

## CONTENTS

### Feature Articles

#### This month's focus: NISAs (Nippon Individual Savings Accounts) and Implications for Individual Investors

**Overview** ..... *Yoshiaki Akeda* 2

#### Articles

**UK's Tax-advantaged ISA Saving Scheme** ..... *Hisashi Kaneko, CMA* 6

The UK government's Individual Savings Account (ISA) is the primary vehicle for tax-advantaged adult saving outside pensions. ISA and its predecessors have established a 25-year track record. Since replacing predecessors with ISA, the UK government has analyzed the scheme from various angles and tweaked the model over the years to make it increasingly easy to use. Currently, approximately 50% of UK adults have an ISA, and the assets accumulated therein account for roughly 10% of household financial assets. ISAs have clearly contributed to the long-term savings of UK households.

**Purpose, Features, and Background to Introduction of NISAs:  
Expected to be core tool in promoting shift from savings to investments**

..... *Kazuhiro Yoshii, CMA* 15

The Nippon Individual Savings Account scheme was introduced in 2014. Initially, the scheme was envisaged as a measure to alleviate the significant impact of the hike (from 10% to 20%) in the tax rate applied to listed shares, etc. However, in 2013 tax reform, its position was changed to be a core tool in promoting a shift from savings to investments. The main purpose of the scheme is to promote asset formation among young people and others. But, so far, the main users are the elderly, who mainly invest in mutual funds distributed monthly. As investment trust companies are developing products for NISA, the scheme is expected to spread among younger generations. We hope that the scheme will proliferate.

**Impact of NISAs on Household Funds and Financial Markets in Japan**

..... *Sachiko Miyamoto, CMA* 30

The paper discusses the impact of NISAs. First, it analyzes recent trends in household flow of funds, then discusses trends in types of products offered for NISAs and changes in the retail business strategies of financial institutions. Lastly, how NISAs could be revised to better promote the flow of household funds for investment is examined.

**Challenges Facing Japanese Investment Trusts:  
Necessity of an all-industry response to NISAs**

..... *Tomoya Asakura* 40

NISAs (Nippon Individual Savings Accounts: tax-free investment accounts) have just been introduced. Investment trusts are expected to be a core investment product for NISAs. However, the net assets of Japanese investment trusts are much less than those of US mutual funds because Japan is inferior to other countries in various areas, especially falling far behind the US in terms of cost and disclosure. The author discusses the challenges facing Japanese investment trusts and how to deal with them.

**Prospects**

**Keep Perspective Clear in this Age of Uncertainty and Change**

..... *Masataka Aoto, CMA • CIIA* 50

**Economic and Industrial Analysis**

**Activist Hedge Funds and the Revolution in Corporate Governance:  
Beginning of the end of the separation of ownership and control?**

..... *Toshio Tamura* 56

**Point of View**

..... *Tatsumaro Terazawa* 69

**Articles**

**Mutual Funds Herding Behavior, Analyst Revisions, and Stock Returns**

..... *Masatoshi Nozaki, CMA and Tomoaki Kawamura* 73

The authors investigate the relationship between institutional trading and stock returns using Japanese mutual fund ownership data. They find that investor herding induces a stock return reversal. Further, they show that the strength of the return reversal is closely related to degree of investor overreaction to analyst revisions.

**Assignment of independent outside directors  
with respective characteristics and shareholder value**

..... *Katsumi Takeda and Kimitaka Nishitani* 84

The purpose of this paper is to analyze the relationship between a firm's assignment of independent outside directors and its shareholder value. The estimation results support the view that firms with a higher proportion of independent outside directors who have management experience are more likely to have higher shareholder value.

**Book Reviews** ..... *Tadashi Nunami / Sadakazu Ohsaki, CMA / Yoshiaki Akeda* 95

**SAAJ News** ..... 105