

Japan's Affluent Segment Consisted of 1,220,000 Households and Held Total Net Financial Assets of ¥272 Trillion in 2015

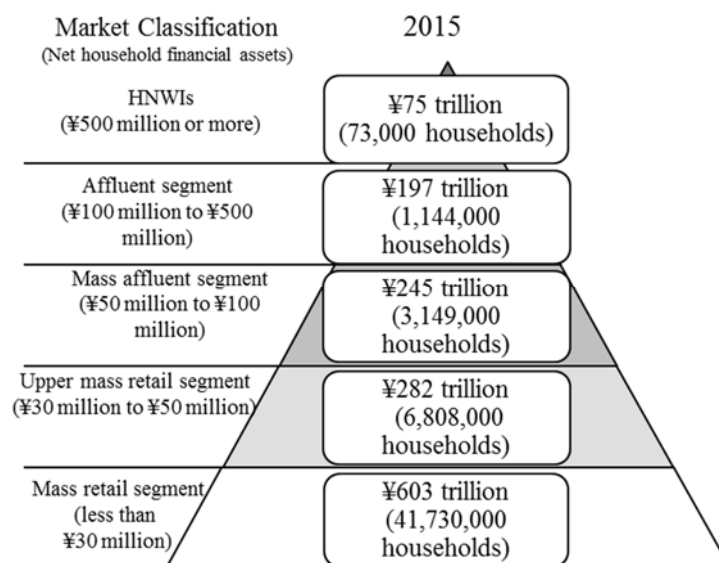
Both Figures Increased Between 2013 and 2015, Affluent Segment Expected to Be More Active with Inter Vivos Gifts Going Forward

Tokyo, November 28, 2016 - Nomura Research Institute, Ltd. (NRI: Tokyo, Japan; Shingo Konomoto, President & CEO) has estimated the number of households and household asset levels in Japan in 2015 as classified by the amount of net financial assets owned. NRI further conducted a Survey of Affluent Segment among company owners and managers nationwide from August to September of 2016 (obtaining valid responses from 2,146 persons, 354 of whom had a total of ¥100 million or more in financial assets owned by themselves and their spouses). The main estimate and survey results are as follows.

■ The Number of Japanese Households in the Affluent and HNWI Segments Grew to Surpass the 2013 Peak Figure

In estimating the number of households and household asset levels, NRI classified all Japanese households into five segments* of HNWI (high net worth individuals), affluent, mass affluent, upper mass retail, and mass retail based on the amount of net financial assets owned (total value of financial assets owned minus debts), such as savings and deposits, equities, bonds, investment trusts, single-premium life insurance and annuities, etc. NRI's estimate revealed that the combined size of the affluent segment holding net financial assets worth ¥100 million or more but less than ¥500 million and the HNWI segment holding net financial assets of at least ¥500 million consisted of 1,217,000 households as of 2015 (Figure 1). More specifically, there were 1,144,000 households in the affluent segment and 73,000 households belonging to the HNWI segment.

Figure 1: Number of Households and Household Asset Levels as Classified by Net Financial Assets Held



(Note) Estimated by NRI based on the Annual Statistics Report of the National Tax Agency, the National Survey of Family Income and Expenditure of the Ministry of Internal Affairs and Communications, Vital Statistics of the Ministry of Health, Labour and Welfare, the Household Projections for Japan of the National Institute of Population and Social Security Research, the Tokyo Stock Index TOPIX by Tokyo Stock Exchange, Survey of 10,000 Consumers (Financial Edition) by NRI, and Survey of Affluent Segment by NRI.

Compared with 2013 figures, the number of households belonging to the affluent segment rose by 20.0%, while the number of those belonging to the HNWI segment went up by 35.2%, amounting to a combined increase of 20.9%. The total number of households in these segments was roughly 210,000 higher than the figure of 1,007,000 households seen in 2013, which had been the peak since the year 2000, when NRI began making estimates using similar methods.

The growth in the numbers of households belonging to the affluent and HNWI segments likely resulted from the rise in stock prices between 2013 and 2015. This rise allowed many in the mass affluent segment who held net financial assets worth ¥50 million to ¥100 million and the affluent segment who held net financial assets worth ¥100 million to ¥500 million as of 2013 to grow the value of their assets, and enabled them to move into the affluent or HNWI segment.

■ Net Financial Asset Amounts for the Affluent and HNWI Segments Continue to Rise

Between 2013 and 2015, the affluent and HNWI segments saw the value of their net financial assets increase by 17.3% and 2.7% respectively, making for a combined increase of 12.9%. The ¥272 trillion in net financial assets held by the affluent and HNWI segments in 2015 surpassed the ¥254 trillion figure seen in 2007, which had marked the peak since the year 2000 when NRI began conducting such estimates (Figure 2).

Figure 2: Trends in Number of Households and Household Asset Levels as Classified by Net Financial Assets Held (2000 – 2015 estimate results)

Classification		2000	2003	2005	2007	2009	2011	2013	2015
HNWIs	¥ Trillion	43	38	46	65	45	44	73	75
	10,000 Households	6.6	5.6	5.2	6.1	5.0	5.0	5.4	7.3
Affluent	¥ Trillion	128	125	167	189	150	144	168	197
	10,000 Households	76.9	72.0	81.3	84.2	79.5	76.0	95.3	114.4
Mass affluent	¥ Trillion	166	160	182	195	181	196	242	245
	10,000 Households	256.0	245.5	280.4	271.1	269.8	268.7	315.2	314.9
Upper mass retail	¥ Trillion	201	215	246	254	225	254	264	282
	10,000 Households	575.1	614.0	701.9	659.8	639.2	638.4	651.7	680.8
Mass retail	¥ Trillion	503	519	512	470	480	500	539	603
	10,000 Households	3,760.5	3,881.5	3,831.5	3,940.0	4,015.8	4,048.2	4,182.7	4,173.0

Notes:

- 1.) The upper row of each segment indicates the amount of financial assets (total value of financial assets owned minus debts), and the lower row indicates the number of applicable households
- 2.) Estimate methods are the same as those used in Figure 1

This increase in the value of net financial assets held by the affluent and HNWI segments, as stated earlier, is thought to have resulted from the continuous increase in stock prices during this period, owing to economic policies under the Abe administration (known as Abenomics). Not only did this lead the assets held by persons who had originally belonged to the affluent and HNWI segments to grow, it also allowed some of those in the mass affluent segment who had invested in financial assets to move up into the affluent segment.

It should be noted that in 2016, the strong yen and stagnation in stock prices are some factors thought to be causing a slowdown in the growth of net financial assets owned by the affluent and HNWI segments.

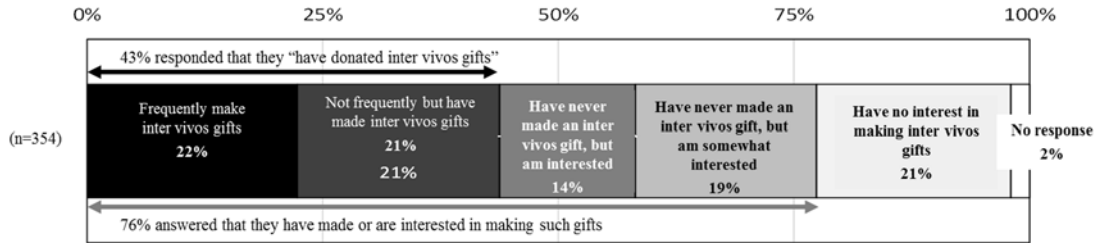
■ Nearly Half of Company Owners Belonging to the Affluent and HNWI Segments Have Made Inter Vivos Gifts to Heirs

It is expected that the rise in assets owned by members of the affluent and HNWI segments from 2013 to 2015 will spur a rise in inter vivos gifts, coupled with trends toward a higher inheritance tax.

According to the survey results, among company owners and managers belonging to the affluent and HNWI segments, 22% “frequently” make inter vivos gifts of their assets, while another 21% have “not frequently but have” made such gifts, meaning that a total of 43% of respondents from these segments have made inter vivos gifts at some point (Figure 3). Also, 14% of respondents stated that they “have never made an inter vivos gift, but [am] interested”, and similarly, another 19% responded that they were “somewhat interested” in making such a gift. Those who have previously made inter vivos gifts and those who have even a slight interest in doing so made up a combined 76% of survey respondents.

Looking at inter vivos gifts made in the past five years as classified by method, 60% of those who gifted assets (26% of all company owners belonging to the affluent or HNWI segments) made “donations eligible for the basic deduction (¥1,100,000 or less annually)”. Moving on, 17% of those who gifted assets (8% of all such company owners) made “donations using the special exception for housing fund donations (exempting donations up to a maximum of ¥30,000,000)”, followed by another 10% (5% of all such company owners) who made “donations using the special exception for educational fund donations (exempting donations up to a maximum of ¥15,000,000)”. The average annual donation amount given by those who made inter vivos gifts came to ¥5,940,000.

Figure 3: Experience Donating Assets as Inter Vivos Gifts, and First-Time Interest in Making Such Donations



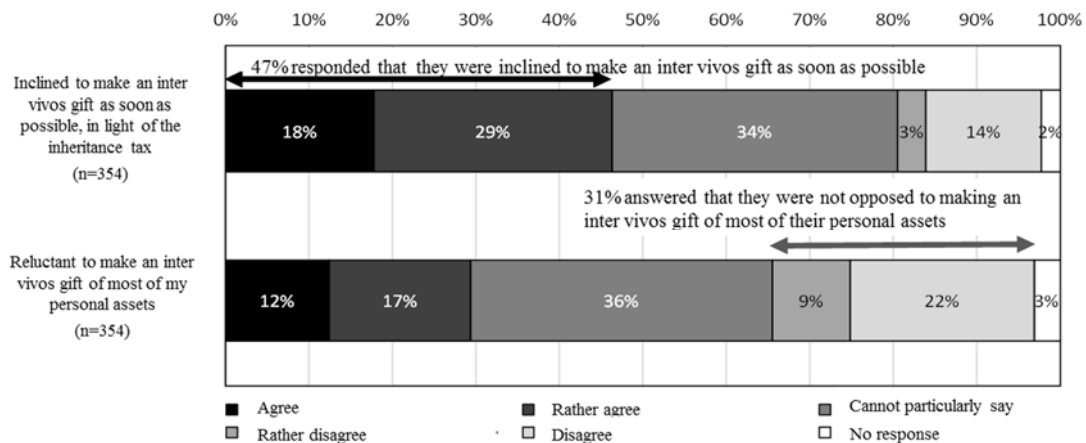
Note: Survey of company owners with at least ¥100 million in financial assets owned by themselves and their spouses

(Source: "NRI Survey of Affluent Segment (2016)")

■ There is Significant Room for Growth in Assets to be Donated as Inter Vivos Gifts

With regard to the intention among company owners belonging to the affluent and HNWI segments to make inter vivos gifts, respondents were asked whether they were inclined to make an inter vivos gift as soon as possible in light of the inheritance tax, with a total of 47% answering that they were so inclined or would be more inclined than not to make such a gift. When asked as well whether they were reluctant about making an inter vivos gift of most of their personal assets, 31% answered that they were not opposed to or were not especially hesitant about the idea (Figure 4).

Figure 4: Attitudes Toward Inter Vivos Gifts of Assets



Note: Survey of company owners with at least ¥100 million in financial assets owned by themselves and their spouses

(Source: "NRI Survey of Affluent Segment (2016)")

These results indicate that there is a need among company owners belonging to the affluent and HNWI segments who wish to make inter vivos gifts of their assets as soon

as possible, and to gift most of their personal assets, and thus there would seem to be significant room for growth going forward in assets to be donated as inter vivos gifts.

An increase in inter vivos gifts of assets is expected to mean that assets owned by members of the affluent and HNWI segments will be transferred to the next generation in advance of the usual timing for inheriting assets, and that consumer spending, asset management, and other areas of economic activity will receive a boost.

*In the main text, the household segments based on net financial assets held (total value of financial assets owned minus debts) are classified as follows.

HNWI segment:	Net financial assets of ¥500 million or more
Affluent segment:	Net financial assets of ¥100 million to ¥500 million
Mass affluent segment:	Net financial assets of ¥50 million to ¥100 million
Upper mass retail segment:	Net financial assets of ¥30 million to ¥50 million
Mass retail segment:	Net financial assets of less than ¥30 million

Media Inquiries:

Tomokazu Ban / Akito Mizutani
Nomura Research Institute, Ltd.
Corporate Communications Department
Tel: +81-3-5877-7100
E-mail : kouhou@nri.co.jp

Survey Coordinators

Hiroyuki Miyamoto / Masaki Ryomoto
Nomura Research Institute, Ltd.
Financial Business Consulting Department

References

■ Overview of “NRI’s Survey of Affluent Segment”

Purpose To ascertain the asset management and investment activities of company owners and managers as individuals, as well as their relationships with financial institutions and investment managers, the present state of their inheritance and business succession arrangements, and their corporate relationships to financial institutions, and to clearly identify company owners and managers’ needs with regard to financial services and financial institutions.

Target Sampled 20,000 companies nationwide relying on the TDB Corporate Overview Database at Teikoku Databank, Ltd., and sent our survey to the company owners. Among the 2,146 valid responses that were received, we used those from the 354 persons having a total of ¥100 million or more in financial assets owned by themselves and their spouses in our tabulation.

Financial assets valued between ¥100 million and ¥500 million: 322 persons

Financial assets valued at ¥500 million or more: 32 persons

Survey method

Survey slip sent and collected by mail

Survey Period

August-September 2016