

Todai Finance Innovation Program Lecture 7

The 7th lecture, which concluded the first half of the Todai Finance Innovation Program, was held at the Kojima Conference Hall at The University of Tokyo Hongo Campus on 18th July 2017. The lecturers for the day were Atsuo Akai and novelist Jin Mayama, renowned for his business novels that include the likes of “Hagetaka” and “Red Zone”. The first half of the lecture was conducted by Atsuo Akai covering the rise and burst of the bubble, while the second half took the form of a question and answer session with special guest Jin Mayama. Participants were asked to prepare questions for him in advance of the session, and the variety of questions received ranged from business related to those pertaining to the personal views of Mr. Mayama on current hot topics.

Mr. Akai discussed the rise and burst of the bubble in Japan, delving deeper into points that were touched upon in the introductory lecture. It was reiterated that one of the biggest causes of the sudden burst of the bubble was the inability to accurately track the state of the economy in real time. It has been suggested that this in turn led to the implementation of policies that did not match the needs of the real economy. For example, if you implement a policy to address rising price levels when price

levels are already in fact starting to decline, there is the risk of overcorrecting and hence worsening the situation. At present, the rise of Big Data has now made it possible to track the real economy with a high level of accuracy and far less delay compared to traditional methods. An example of this is the Nikkei CPI Now, which is published in the Nikkei Newspaper. Furthermore, currently there is a movement by the government to promote EBPM (Evidence Based Policy Making) in an attempt to ensure that policies truly address the current needs of society.

So as discussed above there are now measures being implemented to try to better track the trends of the real economy. However, what happened in reality during the burst of the bubble in Japan? One of the major tasks left in the aftermath of the burst of the bubble was the disposal of bad



The two lecturers for the day:

Atsuo Akai (left) and Jin Mayama (right)

loans. These could be categorized largely into two categories: those involving real estate and those involving corporates. Those involving real estate largely took the form of asset distressed, where a loan was issued to buy an asset that then lost a significant portion of its value, which made it difficult to pay back the loan. Those involving corporations were mainly business distressed or corporate distressed where the main line of business itself was failing.

In the latter half of the 1990s we saw the securitization of real estate loans. The types of real estate involved ranged from residential and industrial to land and forest. The difficulty of valuating bad loans in real estate lies in the fact that whereas normal real estate generates a certain cash flow from rent or from its sale, those included in bad loans have no payments for rent coming in and the price of the assets themselves have declined considerably. Hence what happened with such loans is that they were pooled together and sold in bulks. Those that purchased such bulks of bad loans would look for assets included in the sale that had the potential to generate cash flow if renovated or sold off. The reasons why so many of these bad loans emerged were that in terms of finance most companies at the time had excessive debt on their balance sheet, in terms of business there existed an over supply of services / products in certain industries, and finally there was a decline in strategic decision making on behalf of management.



The lecture then proceeded to the question and answer session with Mr. Mayama.

*Mr. Mayama graduated from the Faculty of Law at Doshisha University and spent his early career working as a newspaper journalist and a freelance writer. He made his debut as a novelist in 2004 with *Hagetaka* (Vulture), which looked into the world of corporate acquisitions.*

*Q. What was your motivation behind publishing *Hagetaka*?*

A. Just to make it clear I had very little prior knowledge on finance or the economy. However, I had written another book called “Double Gearing” together with Kiwamu Kazumi dealing with a major life insurance company on the brink of collapse, and through the process I began to feel that this country has a bad habit of blaming its management troubles on others. The main scapegoats of this

have been the foreign firms who have been branded as “Hagetakas” in the past, so I decided that it would be interesting to look into the issue in greater detail.

Q. What resources do you utilize when writing your books?

A. The main resource I use is the information obtained from going to talk to people. When I wrote *Hagetaka* I went and talked to around 100 people, but the large number was partly due to the fact that I did not have a background in the financial industry so had to jump around to find the right people. Obviously my lack of knowledge in the field meant that I had to do a fair share of reading to understand the basics beforehand, but at the same time my lack of expertise meant that it was easier to see any contradictions in what the other person was saying. I would use these openings to try to dig deeper and get the finer details of the situation. I guess getting on good terms with the person so that you can email them questions when you don’t understand something is one of the major aims of the first meeting as well.

Although obtaining information from the people I interview is extremely important, I take particular care not to obtain too much information. I don’t want to listen to everything the other person has to say because I don’t want to write about things that actually happened in reality. If I do that there is really not much point in writing a novel. That should be done in non-fiction. So to leave as many options as possible open for the story, it is important to only listen to however much you need and leave the rest to your imagination.

Q. What got you into writing on finance?

A. In this day of age it is impossible to see how society is functioning without being able to see the flow of money. Until maybe around the 1970s you had to know what was happening in the political realm but if you see the major social issues currently evident such as poverty, the way of working, women in the workplace, they are all issues relating to money. There is nothing that correlates more to the “greed” of modern society than money, and that is why even though I have very little financial knowledge, I decided to deal with finance in my writing.

Q. What is your view on the rise and burst of the bubble?

A. I personally believe that the response to the bubble should have taken more of an all or nothing approach. I think that if the BOJ were to intervene they should have intervened more, and if they were going to do nothing they should have done absolutely nothing. To be perfectly honest I still do

not believe that we have fully recovered from the burst of the bubble because we are currently heavily reliant on the presence of foreign firms to make the market go round. Before the burst of the bubble the market was going around just fine with only Japanese investors.

I feel that one of the main reasons behind the lack of recovery seen in Japanese companies is the obsession with numbers. For example before, manufacturing companies were primarily focused on making the best products, but now their main concern is raising their stock prices and making the numbers look better. To do this some companies have even started to sell off their main lines of business. Hence, I believe that there needs to be a return to the original mindset of pursuing quality.

Q. What sort of values do you think humans in today's society should live by?

A. I feel that the Japanese society is a very homogenous one, and has many things that must be done in a certain way. This is acting to block out the acceptance of other values and views, with people labeling such values as being "wrong". Therefore I feel that it is important to be able to accept the fact that there are others who have different values and ideas from you. Having your own views on top of having this awareness is very different to holding your own opinion and thinking that it is the only one. I guess to be able to do this you have to be able to listen to what other people are saying. I often see people who just say what they want on a particular topic without any regard for what others have said previously but with this there cannot be any fruitful discussion.

Q. What do you believe your role is as a writer?

A. I believe that one of the perks of being a writer is that you can depict situations in your novels that if they were to occur in reality would be pretty worrying. Mr. Sakyō Komatsu in fact once said that that is the reason why he writes science fiction and I also hold a similar view in that we as writers have the power to warn about potential dangers before they become a reality.