



ETF Usage by Individual Investors -ETF Survey Results-

Exchange & beyond

Tokyo Stock Exchange, Inc.

February 2023



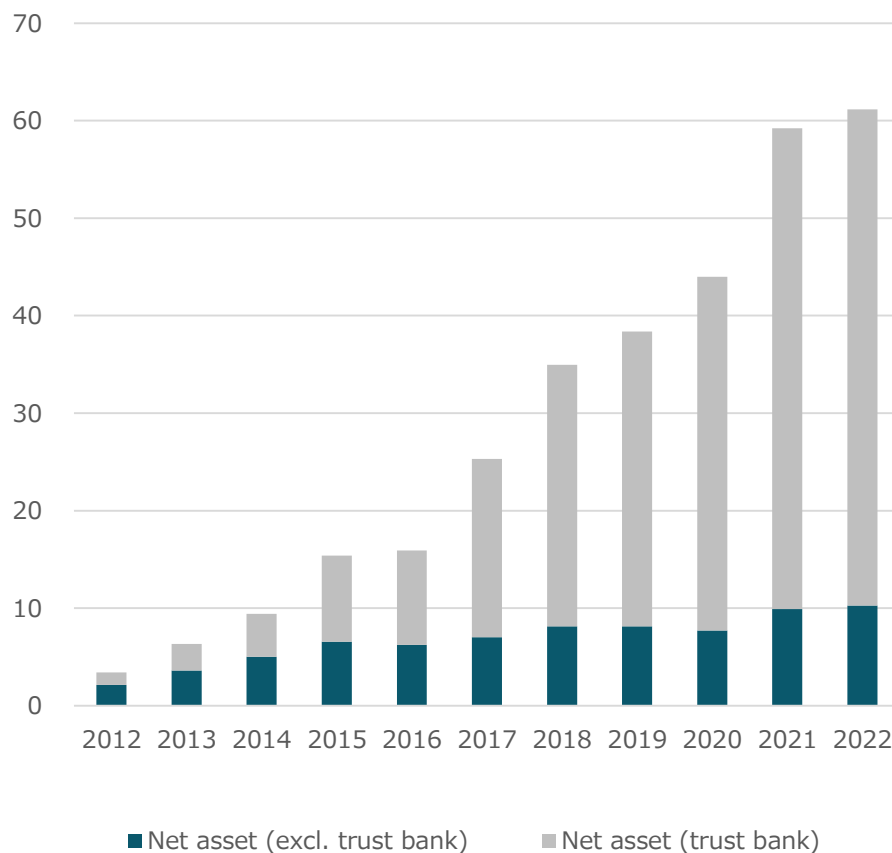
Trends in ETF Use by Retail Investors



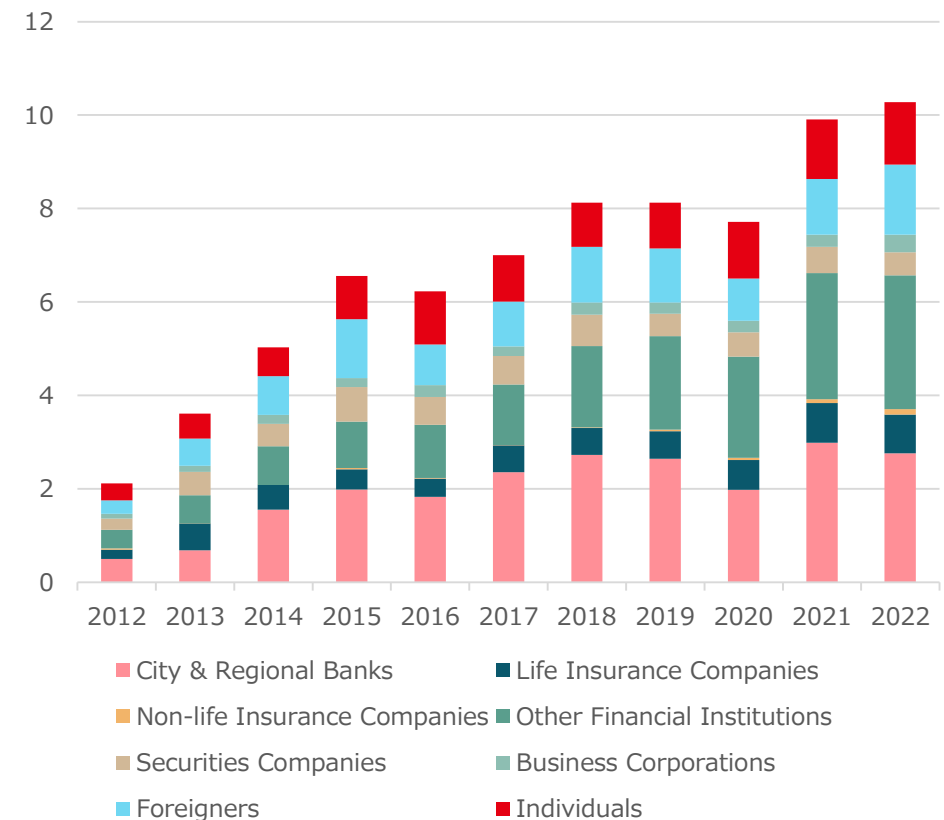
ETF Market Overview

- About 10 trillion yen out of about 60 trillion yen in net asset for the entire ETF market, excluding trust bank portions ≡ the BOJ portions.
- AUM of ETFs held by individuals has been increased every year and reached 1.3 trillion-yen in 2022.

(Trillion JPY)
The net asset of ETFs in Japan



Changes in the breakdown of Net Assets
excluding Trust banks (Trillion JPY)

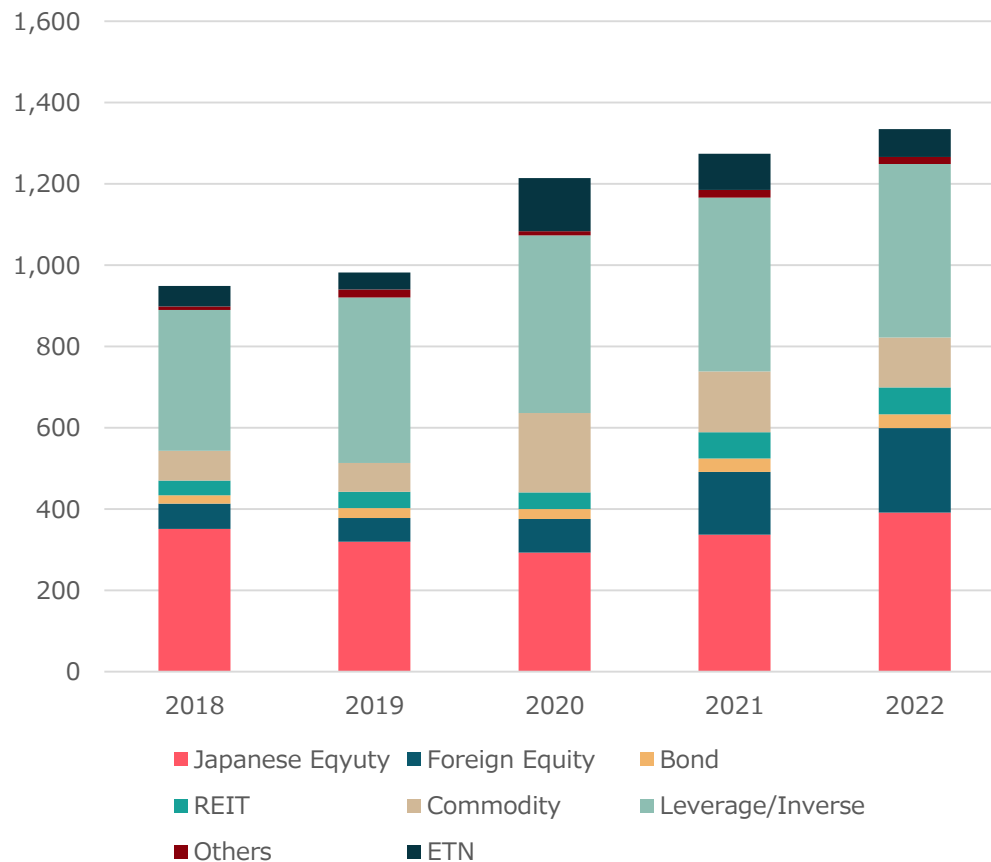


* From "ETF Beneficiary Survey (July 2022)" Tokyo Stock Exchange, Inc.
Individuals in these survey results include individuals of Japanese nationality as well as unincorporated organizations in Japan.
The same applies hereafter.

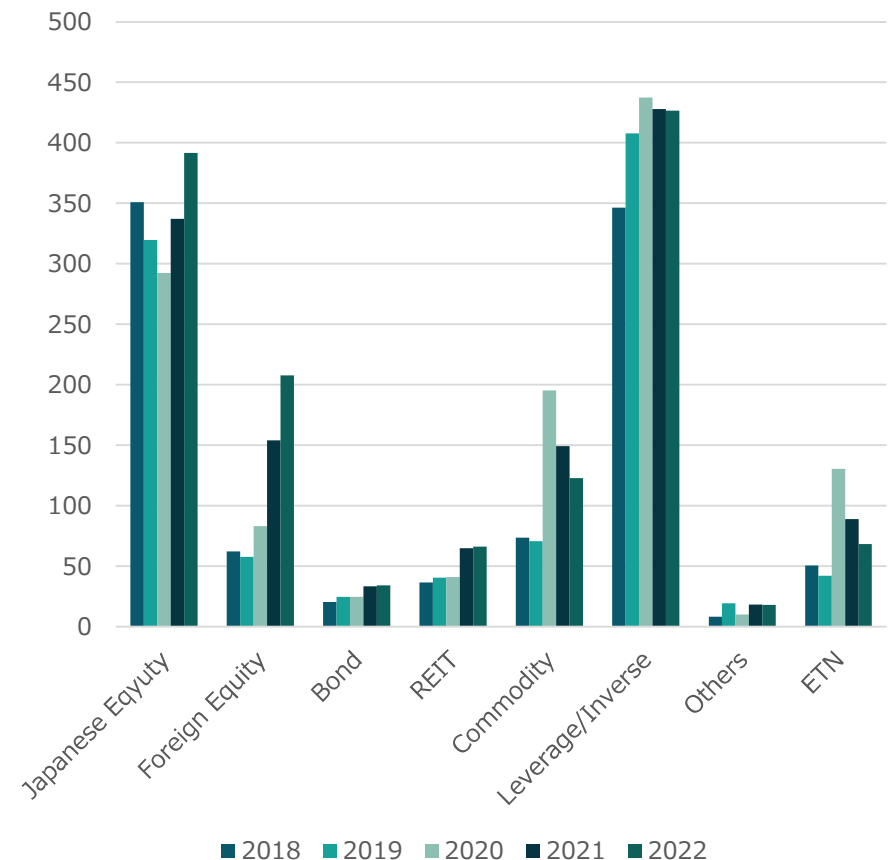
Trends in ETF holdings by individual investors (Net asset)

- Continued increase in ETF holdings by individual investors.
- Leveraged inverse, Japanese equity and foreign equity ETF holdings are high, with particularly strong growth in foreign equity ETFs.
- ETFs are attracting attention as an international diversification investment tool.

The net asset of ETFs held by individual investors (Billions of Yen)



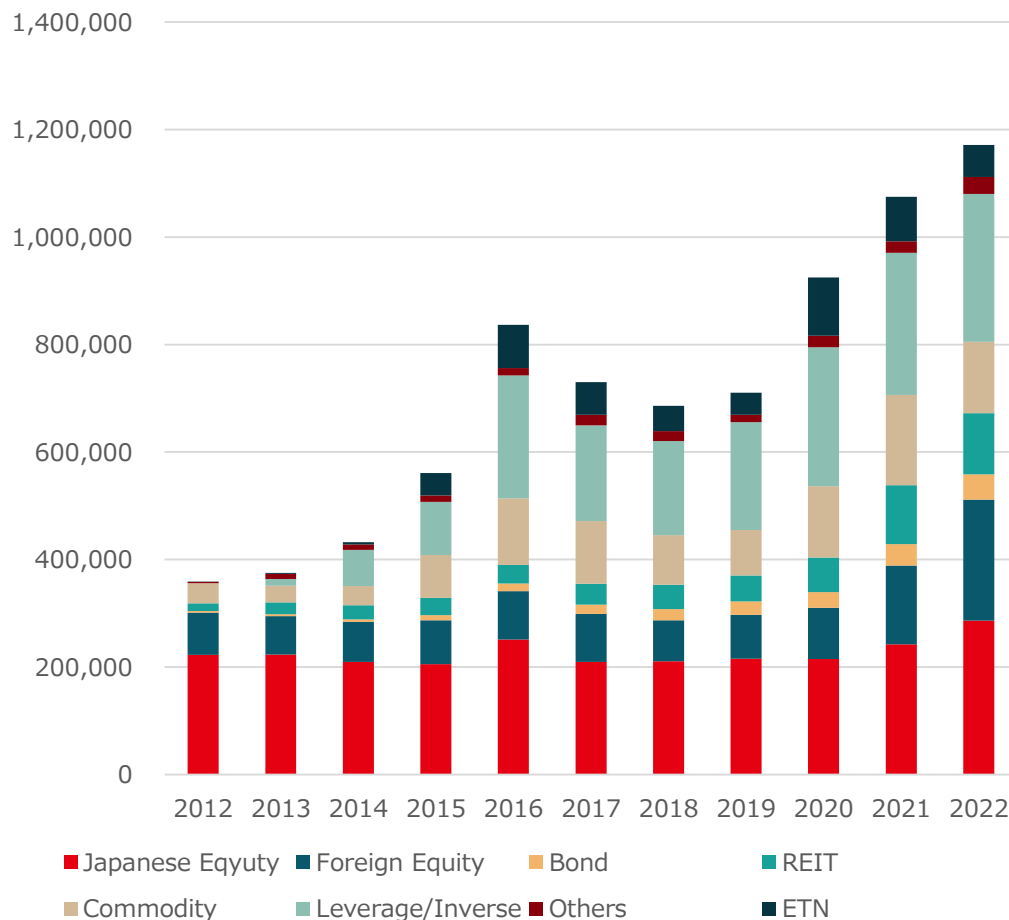
(Changes by the category, billion yen)



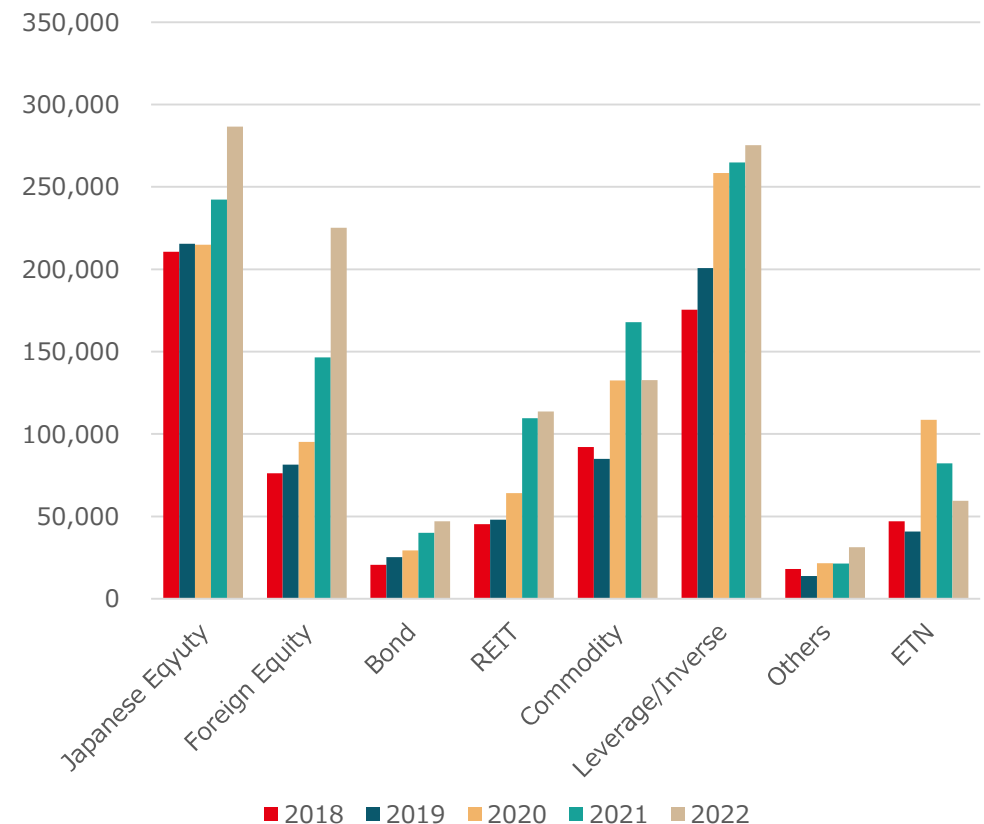
Trends in ETF holdings by individual investors (No. of holders)

- The number of holders (*number of beneficiaries) has also exceeded 1.17 million and is continuously increasing and the base of users is steadily expanding.
- Especially increased in ETFs for foreign equities, Japanese equities, REITs, etc.

No. of Individual Investor Holdings by Category



(Changes by the category)

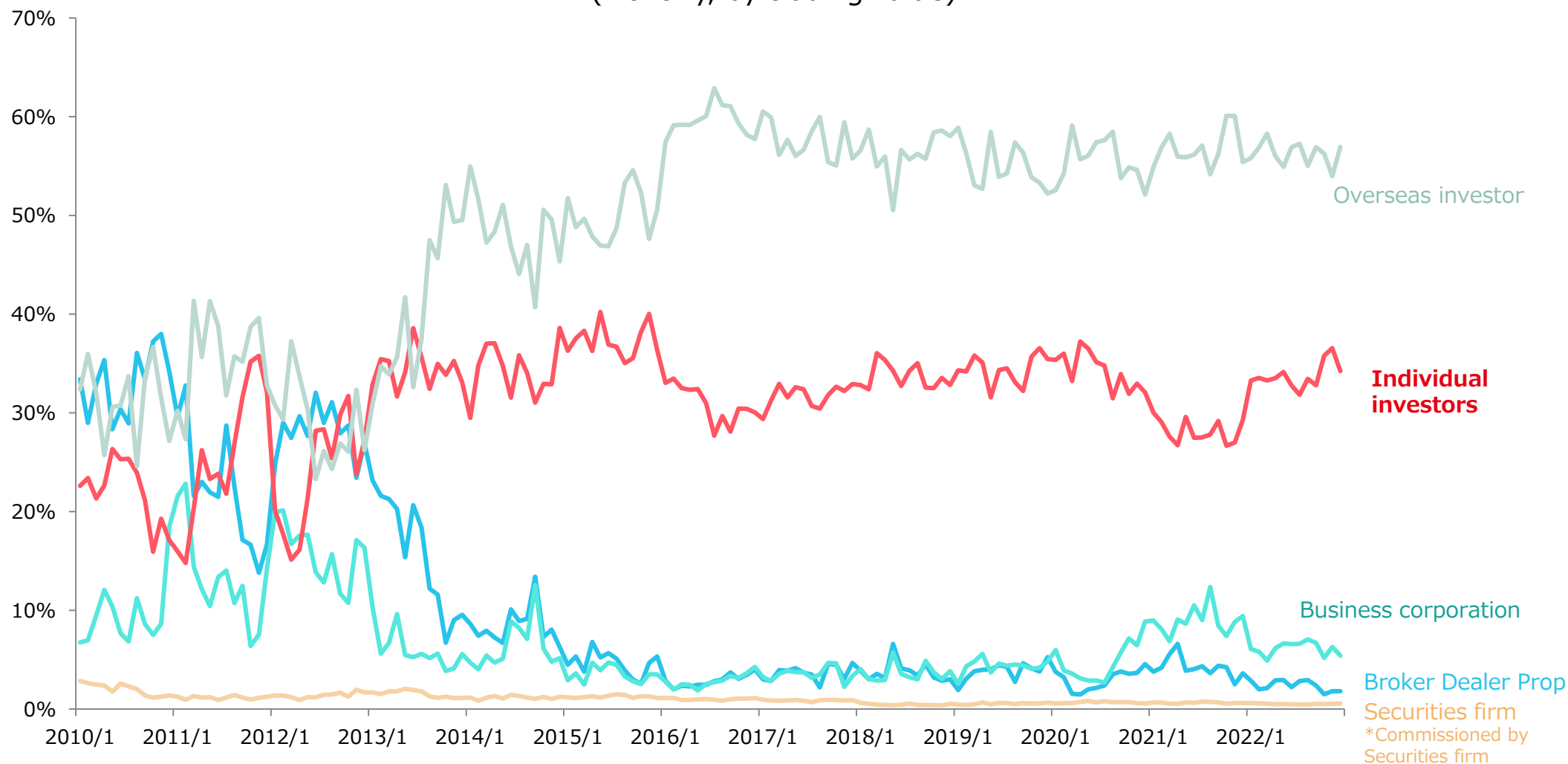


* Note that the number of beneficiaries is simply the total number of holders of each ETF added together. Since no name collation is performed, for example, if one investor holds 10 different issues, the number of beneficiaries is counted as 10.

Trading trends by individual investors

- Individual investors account for nearly 40% of exchange trades in trading value.

ETF Market Share by Investment Category on TSE
(Monthly, by trading value)



* From TSE Trading by Type of Investors: : <https://www.jpx.co.jp/english/markets/statistics-equities/investor-type/02.html>

ETF Survey Results



- With the cooperation of securities firms, TSE conducted a questionnaire survey of individual customers who hold accounts with each firm.
- Collected over 10,000 responses from a demographic with relatively high interest in ETFs.

Summary of Survey

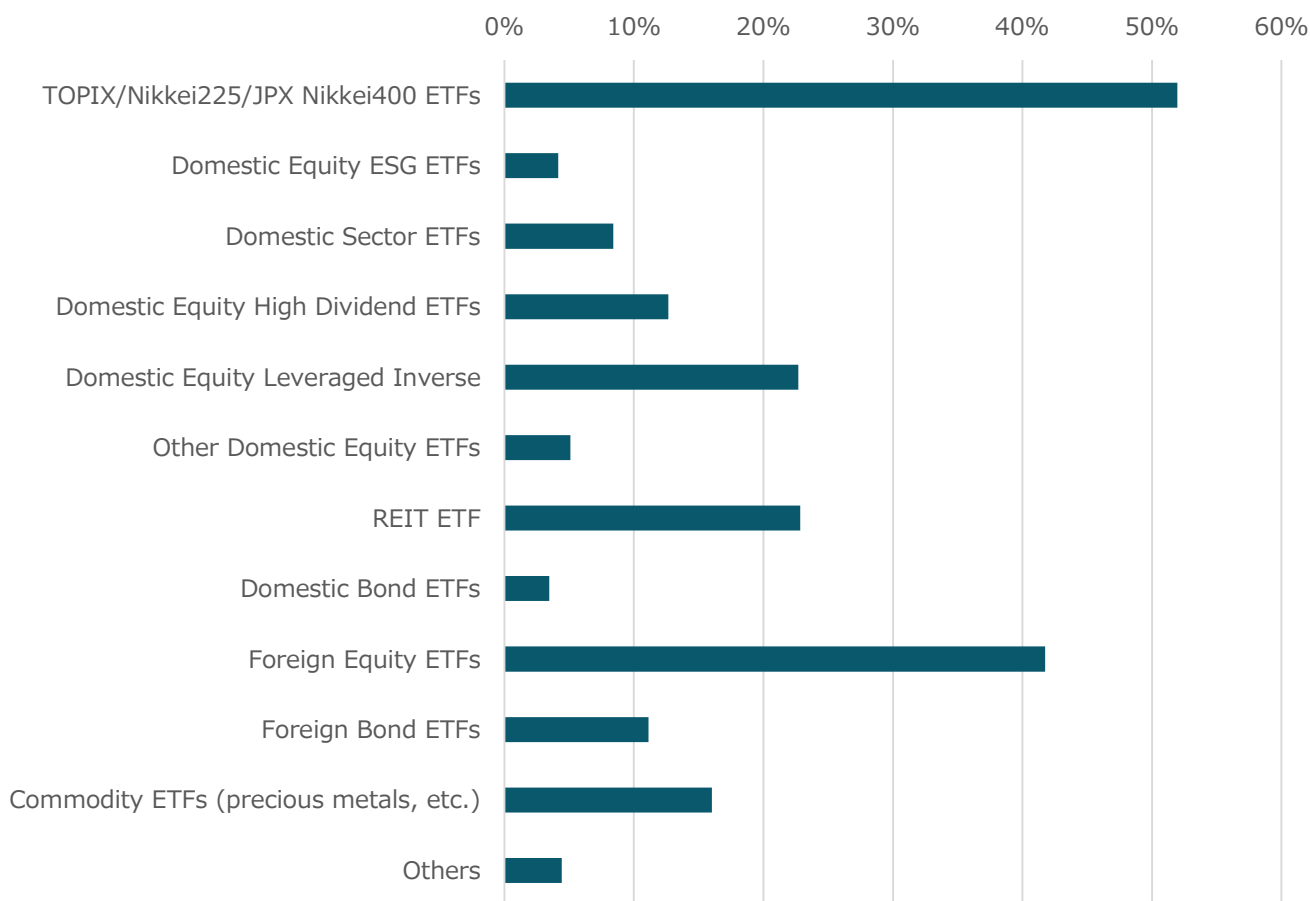
- Period: From July to October 2022
- Method:
 - TSE created the survey questions.
 - Requesting customers of cooperating brokerage firms to respond to questionnaires from each firm.
 - Mainly targeted at investors who have experience in holding and trading TSE-listed ETFs
- Number of valid responses: 11,112

* If one investor holds accounts with two securities firms that cooperated in the survey and responded to the survey at both firms, it is counted as two responses.

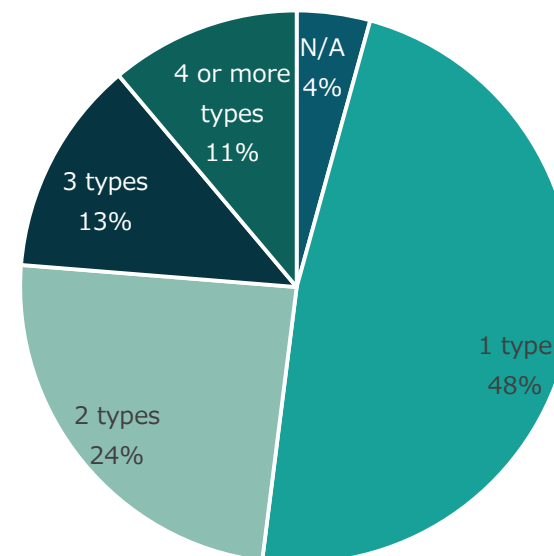
Categories of TSE-listed ETFs in use

- Major Japanese equities (TOPIX and Nikkei 225) and foreign equities ETFs are used by 40-50% of investors. REITs, Leveraged and inverse, commodities, high-dividend, and foreign bonds are next in use.
- Few investors hold diverse categories, with over 80% holding 3 categories or less.

ETFs currently held/traded in the course of the past year
(multiple responses allowed)



No. of ETF categories held/traded



Categories of TSE-listed ETFs in use

- Only 1/3 of TOPIX and Nikkei 225 ETF holders (52%) own foreign equity ETFs.
- On the other hand, foreign equity ETF holders have reached 42%.

Table of whether people who own ETFs in a particular category also own other ETFs

* For example, 19% own TOPIX and Nikkei 225 ETFs and 19% own foreign stock ETFs

	TOPIX/Nikkei225/JPX Nikkei400 ETFs	Domestic Equity ESG ETFs	Domestic Sector ETFs	Domestic Equity High Dividend ETFs	Domestic Equity Leveraged Inverse ETFs	Other Domestic Equity ETFs	REIT ETF	Domestic Bond ETFs	Foreign Equity ETFs	Foreign Bond ETFs	Commodity ETFs (precious metals, etc.)	Others	(Total)
TOPIX/Nikkei225/JPX Nikkei400 ETFs	18%	2%	4%	6%	12%	2%	13%	2%	19%	6%	9%	0%	52%
Domestic Equity ESG ETFs		1%	1%	1%	1%	1%	1%	1%	2%	1%	1%	0%	4%
Domestic Sector ETFs			1%	3%	3%	1%	3%	1%	4%	2%	2%	0%	8%
Domestic Equity High Dividend ETFs				2%	3%	1%	6%	1%	7%	3%	3%	0%	13%
Domestic Equity Leveraged Inverse ETFs					5%	1%	5%	1%	8%	2%	5%	0%	23%
Other Domestic Equity ETFs						1%	2%	1%	2%	1%	1%	0%	5%
REIT ETF							2%	2%	13%	6%	6%	0%	23%
Domestic Bond ETFs								0%	2%	2%	1%	0%	3%
Foreign Equity ETFs									11%	8%	8%	0%	42%
Foreign Bond ETFs										1%	4%	0%	11%
Commodity ETFs (precious metals, etc.)											2%	0%	16%
Others												3%	4%

Holders of TOPIX and Nikkei 225 ETFs and foreign equity ETFs

All investors holding TOPIX and Nikkei 225 ETFs

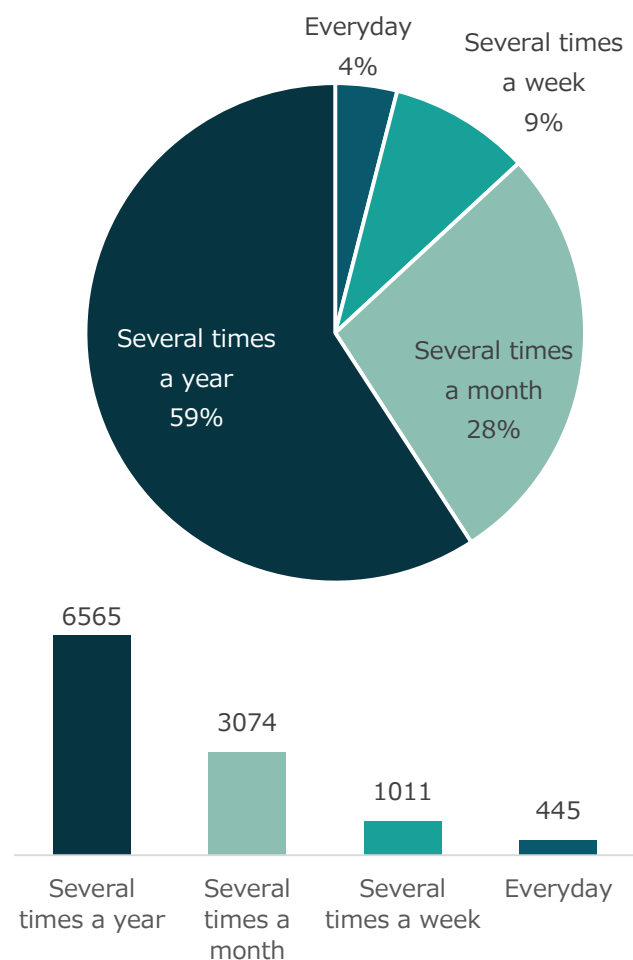
Hold TOPIX Nikkei 225 ETF only

*For example, if there is an investor who holds all categories, the percentage of "TOPIX/Nikkei 225 x Foreign equity" and "TOPIX/Nikkei 225 x REIT" are both counted in duplicate, so the total percentage of "TOPIX/Nikkei 225" does not equal 52%.

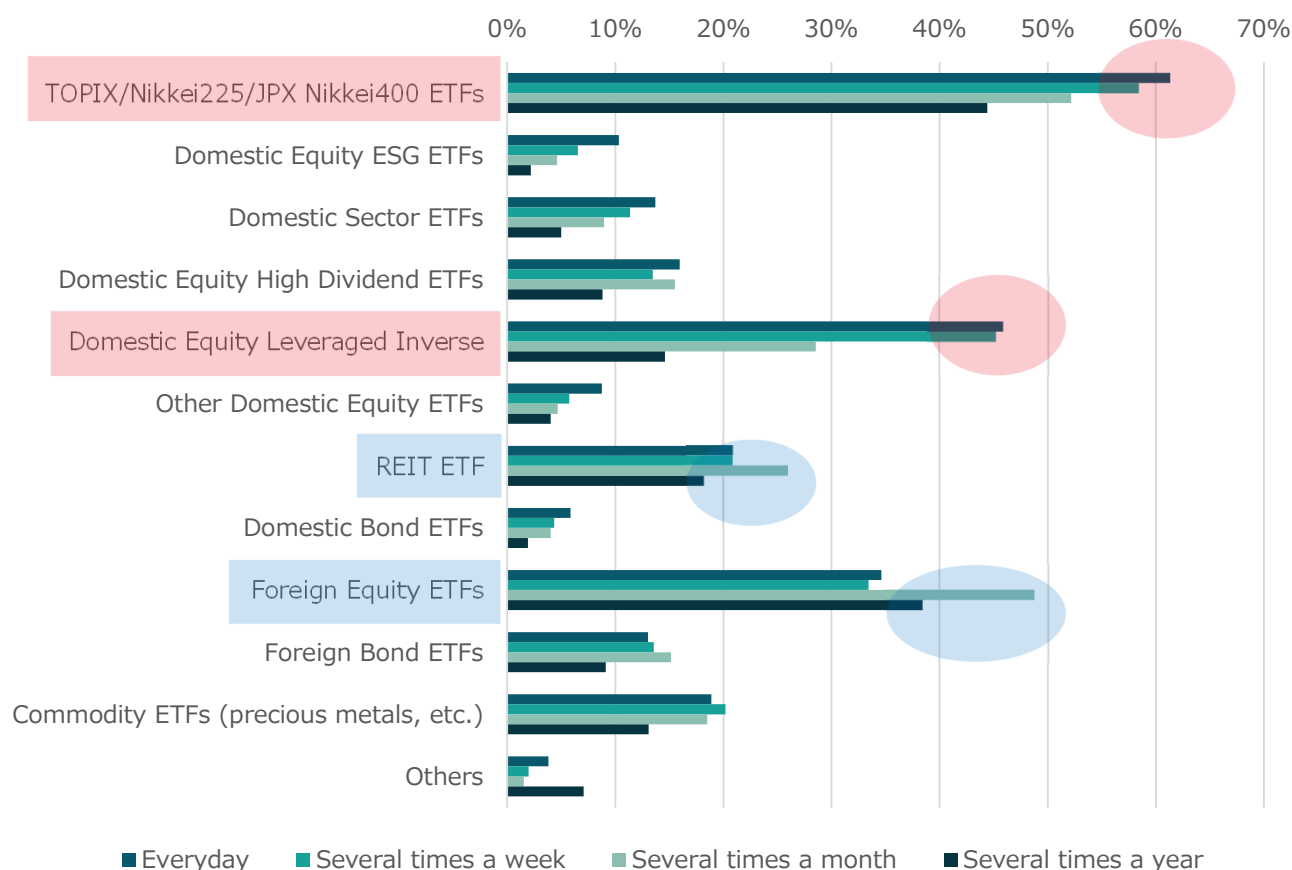
Trading frequency of TSE-listed ETFs

- Nearly 90% of investors trade ETFs several times a month or less.
- Among relatively infrequent traders, who account for most investors, the use of ETFs for foreign stocks and REITs is high, indicating that they are preferred as long-term investment tools for diversification and yield.
- Investors who trade more frequently use Japanese equity ETFs and leveraged inverse.

Trading frequency of TSE-listed ETFs



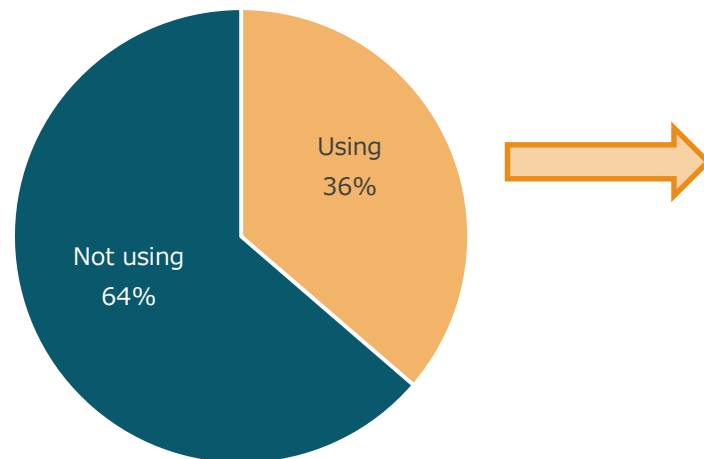
Categories of ETFs traded
(by frequency of investor trading)



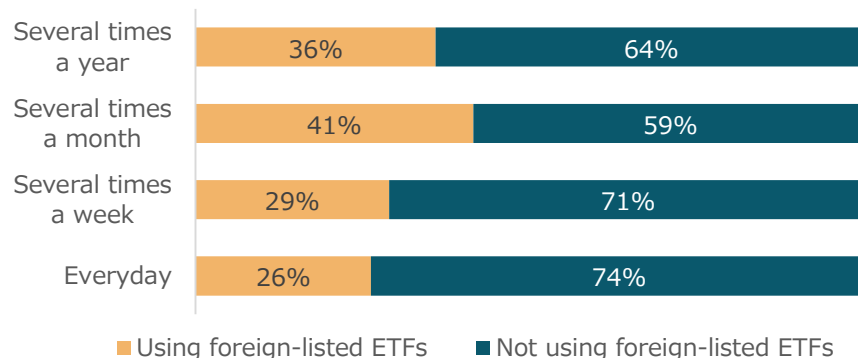
Usage of Foreign-Listed ETFs

- Nearly 40% of investors use foreign-listed ETFs.
- Investors who trade infrequently in TSE-listed ETFs tend to use foreign-listed ETFs.
- Trading frequency is not significantly different from that of TSE-listed ETFs.

Usage of Foreign-Listed ETFs



(by trading frequency of TSE-listed ETFs)

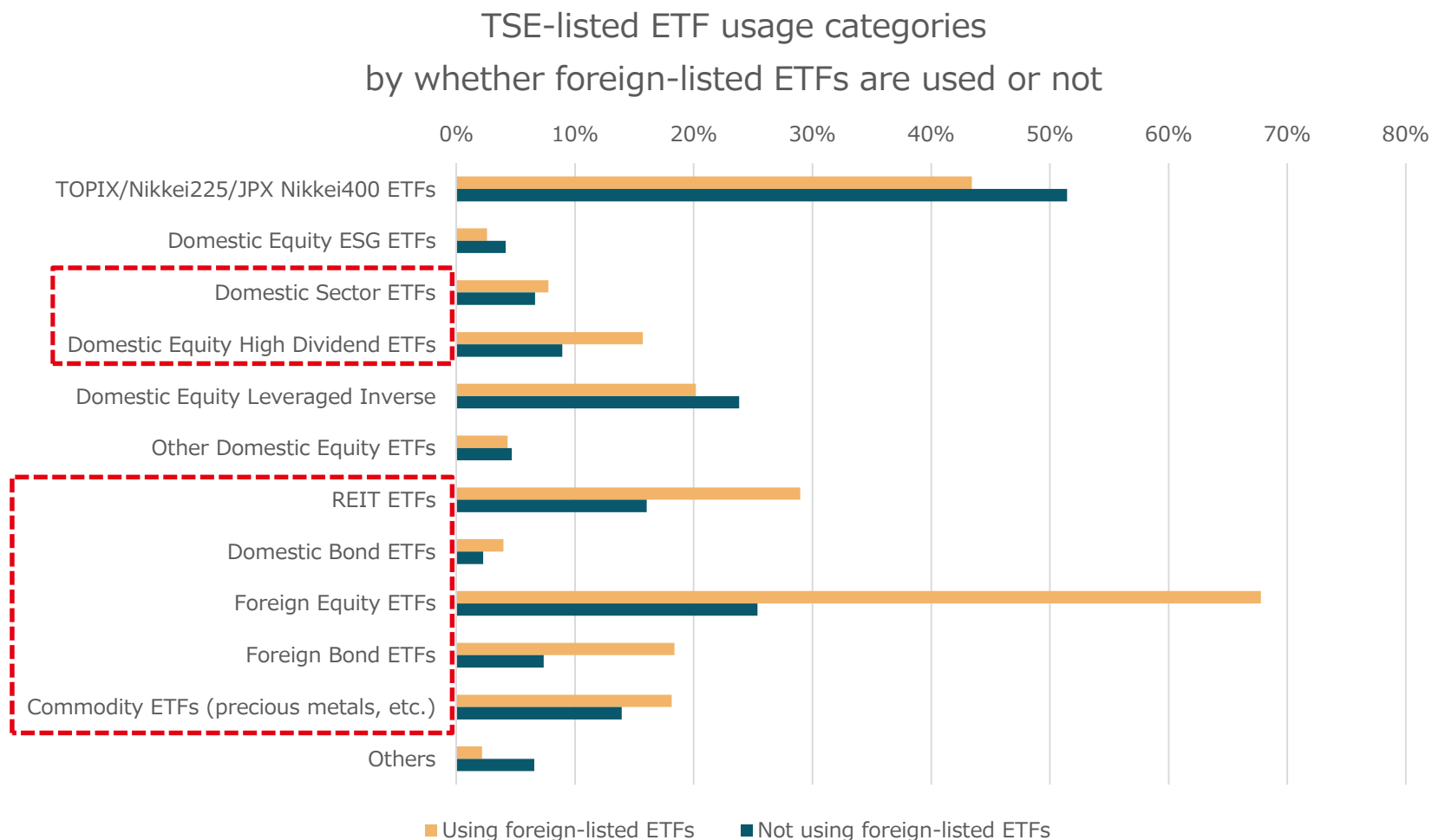


Distribution of trading frequency for those who use both TSE-listed and overseas-listed ETFs

		Trading frequency of foreign-listed ETFs			
		Everyday	Several times a week	Several times a month	Several times a year
Trading frequency of TSE-listed ETFs	Everyday	0.8%	0.4%	0.7%	0.9%
	Several times a week	0.3%	2.3%	2.8%	1.8%
	Several times a month	0.3%	2.1%	20.4%	8.8%
	Several times a year	0.6%	1.2%	12.6%	43.8%
Total		2.0%	6.1%	36.6%	55.3%

Usage of Overseas Listed ETFs

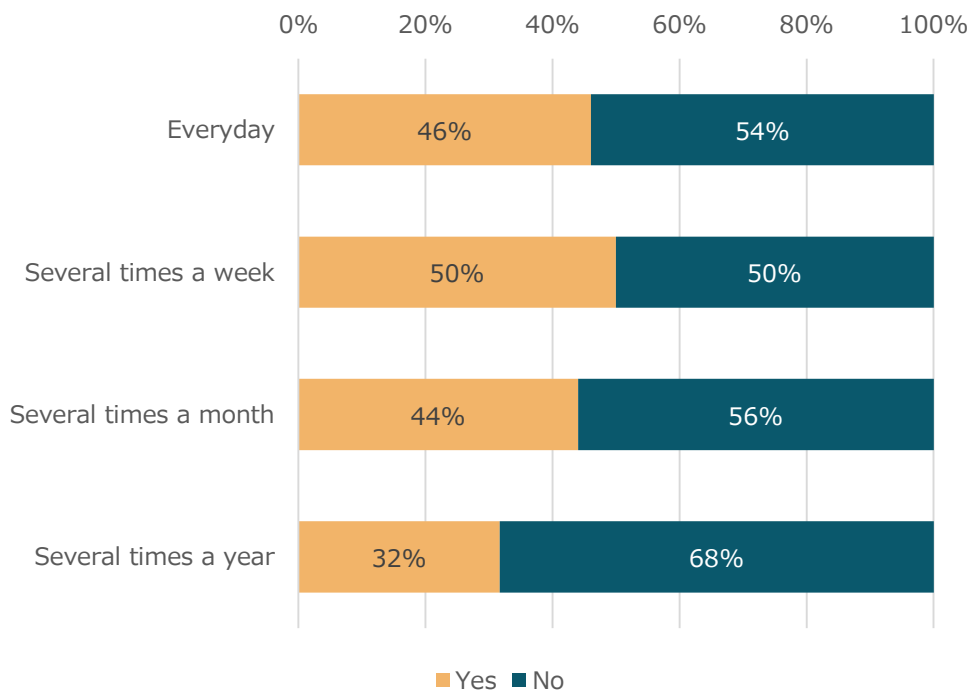
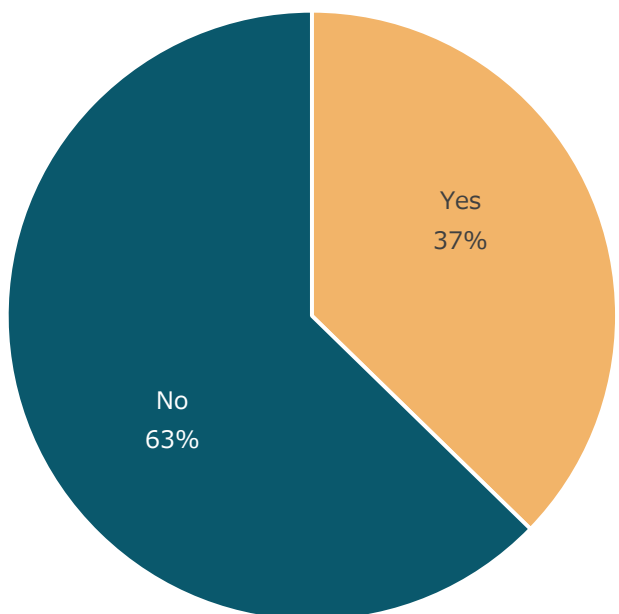
- Investors who use foreign-listed ETFs tend to use ETFs with high yields and ETFs linked to foreign equities and bonds in TSE-listed ETFs as well.
- There are indications that foreign-listed ETFs are also being used as a tool for long-term diversified investment.



Awareness of Improved Liquidity

- Overall awareness of increased liquidity is less than 40%.
- Tend to be more recognized among those who use ETFs more frequently.

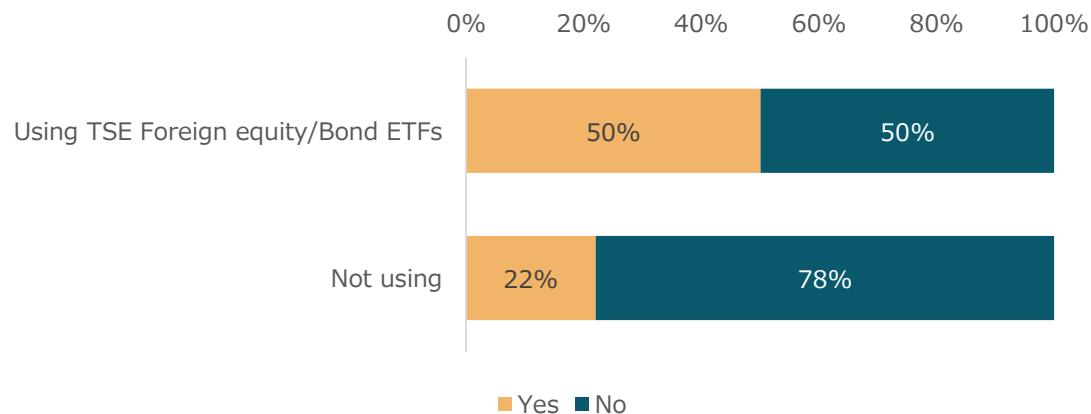
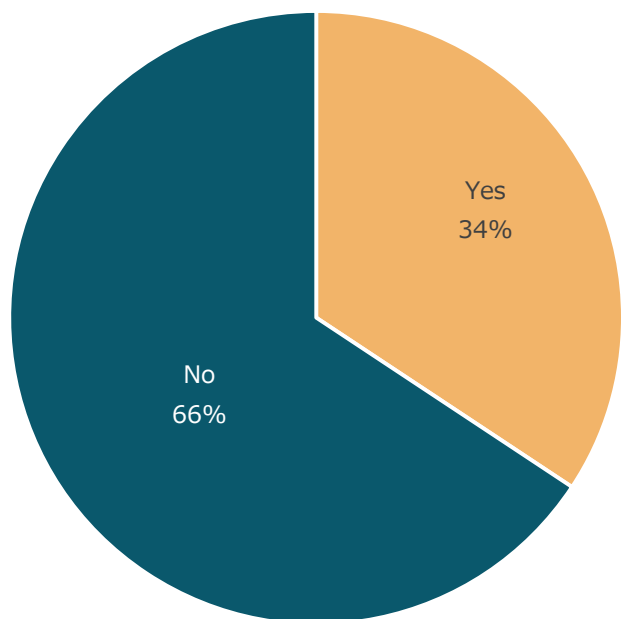
Do you know that in the last year or so, TSE-listed ETFs have expanded in liquidity and trading has increased?



Double Taxation Adjustment for TSE-listed Foreign ETFs

- Overall awareness is just over 30%.
- Half of investors who use foreign equity and bond ETFs are aware of them.

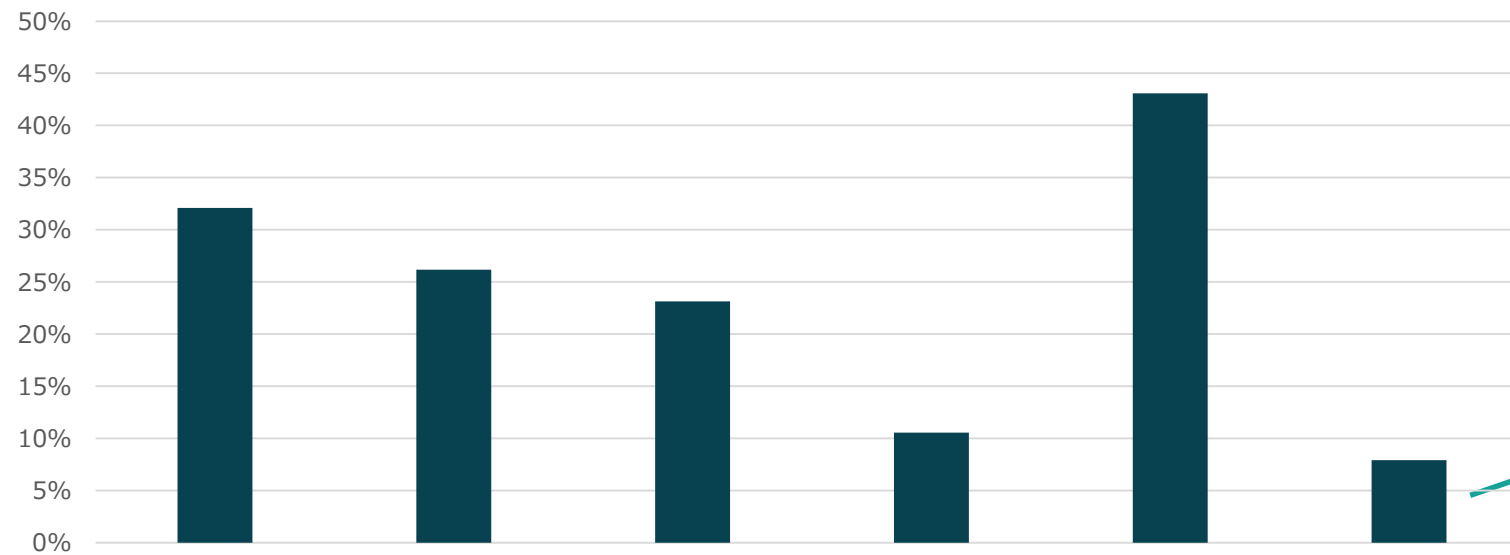
Are you aware of the "double taxation adjustment"
applied to TSE-listed foreign stock ETFs and foreign
bond ETFs in 2020?



Products that would be good if they could be traded on the TSE

- About 40% of investors prefer to trade individual stocks listed in the U.S. on the TSE. Next, balanced ETFs, foreign equity leveraged inverse, and crypto assets are desired.
- Investors who trade more frequently had a greater preference for foreign equity leveraged inverse and balanced ETFs, while investors who trade less frequently had a more marked preference for individual U.S. stocks.

What kind of products would you like to trade on the TSE market?



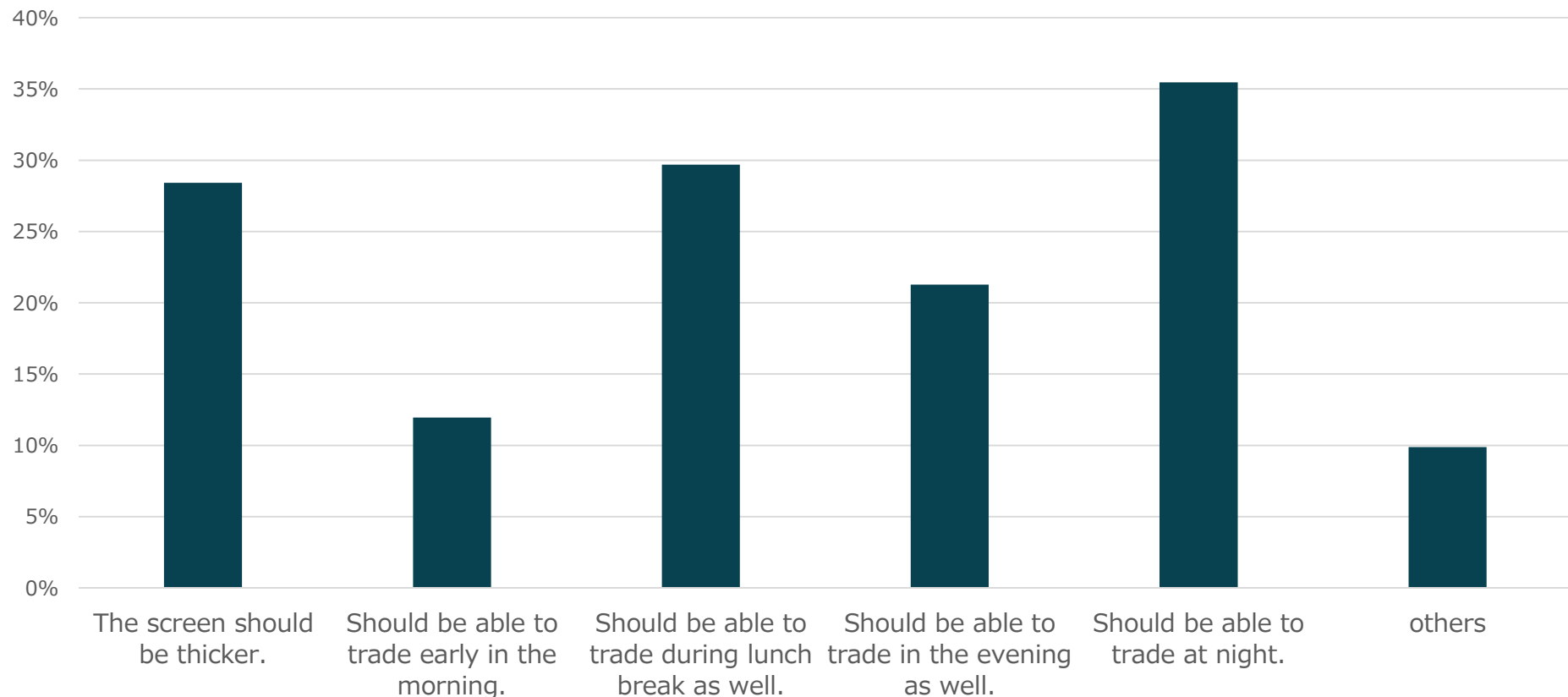
- High Dividend ETFs for U.S. Equities
 - U.S. Sector ETFs
 - price-weighted bond ETF
 - Infrastructure fund ETF
 - ETFs for energy commodities
 - Active ETFs
 etc.

Trading frequency of TSE-listed ETFs	Balanced ETFs	Foreign Equity Leveraged Inverse	Crypto Asset ETFs	CO2 Emissions ETFs	Individual stocks listed in the US	Others
Everyday	37%	33%	25%	10%	32%	11%
Several times a week	29%	39%	27%	10%	37%	7%
Several times a month	31%	31%	26%	10%	43%	7%
Several times a year	33%	21%	21%	11%	45%	8%

Request for trading hours

- The largest number of respondents wanted trading ETFs during nighttime. Next most respondents want to extend trading hours during the lunch break and evening trading hours.
- Many respondents said that the board should be thicker.

In the second half of FY2024, the TSE trading hours will be extended by 30 minutes from 3:00 pm.





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