

Securities Analysts Journal®

January 2015.Vol. 53 No.1

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Japan's financial system has to quickly change to support corporate efforts to pursue profits in various ways. In particular, it will be important to establish a more constructive relationship between management and shareholders, increase the assets of corporate/private pension schemes, and develop a favorable environment for venture capital.

Banks could provide support for corporate revitalization through the utilization of their networks/information, and government sponsored financial institutions could complement the activities of private financial institutions. The sophisticated interbank payment system and global cash management system should promote efficient operations.

Kyoto Companies have Fostered Global Awareness	<i>Hidetaka Kawakita, CMA</i>	19
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Kyoto-based listed companies are unique in Japan, being characterized by three qualitative features: having a cultural tradition, pursuing originality and global management awareness, and comprising a technology-oriented regional group. On the quantitative side, there is a clear tendency for overseas business development. Although the current ROA of Kyoto companies is lower, their ratio of operating profit to sales is higher. In terms of return on equity, the average ratio is slightly lower, but, with their obviously smaller standard deviation, equity investments in Kyoto companies have brought higher performance than general equity investments in Japan.

Rethinking Role of Government Financial Institutions and Private Financial Institutions	<i>Takero Doi</i>	30
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In Japan, reform of government financial institutions was implemented in 2008, a consequence of their roles being considered to be restricted. With the onslaught of the global financial crisis in fall 2008 and the Great East Japan Earthquake in March 2011, demand for loans from these institutions increased, and their role correspondingly

expanded. With the crises behind, it is now time to again rethink their role. This paper surveys recent literature on the subject, and analyzes effects of loans from government financial institutions based on a theoretical model.

Merger and Integration of Regional Banks *Tsutomu Muramoto* 43

Regional economies have recently tended to weaken, mainly reflecting the shrinking industrial sector and declining population.

In these areas, the aging of society is progressing at a rapid pace and the population is shrinking. The loans of regional banks are decreasing and indeed lending is at a very low level in their home territorial bases. The solution is that regional banks must cultivate new demand for money in their own areas. To this end, the merger and integration of these regional banks is one possibility.

29th SAAJ Annual Conference: Resurgence of Japanese Corporations' Presence in the Global Market—Aiming for Expanded Range of Investors—

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“Maximum Rate-of-return Effect” in China’s Stock Market
 *Donghai Xu and Yoshio Kanazaki* 90

This paper examines the relationship between a cross-section of average stock returns and securities characteristics including β , past average returns, volatility, and past maximum returns in China’s stock market. It was found that all of the four variables, especially past maximum returns, exhibit a negative relationship with average stock returns.

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