

**Trends in the Asian fund market and  
strategies to capture growth and  
manage risks**

*- Learning from Japan's experience*

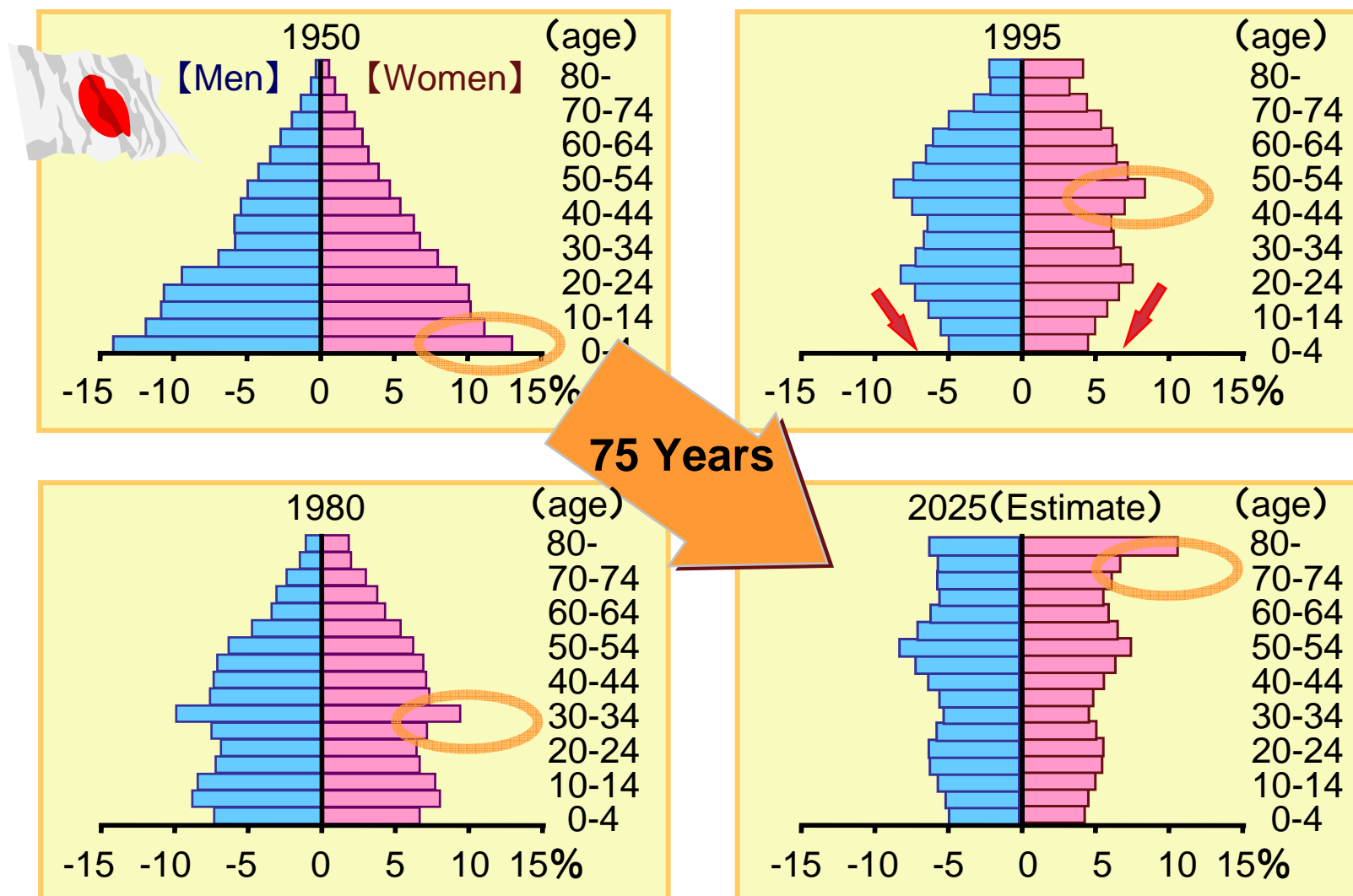
Yoshinori Go

COO, Nomura Asia Holding N.V.

President & CEO, Nomura International (Hong Kong) Limited

September 21, 2007

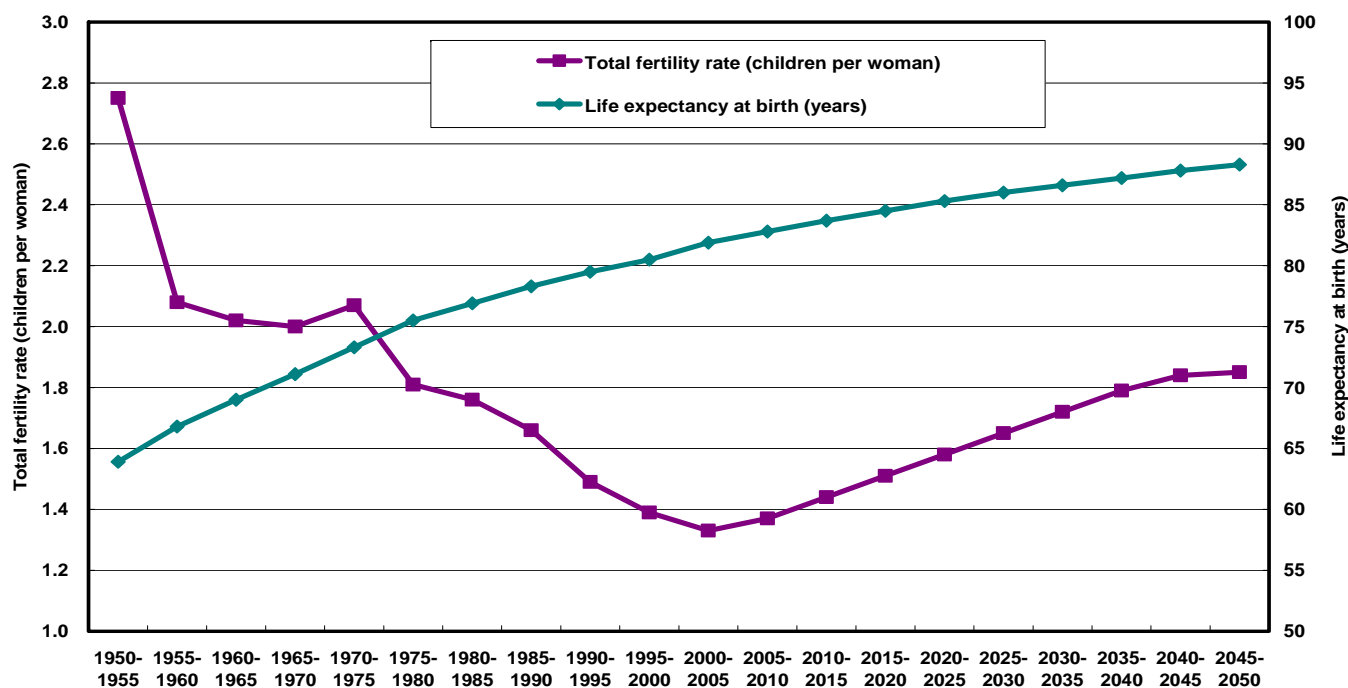
# Declining Birthrate, Ageing Population (1)



# Declining Birthrate, Ageing Population (2)

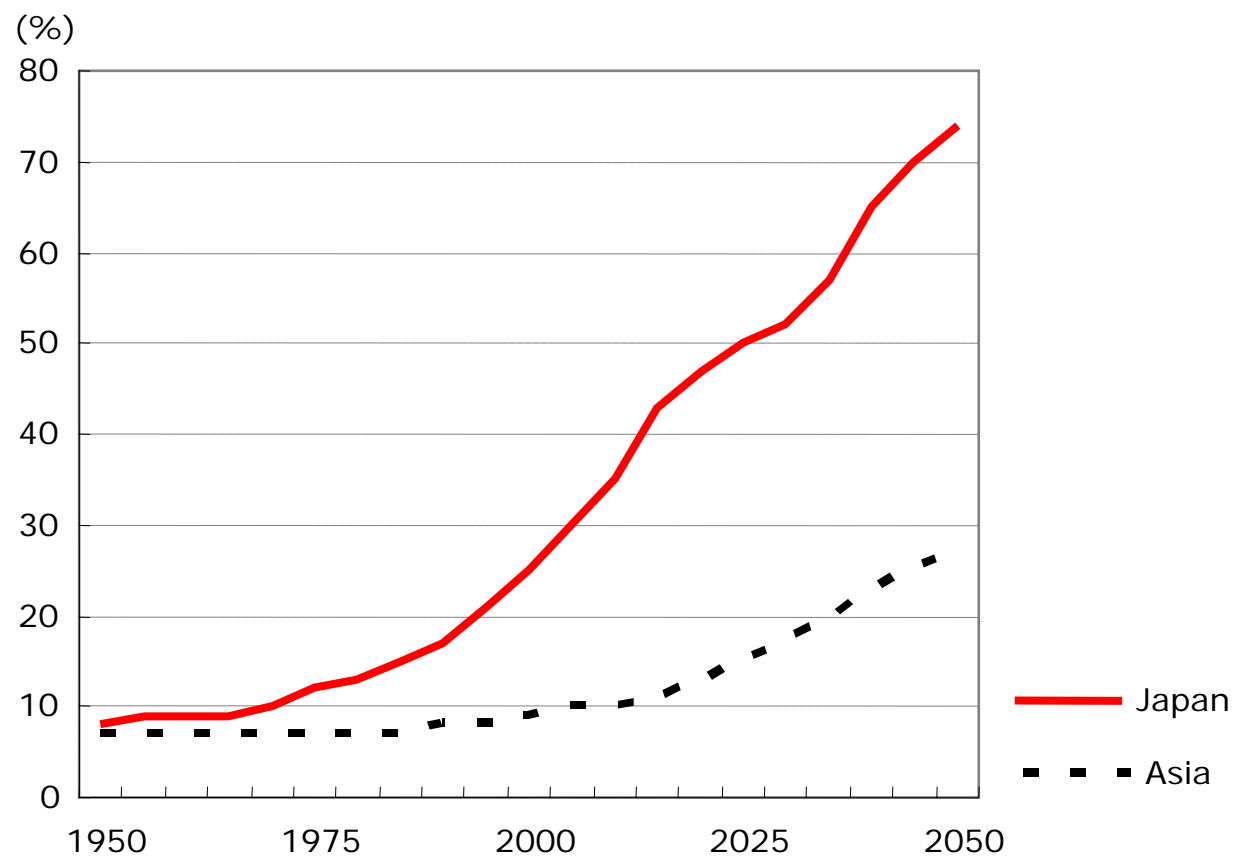
- Total fertility rate hit 1.25 in 2005 and new projections are taking into account a falling birthrate
- Life expectancy at birth reached 81.9 years and continues to move higher

Total fertility rate and life expectancy at birth of Japan



Source: Department of Economic and Social Affairs, United Nations Secretariat

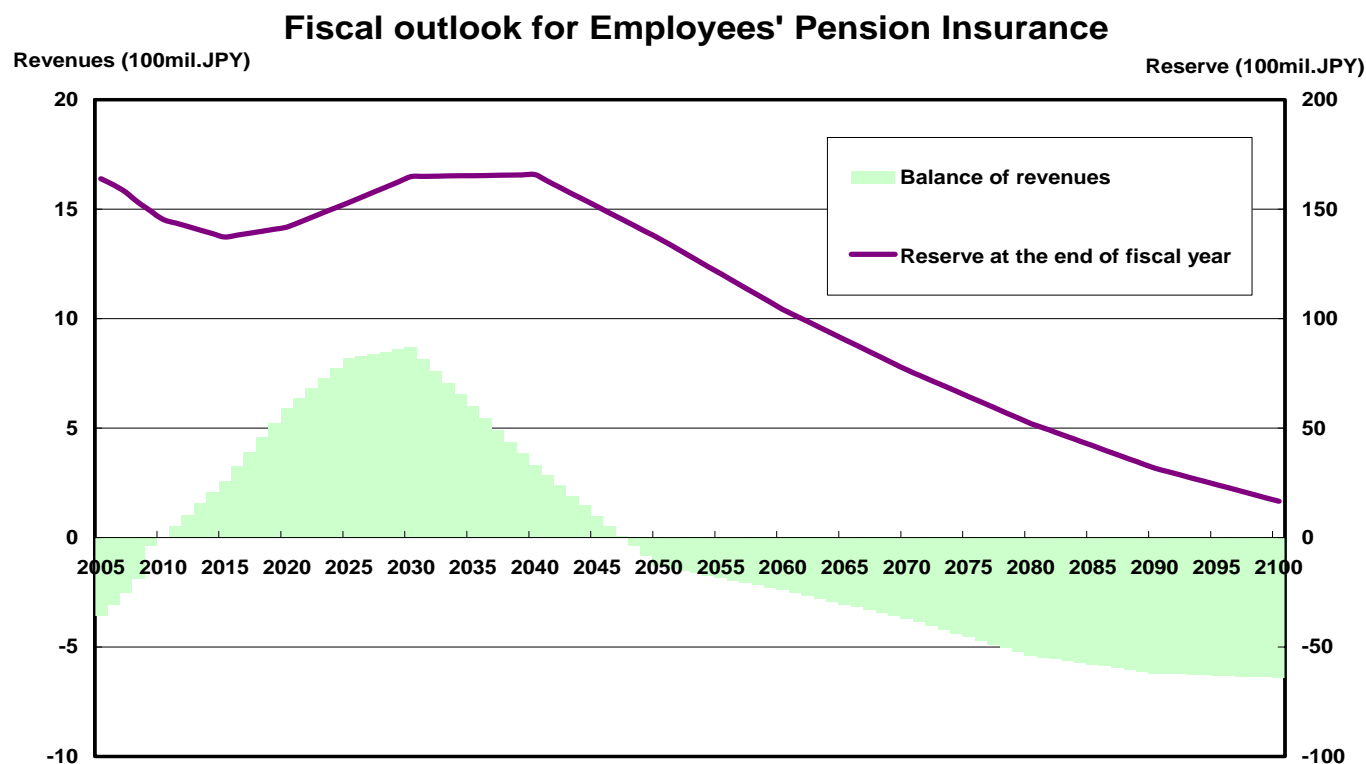
# Old-Age Dependency Ratio (Japan)



Source: United Nations, *World Population Prospects, 2006 Revision*

# Public Pension Crisis in Japan

- Japan's public pension system is reaching "maturation" due to a declining birthrate and growing elderly population
- Total expenditure of public pension funds are likely to exceed total revenue by 2050



Source: Ministry of Health, Labour and Welfare

# Measures Taken

## 1) Reform of the public pension system

- Pension reserves were invested in public infrastructures and government debt
- In 2000 - changes towards market-oriented investments

## 2) Defined Contribution (DC) pension scheme

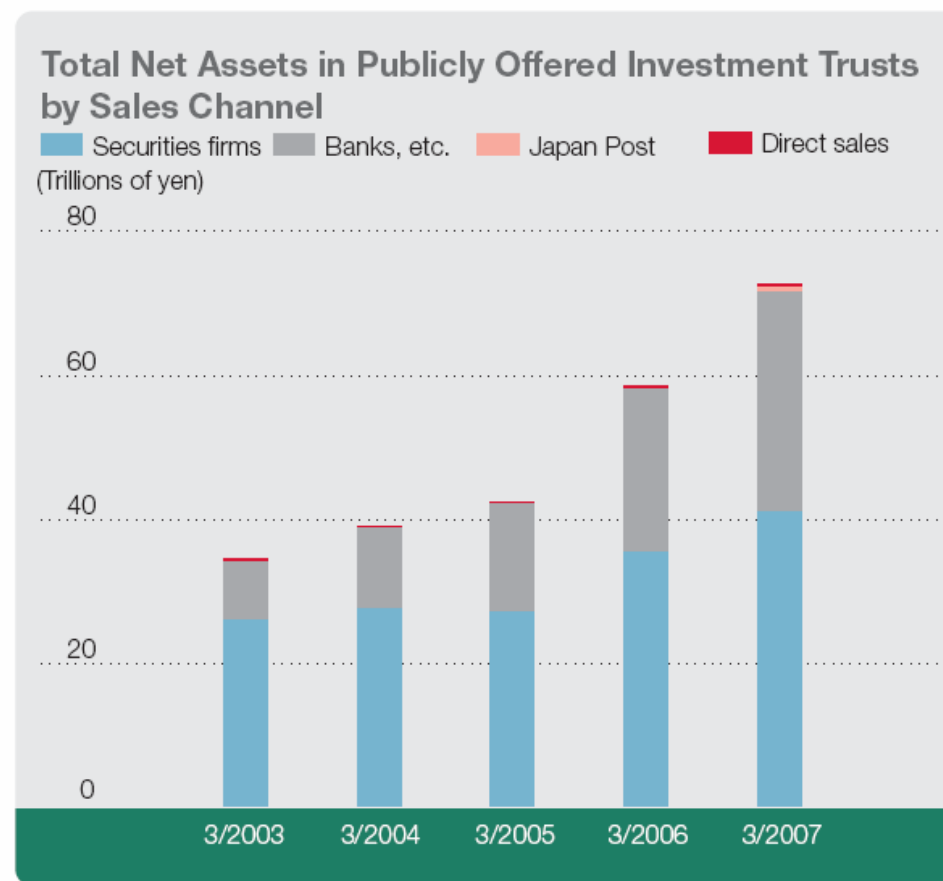
- Introduced in 2001, now with 2.5 million subscribers
- Although still small in size, continuous growth of subscribers would lead to further promotion of investor education

## 3) People's awareness of the crisis

- Life time financial plan and wealth management by oneself
- From savings to investment

# From Savings to Investment

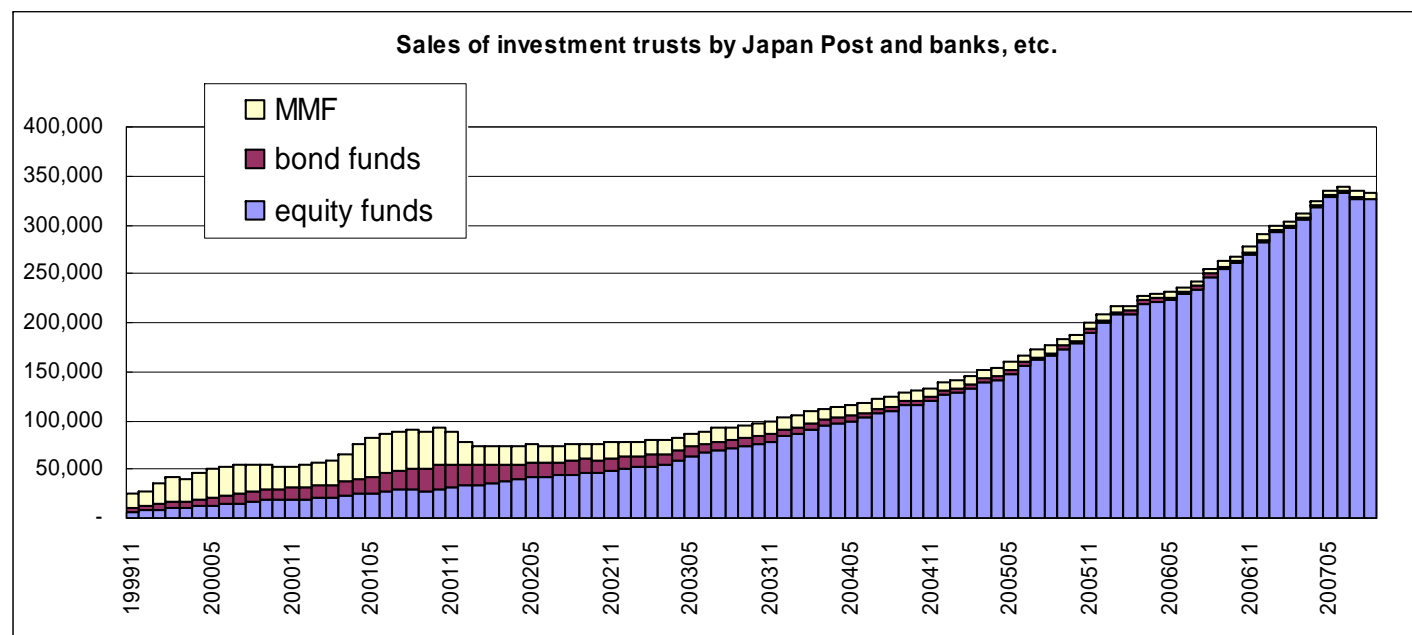
- Individuals shifting from savings to fund products



Source: The Investment Trusts Association, Japan

# Rapid Expansion of the Fund Market

- Fund sales channels continue to expand
  - Japan Post – largest network in the country
  - Banks

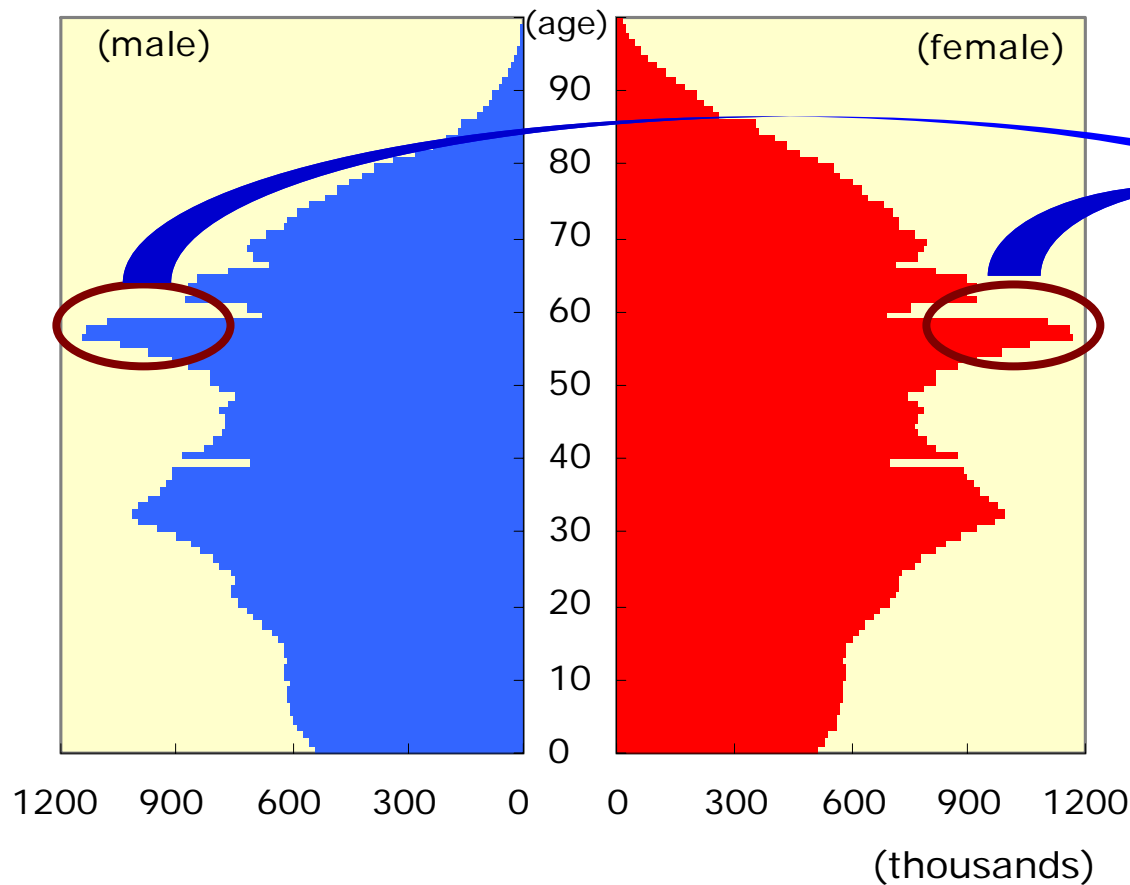


Source: The Investment Trusts Association, Japan and Nomura International (Hong Kong) Limited



# Retirement of Baby Boomers

Japanese Population Pyramid



- 2 million people per year will face retirement age from 2007
- Estimated retirement grants would level to 85 trillion yen during FY2007-2011

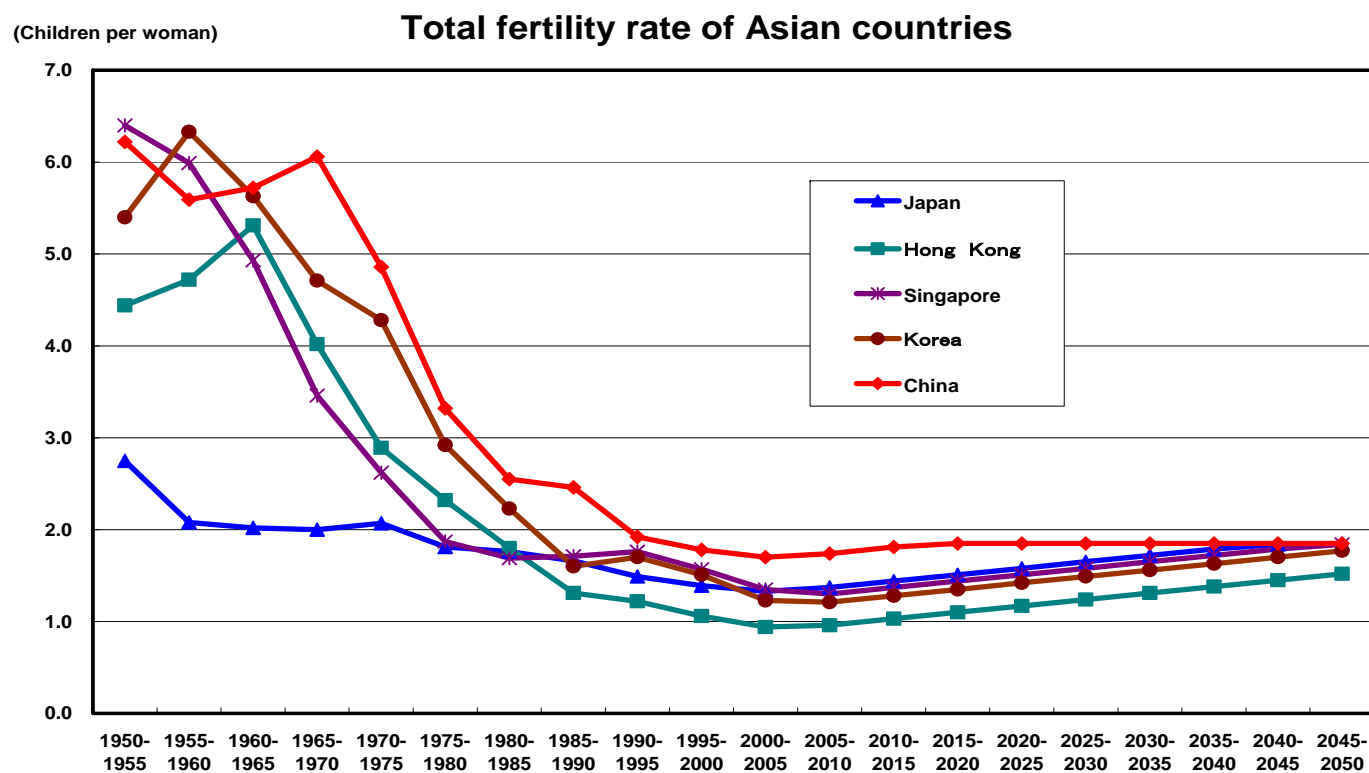
\*As of 2005  
 Source: National Institute of Population and Social Security Research

**NOMURA**

**And in the rest of Asia...**

# Declining Birthrate in Asia

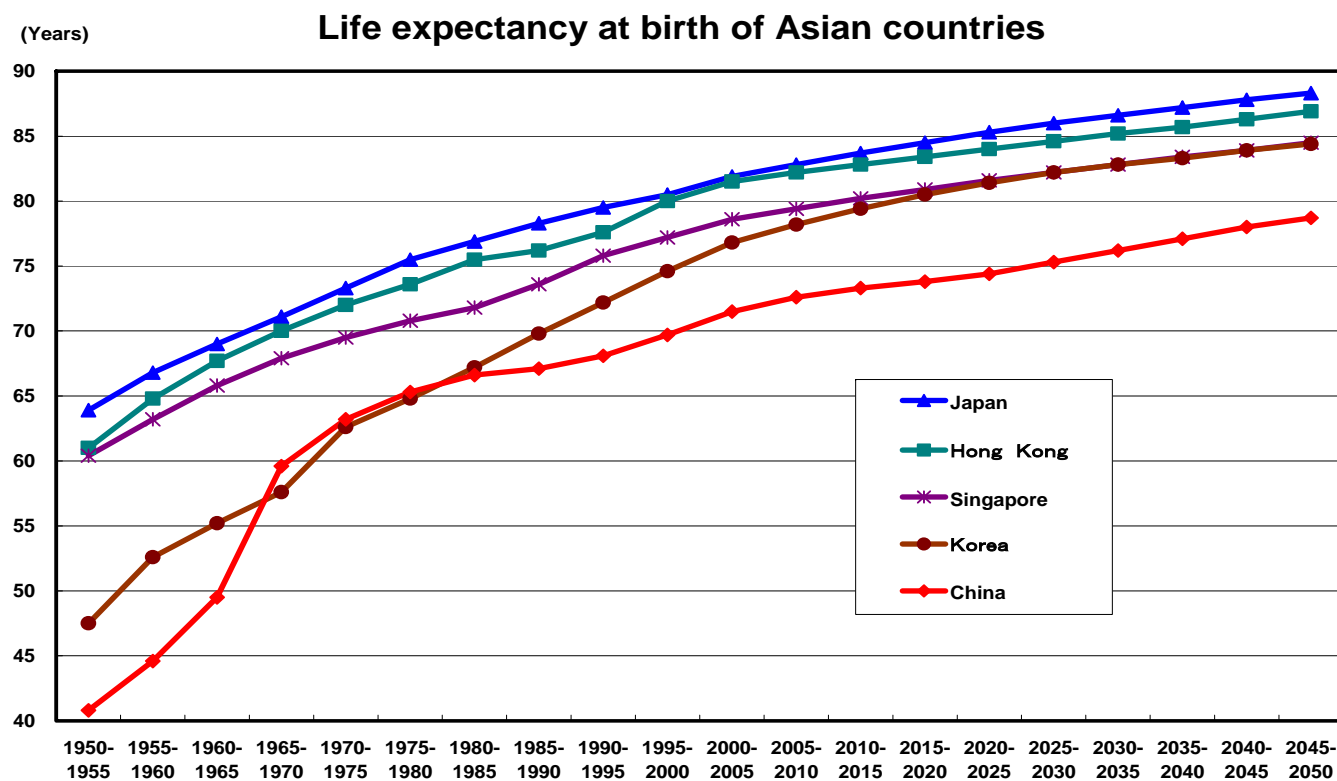
- Birthrates in Singapore and Korea are similar to that of Japan
- While Hong Kong's birthrate is lower than that of Japan, China's birthrate is also declining



Source: Department of Economic and Social Affairs, United Nations Secretariat

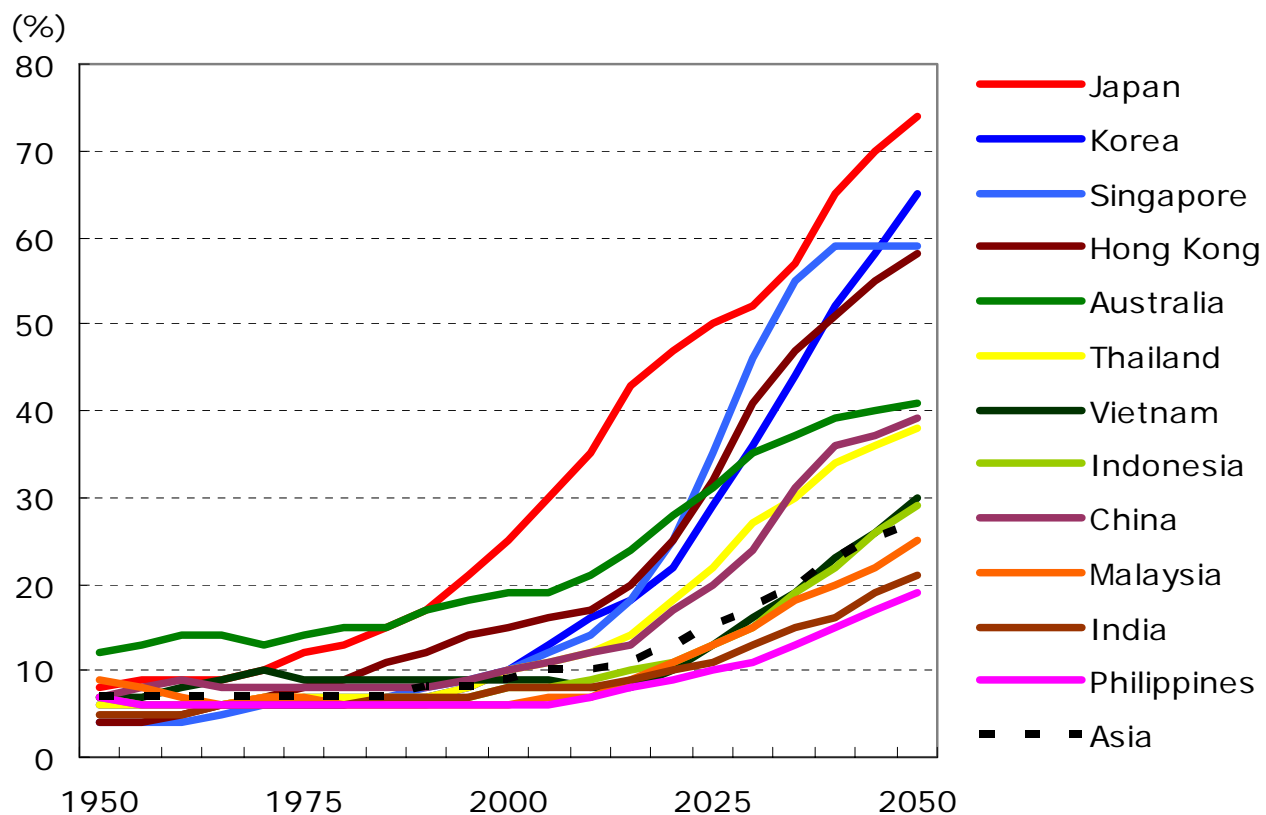
# Growing Elderly Population in Asia

- Life expectancy at birth in Hong Kong is similar to that in Japan
- Asians are living increasingly longer lives



Source: Department of Economic and Social Affairs, United Nations Secretariat

# Old-Age Dependency Ratio (Asia)



Source: United Nations, *World Population Prospects, 2006 Revision*

# Public Pension Fund Problem in Asia

- With Asia as a whole also seeing a declining birthrate and growing elderly population, we expect a region-wide pension fund problem in the near future.
- China has separate pension systems for urban and rural areas. Urban pension funds have financial problems.
- Although China launched a defined contribution pension scheme for companies in May 2004, employees have no say over the products.
- Pension funds in Korea are also facing financial problems — the World Bank expects instability of pension fund programs within 15-20 years.
- Korea is increasing risk assets in its pension fund portfolio.
- Taiwan also introduced a defined contribution pension scheme in July 2005.



**New business opportunities  
for the Asian fund market?**



## Sharing your dreams for 40 years

At Nomura, our goal is to transform your ambitions into reality. We share your vision and - with over 17,000 people across the globe - have the resources and expertise to realize those dreams. Always putting clients at the heart of our business, we've been committed to their success for more than 40 years in Hong Kong and Asia, creating tailored financial solutions. With Nomura as a trusted partner, the world offers unlimited possibilities. [www.nomura.com](http://www.nomura.com)



Global Markets. Investment Banking. Merchant Banking. Asset Management. Wealth Management.



This document contains material that has been prepared by Nomura International (Hong Kong) Limited (“NIHK”) and, if applicable, with the contributions of one or more affiliates and subsidiaries of Nomura Holdings, Inc. (collectively, the “Nomura Group”). This document is being provided to you because you have requested a copy and is not intended for parties who are unfamiliar with the relevant markets or who are unwilling or unable to bear the risks associated with the subject matter described herein.

This material is: (i) for your private information, and we are not soliciting any action based upon it; (ii) not to be construed as an offer to sell or a solicitation of an offer to buy any security in any jurisdiction where such offer or solicitation would be illegal; and (iii) based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such.

No representation or warranty, expressed or implied, as to the fitness, fairness, correctness, accuracy or completeness of the information or opinion contained herein is made by the Nomura Group and no reliance may be placed upon such information or opinion. The information contained and opinions expressed herein, if any, are current as of the original publication date appearing on this document only and are subject to change without notice.

To the extent permitted by applicable laws, none of the Nomura Group, their respective members, directors, officers, employees, agents or representatives nor any other person accepts any liability whatsoever for any direct or indirect losses howsoever arising from any use of or reliance on this document, including, without limitation, special or consequential losses, loss of profits, loss of revenue, and loss of opportunity.

The information contained herein is not intended to provide, and should not be relied upon for, accounting, legal or tax advice or investment recommendations. You should refrain from entering into any transaction unless you fully understand all the risks involved and you have independently determined that the investment is suitable for you. You shall be solely responsible for evaluating the risks and merits involved in undertaking any transactions which are the subject of this document. If you are in doubt as to any aspect of this document, you should consult a stockbroker or another licensed securities dealer, a bank manager, a solicitor, an accountant or other professional adviser.

The securities described herein may not have been registered under the US Securities Act of 1933, and, in such case, may not be offered or sold in the United States or to US persons unless they have been registered under such Act, or except in compliance with an exemption from the registration requirements of such Act.

NIHK is regulated by the Hong Kong Securities and Futures Commission. NIHK does not hold an Australian financial services licence as it is exempt from the requirement to hold this licence in respect of financial services it provides to you. Any information provided herein may have been prepared in accordance with regulatory requirements which differ from Australian laws.

No part of this material may be (i) copied, photocopied, or duplicated in any form, by any means, or (ii) redistributed without the prior written consent of NIHK or another member of the Nomura Group who is authorised to give such consent. Further information on any of the securities mentioned herein may be obtained upon request. If this publication has been distributed by electronic transmission, such as e-mail, then such transmission cannot be guaranteed to be secure or error-free as information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete, or contain viruses. The sender therefore does not accept liability for any errors or omissions in the contents of this publication, which may arise as a result of electronic transmission. If verification is required, please request a hard-copy version.

**NOMURA**