Panel Discussion 3
Financial Investment Promotion and Incentives

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1. Financial asset composition of household sector (1)

(End of March 2013)

- **Japan**
  - Cash and Deposits: 54.1%
  - Bonds: 1.8%
  - Investment Trusts: 4.5%
  - Stocks: 5.1%
  - Other Capital Investment: 3.0%
  - Insurance and Pension Reserves: 27.3%
  - Others: 4.2%

Total: ¥1,590Tri

(End of June 2013)

- **United States**
  - Cash and Deposits: 32.2%
  - Bonds: 8.8%
  - Investment Trusts: 11.1%
  - Stocks: 18.5%
  - Other Capital Investment: 13.5%
  - Insurance and Pension Reserves: 36.1%
  - Others: 2.8%

Total: USD 61.9Tri (¥6,066Tri)

(End of March 2013)

- **Germany**
  - Cash and Deposits: 40.5%
  - Bonds: 8.8%
  - Investment Trusts: 11.1%
  - Stocks: 8.7%
  - Other Capital Investment: 5.4%
  - Insurance and Pension Reserves: 36.1%
  - Others: 0.8%

Total: EUR 5.0Tri (¥592Tri)

*1 USD = 98.00 JPY
*1 EUR = 118.37 JPY

(Sources) Japan: Japan’s Flow of Funds Accounts (BOJ), US: Flow of Funds Accounts of the United States (FRB), Germany: Financial Accounts (Deutche Bundesbank).
1. Financial asset composition of household sector(2)

(Ref.) Percentage of household assets held in stocks, investment trusts and bonds

Note: The figures for Japan from 1993 to 1996 are on a fiscal year basis.

(Sources) Japan: Japan’s Flow of Funds Accounts (BOJ), US: Flow of Funds Accounts of the United States (FRB), Germany: Financial Accounts (Deutche Bundesbank).
Net Worth Distribution (Income quintile; Japan and U.S.)

(SOURCE) IMF GFSR2005 Ch.3 Household
1. Financial asset composition of household sector (4)

Household Sector: Total Asset Compositions (Japan and U.S.) (end-2011)

United States
- Non-financial Assets: 32%
- Financial Assets: 68%

Japan
- Non-financial Assets: 41%
- Financial Assets: 59%

(Sources) Japan: System of National Accounts (Cabinet Office), US: Flow of Funds Accounts of the United States (FRB)
2. Why investment should be promoted?

1) To achieve efficient allocation of funds and resources to growth areas effectively utilizing household financial assets amounting to US$16 trillion

- Bank finance (indirect finance):
  financing system relying on investment decisions by banks
- Market-based finance (direct finance):
  financing system based on market mechanism processing decisions by fundraisers and investors

2) To disperse risks: avoid excessive risk concentration
   (Japan’s experience)
   Non-performing loan problems during 1990s which was caused by excessive risk concentration to the banking sector

3) To support medium- and long-term asset building by individuals
   Growing concern about social security and pension systems in the rapid demographic change
   ⇒ rising importance of self-reliant efforts to prepare for the future
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The old-age dependency ratio is the ratio of the population aged 65 years or over to the population aged 15-64.

(Source) “World Population Prospects” (United Nations Population Division)
3. Incentives and measures to promote investment

1) Ensuring market integrity and transparency (prerequisite) (including sound corporate governance and adequate disclosure)

2) Promoting financial literacy

3) Providing tax incentives

4) Introducing flexible and efficient frameworks for risk money supply (e.g. crowdfunding)
4. Recent policy initiatives in Japan

1) Introduction of NISA:

NISA = tax exemption scheme for small amount investment by individuals

2) Ongoing consideration of risk money supply schemes:

- Crowdfunding, etc.