TECHNOLOGY: MICROSOFT MAKES PLAY FOR ORACLE'S 'CLOUD' CUSTOMERS B4

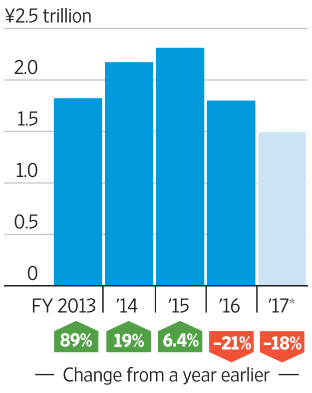
THE WALL STREET JOURNAL. Thursday, May 11, 2017 | B1

Yen vs. Dollar 114.0620 ▲ 0.07%	Hang Seng 25015.42 ▲ 0.51%	Gold 1220.20 ▲ 0.49%	WTI crude 47.49 ▲ 3.51%	10-Year JGB yield 0.042%	10-Year Treasury yield 2.386%

Toyota, Japanese Peers in a Jam

Slowing Down

Toyota Motor's annual net profit



Note: Fiscal years begin in April.
¥1 trillion = $8.77 billion *Projected
Source: the company
THE WALL STREET JOURNAL.

By Sean McLain

TOKYO—Japanese car makers such as **Toyota Motor** Corp. are painting a bleak picture for the current financial year as the U.S. car market stalls, forcing them to tighten their belts while fighting an increasingly fierce price war.

Toyota, which last year relinquished the title of world's top-selling auto maker to **Volkswagen** AG, reported on Wednesday a 21% drop in profit for the year ended in March and predicted net profit would fall by one-fifth to ¥1.5 trillion ($13.2 billion) in the current year. That would be the second consecutive decline after three years of record profits buoyed by a weak yen.

Toyota President Akio Toyoda made it clear that he wasn't happy. "In sports, booking two consecutive years of losses means you are failing. I hate to lose."

The reason is a surprisingly rapid cooling of demand for new vehicles in the U.S., despite incentives rising to an average $4,000 per vehicle, according to J.D. Power.

Demand in the U.S. car market has been shifting toward trucks, sport-utility vehicles and crossovers as low fuel prices draw buyers toward larger, less-fuel-efficient vehicles. Japanese car makers have historically relied more heavily on sedan sales than their U.S. rivals. Now, Toyota sells nearly as many RAV4 crossover SUVs as Camry sedans, and predicts that trend will continue despite the expected release of a redesigned Camry later this year.

The grim picture contrasts with the mood in Detroit, where **General Motors** Co., **Ford Motor** Co. and **Fiat Chrysler Automobiles** NV are better positioned than many of their foreign rivals to deal with a shift in demand.

Toyota and **Honda Motor** Co. say that they plan to retool production lines to produce fewer sedans and more crossovers. **Subaru** Corp. said that it was considering production cuts to deal with slowing sales.

Japanese car makers also must contend with a stronger yen, which they predict will near an exchange rate of 100 yen to the dollar this year, affecting bottom lines. Yen exchange rates weighed down Toyota's operating profit by ¥940 billion for the year ended in March.

While it expects a softer impact in the current year, Toyota will have to take a hard look at how it does business, Mr. Toyoda said. That means getting better at building cars outside of Japan.

The company is committed to building three million vehicles a year in Japan, in part out of a desire to provide jobs in the country, Toyota has said. That was an easier decision when a dollar bought

Please see AUTOS page B2

AXA Readies IPO of U.S. Unit

French insurance company **AXA** SA said Wednesday it plans to take its large U.S. life-insurance operations public, selling shares in a company that also will be home to the **AllianceBernstein Holding LP** asset-management business.

By Leslie Scism, Sarah Krouse and Noemie Bisserbe

Paris-based AXA aims to raise billions of dollars in the first half of next year by selling a minority stake in the combined life-insurance and asset-management company.

The offering caps a tumultuous two weeks for AXA and its U.S. asset-management business. On the last Friday of April, then-AllianceBernstein Chief Executive Peter Kraus was fired along with the majority of the money manager's board of directors. AXA's decision to fire the majority of AllianceBernstein's board marked a rare and abrupt overhaul.

"We want to reduce our exposure to financial risk and free up additional resources for health and protection products," AXA Chief Executive Thomas Buberl said, adding the IPO plans weren't related to the recent management changes.

AllianceBernstein, like many active stock- and bond-picking firms, has been hit hard in recent years by the growing popularity of low-cost index-tracking funds.

The combined U.S. life-insurance and asset-management businesses would have about $14 billion to $15 billion in book value, which is assets minus liabilities, according to people familiar with the matter. Most of that is attributable to the life-insurance operations. It is unclear what kind of market capitalization the publicly traded entity would have. The IPO will take place in the U.S. but the company didn't say on which exchange.

U.S. life insurers' market caps currently range from just below 60% of their book value to 130% or more, while asset-management businesses often are valued at higher levels.

Currently, AXA controls 64% of AllianceBernstein. In the offering, AXA would include a portion of that stake, the people said. The 36% of the asset-management business not controlled by AXA would remain a separate publicly traded entity, the people said.

The planned deal wouldn't result in the issuance of new AllianceBernstein shares, the people said, and the firm will

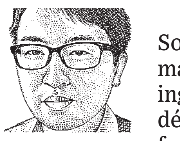
Please see AXA page B2

◆ Heard on the Street: AXA takes step to exit U.S. B8

HEARD ON THE STREET

By Jacky Wong

Corporate Change in Korea Will Be a Slog



Investors in South Korea may be feeling a sense of déjà vu. Not for the first time, a new president has won election promising an overhaul of corporate giants like Samsung and Hyundai—the *chaebols*. Following his comfortable win in Tuesday's elections, and with the public mood for change strong, new leader Moon Jae-in has plenty of momentum behind him. Still, those hoping for a quick fix to the corporate-governance discount that hangs over South Korean stocks may be disappointed.

South Korea's chaebols have been a mixed blessing. Drivers of the country's economy, they have also been accused of exercising outsize political influence: Mr. Moon's predecessor was impeached partly because of a bribery scandal involving Samsung and other conglomerates, while Samsung's de facto leader, Lee Jae-yong, is facing trial on bribery charges. Convoluted shareholding structures have regularly enabled controlling families to put their own interests over those of their minority shareholders. As a result, South Korean stocks trade at a discount to their peers in other countries. Despite hitting a record high recently, the MSCI South Korea index trades at 9.7 times forward earnings, against 13.8 times for the broader MSCI Asia-Pacific index.

Sure, some changes are under way. Lotte Group, the country's confectionery and retail giant, has said it would convert itself into a holding-company structure to reduce cross-shareholdings. Samsung Electronics recently announced a big capital-return plan.

Mr. Moon could get some quick, safe wins, such as introducing electronic voting for shareholders. He should also press for more transparency from South Korea's state-owned pension fund, which owns 9% of Samsung and 8% of Hyundai among big stakes in other major companies. Its head was indicted this year on charges of perjury and abuse of power as he allegedly pressured the fund to vote in favor of a merger of two Samsung affiliates in 2015, a move that strengthened the Lee family's control over Samsung Electronics, the group's crown jewel, over opposition from proxy firms and U.S. hedge fund Elliott

Please see HEARD page B2

◆ Korean stocks end the day in the red......................... B8

JARROD PICKENS, BARUCH COLLEGE

Students in the Baruch Traders Club, shown at a competition in April, attribute their success to practicing simulated trading.

Unlikely Pool of Trading Whiz Kids

In competitions, Harvard, MIT teams take back seat to public Baruch College

By Akane Otani

The college students who dominated trading competitions around North America this school year aren't finance majors at **Harvard**, the **University of Pennsylvania** or the **Massachusetts Institute of Technology**.

They're students at **Baruch College**.

Students in the Baruch Traders Club crushed rivals at several competitions this year, claiming first, second and third place at MIT's ninth annual trading face-off in the fall—an unprecedented feat—and beating **Columbia University** and Carnegie Mellon to rank first at the **Rotman International** Trading Competition in February.

At a typical competition, undergraduate students are given a limited amount of time to maximize profits in trading simulations that might focus on stocks, commodities, volatility instruments or other areas of the markets.

Most students in the Baruch Traders Club join without having ever held an internship in the financial-services industry. Baruch, a public college in the City University of New York system, isn't usually thought of as a feeder school for Wall Street jobs: The University of Pennsylvania, Harvard and Columbia sent the most graduates into asset management, data provider eVestment found in a 2015 study.

"In theory, you think Baruch College students have some kind of inferiority complex regarding Harvard. We don't. Here, you don't have to convince the students that [the trading club] is something they want to do," said Dan Stefanica, a Baruch College professor who helped coach the Traders Club.

The only work experience Baruch senior Bell Chen had before he became a member of the club in August 2015 was tutoring peers at Baruch's Student Academic Consulting Center. He claimed first place in the options market-making division at the University of Chicago's algorithmic trading competition in April 2016 and took first place at MIT's trading competition in November.

Members of the Baruch Traders Club, which has about 50 students, attribute their success to practicing simulated trading ahead of competitions.

Please see BARUCH page B2

SoftBank CEO Expects Tech 'Gold Rush'

By Mayumi Negishi

TOKYO—**SoftBank Group** Corp. Chief Executive Masayoshi Son said Wednesday he is preparing to shift his focus from turning around U.S. wireless unit **Sprint** Corp. to running a $100 billion technology-investment fund.

Cost cuts have helped reduce losses at Sprint, the No. 4 mobile carrier in the U.S. With its operating profit rising, more of the day-to-day operations will be entrusted to Sprint CEO Marcelo Claure, Mr. Son said, but he added that he wanted to get involved personally in planned talks with **T-Mobile US** Inc. on industry consolidation.

SoftBank, whose empire spans full or partial stakes in hundreds of companies including British chip architect **ARM Holdings** PLC and China's **Alibaba Group Holding** Ltd., is roiling the investment community with a plan to bet billions of dollars on tech companies.

"I haven't accomplished anything I can be proud of in my 60 years on Earth," the 59-year-old Mr. Son told reporters and investors. "This is my chance."

The investment fund is nearly ready for its official launch, he said. A person involved in the negotiations said that could come as early as next week.

Mr. Son is tracking what he says will be a "gold rush" into technologies for an age when artificial intelligence exceeds human capabilities. He says ownership of ARM, whose chip architecture is used in almost all of the world's smartphones, will help him predict which technologies win.

That argument drew a pledge to invest $45 billion from Saudi Arabia's deputy crown prince, Mohammed bin Salman, as well as investments from Abu Dhabi investor Mubadala Development Co., Apple Inc., Qualcomm Inc., Foxconn Technology Group and Oracle Corp. Chairman Larry Ellison, according to people familiar with the matter. SoftBank has said it would contribute $25 billion.

By taking on the role of a fund manager, Mr. Son could invest in key technology companies without raising Soft-

Please see FUND page B4

FRANCK ROBICHON/EUROPEAN PRESSPHOTO AGENCY

Masayoshi Son on Wednesday. He will turn his attention to a $100 billion tech-investment fund.

INSIDE