



Japan Securities Dealers Association

JSDA

Japan's Market Report

September 29, 2011

Japan Securities Dealers Association

1. Japanese Economy

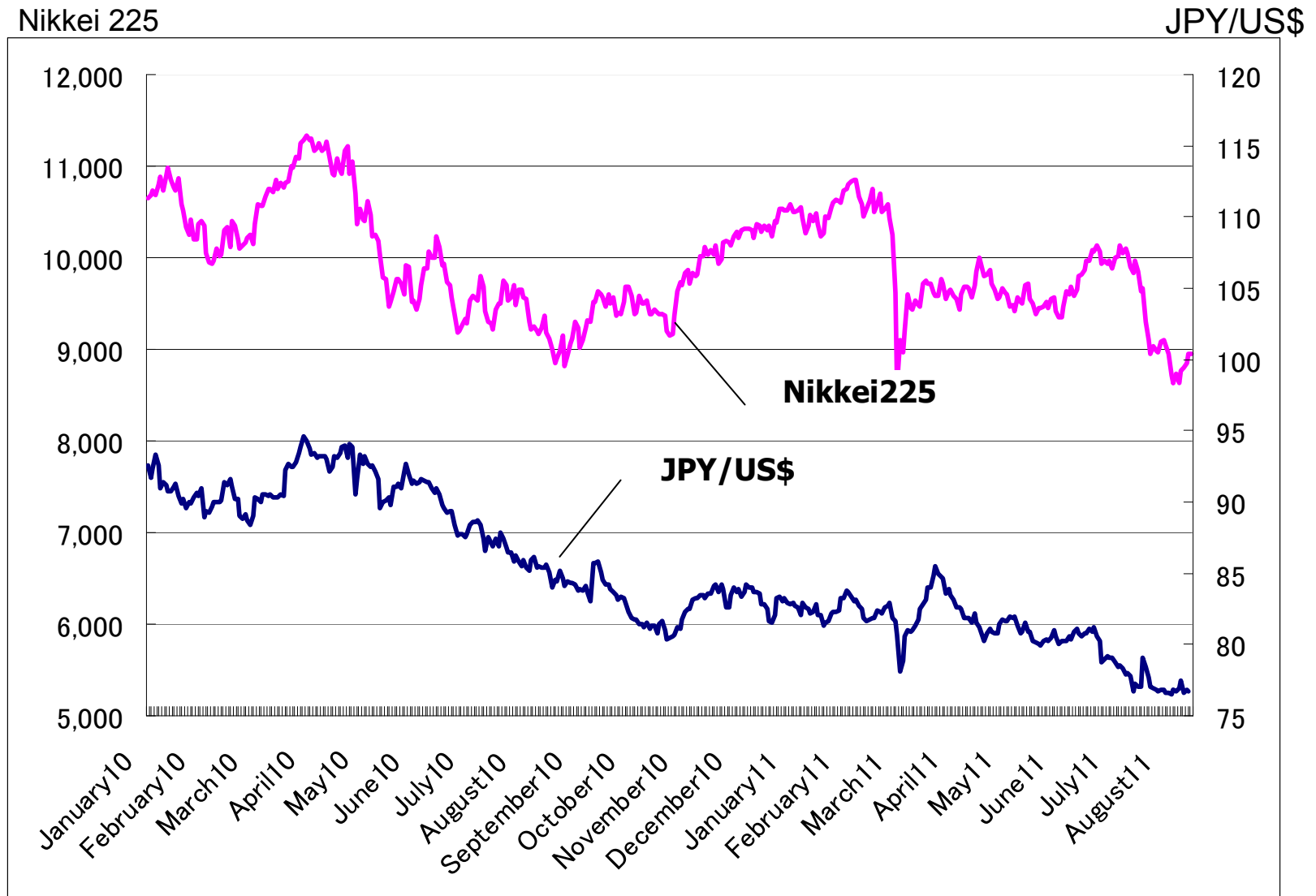
Major Economic Indicators

| | (%) | | | | | | | |
|--|------|------|------|-------|------|------|--------|--------|
| | 2010 | | | | 2011 | | CY2009 | CY2010 |
| | 1-3 | 4-6 | 7-9 | 10-12 | 1-3 | 4-6 | | |
| GDP | 2.3 | -0.1 | 1.0 | -0.6 | -0.9 | -0.5 | -6.3 | 4.0 |
| Domestic Demand | 1.8 | -0.5 | 1.3 | -0.6 | -0.7 | 0.2 | -4.8 | 2.2 |
| Private Demand | 2.5 | -0.5 | 1.7 | -0.6 | -1.1 | -0.1 | -7.3 | 2.4 |
| Private Consumption | 1.0 | -0.4 | 0.9 | -0.9 | -0.6 | 0.0 | -1.9 | 1.8 |
| Private Residential Investment | 1.0 | -0.1 | 2.1 | 2.8 | 0.2 | -1.8 | -14.0 | -6.3 |
| Private Non-Resi. Investment | 1.6 | 2.4 | 1.1 | 0.1 | -1.4 | -0.9 | -16.7 | 2.1 |
| Public Demand | -0.3 | -0.2 | -0.1 | -0.6 | 0.6 | 1.2 | 4.1 | 1.2 |
| Government Consumption | -0.3 | 0.9 | 0.5 | 0.4 | 0.9 | 0.6 | 3.0 | 2.2 |
| Public Investment | -0.4 | -5.3 | -2.2 | -5.8 | -1.0 | 4.3 | 10.4 | -3.4 |
| Exports of Goods & Services | 6.1 | 6.7 | 0.7 | -1.0 | 0.0 | -4.9 | -23.9 | 23.9 |
| Imports of Goods & Services | 2.7 | 4.9 | 2.6 | -0.6 | 1.5 | 0.0 | -15.3 | 9.8 |
| GDP Deflator (year-to-year) | -0.1 | -0.8 | -0.4 | -0.4 | -0.6 | -1.0 | -0.4 | -2.1 |

(source) Cabinet Office

2. Stock Market in Japan

Nikkei 225 Stock Average and Yen Exchange Rate



- **Prompt Actions Taken by the JSDA in Response to the Quake**
 - Donated emergency funds.
 - Established hot line for enquiries about securities companies in the stricken area.
 - Collected information and appropriately communicate information from the Japanese government to the market.

- **Exploring Possible Measures to Strengthen Capital Market Functions for Economic Reconstruction**
 - Support recovery through utilizing private-sector funds, such as business-operation funds.
 - Vitalize start-up market.
 - Further activate corporate bond market.

- **Action Plan to Energize Japan's Financial and Capital Markets and Financial Industry**
 - **Following two roles for the financial sector were raised as a part of New Growth Strategy**
 - Support the real economy.
 - Lead the economy as a growing industry itself.
 - **Action Plan listed three pillars necessary for the financial sector to exercise these two roles**
 - Supply of funds to companies commensurate with borrowers' size and stage of development.
 - Financial sector serving as a bridge between Asian and Japanese economies.
 - Provision of asset management capabilities to utilize Japanese national assets safely and effectively.
 - **To restore confidence in and stimulate Japan's startup markets, Study Group was set up by FSA, Exchanges, JSDA and JICPA**

- **Establishing and Reviewing Self-Regulations**

- JSDA revised its self-regulatory rules regarding sales solicitation for OTC derivatives and for other financial instruments that are similar to OTC derivatives to further enhance investor protection.
- JSDA began issuing investor alerts on its website in December 2010.

- **Revision of Financial and Securities-Related Taxation System**

- Two-year extension of the current preferential tax on capital gains and financial income (current preferential tax rate:10% - normal tax rate:20 %).
- Introducing a Japanese version ISA in January 2014.

- **Measures to Resolve Market Issues through Dialog with a Wide Range of Market Users**

- JSDA set up the Study Group on New Progress of Securities Market in September 2010.
- The Study Group conducted a large-scale survey (over 41,000 securities market users and nonusers responded to the survey).
- Based on the survey result, three subgroups deliberated various issues related to market intermediaries, products and services and market infrastructure.
- The Study Group issued the report in June 2011.

- **Vitalizing Corporate Bond Market**

- The Study Group issued the report entitled “Toward Vitalizing the Corporate Bond Market” (posted on JSDA website).
- The Sub Groups continue to deliberate specific measures for vitalizing the corporate bond market put forth in the report.

- **Japan Securities Summit**
 - In March 2011, the JSDA and SIFMA co-organized a Japan Securities Summit in New York to promote Japan's securities market, following summits in London (2008), Hong Kong (2009) and Singapore (2010).
- **Actively Engaging in Various International Activities**
 - Responded to relevant consultation papers proposed by the BCBS and IOSCO, etc.
 - Participated in various international conferences and forums.
 - Held ASF Tokyo Round Table, giving opportunities to the trainees from various Asian countries to learn about security regulation and regulatory systems from the Japanese model and through discussion among the trainees.

Next ASF Tokyo Round Table is scheduled for February 7 to 15, 2012.