日本証券業協会
JSDA Japan Securities Dealers Association

Market Report

October 2024

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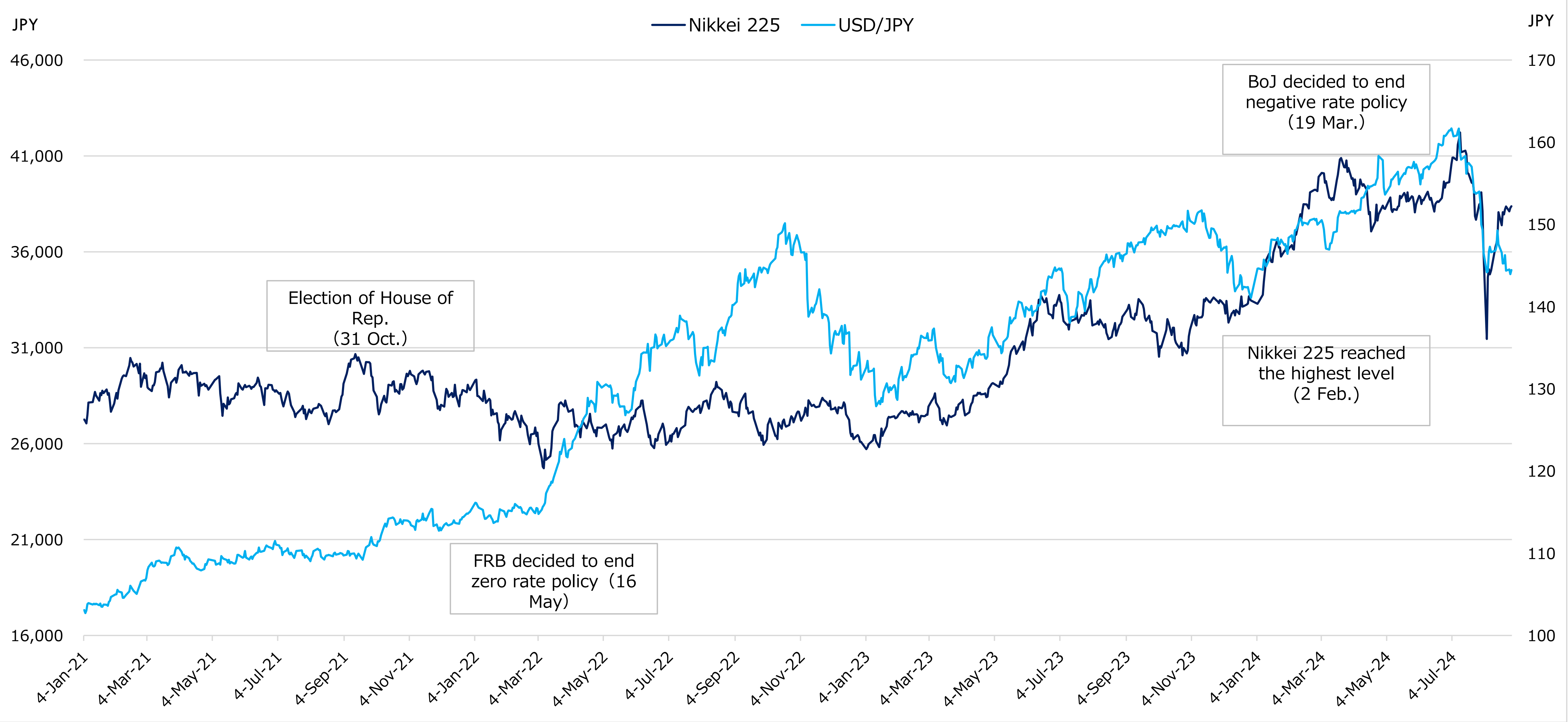
Recent Stock Market Trends in Japan



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Recent Policy Response by the Japanese Government

- Japanese government published “Doubling Asset-based Income Plan” in November 2022 and “Policy Plan for Promoting Japan as a Leading Asset Management Center” in December 2023, along with on-going corporate governance reform.

Policy Plan for Promoting Japan as a Leading Asset Management Center (Dec. 2023)

I. Doubling Asset-based Income Plan (Nov.2022)

Ensuring customer-oriented business conduct by distributors (banks and securities companies)

Stable household-based asset formation
- ✓ **Expanded and permanent NISA**
- ✓ **Improved financial literacy**

III. Reform of Asset Management Sector and Asset Ownership

- ✓ Asset management sector reform
- ✓ Improved capabilities of asset owners

II. Action Program for Accelerating Corporate Governance Reform (Apr. 2023)

- ✓ Sustainable corporate growth
- ✓ Improved market functioning

JSDA actively collaborates and promotes in this area.

Source: Policy Plan for Promoting Japan as a Leading Asset Management Center, JFSA website https://www.fsa.go.jp/en/policy/pjlamc/20231214.html

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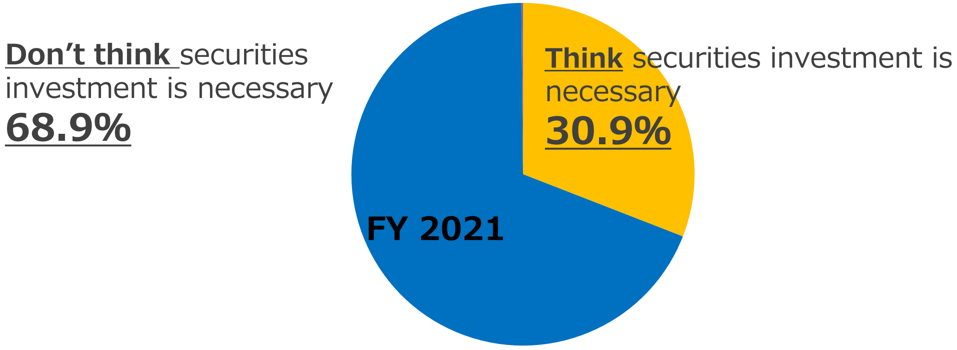
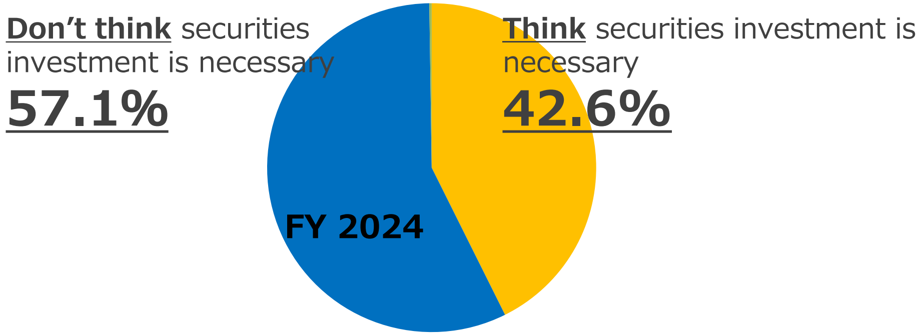
Increased Trends in Awareness on Securities Investment

■ As a result of these policy measures, the awareness of securities investment among the public has also increased recently.

Awareness on Securities Investment among the public(The JSDA National Survey (2021 and 2024))

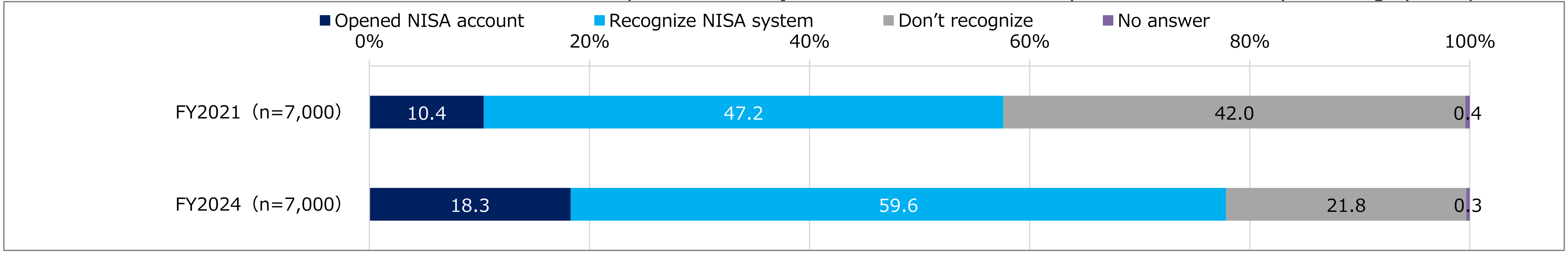
■ According to the JSDA national survey, awareness of securities investment has increased, with those who think **securities investment is "necessary" rising from 30.9% in the previous survey of 2021 to 42.6% in 2024**.





Awareness on the NISA among the public(The JSDA National Survey (2021 and 2024))

■ The awareness of NISA increased from 57.6% in the previous survey in 2021 to 77.9% in 2024.(an increase of 20.3 percentage points).



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Japanese Initiatives on Stable Household Asset Formation
- Expansion of NISA

- NISA, Nippon (Japan) Individual Savings Account, a tax exemption program for small investments by individuals was launched in Japan in January 2014.
- The NISA was reformed and expanded in January 2024, with changes to the system including making the system permanent, making the tax-exempt period unlimited, and increasing the investment upper amount. An overview of the new NISA is shown in the following table.

Can be used together

	Framework for Dollar Cost Averaging Investment	Framework for Long-term Investment
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

Source: JFSA website https://www.fsa.go.jp/policy/nisa2/about/nisa2024/index.html

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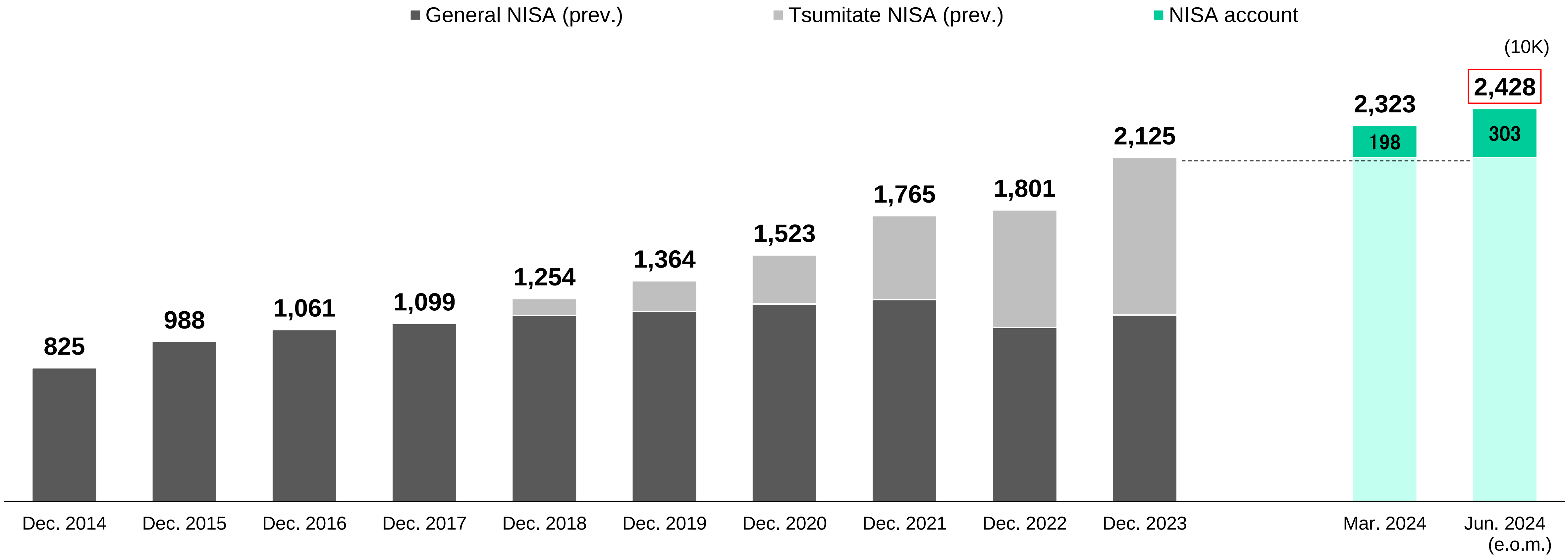
Japanese Initiatives on Stable Household Asset Formation
- Increase in NISA Account

- The number of NISA accounts have reached at 24.28M in total in June 2024.
- The number of accounts opened increased by 3.03M in 2024.

Shift of the Number of NISA Accounts in Financial Institutions



(note) The number of General NISA accounts in 2022 has a temporary decline by account closing on January 1, 2022, due to lack of identification required by amended law.
(source) JFSA website https://www.fsa.go.jp/policy/nisa/20240612.html

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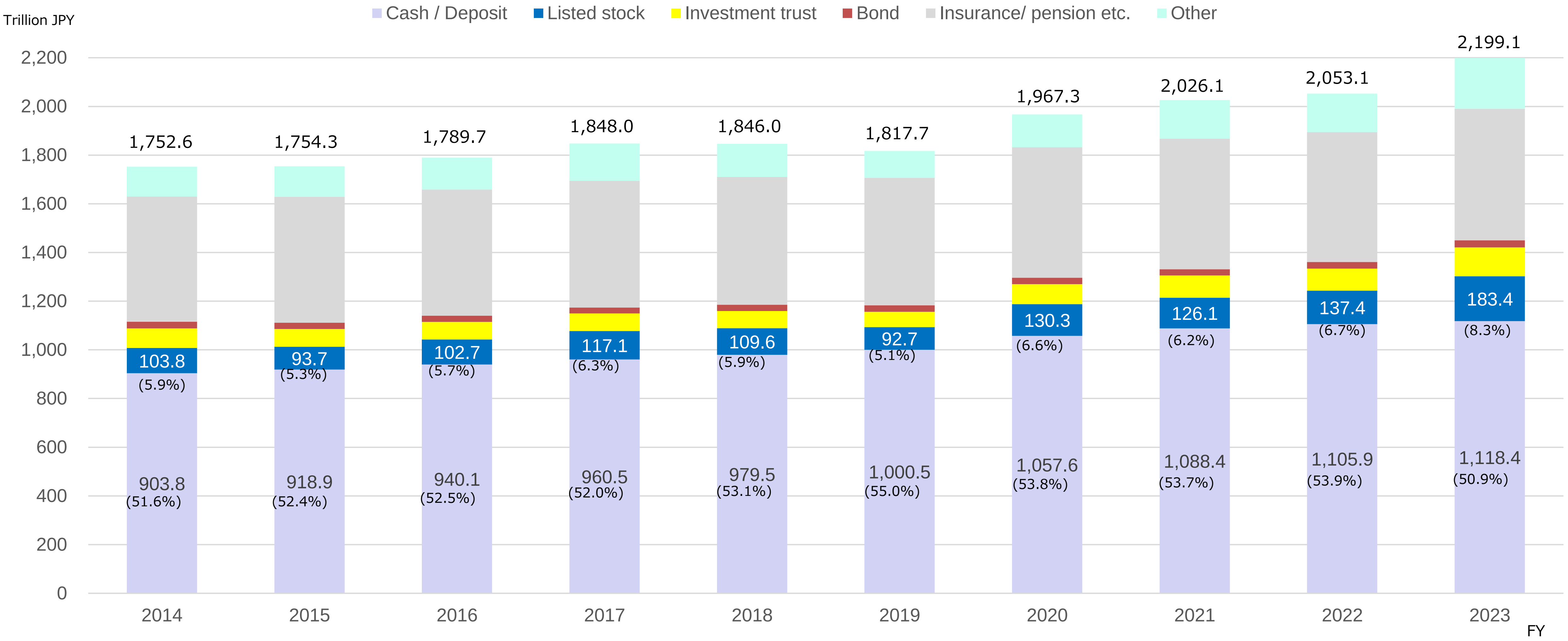
Japanese Initiatives on Stable Household Asset Formation
- Expansion of NISA

- At the end of fiscal year 2023, household financial assets reached a record high of ¥2,199 trillion.
- The balance of “listed stocks” reached a record high of ¥183 trillion, accounting for 8.3%.



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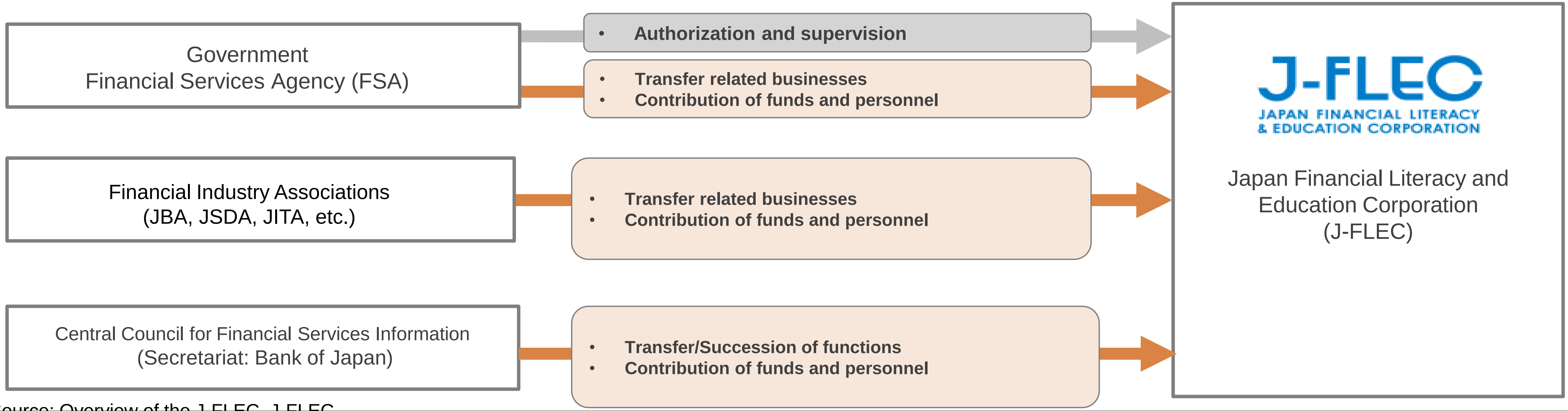
Japanese Initiatives on Financial Literacy
- Establishment of J-FLEC

- **New organization (Japan Financial Literacy and Education Corporation, J-FLEC) was established**, April this year to carry out a public-private collaborative effort to promote widespread financial education.

- Previously, the government, the Central Council for Financial Services Information (CCFSI), and financial industry associations have been carrying out initiatives on financial education, such as raising awareness about asset formation and developing teaching materials, at schools and workplaces.

However, the following issues remain.

- ✓ Only around 7% of people perceive that they have received financial education.
- ✓ Continuous education on investment for defined contribution pension plan participants is deemed insufficient in the workplace.
- ✓ Cases of investment fraud and other forms of damage continue to be seen, and trouble caused by solicit investment via social networking sites has recently arisen.
- ✓ When the providers of education are financial institutions and industry associations, the recipients (especially individual companies) tend to avoid them.
- ✓ It was pointed out that efforts and cooperation by the government, CCFSI, financial industry associations, etc. should be strengthened.



Source: Overview of the J-FLEC, J-FLEC
https://www.j-flec.go.jp/wpimages/uploads/overview-of-the-J-FLEC.pdf

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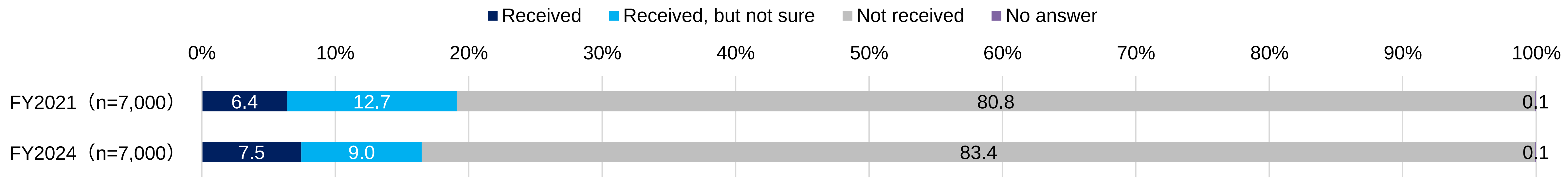
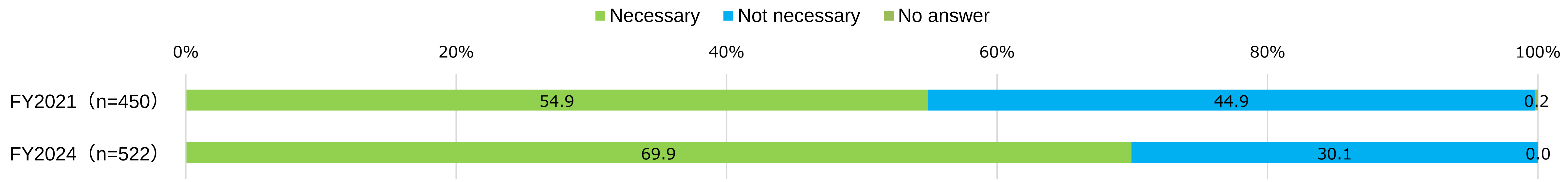
Japanese Initiatives on Financial Literacy
- Status and Awareness of Securities Investment Education

- According to the national survey by the JSDA in 2021 and 2024,
  - The percentage of people who have received securities investment education slightly increased from 6.4% to 7.5%.
  - The percentage of those who have received securities investment education and think that securities investment is necessary increased from 54.9% to 69.9%.

Percentage of those who have received securities investment (The JSDA National Survey (2021 and 2024))



Percentage of those who have received securities investment education and think that securities investment necessary (The JSDA National Survey (2021 and 2024))



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Focal Points of "JSDA's Major Work Plans"

July 1st, 2024

- Initiatives toward Addressing Social Issues -

- Work to make the "shift from savings to investment" full-scale and continuous trend -

(1) Stronger Support for Asset Building

- Undertake initiatives for further promotion of the NISA system
- Collaborate with the Japan Financial Literacy and Education Corporation (J-FLEC) to enhance the financial literacy of the public
- Work toward reform of the defined contribution (DC) pension system (Corporate DC, iDeCo)

(2) Achievement of the SDGs

- Undertake initiatives aimed at promoting and expanding sustainable finance, including transition finance, in the capital market
- Create a fulfilling work environment, address poverty issue among vulnerable children, and bolster diversity
- Enhance collaboration with stakeholders inside/outside Japan

(3) Fostering Start-ups

- Undertake initiatives to expand private placement scheme with professional investors (J-Ships) in the capital market
- Foster an environment to facilitate provision of risk money to start-ups

(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 firm's efforts to improve cybersecurity readiness
- Deliberate on expanding the use of the Social Security and Tax Number System ("My Number" System)

Initiatives to Revitalize the Secretariat Function of JSDA × Personal Visits to Securities Firms by JSDA Chairman

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

- Undertake initiatives to introduce "Family Support Securities Account"
- Undertake initiatives to smoothly inherit financial assets between generations
- Enrich the contents in the "Booklet on Elderly Customers"

(6) Uplifting the Securities Industry

- Strengthen the support system for member firms to improve compliance system including the operation of the Compliance Consultation Desk set up in 2023
- Work to review and streamline/enhance compliance with the regulation
- Undertake initiatives to develop human resources by further strengthening the capacity building programs

(7) Improving Efficiency of Industry's Middle and Back-Office Operations

- Deliberate on initiatives to improve the efficiency of middle and back-office operations at securities firms (1. Cybersecurity, 2. Inheritance, 3. Foreign stock corporate actions, 4. Account openings, 5. Trading surveillance, 6. Public tender offer)

Toward Further Enhancement of Investor Trust and Functioning of Securities Markets

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