



## PM'S PERSPECTIVES

### VALUE + ALPHA GROUP

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#### Low price options are likely to increase

When I visited the city of Luoyang, China, I wandered around the streets looking to buy some clothes. I went into various shops including shopping malls and underground arcades, only to find so many badly designed copycat products. This is not a unique experience in second-class cities in China, but I was surprised at the price range of clothes in that country.

I have strolled through streets in a number of overseas cities subsequent to my visit in Luoyang, and have realised that we can buy trendy clothes very cheaply in Japan. Japanese people are attuned to fashion. There are many reasonably priced fashion brands with high-quality used clothing in Japan. I know that in the past people had trouble finding smart clothes at reasonable prices, but after the fast fashion brand "H&M" entered the Japanese market in 2008 and the flea market application "Mercari" launched its service in 2013, options to buy clothing at bargain-basement prices increased significantly.

Prices declined not only in the clothing industry but also in other industries. The food-service industry started to provide meals at JPY500 and alcoholic drinks at JPY1000 during the new Heisei era. In the entertainment industry, we had to buy gaming software at a few thousand yen each, but now more than ninety percent of consumers enjoy mobile gaming at no charge. We now have many other low-price options such as MVNO (mobile virtual network operator) for smartphones, low-cost carriers in air transportation, ETFs in investment products and so on.

We believe that this trend is set to continue for the reasons below. 1) Low income earners such as the elderly and blue-collar foreigners are expected to increase; 2) Social security costs as a percentage of income are likely to keep rising; 3) Consumers are demanding more options ranging from luxuries to low-price goods following the diversification of lifestyles.

If we unearth companies that provide for these options, their stock prices might gain significant ground in the same way as firms like **NITORI** and **FAST RETAILING**. Areas where I think there are only a few low-price options cover transportation, currency exchange, housing and education.

In Japan there are few options for discount transportation services such as bus, railway, airplanes and taxi. When we go abroad, we can get discount air tickets very easily. Companies such as **Uber** are offering ride-sharing services. There are many other cheap means of mobility such as shared-taxi, tricycle taxi, minibus and ferries in Hong Kong, motorcycles in Taiwan and so on. Furthermore, we can use most of these services for 24 hours.

I think we have few options for currency exchanges and money transfers in foreign currencies as well. I can always find places to exchange money at low conversion rates in other countries, while there are no such places in Japan. All the means of money transfer services in Japan tend to encounter high fees. However, demands for lower conversion rates will definitely grow in the increasingly globalised world, with one of 17 'Goals in the 2030 Agenda for Sustainable Development' adopted at the UN in 2015 saying that "by 2030, reduce to less than 3% the transaction costs of migrant remittances and eliminate remittance corridors with costs higher than 5%".

House rents and educational expenses also account for a large percentage of expenditures, while not everyone can allocate a large amount on houses or education. In this way, there are various areas with only a few low-price options in Japan with opportunities left for us to invest in companies that can help to provide those additional options.

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