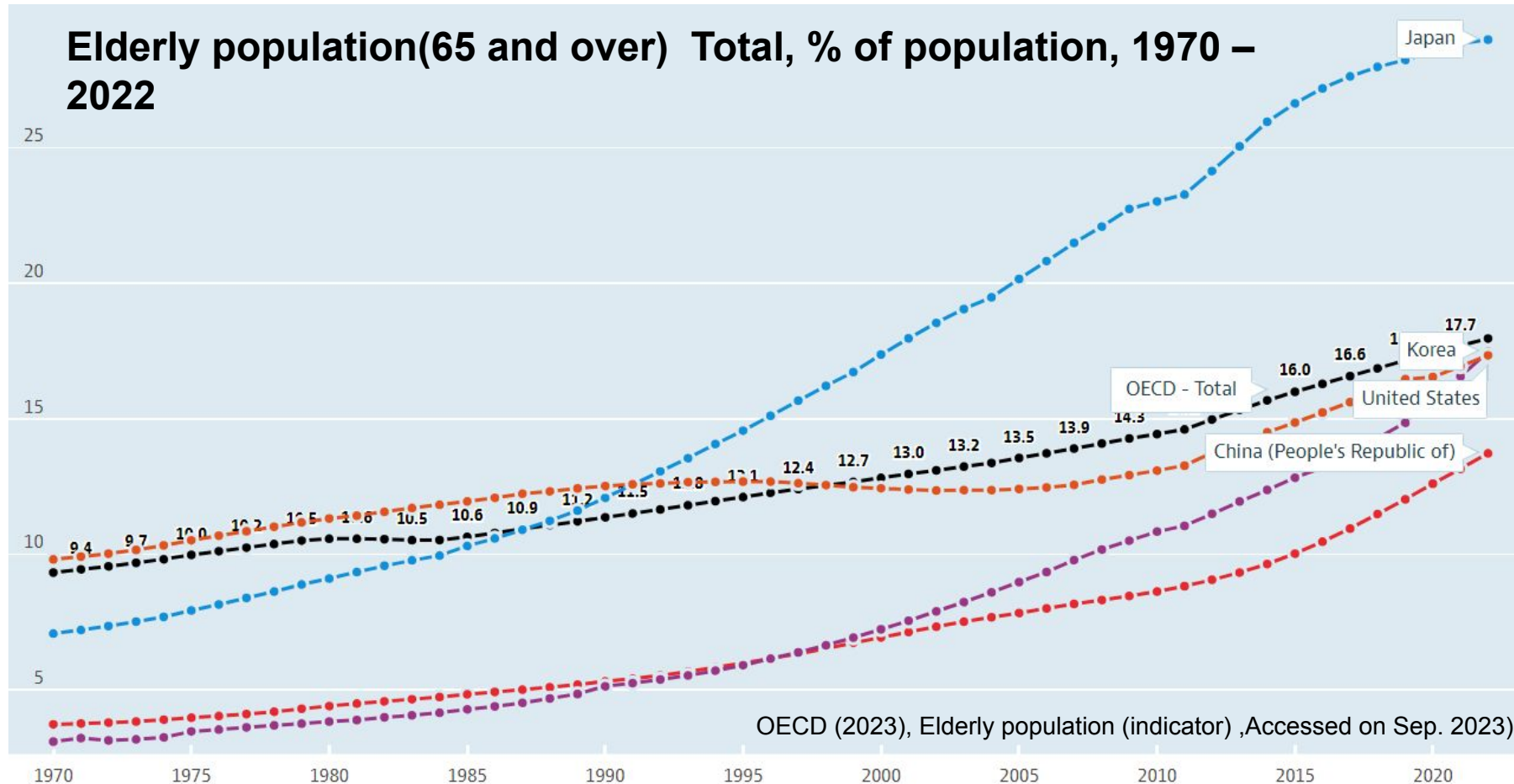


Market Report



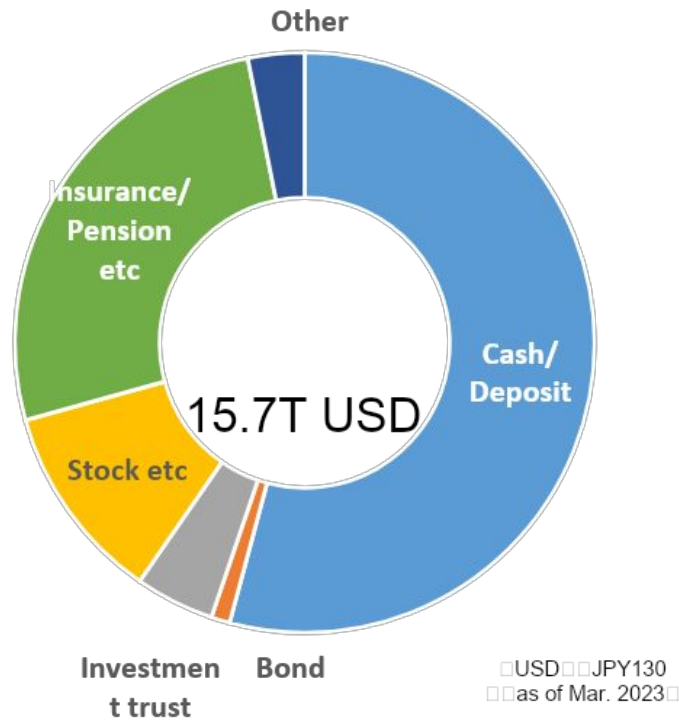
Super aged society

- Japan is the most aged country in the world and it is expected to continue to age further in the future.
- In addition to the government pension system, it is desirable to build financial assets by oneself.
- Under the prolonged low interest rate policy, asset building through methods other than bank deposits is important, however.....



Household financial assets portfolio in Japan

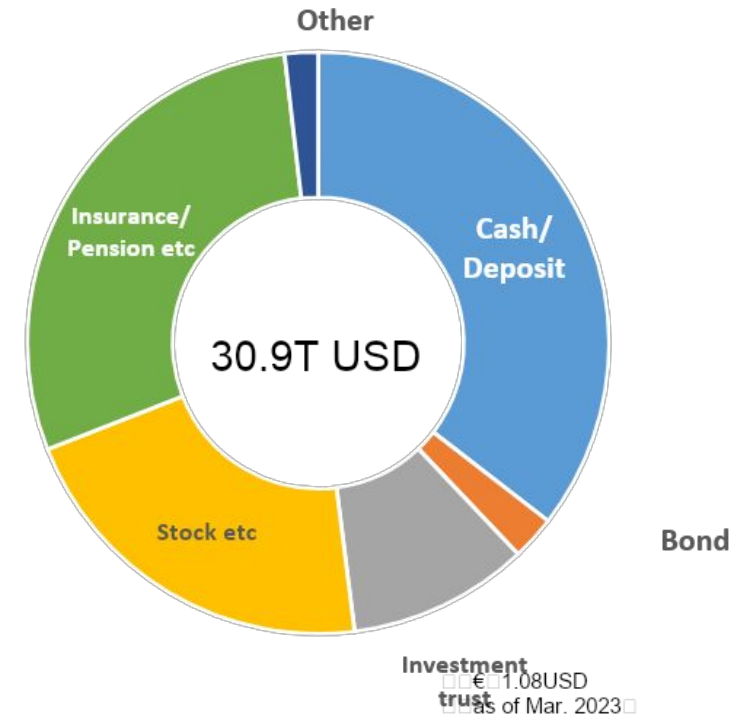
- Compared to other countries, more than half of household financial assets are cash or deposit in Japan.
- The government and the securities industry have implemented various policies under the slogan “from savings to investment”. ⇒ Still in the process of changing the asset structure.



<% of Stocks + Investment trust + bond>
Japan 16.5%



<% of Stocks + Investment trust + bond>
US 56.0%



<% of Stocks + Investment trust + bond>
Europe 33.6%

- November 2022, Kishida administration launched the [“Doubling Asset-based Income Plan”](#).
- By linking cash and deposits to investment, a "cycle of growth and asset income" will be realized in which the benefits of sustained corporate value growth will be extended to households in the form of higher asset income.

Objective

- (1) [Double the investment amount of stocks etc by households](#). Through the achievement of these goals, the long-term goal is to double financial asset income.
- (2) [Double the total number of NISA※ accounts](#) (from 17 million to 34 million) and double the amount purchased through NISA (from 28 trillion yen to 56 trillion yen) within five years.
※ NISA・・・ Short for Nippon (Japan) Individual Savings Account, a type of tax exemption program for individual investors modeled after similar scheme in UK (details in the following page)

Major Initiatives

① Expand and make permanent NISA

② Reform of iDeCo (individual pension plan)

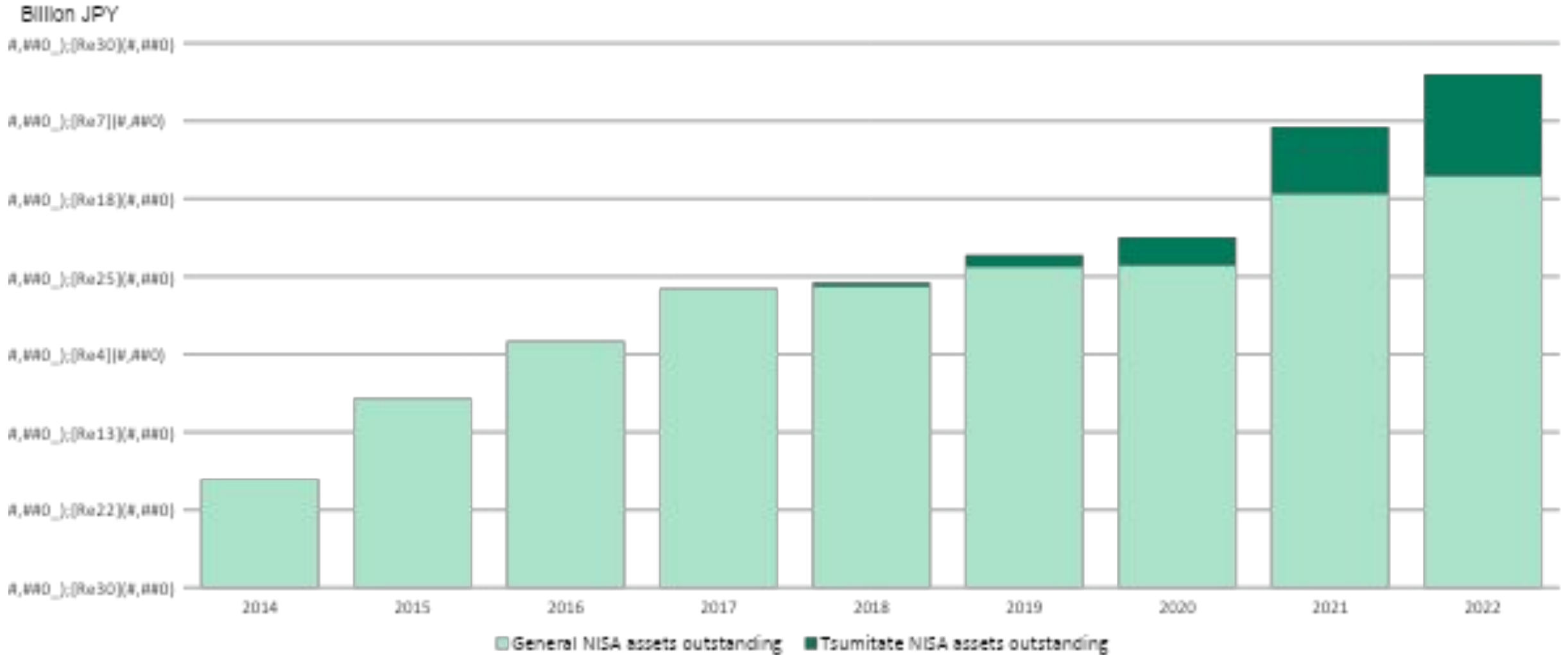
③ Enhancement of financial and economic education

④ Ensure customer-oriented business operations

- [A new NISA starts in January 2024.](#)
- The amount of tax-exempt investments has been significantly increased from the current system, and the tax-exempt period has been made permanent.

	Framework for Dollar Cost Averaging Investment	Framework for Long-term Investment
	<u>Can be used together</u>	
Maximum annual investment amount	1.2 million yen	2.4 million yen
Tax-exempt period	Unlimited	Unlimited
Maximum total tax-exempt amount	18 million yen (Both frameworks together)	12 million yen (included)
Account opening period	Unlimited	Unlimited
Tax-exempt products	Qualified investment trusts suitable for long-term cumulative and diversified investment	Listed stocks, investment trusts, ETFs, and REITs

Assets outstanding in Current NISA



Based on JFSA website <https://www.fsa.go.jp/policy/nisa2/datacollection/index.html>

- Only 7% of the respondents are aware that they were taught financial and economic education.
- Furthermore, 40% is "lack of knowledge about Financial asset management" as the reason for not investing.
- Various entities such as the government, the Bank of Japan, and industry associations provide financial and economic education for schools and working adults, but a mechanism is needed to provide advice from a neutral standpoint.

Organization for Promotion of Financial and Economic Education

- (1) A new Organization for the Promotion of Financial and Economic Education (tentative name) will be established in 2024.
- (2) The organization will certify neutral advisors as part of a project to improve the environment for the smooth provision of advice and to train advisors.
Leading example: The Money and Pensions Service (MaPS), a public institution responsible for providing financial and pension-related information and guidance in the UK.

- During the past three years, Japan's [asset management funds have increased by 50%](#) (total 800 trillion yen).
- On the other hand, there have been issues raised regarding Japanese asset management companies, such as the [lack of transparency in their investment management systems](#) compared to overseas (name of asset manager, reasons for appointment of top management etc), as well as how to handle and disclose the agency fees.

JFSA "Progress Report on Enhancing Asset Management Business" (April, 2023)

Sophisticating asset management

In this autumn, [Prime Minister Kishida stated in New York](#) that he would take initiatives to [upgrade the asset management industry in Japan](#).

- (1) Reform the asset management sector as well as asset ownership
 - (2) Resolve Japan's unique business practices and barriers to entry / new program to assist new entrants
 - (3) special business zones tailored specifically for asset management business where English-language administrative services are available
- A new discussion body was established by the government on October 4.
 - A detailed policy plan is expected to be published by the end of this year.

Focal Points of “JSDA’s Major Work Plans”

- Initiatives toward Addressing Social Issues -

July 3rd, 2023

～ Following up last year’s tangible progress in critical initiatives such as new NISA, Organization for Promotion of Financial and Economic Education, and digitalizing document delivery to customer ～

(1) Stronger Support for Asset Building

～ Reinforce the Trend “from Savings to Investment” ～

- Undertake initiatives for the smooth introduction, implementation and sound development of the new NISA system
- Fully support the establishment of the Organization for Promotion of Financial and Economic Education
- Foster collaboration with the Japanese Bankers Association (JBA) to improve financial literacy
- Undertake initiatives to reform the defined contribution (DC) pension system (Corporate DC, iDeCo)

(2) Achievement of the SDGs

～ Promote Sustainable Finance ～

- Execute action plans under the “Declaration on Promoting Sustainable Finance”
- Undertake initiatives aimed at expanding transition finance in the capital market
- Follow/Support the GX Economy Transition Bonds to be issued by the government
- Create a fulfilling work environment and bolster diversity

(3) Fostering Start-ups

- Undertake initiatives to develop and publicize the secondary market for JSDA Shares and Investment trusts for Professionals (J-Ships)
- Foster an environment to facilitate provision of risk money to start-ups
- Smoothly implement improvement measures for the IPO price-setting process

HR Development
to Carry Out the Actions

×

Enhanced Collaboration with
Stakeholders
inside/outside Japan

(4) Accommodating Digital Transformation (DX)

- Proceed with initiatives to make digital document delivery to customer the primary method
- Properly respond to utilization of the financial innovation in the securities market
- Support securities firms’ efforts to improve cybersecurity readiness
- Deliberate on expanding the use of the Social Security and Tax Number System (“My Number” System)

(5) Provision of Financial Services Fit for an Aging Society

- Foster more attentive financial services appropriate for elderly customers
- Deliberate on appropriate practices for investment, asset management as well as transactions through agents, preparing for customers’ possible cognitive/judgmental impairment
- Smoothly inherit financial assets between generations
- Enrich the contents in the “Booklet on Elderly Customers”

(6) Setting up Compliance Consultation Desk

- Enhance support to association members with regards to compliance issues, including setting up a consultation desk
- Undertake initiatives to review and streamline/enhance self-regulations on compliance matters

Toward Further Enhancement of Investor Trust and Functioning of Securities Markets