

The impact of Abenomics on Japanese household financial assets

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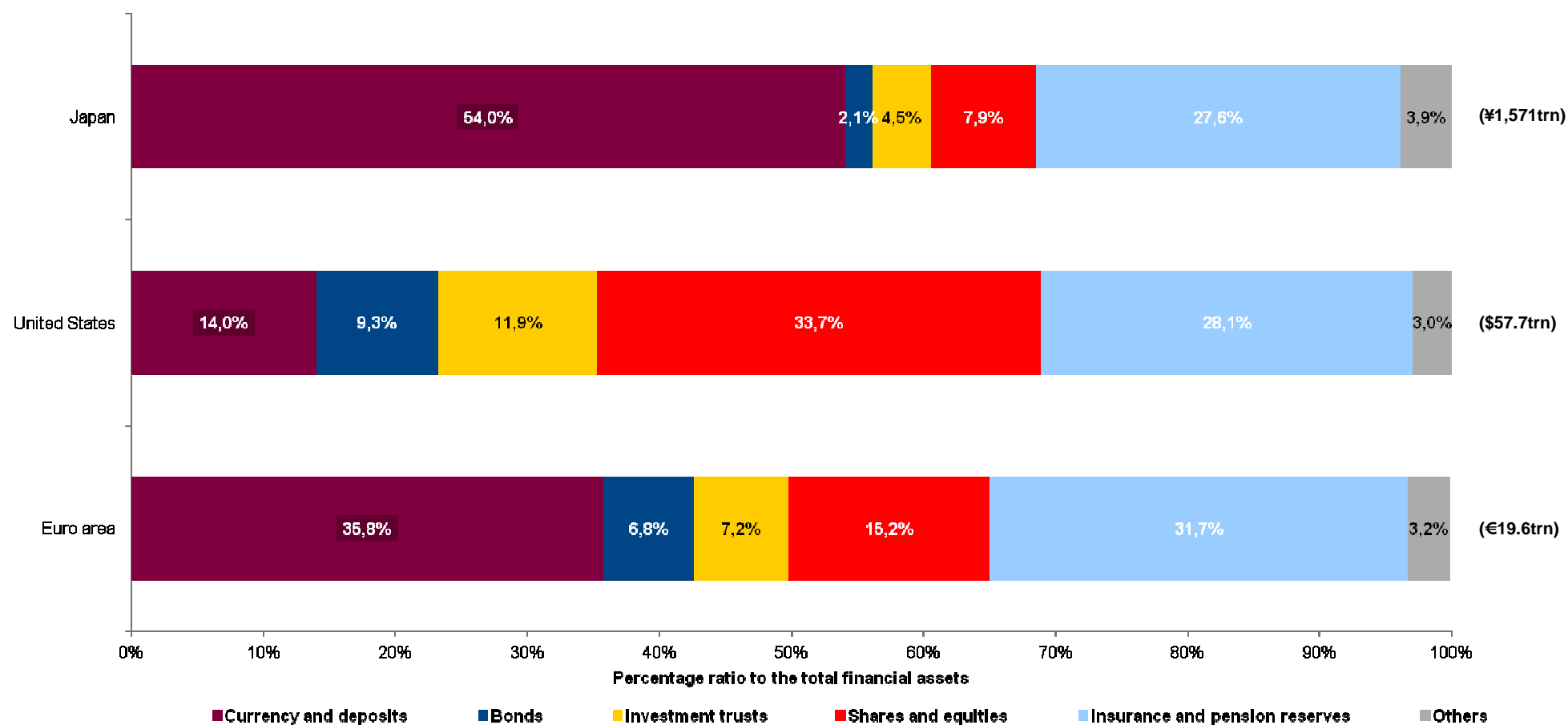
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Characteristics of Japanese household financial assets (1/2)

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- ✓ The greater part is Currency / Deposit
- ✓ Low investment in financial markets instruments (Shares/Equities/Bonds/Investment Trusts)

Financial assets held by households



Note: "Others" is the residual which is the remaining after deducting "Currency and deposits", "Bonds", "Investment trusts", "Shares and equities" and "Insurance and pension reserves" from total financial assets.

Source: Flow of Funds, June 24, 2013, BANK OF JAPAN

Characteristics of Japanese household financial assets (2/2)

✓ Elderly persons' high savings

Amount of savings and debts by age group of household head (¥m) (workers' households¹) (2011)

Item	Average	-29	30-39	40-49	50-59	60-69	70 and over
Yearly income	6.89	4.47	5.75	7.38	8.14	6.20	6.01
Savings	12.33	2.85	5.93	11.40	14.87	21.54	21.77
Financial institutions	11.79	2.75	5.61	10.73	14.09	21.16	21.64
Demand deposits	2.63	1.35	2.09	2.45	2.52	4.17	4.94
Time deposits	4.73	0.82	1.89	3.94	5.75	9.69	8.80
Life insurance	3.28	0.45	1.29	3.32	4.50	4.81	5.20
Securities	1.14	0.13	0.34	1.02	1.32	2.49	2.70
Non-financial institutions	0.54	0.10	0.32	0.67	0.78	0.38	0.13
Debts	6.47	3.22	8.52	8.73	5.16	2.24	1.82
Housing and land	6.01	2.83	8.12	8.23	4.57	1.98	1.47
Other than housing and land	0.29	0.20	0.25	0.30	0.40	0.17	0.31
Monthly and yearly instalments	0.17	0.19	0.14	0.21	0.19	0.09	0.04

1. Two or more person households.

Source: Statistical Handbook of Japan 2012, Ministry of Internal Affairs and Communication

✓ *Impact of change to inheritance and gift taxes*

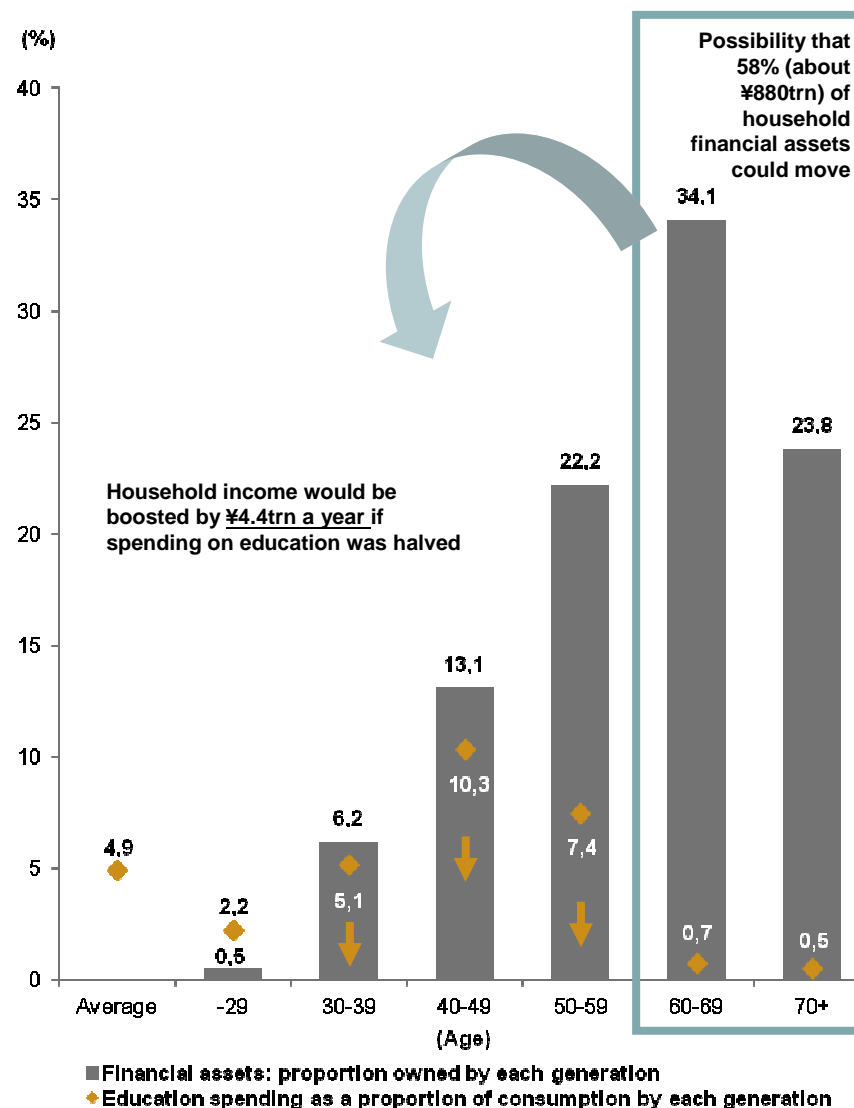
These tax changes aim at the effective use of financial assets held by households. While the top inheritance tax rate will be raised from 50% to 55%, lump-sum gifts to fund education will be made tax exempt in order to boost Japanese economy by encouraging a **generational shift of funds** and reducing the burden of educational expenses. Nomura estimates that income will be boosted by 4.4 trillion JPY a year if spending on education by households headed by people ages 30-50 is reduced by 50%

✓ *NISA (Nippon Individual Savings Account) introduction*

From January 2014, tax exemptions on capital gains and dividend income from investments of up to 1 million yen a year for a maximum of five years

✓ *Effect on consumer spending of change in share price*

Nomura estimates that a 10% rise in Nikkei Average share price boosts consumer spending by 0.12 % 3 months later



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