



Market Report - Japan

November 6, 2014

Japan Securities Dealers Association

1. 'Abenomics' and Growth Strategy



'Abenomics'

Since 2013, the Abe cabinet has been implementing its 'Abenomics' mix of economic reforms comprised of three dramatic strategies.

- 1. Bold Monetary Policy**
- 2. Flexible Fiscal Policy**
- 3. Growth Strategy that Promotes Private Investment**

Growth Strategy

In June 2014, the government additionally announced specific reform policies including the following financial and capital markets' measures.

- 1. Enhance Corporate Governance**
- 2. Review the Investment Policy of Public/Private Pension Plans**
- 3. Nurture Venture Enterprises**
- 4. Corporate Tax Reform**

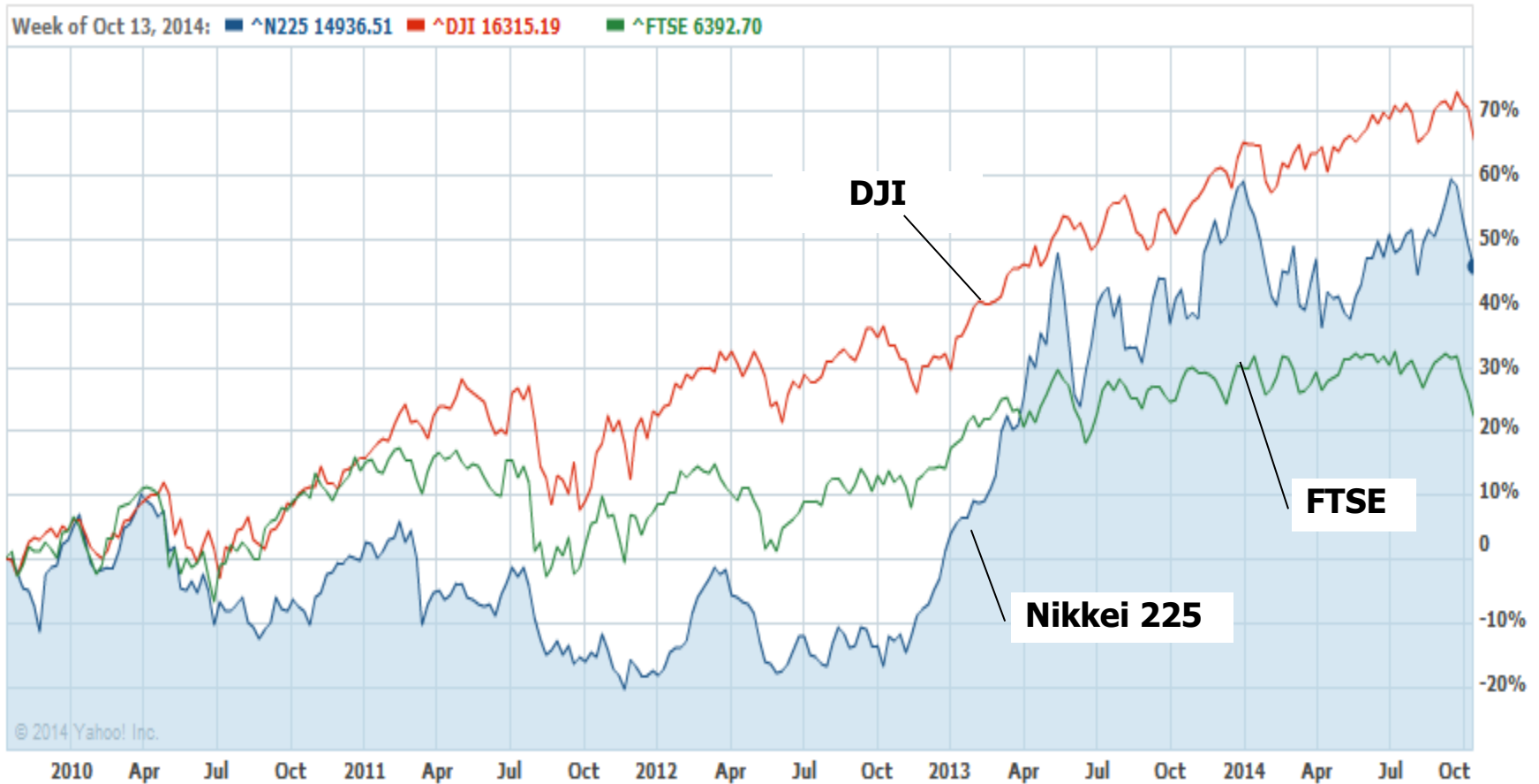
2. Economy

Major Economic Indicators

	2013				2014		CY2012	CY2013
	1-3	4-6	7-9	10-12	1-3	4-6		
GDP (Expenditure Approach)	1.2	0.8	0.4	-0.1	1.5	-1.8	-0.1	0.6
Private Consumption	0.6	0.5	0.1	0.2	1.3	-3.2	0.1	0.4
Consumption of Households	0.6	0.5	0.1	0.2	1.2	-3.2	0.1	0.4
Excluding Imputed Rent	0.6	0.4	0.1	0.2	1.2	-3.2	0.1	0.3
Private Residential Investment	0.0	0.1	0.1	0.1	0.1	-0.3	0.0	0.1
Private Non-Resi. Investment	-0.3	0.2	0.1	0.1	1.1	-0.7	-0.2	0.0
Change in Private Inventories	0.1	-0.4	0.2	-0.1	-0.5	1.4	0.0	-0.1
Government Consumption	0.2	0.1	0.0	0.0	0.0	0.0	0.1	0.1
Public Investment	0.2	0.3	0.3	0.1	-0.1	0.0	0.1	0.2
Change in Public Inventories	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Exports	0.4	0.1	-0.4	-0.6	-0.2	1.1	-0.2	-0.1
Exports	0.6	0.4	-0.1	0.0	1.1	-0.1	-0.2	0.2
Imports	-0.2	-0.4	-0.3	-0.6	-1.3	1.2	-0.1	-0.4

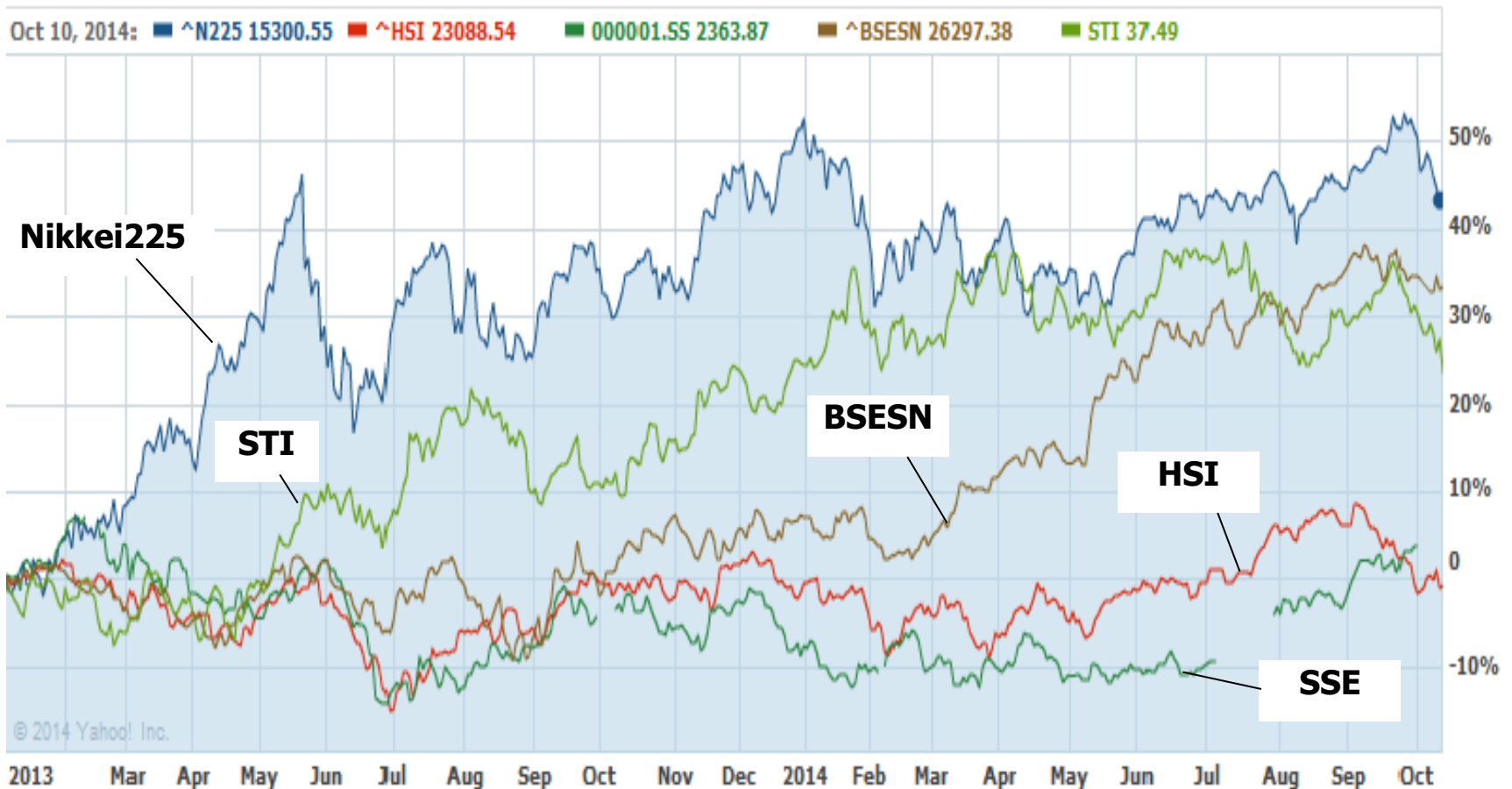
3. Stock Market (1)

Stock Prices: US (DJI), Europe (FTSE) and Japan (Nikkei 225)



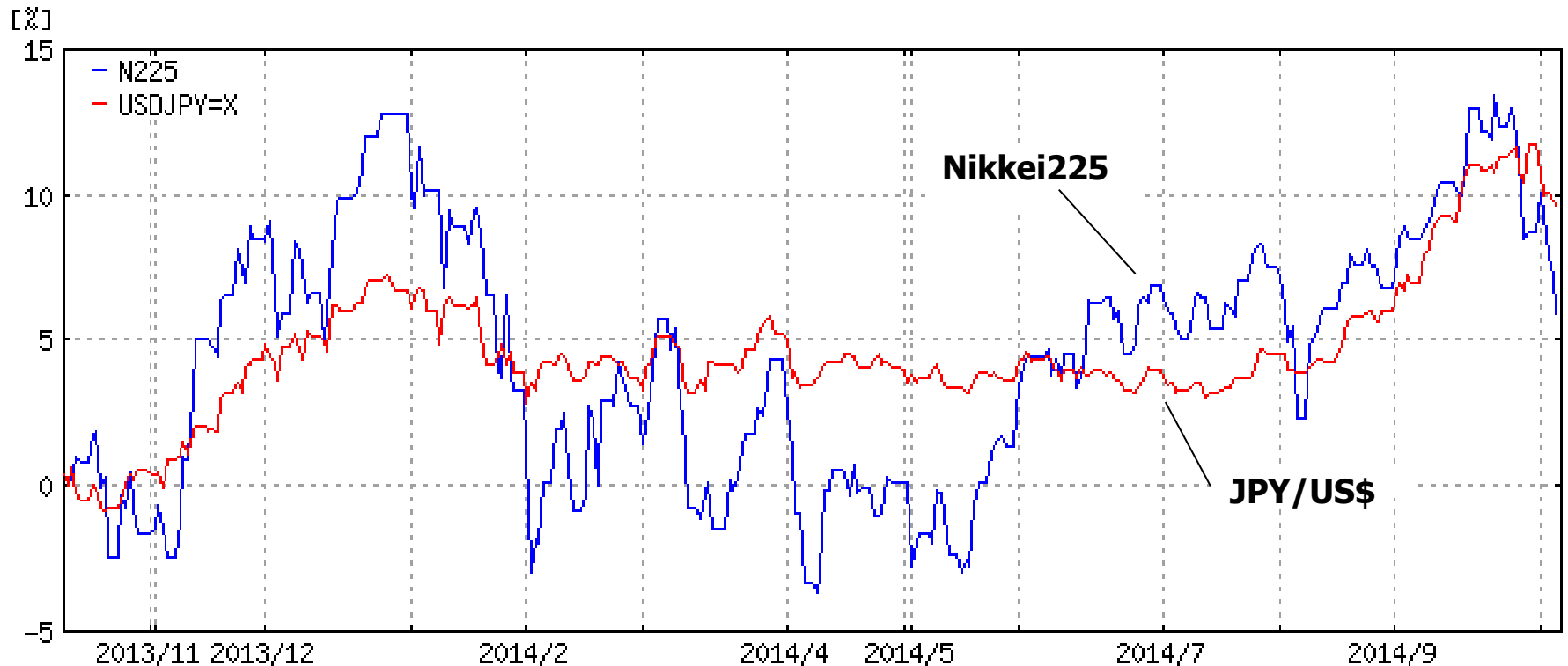
2. Stock Market (2)

Stock Prices: Hong Kong (HSI), Shanghai (SSE), Singapore (STI), India (BENSEN) and Japan (Nikkei 225)



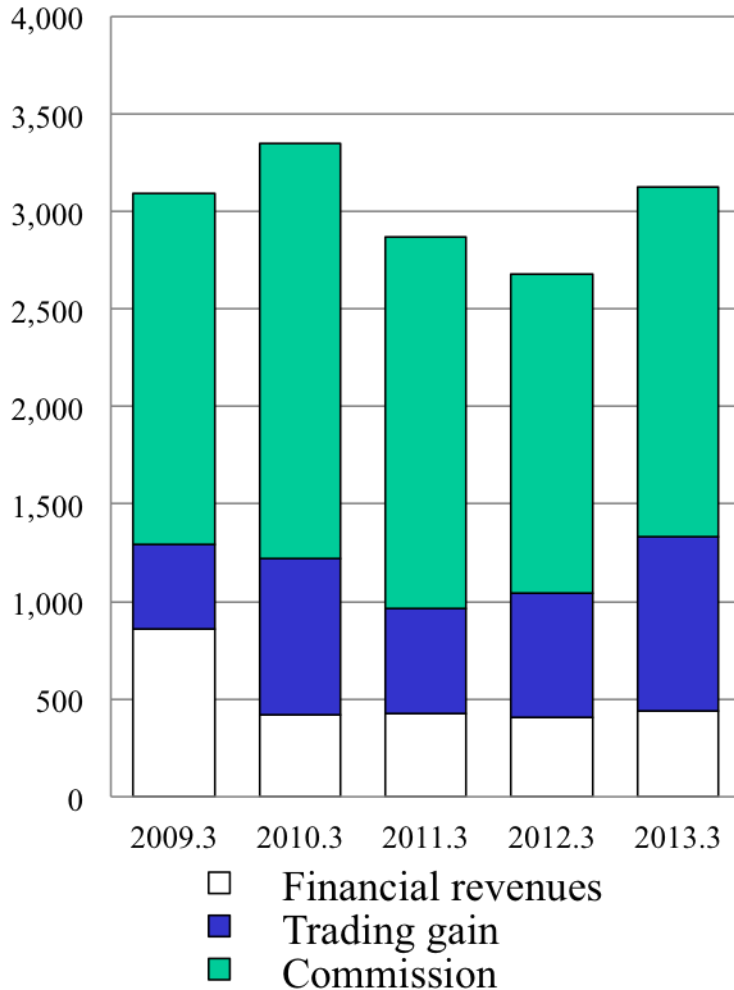
3. Stock Market (3)

Nikkei 225 Stock Average and JPY/USD Exchange Rate



4. Securities Industry Overview

Operating Revenues of Securities Firms in Japan



Securities Firms' Performance (FY ended Mar. 2014):

- Operating revenues
up 28.9% (\ 4,086.5bil)

Breakdown:

Commission ↑ 37.2% (\ 2,460.9 bil)

Trading gain ↑ 22.6% (\ 1,098.7 bil)

Financial Revenues

↑ 9.1% (\ 479.8 bil)

-Net income: \ 921.1 bil

- 81% of Japanese securities firms recorded profits.

5. Major Topics (1)

1) FIEA Revision (May 2014)

- Amendment Act of the Financial Instruments and Exchange Act (FIEA) was passed. Major revisions included:

- (1) Promoting investment-type crowdfunding
- (2) Reducing the cost burden on newly listed companies
- (3) Introduction of regulations concerning financial benchmarks

2) Companies Act Revision (June 2014)

- Diet passed the Amendment Companies Act. Major revisions were:

- (1) Disclosure of the reason for not choosing an outside board member
- (2) Introduction of a corporate auditors and directors board as a new governance structure
- (3) Introduction of a new regulation for third-party allocations of new shares resulting in a change in the controlling shareholders

5. Major Topics (2)

1) Self Regulation Revision

- JSDA also revised the related self-regulatory rules along with the FIEA revision and so on. Major revisions were:
 - (1) Revising regulations regarding solicitation of investments from elderly customers
 - (2) Introducing "Rules Concerning Binary Options Transactions"
 - (3) Revising regulations for the reporting and public announcement of corporate bond trading information

3) Financial and Securities Taxation

- Introduction of 'NISA' (January 2014~)
A tax exemption scheme for small amount investment by individuals, modeled after the ISA (Individuals Savings Account) in the UK.

4) Other Measures

- Implementation of “Principles for Responsible Institutional Investors” << Japan’s Stewardship Code>>
- Formulating of Corporate Governance Code
- Launch of JPX Nikkei Index 400
- Merger of Derivatives Markets