



Japan Securities Dealers Association



# JAPAN:

One of the world's most robust capital markets, and a pivotal contributor to global economic growth.

February 2018

# Japan's securities market: underpinning sustainable future growth



The Japanese economy is performing steadily. Both nominal and real GDP reached record highs in 2016 and corporate profits reached their highest level in the year ending March 2017. Against this backdrop, the stock market has remained on a solid upward trend. In order to build on the current economic performance and consolidate the movement toward sustainable future growth, the Japanese government has adopted its Growth Strategy 2017 featuring a new concept, “Society 5.0,” which aims to realize an efficient, productive and affluent society by making optimum use of innovative technology. The securities market is expected to support such policy efforts and the momentum for future growth through the efficient allocation of capital and resources.

Meanwhile, the establishment of a sustainable and fair society has been put on the global agenda under the Sustainable Development Goals (SDGs) announced by the United Nations. The Japan Securities Dealers Association (JSDA) and the entire Japanese securities industry will make concerted efforts to contribute to this global initiative through various ways such as activating ESG finance. I hope our efforts will help overcome the global challenges pertaining to poverty, inequality and climate change.

The JSDA and the securities industry in Japan will work together to not only maximize the potential of the Japanese economy but also underpin global sustainable growth for the future.

A handwritten signature in black ink, appearing to read 'Shigeharu Suzuki', written in a cursive style.

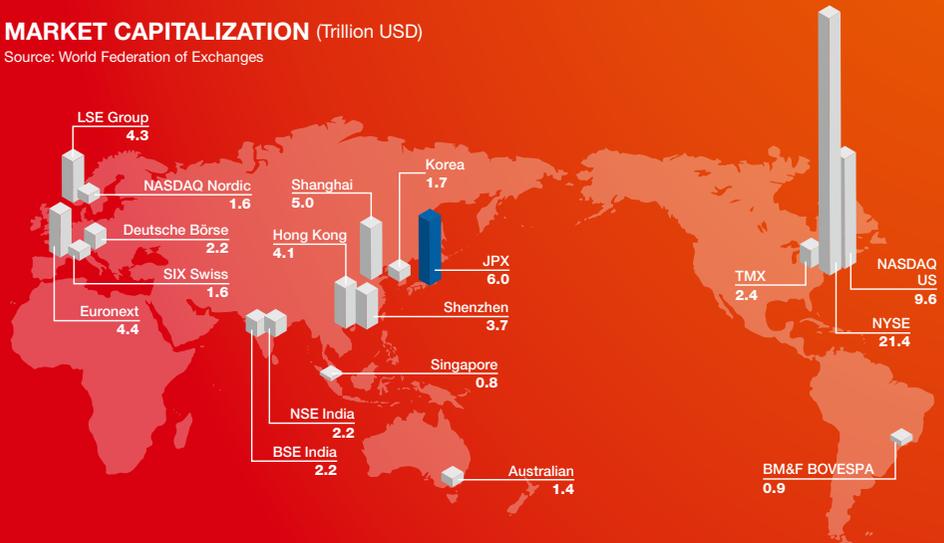
**Shigeharu Suzuki**  
**Chairman and CEO**  
**Japan Securities Dealers Association**

# Deep

Japan has the third largest economy in the world and well-functioning capital markets characterized by deep liquidity and diversity. Its stock market boasts a market capitalization of \$6.0 trillion and monthly trading volume of \$535.8 billion (Oct. 2017). The size of OTC bond trading in 2017 (end of October) was \$71.6 trillion.

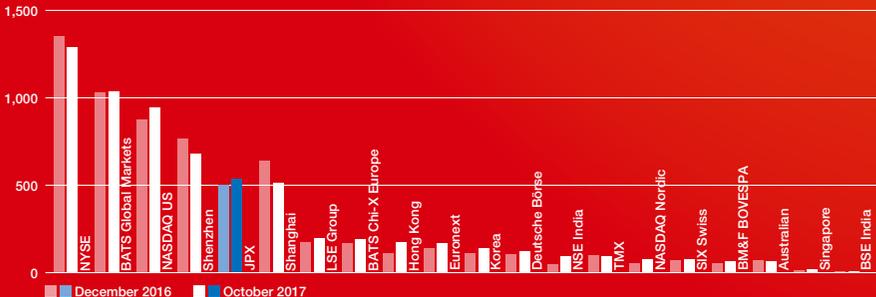
## MARKET CAPITALIZATION (Trillion USD)

Source: World Federation of Exchanges



## VALUE OF SHARE TRADING (Billion USD)

Source: World Federation of Exchanges



# Advanced

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Many leading, internationally competitive enterprises with cutting-edge technologies exist as fund-raisers and underpin the market.

- Japan is the cradle of some of the most highly-valued global brands, including companies in car manufacturing, electronics, heavy industry, renewables, transport, and trading.
- 51 Fortune Global 500 companies are Japanese.
- Japan has the third-highest R&D spending in the world in terms of both total amount and as a percentage of GDP.
- From 2014 to 2016, six Japanese in total won Nobel Prizes in Physics and Physiology or Medicine, showing the high potential for breakthroughs in related fields.



# Upvaluing

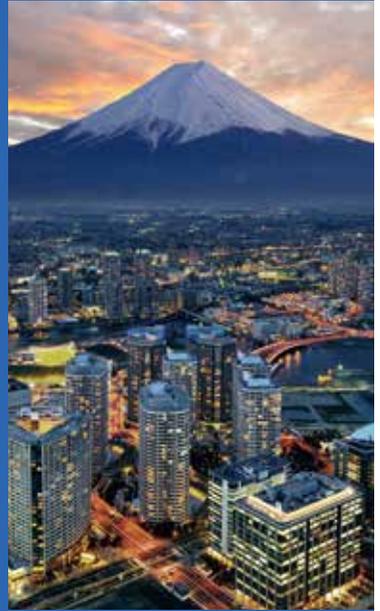
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Key corporate governance reforms have been introduced in Japan together with a corporate governance code and a stewardship code. Based on these two codes, listed companies are strengthening their corporate value and integrity.

# Extensive

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The huge pool of financial assets held by Japanese individuals amounting to ¥1,845 trillion (\$16.4 trillion) (end of Sep. 2017) is seeking tools and opportunities for investment and is expected to provide sufficient long-term funds for promising businesses through the financial and securities industries.



# Connected

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The Japanese market has geographic proximity to and close linkages with growing countries in Asia.

Japan is becoming more accessible from abroad. In 2016, 24.0 million foreigners visited the country and the number is expected to be even higher in 2017. Tokyo is now upgrading the city infrastructure to deliver even greater convenience and efficiency for the 2020 Olympic and Paralympic Games.



# Taking Strides Toward Sustainable Market Development

Japan Exchange Group, Inc. (JPX) offers Japan's most comprehensive integrated market infrastructure for securities trading. Encompassing cash and derivatives market operators Tokyo Stock Exchange and Osaka Exchange, clearinghouse Japan Securities Clearing Corporation, and self-regulator Japan Exchange Regulation, the group's vertical business model builds quality and efficiency, and serves to secure investor confidence. Alongside a 3,600-company strong stock market, which is Asia's largest exchange market by listed value, its multi-asset lineup draws international investment in

ETPs, REITs, local and foreign bonds, as well as highly liquid TOPIX, Nikkei 225, and JGB derivatives. Creative market data and IT services complete a diversified business portfolio. JPX is taking strides forward, developing market infrastructure and services, joining the Sustainable Stock Exchanges (SSE) initiative, and encouraging responsible investment as it pursues sustainable market development.



## JPX MARKETS AND PRODUCTS

Cash Market		Derivatives Market	
1st Section	2,065 (3)	Futures	Nikkei 225 Futures, Nikkei 225 mini TOPIX Futures, mini-TOPIX Futures JPX-Nikkei index 400 Futures TSE Mothers Index Futures TOPIX Core30 Futures RN Prime Index Futures TOPIX Banks Index Futures DJIA Futures, India Nifty50 Futures TAIEX Futures FTSE China 50 Index Futures Nikkei 225 Dividend Index Futures TOPIX Dividend Index Futures TOPIX Core30 Dividend Index Futures Nikkei 225 VI Futures TSE REIT Index Futures
2nd Section	518 (1)	(JGB)	5-year JGB Futures 10-year JGB Futures mini 10-year JGB Futures 20-year JGB Futures
Mothers	248 (1)	Options	Nikkei 225 Options TOPIX Options JPX-Nikkei index 400 Options Securities Options 10-year JGB Futures Options
JASDAQ	749 (1)		
TOKYO PRO Market	22		
ETF/ETN	254		
REIT	59		
Venture Funds	0		
Country Funds	1		
Infrastructure Funds	4		
JGB	303		
TOKYO PRO-BOND Market	39		
Convertible Bonds	19		
(Notes)			
1. Figures indicate number of issues.			
2. Foreign stocks indicated in parentheses.			

(As of end Dec. 2017)

## Long history: Roots of derivative transactions

Merchants in Osaka embarked on the world's earliest organized trading of commodities (rice) futures almost three hundred years ago. The long history of Japanese businesses has been built on the trust of customers and society as a whole.



Japanese *Ukiyo-e* titled  
"Rice-market at Dojima"  
by Hiroshige Ando

\* Collection of  
Osaka Prefectural  
Nakanoshima Library



## Sophisticated legal and regulatory environment

The Japanese securities market enjoys a well-built and efficient legal and regulatory framework as well as a sound business environment. The government regulator and SROs are committed to ensuring the transparency, integrity, and stability of the Japanese market.

The Japan Securities Dealers Association (JSDA) is an association functioning both as a self-regulatory organization and as an interlocutor between market participants and various stakeholders including the government authorities. Both functions work independently. The approximately 500 JSDA members consist of securities firms and other financial institutions operating securities businesses in Japan.

For more information: [www.jsda.or.jp/en/](http://www.jsda.or.jp/en/)



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