governments to build up infrastructure, moving toward a richer society. He said that in this sense, investment serves the greater good.
- He also said that at the same time, investment will be a major force in our asset formation. He then stated three points in investment: "long-term investments," "reserve investments," and "diversified investments." He said that for example, even with the small amount of money it takes to buy a latte every day (about 370 JPY), if that continues to accumulate for 40 years and the long-term investment yield is 5% per year, more than 17 million assets could be formed. He recommended trying to invest broadly around the world while taking risks into account.

iDeCo and Tsumitate NISA

- After saying that people should use a good value account with tax benefits when managing assets, Mr. Syunsuke Yamasaki then gave an outline of the individual-type defined contribution pension plan (iDeCo) and the Nippon individual savings account (NISA). He said that one of iDeCo's strong points is the tax benefits it offers as pension for old age that you reserve yourself. He listed three benefits: (1) the contributions are entirely tax deductible, so income and resident taxes can be reduced; (2) investment gains from financial products are usually subject to tax, but iDeCo's are tax exempt; and (3) tax benefits are also applied when receiving old age and pension benefits. However, she did also speak about one limitation: the money cannot be withdrawn before age 60, as it is a pension.
- NISA, on the other hand, was explained as a more valuable investment option versus investing in a regular securities account as investment gains are entirely tax exempt. He said that there are currently two types of NISAs: "Ordinary NISAs," where investing is tax free for up to 5 years with a limit of 1.2 million JPY/year, and "Tsumitate NISA," where investing is tax free for up to 20 years with a limit of 400,000 JPY/year. She recommended Tsumitate NISA to those considering investment for the first time.

How to Select Financial Institutions and Products

- Since iDeCo and NISA are national systems, Mr. Syunsuke Yamasaki said, one may think that starting from any financial institution would be the same. However, He shared that because each financial institution has different portfolios of investment trusts, commission systems, etc., it is important to choose a financial institution first when opening an iDeCo or NISA account. He suggested using a comparative search website run by an NPO or actually checking the financial institution's website, and thinking carefully about one's first choice of partner.
- He explained that documents are needed when opening an iDeCo or NISA account, such as the obvious identity check, a My Number for NISA, and a Basic Pension Number for iDeCo. However, He said, the process can usually be completed smoothly in a single transaction. He recognized that investment tends to seem to have high hurdles but shared her hope that people would use iDeCo or NISA to take the first step and start a cycle of increasing their own assets.

Financial Planner
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Financial Planner, Representative from Financial Wisdom
AKB48 / Weather Forecaster / Financial Planner

Ms. Kotona Kitano

Mr. Shunsuke Yamasaki
Ms. Tomu Muto

Theme①: How to Approach Investment From One's 40s and Beyond

- The talk session included both Ms. Kotona Kitano and Mr. Syunsuke Yamasaki, who had given speeches, as well as Ms. Tomu Muto (AKB48 member, weather forecaster, financial planner), who had given comments and questions and had lively conversations with both speakers after each speech—all three answered audience questions.
- Mr. Syunsuke Yamasaki said that when they talk about long-term investment, it seems to be aimed toward young people, but the basic idea remains the same even for those in their 40s and 50s. However, he said, because that period of life is when assets are formed to some degree and there are things to protect, people in this age group should be conscious of the balance between money to invest and money to reserve as term deposits. He also said he would like seniors to face investing in the same way—as there is talk of life expectancy moving into the 100s, the viewpoint that they should try to stretch their own money reasonably through asset management is becoming increasingly important.

Theme②: Knowledge to Keep in Mind when Investing

- Ms. Kotona Kitano noted that many people who take the first step in investing forget the risks and follow the returns, and as a result, they get into high-risk products and suspicious investment talk. She also said that being aware that all financial products carry a risk and keeping in mind what would happen in the worst case is the minimum investment knowledge.

Theme③: How Beginners can Start Investing without Fear

- Ms. Tomu Muto said that fear about losing money is normal, but if one starts with a small amount of money like 1000 JPY, even if it goes down by 10% only 100 JPY is lost. She continued by saying that such a small amount could be thought of as a learning experience and makes investing less scary. She also said that one's own money being involved naturally leads to studying asset management, and that increasing knowledge would reduce fear and failures gradually.
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Senior Manager at Center for the Strategy of Emergence, the Japan Research Institute, Ltd.
Ms. Makiko Hashizume

Sustainable Finance Basics

- Ms. Makiko Hashizume explained that sustainable finance is a form of financing that promotes protecting the global environment, resolving human rights issues, and becoming a sustainable society. She said that against the backdrop of the world starting to pay attention to environmental and social issues through the Sustainable Development Goals (SDGs) and the Paris Agreement, the time has come for financing that will improve the environment and society, such as investing in clean energy businesses and financing companies that are actively trying to improve their work environments. She also pointed out that stagnant economic activity caused by COVID-19 spreading led to changes in the way we work, a temporary improvement in environmental pollution, etc., and those led to rethinking traditional corporate activities.
- Ms. Makiko Hashizume explained that sustainable finance includes everything from new methods of financing (such as crowdfunding and impact investing) to traditional financing (such as investments, financing, and bonds), diversified to help solve environmental and social issues. Sustainable finance, she said, is expected to serve as a source of market stimulation by creating new products and services that will solve these issues and challenges, etc., and that it is also attracting attention as a catalyst for rethinking traditional business practices—such as environmental pollution and gender disparity—that could hamper future corporate growth.

Thinking from the ESG Perspective

- Ms. Makiko Hashizume shared that ESG investing is a method that determines where to invest based on environmental, social, and governance perspectives from which consumers also choose products and services. She also noted that the increasing number of investors choosing companies to invest in from these perspectives has led to companies starting to consider ESG as well. The way companies and societies exist, she said, changes in response to the influence of various indications of intent, including investors buying and selling stocks, consumer boycotts, the 4 Rs (Reduce, Reuse, Recycle, Refuse) movement, sharing, etc.
 - She presented examples of chocolate and apparel having been boycotted due to backgrounds of child labor and forced labor as prominent examples of consumer intent. While explaining that a certification system was created to protect workers and more and more companies are starting to consider their suppliers in response to consumer opposition, she showed the extent of the impact that individual investment and consumption behavior have on companies and society.
 - On the other hand, she warned people of greenwashing and SDGs washing (companies putting the SDGs logo on their homepage or using packaging that reminds consumers of environmental protection, all for show) that are increasing as people become more and more aware of SDGs and ESG. She said that she wants them to be able to avoid investing in such companies and use careful judgement based on actual efforts and past performance to influence investment and consumption behavior.
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Store Manager (Machida) at Marui Group Co., Ltd.
(Former CEO of tsumiki Securities Co., Ltd.) / Ms. Asumi Kantake

How to Select Investment Trusts, for Beginners!

- Ms. Asumi Kantake first explained that investment trusts are services in which professionals invest in financial products (such as stocks and bonds) both nationally and internationally on behalf of customers. She continued by saying that they are financial products with low hurdles for beginners and with the benefits of starting to invest from a small amount—even 100 yen—and reducing risk by combining financial products for diversified investments.
- She recommended the following three steps for beginners to get into investment trusts. Since there are a vast number of investment trusts sold in Japan (approximately 6,000), she recommended (1) narrowing down one's focus to Tsumitate NISA products, which meet the criteria set by the FSA, to ensure risk diversification and stable management; (2) comparing investment regions, management methods, costs, etc. to select something that matches one's own values; and then (3) purchasing from a management company that communicates its management information in an easy-to-understand manner.
- She continued by explaining the point of view that one should always reference the issue prospectus when purchasing an investment trust. She shared that the important points to confirm in the issue prospectus and thoroughly understand and agree to before purchasing are: (1) the purpose the investment trust aims for and characteristics, etc. of its destination, (2) risks arising from the investment, (3) performance trends in investment periods and net assets up to the present, and (4) procedures and commission prices.

Investing from a Sustainable Perspective!

- Ms. Asumi Kantake shared that people mainly made decisions about companies based on their financial information in the past, but in recent years, non-financial information—which describes measures such as those addressing environmental and social issues—has become an important criterion for making decisions. She said that in 2020, approximately 600 Japanese companies were disclosing financial and non-financial information with integrated reports, etc., and that the number of companies that are actively engaged in information disclosure is rising. However, she pointed out, the number of ESG investment trusts in name only that are pretending to respect ESG is increasing. She said that she wants people to avoid being fooled by carefully reviewing companies' homepages and issue prospectuses.
 - She analyzed that the progress in information disclosures can be attributed to the high level of awareness of environmental and social issues among young people, who are responsible for the next generation. She predicted that since young people tend to be more cautious about products and services that exist just to make a profit, continuing corporate activities without consideration for ESG and providing unclear information will become riskier in the future.
 - Finally, in response to the question of whether companies can continue to grow while making efforts from an ESG perspective, she explained that efforts toward ESG are linked to corporate value from a medium- to long-term perspective. She gave Marui Group's stock price performance as an example and said that while all companies may not fare the same, this shows the link between ESG-minded efforts and company growth.
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Senior Manager at Center for the Strategy of Emergence, the Japan Research Institute, Ltd. Ms. Makiko Hashizume
Store Manager (Machida) at Marui Group Co., Ltd. Ms. Asumi Kantake
AKB48 / Weather Forecaster / Financial Planner Ms. Tomu Muto

Theme①: How to Measure a Company's Level of Consideration toward Environmental Issues

- The talk session included both Ms. Makiko Hashizume and Ms. Asumi Kantake, who had given speeches, as well as Ms. Tomu Muto, who came back to the stage after the first half talk session (Investment Basics) to answer audience questions.
- Ms. Asumi Kantake suggested that although it is difficult to judge consideration levels given that companies' environmental impacts vary by industry type and business conditions, one measure to use is the standard adopted by the Government Pension Investment Fund (GPIF), which manages pensions. She said that looking at the environment-related indices within the several ESG indices GPIF uses to select an investment destination can help determine how seriously the company is tackling environmental issues.

Theme②: Tips for Identifying Greenwashing and ESG Investments in Name Only

- Ms. Makiko Hashizume said that it is important to judge not only a company's image or the look of their product packaging but to also check facts from a trusted information source. She said that recently, many companies disclose information on their homepages and in integrated reports and urged people to thus make objective decisions based on data and figures, etc. She also stressed that they should take action carefully, such as putting decisions on hold if they cannot find relevant data or results.

Theme③: How to Increase the Number of People Investing from an ESG Perspective

- Ms. Tomu Muto expressed her view that the first step in considering ESG investment is to consider environmental and social issues as one's own. She said that while people may feel unsure about how the future will be, they can perhaps see nature that should be protected and the society that should be aimed for when thinking in relation to their own life plans. She continued by saying people should think actively about investing as a way to realize the future they envisioned and from the viewpoint of building their own assets.
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