

News Release

NRI Conducts Nippon Individual Savings Account (NISA) Usage Survey, Findings Project 8.65mn NISA Holders/Applicants by Year-End

TOKYO – February 13, 2014 – Nomura Research Institute, Ltd., (NRI) a leading provider of consulting services and system solutions, conducted a Nippon Individual Savings Account (NISA)*¹ Usage Survey in early February 2014, showcasing NISAs smooth start from the January 2014 launch. As of January 1, 2014, 4.75 million NISAs had been opened, according to the National Tax Agency (NTA). Public awareness of NISAs is growing, according to a series of surveys conducted by NRI over the past year. Based on its latest survey data, NRI estimates that 8.65 million NISAs will be opened by the end of 2014.

The latest survey's findings are summarized as follows:

NISA name recognition has more than tripled to 69.5% over past year

- The survey found that 69.5% of respondents were aware of NISAs, with 25.7% reporting that they "have heard of and are knowledgeable" about NISAs and 43.8% reporting that they "have heard of but do not know much" about NISAs (Exhibit 1). In a previous NRI survey conducted in February 2013 immediately after the Cabinet approved NISAs, 22.4% of respondents were then aware of NISAs (4.8% were knowledgeable about NISAs and 17.6% had merely heard of NISAs). The percentage of survey respondents aware of NISAs has more than tripled over the past year. Even among Non-Investors*² who hadn't conducted any investment, 63% recognized the name of NISAs; 14.8% and 48.2% of them.
- Respondents who were aware of NISAs were asked how they had learned about them and the most common responses were "TV/radio" (61.3%) and "newspaper/magazine" (44.0%) (Exhibit 2; multiple responses permissible). In the February 2013 survey, 26.0% of the respondents aware of NISAs reported that they had heard about them from TV or radio. Media coverage of NISAs and financial institutions' heavy TV and radio advertising employed to capture customers appears to have increased public awareness.

NRI projects 8.65mn NISA holders/applicants by year-end

- The NTA announced that as of January 1, 2014, it had received from financial institutions 5.56 million applications to open NISAs (excluding duplicate applications) and 4.74 million NISAs had been opened. Based on these numbers and anecdotal information from financial institutions on the pace of NISA applications during January 2014, NRI estimates that nearly 6.5 million people throughout Japan have applied to financial institutions to open NISAs as of January 31, 2014.
- Based on the latest survey results, NRI projects that an additional 2.15 million individuals will apply to open NISAs from February through December 2014 and that NISA holders/applicants will number 8.65 million as of year-end 2014.

Brokerages have an early lead over other financial institutions that offer NISAs, but Regular banks' share of open NISAs is thus likely to increase going forward

- Of survey respondents who have opened, or applied to open, NISAs, 33.1% did so at regular (i.e., not online-only) brokerages, while 29.1% did so at regular banks. However, of survey respondents who plan to apply to open NISAs, 16.3% plan to do so at a regular brokerage while 48.5% plan to do so at a regular bank. Regular banks' share of open NISAs is thus likely to increase going forward (Exhibit 3). The number of NISAs accounts at regular bank is estimated to be 2.93million and more than one at regular brokerage of 2.5 million by the end of 2014(Exhibit 4).
- Of survey respondents who have opened or applied to open NISAs, 75.8% are equity or non-equity investors*². According to NRI's Financial Survey of 10,000 Consumers, more than 78% of Japan's population of the age of 20-79 were non-investors*². The key to NISAs' widespread adoption is the extent to which non-investors join the investor class.

More than 50% of those who already made their first NISA investments have invested in investment trusts

- Of respondents who have already made NISA investments, 50.8% invested only in investment trusts, 43.2% invested only in listed equities and 6.0% invested in both. Within the subset of these respondents who are classified as non-investors, 52.5% invested only in investment trusts and 47.5% invested only in equities, a roughly 50:50 split between the two asset classes (Exhibit 5).
- Of respondents who have opened NISAs, but not yet made their first NISA investment, the most common reason for not yet investing was "waiting for an opportune time to invest" (33.3%), followed by "no need to hastily invest" (29.2%) and "several investment candidates, but have not yet decided which to invest in" (20.2%) (Exhibit 6; multiple responses permissible).

Of those who already made their first NISA investment, nearly 60% funded their NISAs with savings

- Of respondents who already made their first NISA investment, 59.7% funded their NISAs with savings while 19.1% funded their NISAs with proceeds from the sale of existing equity holdings.
- Among equity investors, 53.3% funded their NISAs with savings while 31.3% funded their NISAs with proceeds from the sale of existing equity holdings (Exhibit 7; multiple responses permissible). It shows we can expect NISA helps people moving to investment from savings.

Average NISA investment is ¥593,000

- NISA holders can fund their NISAs with either a lump sum at any time they choose or with monthly installments. Of respondents who already made their first NISA investment, 84.4% funded their NISAs with lump sums, 6.5% opted for monthly installments and 9.1% made an initial lump-sum deposit to be followed by additional monthly installments (Exhibit 8).
- The average lump-sum investment was ¥641,000 and the average monthly installment is ¥31,081, which annualizes to ¥372,000. Among NISA holders funding their accounts through both lump-sum deposits and monthly installments, the average annualized investment is ¥304,000. Of respondents who have already funded their NISAs, 50.2% plan to invest additional funds in their NISAs. As a result, average NISA investments are accordingly likely to increase.

48.8% of respondents want to keep their NISAs at the same financial institution

- Under current rules, individuals may open a NISA at only one financial institution and, once they have done so, may not switch to another financial institution. In response to many complaints about these restrictions, the government is considering making NISAs portable from 2015. The survey asked respondents about their plans to move their NISAs from one financial institution to another and a large plurality (48.8%) want to keep their NISAs at the same financial institution and only 2.9% want to switch, while 20.6% reported that they might switch (Exhibit 9).
- Reported reasons for wanting to switch financial institutions included a desire to invest in financial products offered by other financial institutions, curiosity about differences in service among financial institutions and dissatisfaction with the chosen financial institution (e.g., previously frequent contact from the financial institution ceased once the NISA was opened). Among the different types of financial institutions, regular banks had the highest percentage of NISA customers who wanted the option of switching to another financial institution. Of survey respondents who have opened NISAs at regular banks, 4.3% want to switch to another financial institution and 26.0% might switch.

ABOUT NRI

Nomura Research Institute, Ltd. ("NRI", TYO: 4307) is an independent, global IT solutions and consulting services provider with annual sales of 363.9 billion yen as of FY ended March 2013. With front-to-back support for the buy- and sell-side, NRI's tradition of innovation has positioned them as a trusted international market leader. Leveraging NRI's global consulting business, NRI is able to provide innovative financial IT solutions for investment banks, asset managers, banks and insurance providers. For more information visit www.nri.com.

*1. A Nippon Individual Savings Account (NISA) provides tax-exempt treatment of dividends (distributions) and capital gains from investments in listed equities or investment trusts. To use a NISA, individuals must open a special tax-exempt account and are limited to one such account per person. NISA holders may purchase up to ¥1 million of listed equities or investment trust shares per year in their NISAs.

*2. Survey respondents who owned stocks as of December 31, 2013 were classified as equity investors. Respondents who owned investment products other than stocks like investment trust and bond, exclusive of real estate and art, as of December 31, 2013 were classified as non-equity investors and investors who did not own any investment products as of December 31, 2013, were classified as non-investors. The non-equity investors' investment holdings are mainly investment trusts.

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<Reference: Outline of survey>

Survey name: NISA (Nippon Individual Savings Account) Usage Survey (February 2014)

Dates conducted: February 1-2, 2014

Survey sample: 5,000 men and women aged 20-79 from throughout Japan

*The aggregated survey data plotted in the graphs below were adjusted to approximate Japan's nationwide population distribution based on the *NRI Questionnaire Survey of 10,000 Consumers (2012)* and National Institute of Population and Social Security Research's *Population Projection for Japan: 2011-2060 (January 2012)*. Sample sizes are noted below each graph.

Survey method: online survey

Surveys conducted by NRI in the past with sample sizes

- On February 16-18, 2013 with 2,226 samples
- On July 12-16, 2013 with 5,000 samples
- On October 4-6, 2013 with 10,000 samples

Exhibit 1. Do you know what a NISA is? (overall and disaggregated by investor status)

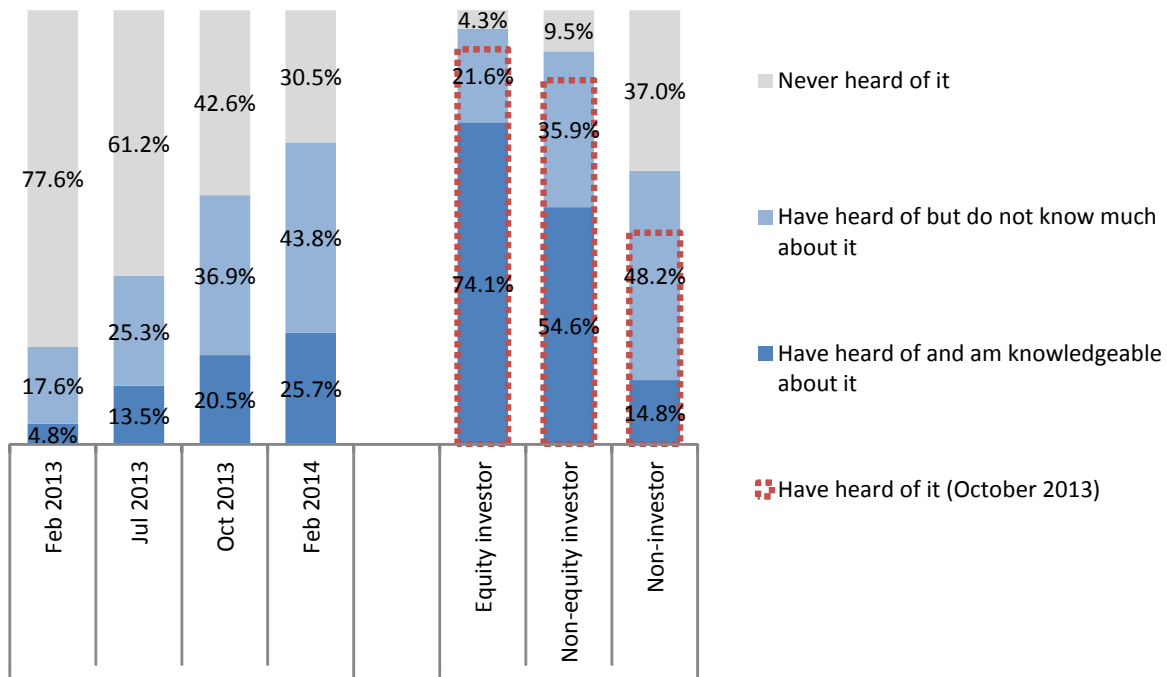


Exhibit 2. How did you learn about NISAs? (multiple responses permissible)

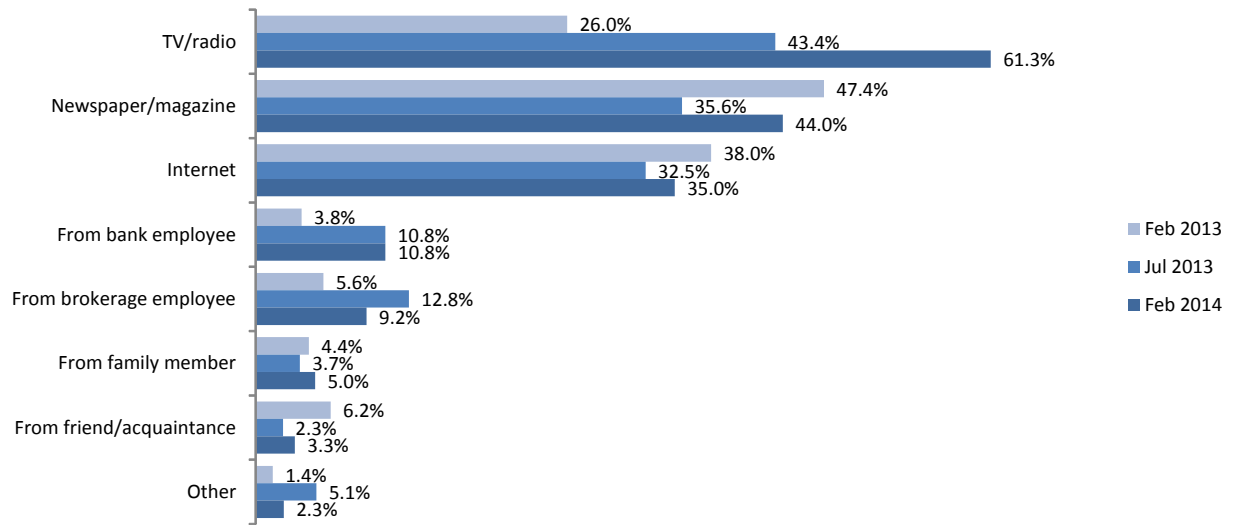


Exhibit 3. Where did you, or where do you plan to, open your NISA?

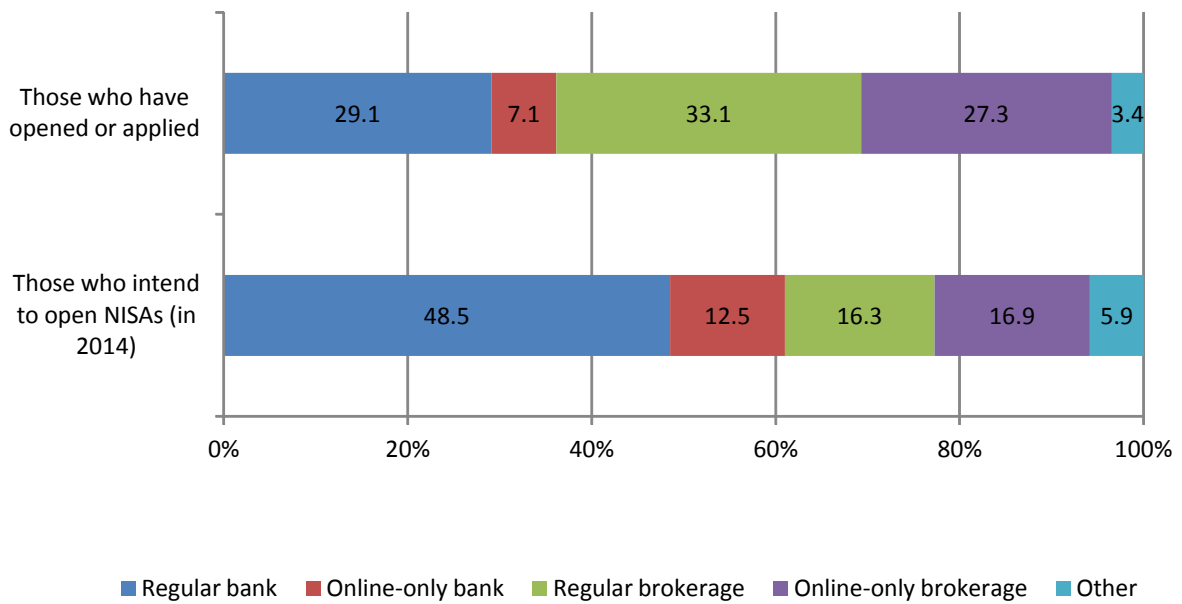


Exhibit 4. Expected numbers of NISA accounts on each type of financial institution

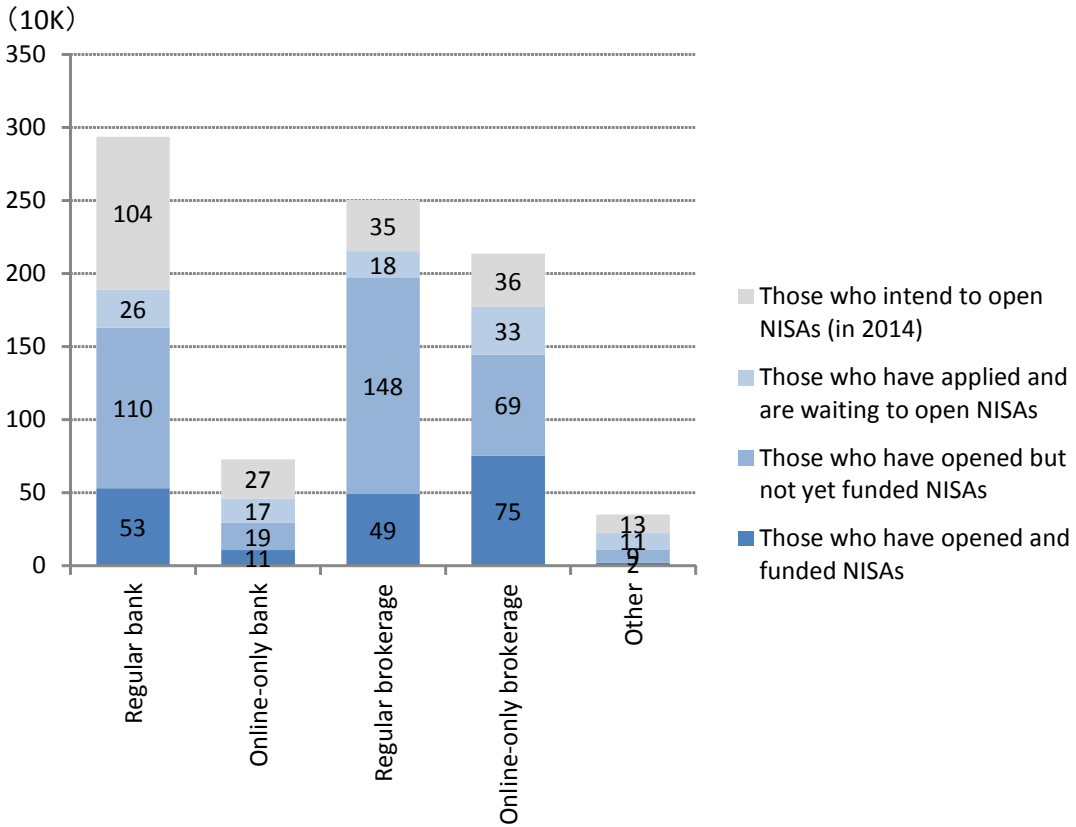


Exhibit 5. What have you invested in through your NISA? (overall and disaggregated by investor status)

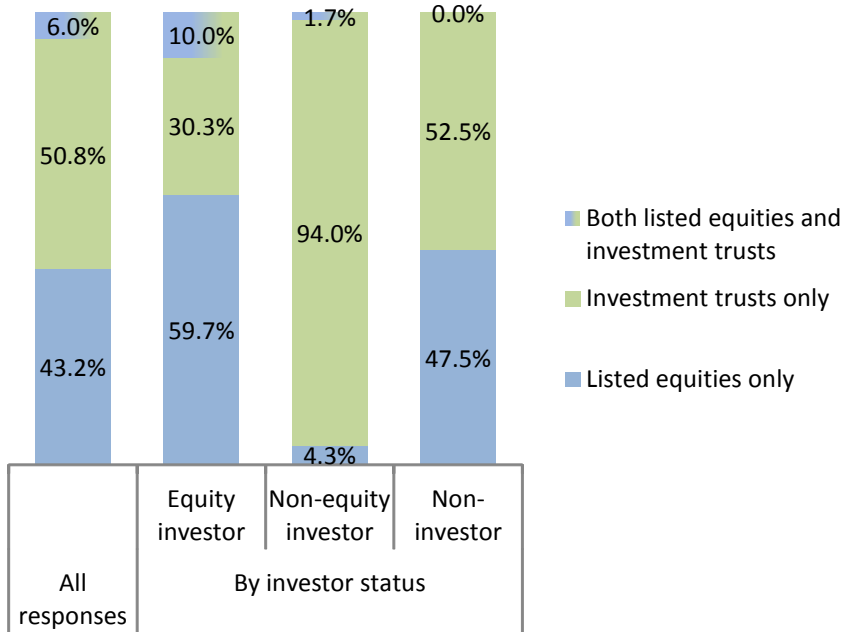


Exhibit 6. Why have you not yet invested in your open NISA? (Multiple responses permissible)

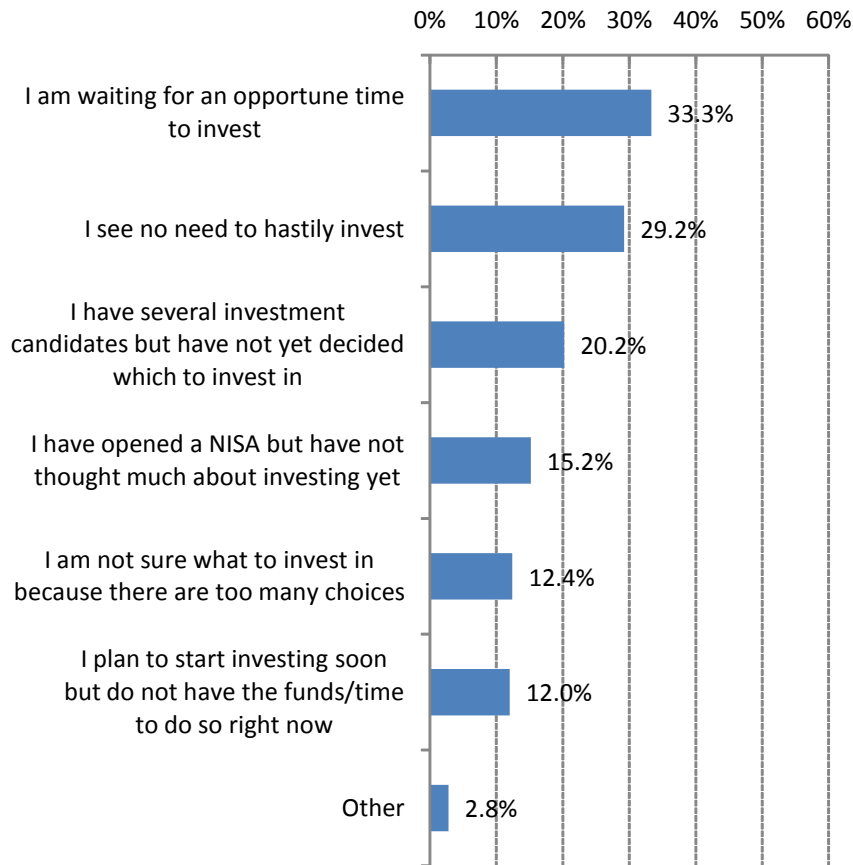


Exhibit 7. From what source did you fund your NISA? (Multiple responses permissible)

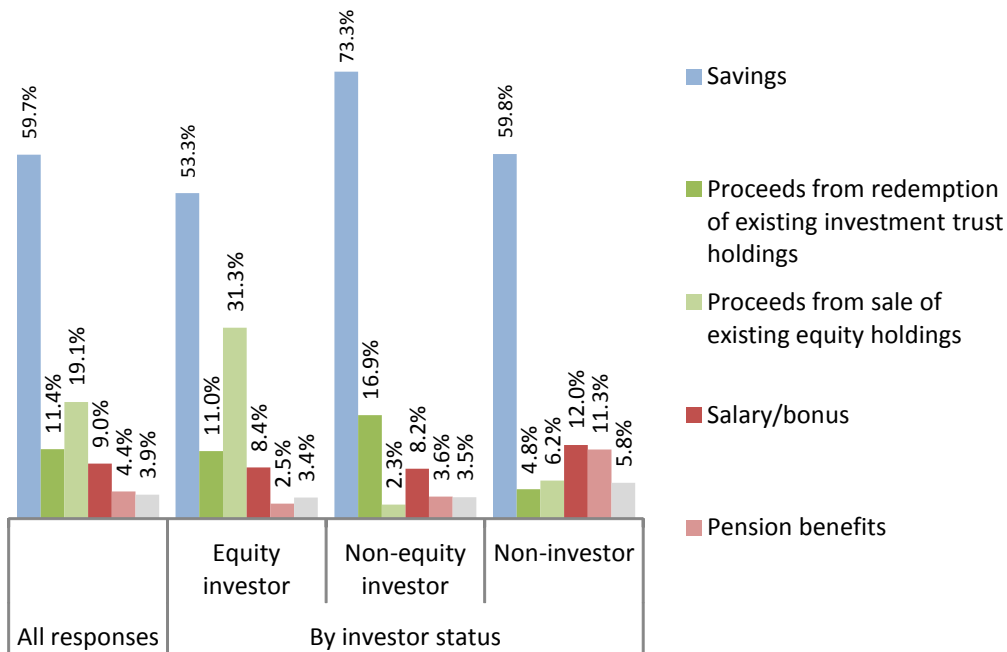
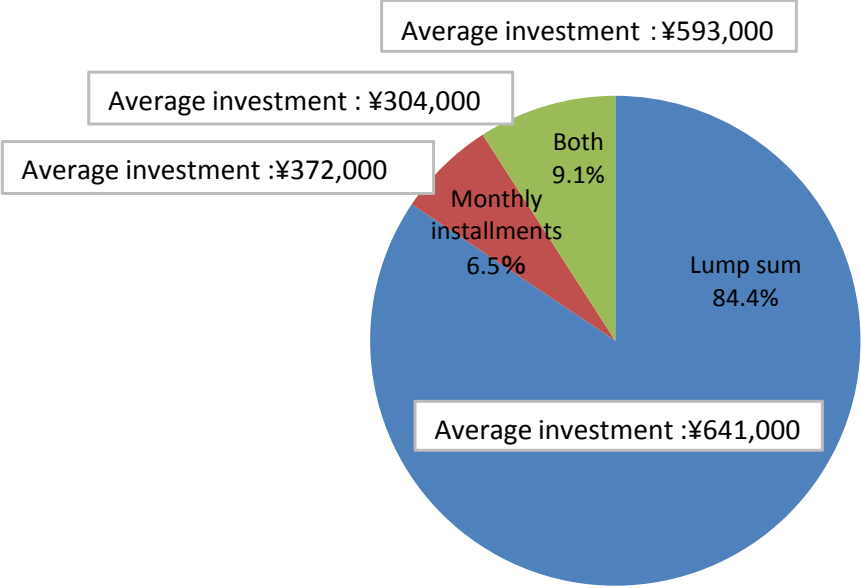


Exhibit 8. How much have you invested in your NISA?



*Of respondents who already made their first NISA investment
*Monthly installments is annualized.

Exhibit 9. Are you thinking of moving your NISA to another financial institutions?

