

Research on Financial Literacy Survey of 10,000 Individuals

Differences between “those who have experienced investing” and “those who have not”

August 2018

MUFG Financial Education Institute

Mitsubishi UFJ Financial Group, Inc.



Survey Overview

- (1) Name: Financial Literacy Survey on 10,000 Individuals
- (2) Method: Web-based questionnaire by a research company
- (3) Period: December 1, 2017 (Fri) ~ December 4, 2017 (Mon)
- (4) Respondent: Company employee (of company with 300 or more employees) : 8,500
 Public official:1,000
 Female/male homemaker: 500
 Total:10,000

* The age group ratio and the gender ratio of company employees (8,500) were decided based on corresponding distribution figures in regular employees of companies with 300 employees or more of "Employment Status Survey" by Ministry of Internal Affairs and Communications (2012)

- (5) Number of questions asked : 38

<All participants>

| | Male | | Female | | Total | |
|-----------------|--------------|--------------|--------------|--------------|---------------|---------------|
| | Count | Ratio | Count | Ratio | Count | Ratio |
| 30's or younger | 3,102 | 31.0% | 1,348 | 13.5% | 4,450 | 44.5% |
| 40's | 2,339 | 23.4% | 588 | 5.9% | 2,927 | 29.3% |
| 50's or older | 2,090 | 20.9% | 533 | 5.3% | 2,623 | 26.2% |
| Total | 7,531 | 75.3% | 2,469 | 24.7% | 10,000 | 100.0% |

<Company employees>

| | Male | | Female | | Total | |
|-----------------|--------------|--------------|--------------|--------------|--------------|---------------|
| | Count | Ratio | Count | Ratio | Count | Ratio |
| 30's or younger | 2,984 | 35.1% | 1,134 | 13.3% | 4,118 | 48.4% |
| 40's | 2,077 | 24.4% | 417 | 4.9% | 2,494 | 29.3% |
| 50's or older | 1,630 | 19.2% | 258 | 3.0% | 1,888 | 22.2% |
| Total | 6,691 | 78.7% | 1,809 | 21.3% | 8,500 | 100.0% |

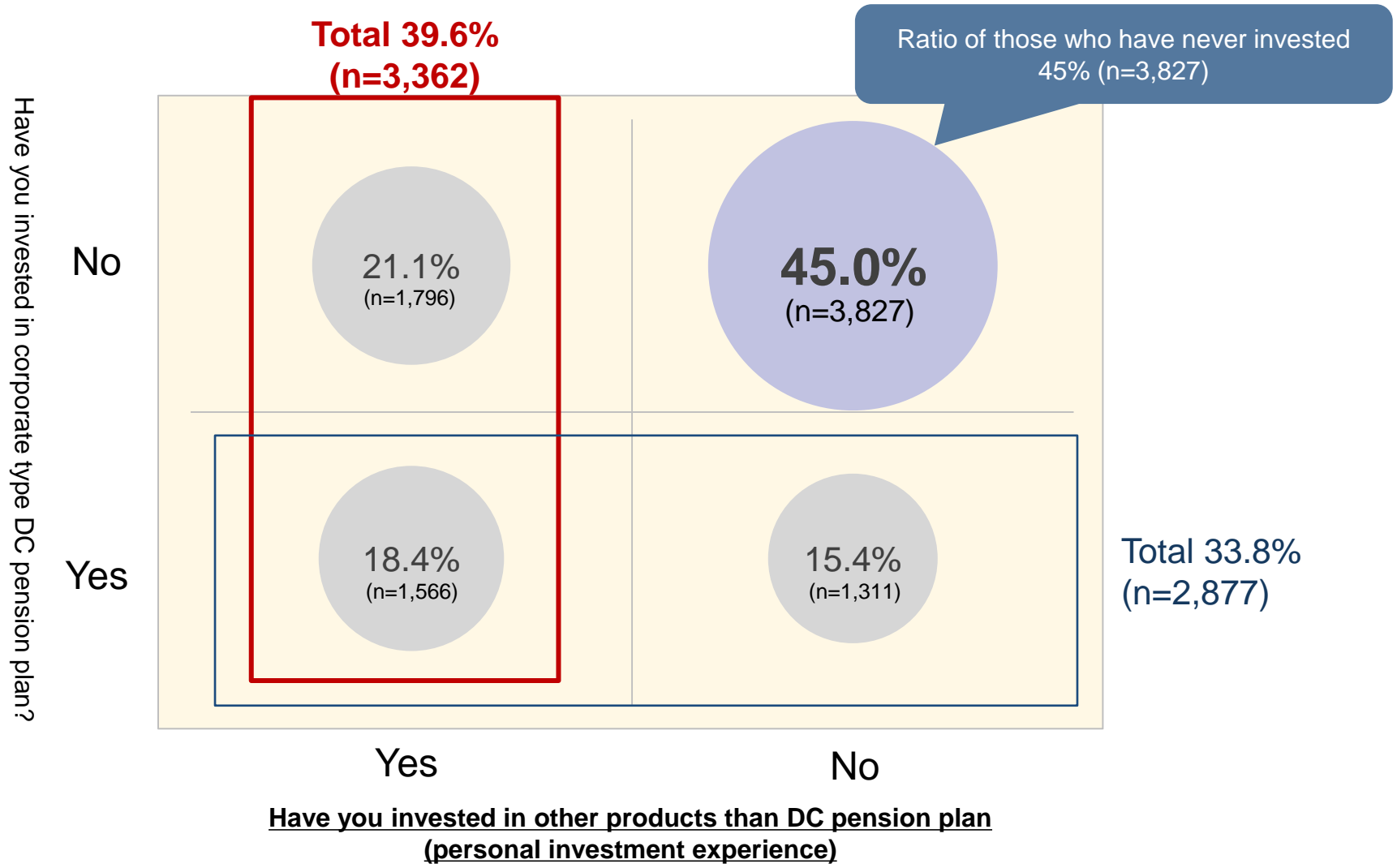
Background of the Research

- In Japan, more self-help efforts to build assets will be needed due to impacts of the aging population and low birthrate including the macro economic slide mechanism and decreasing ratio of the standard pension to the average income of contributors. We consider having an investment product portfolio as part of the self-help efforts is desirable from a view point of having diversified assets.
- Mitsubishi UFJ Trust and Banking Corporation has conducted an annual questionnaire survey covering 10,000 general consumers for the past 3 years to learn their financial literacy. We have analyzed the survey results by taking potential web-based survey biases into consideration and conducted analysis on the 3rd survey results **with aim of learning clues to have people relate investment to their own lives.**
- The analysis reveals the strong perspective of those who have never invested that investing is not part of their life. As “the age of 100-year lifespans” approaches, we consider some more efforts are needed to have many people realize that investment should be part of their life like savings that have already deep rooted in their daily routine.
- This report **especially focuses on 8500 company employees divided into “those who have experienced investing” and “those who have not” in order to learn from their differences.**

Investment Experience Matrix

Details of investment experience (of 8500 company employees)

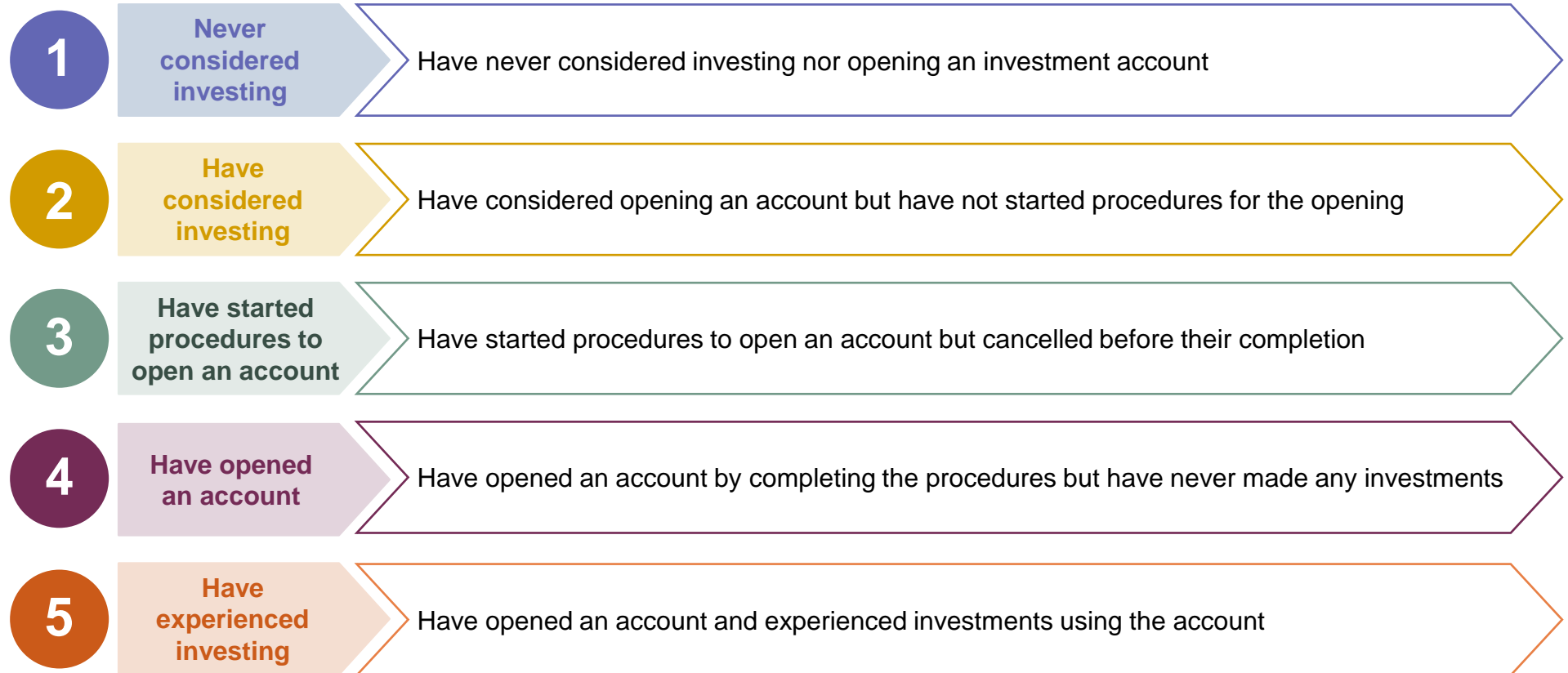
- The survey identifies investment experience through corporate DC pension plan and personal investment experience separately.
- The analysis is conducted only on the “personal investment experience”.



5 Steps for Starting Investing

Respondent categorization based on 5 steps for starting investing

- The research classifies survey respondents into 5 categories according to which of the 5 steps they have taken
- Some of the analyses are conducted on specific category respondents using the 5 step category



* The following slides use the above numbers (1 to 5).

Ex) If respondents are 2 3 4 5 , survey results are given by 2 (Have considered investing), 3 (Have started procedures to open an account), 4 (Have opened an account) and 5 (Have experienced investing).

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| 4. Relationship Between Life Event (child education, buying a home, life after retirement etc.) and Investment | | P.21 |
| 5. Relationship Between Learning About/Collecting Information on Investment and Starting Investment | | P.25 |
| 6. Relationship Between the Internet/Smartphone Apps and Starting Investment | | P.31 |

1. Summary of The Research

Deference between “Those Who have Experienced Investing” and “Those Who Have Not” ①

There are 3 hurdles to get over for starting investment. Here are countermeasures to lower the hurdles...

3 hurdles to get over for starting investment and countermeasures

<Perception about investment of those who have never experienced investing>

Investment is an unfamiliar and “special” area

3 Hurdles

Perception

“Must require a fair amount of money to start investing... ?”
“Must need expertise to start investing !”
“Am anxious about losing money”

Procedure

“Hate hassles to start investing !”
“Don’t have time !”

Investment product selection

“Don’t know what product to select ?”

Countermeasures

- Understanding benefits and details of “periodic automatic investment with a small fixed amount”
- Perception change to recognize that “long term” and “continuation” are the keys for investment success and that anyone can make investment easily as part of daily activities like savings

- Utilization of the Internet and smart phone Apps

- Perception change to understand that there are diversified investment products (balanced type investment trusts) with diversified risks, in which they can make investment without too much fear.

Investing becomes an activity familiar to them

Deference between “Those Who have Experienced Investing” and “Those Who Have Not”^②

Clues for realization of investment benefits to everyday life

Relationship between investment and current life or future life event

① Relationship between investment and current life

Realization of the relationship between investment and its tangible benefits to their everyday life including “shareholder benefits” can be a good opportunity to start investing

② Relationship between investment and future life events (child education, buying a home, living after retirement)

- Investment is part of asset building plan for financially secured life
- Financial preparation for life events leads them to start investing

Importance of opportunities to learn about investment

Relationship between investment and opportunities to learn about investment before starting investing

- The more opportunities to learn about investment they have, the more start investing
- Even passive learning opportunity provided by their company could be effective to have them start investing

2. “Image of Investment” Held by Those Who Have Not Experienced Investing

Key Takeaways

3 Hurdles to get over for starting investment

Perception

“Must require a fair amount of money to start investing... ? ”

“Need expertise to start investing ! ”

“Am anxious about losing money”

Procedure

After getting over the first hurdle, need to get over the negative feeling about investment such as “I hate hassles to start investing ! ” and “I don’t have time for investment ! ”

Investment product selection

The last hurdle is related to financial product selection “I don’t know what product to select ? ”

Reason for Not Considering Opening an Account

Nearly 50% respondents said that “Lack of knowledge” and “Worry about losing money” were their reasons

- Nearly 30% of the respondents “have no interest in investing in the first place”
- Nearly 50% feel that they “lack enough knowledge” and are “worried about losing money”



Takeaway

Many people might feel that starting investing requires a lot of expertise and consider that investing is an unfamiliar area for them.

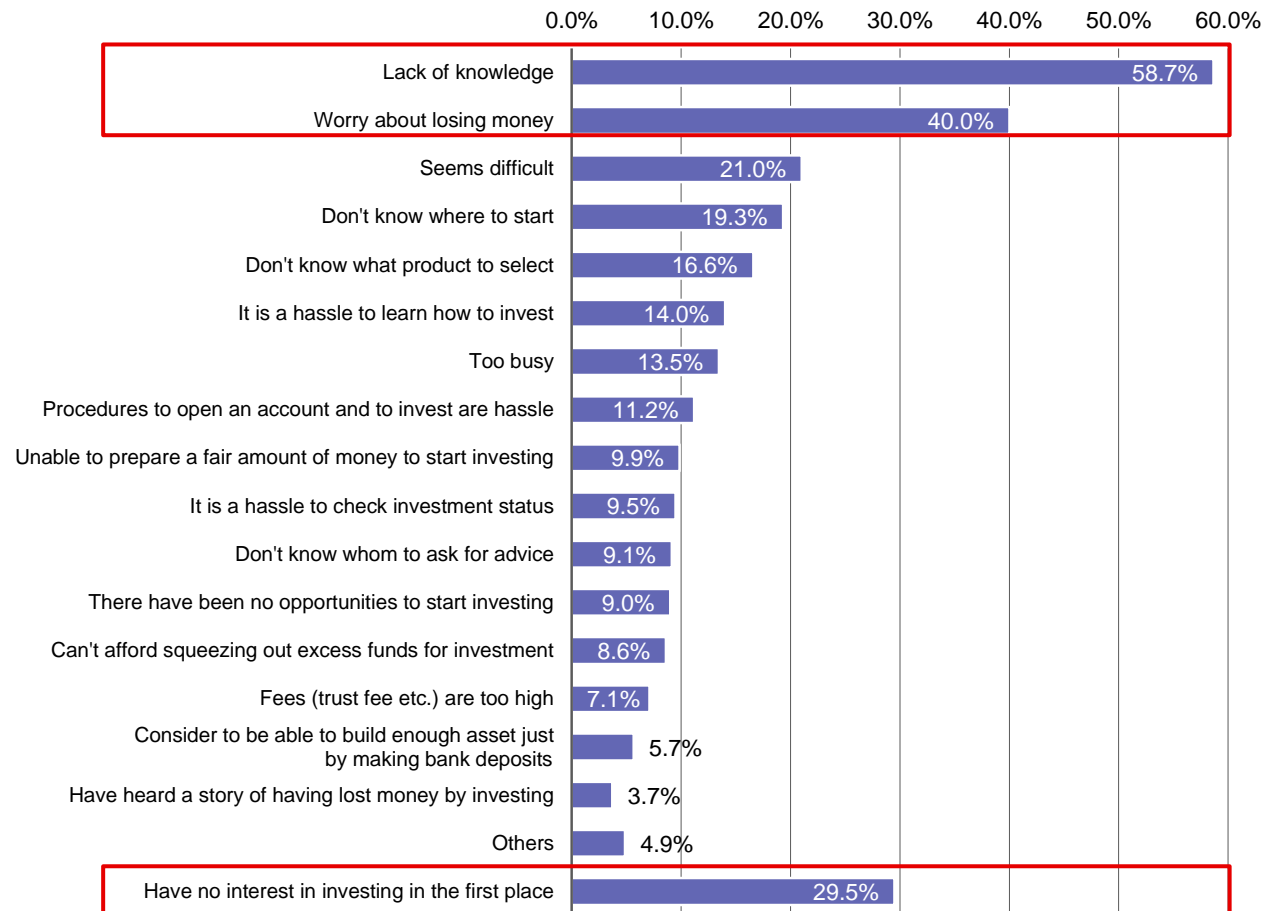
Reason for Not Considering Opening an Account

(Respondent) Company employee respondents who chose “Have never considered opening an investment account” for their personal investment experience¹

1

(n=3,182)

(Multiple responses allowed)



(Notes) 1.Excluding investment experience through corporate DC pension plan

Reason or Environment Change for Considering Opening an Account

Nearly 50% of respondents started considering investment after “having secured a certain amount of money”

Of the respondents who have considered or experienced investing, more than 50% said that they have opened an account because “they have secured a certain amount of money (bank deposits etc.) for investing”

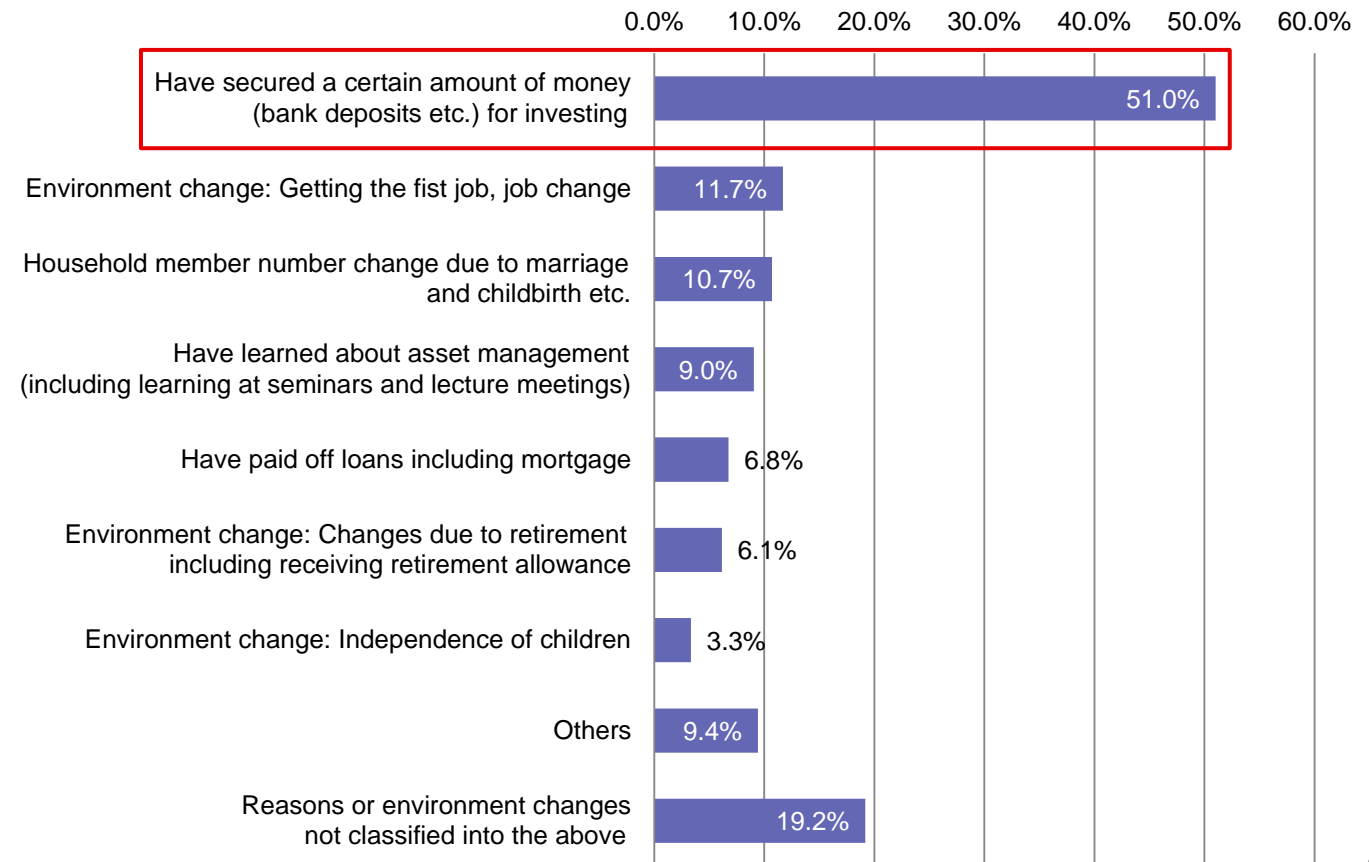
Reason or Environment Change for Considering Opening an Account

(Respondent) Company employee respondents who chose options other than “Have never considered opening an investment account” for their personal investment experience¹

2 3 4 5

(n=5,318)

(Multiple responses allowed)



Takeaway

- Many people strongly believe that they can't start investing without securing a certain amount of money.
- The first step to start investing is to understand that they can start with “periodic automatic investment with a small fixed amount”. It is important to have them realize that it seems easier to start investing.

(Notes) 1.Excluding investment experience through corporate DC pension plan

Reason for Not Starting Investing Despite Opening an Account

Following “Lack of knowledge” and “Worried about losing money”, “Don't know what specific investment product to select” and “Too busy” ranked high

- Compared with those who chose “Have never considered opening an investment account” (P11), the ratios of those who chose “lack of knowledge” and “worried about losing money” were lower among those who chose “Have opened an account by completing the procedures but have never made any investments”
- On the other hand, the ratios of “Don't know what specific investment product to select” and “Too busy” were higher

Takeaway

Among those who have reached a stage where they have to select specific financial products, the ratio of people who find it difficult making the selection increases. Recognition of necessity of investment might be weaker in those who chose “Too busy” as the reason for not having made any investments even after reaching the stage.

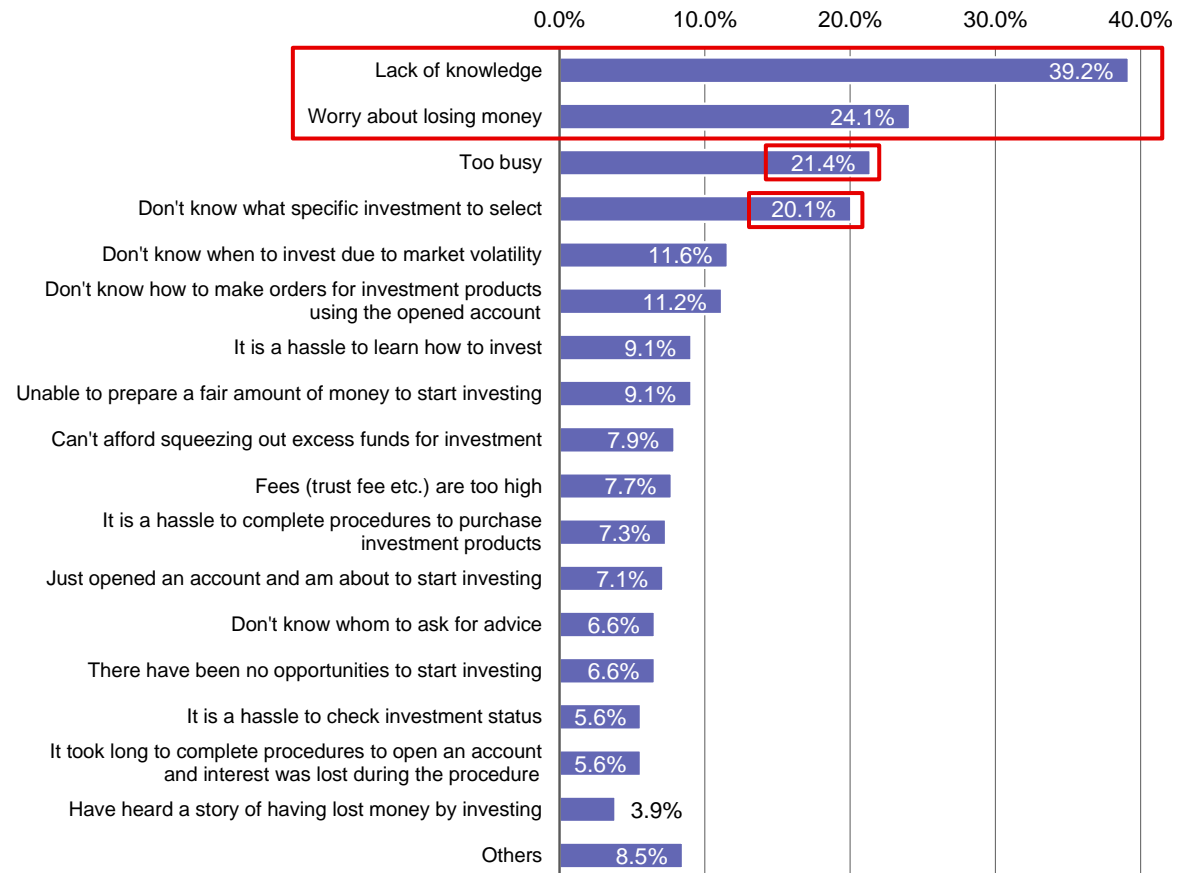
Reason for Not Starting Investing Despite Opening an Account

(Respondent) Company employee respondents who chose “Have opened an account by completing the procedures but have never made any investments” for their personal investment experience¹

4

(n=518)

(Multiple responses allowed)



(Notes) 1.Excluding investment experience through corporate DC pension plan

What Product or Scheme Inspires You to Start Investing?

Investment product that can be purchased with an amount small enough to be lost without much pain is favored by first-time investors

Investment product features that inspire those who have never experienced investment to start investing;

- “Investing with an amount small enough to be lost without much pain”
- “Investing with small change given or points awarded after shopping”
- “Investment product that can be purchased without learning its details and without worries”

Takeaway

- ① “Periodic automatic investment with a fixed amount” that is small enough to be lost without much pain might be favored by first-time investors.
- ② Although definition of “without worries” should differ from one person from another, an investment product with reduced risk with diversified investments or a product with downward risk hedge functions might be favored. If such products are recognized by more people, possibility of their starting investment might increase.

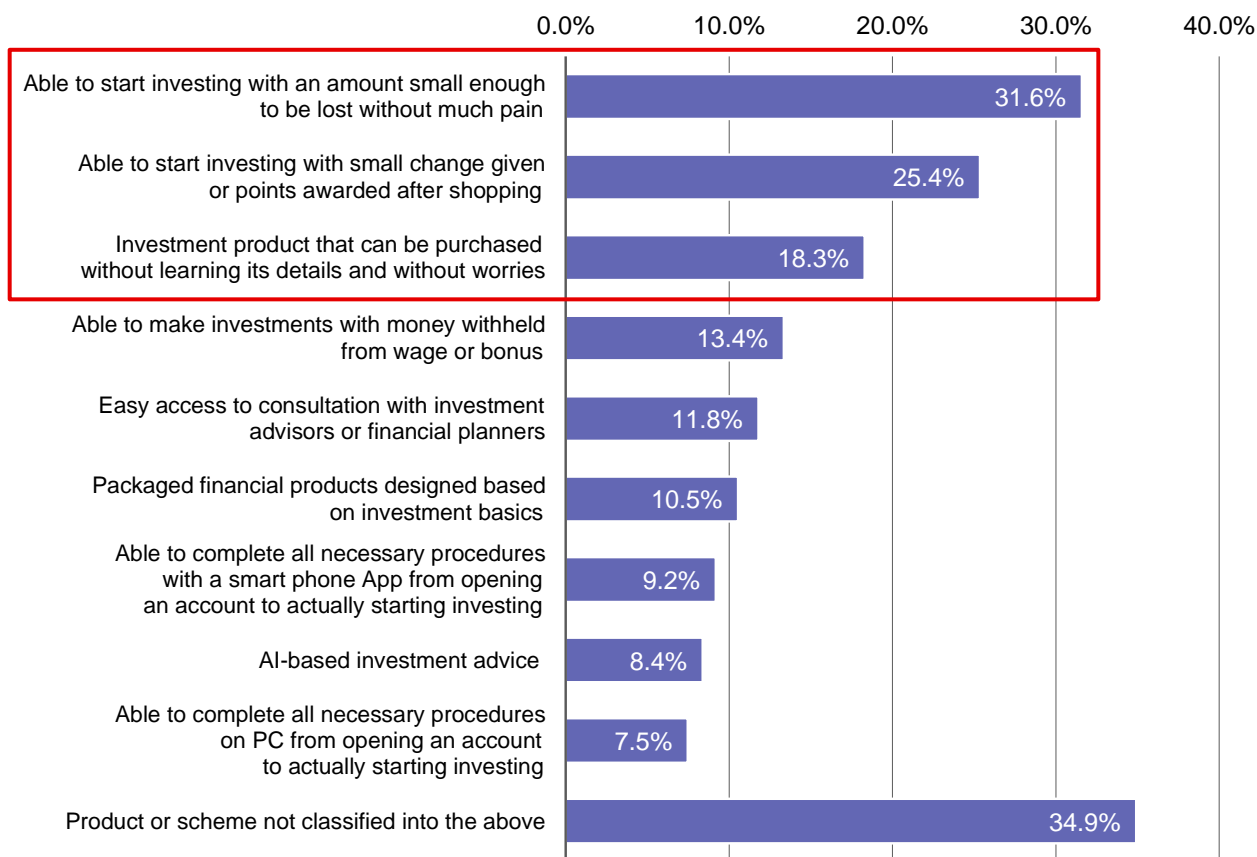
What Product or Scheme Inspires You to Start Investing?

(Respondent) Company employee respondents who chose options other than “Have opened an account and experienced investments using the account ” for their personal investment experience¹

① ② ③ ④

(n=5,138)

(Multiple responses allowed)



(Notes) 1. Excluding investment experience through corporate DC pension plan

What Outside Influence Has Inspired You to Consider Opening an Account?

“Recommendation by acquaintances/relatives” and “Financial institution promotional campaign” have mainly inspired them to open an account

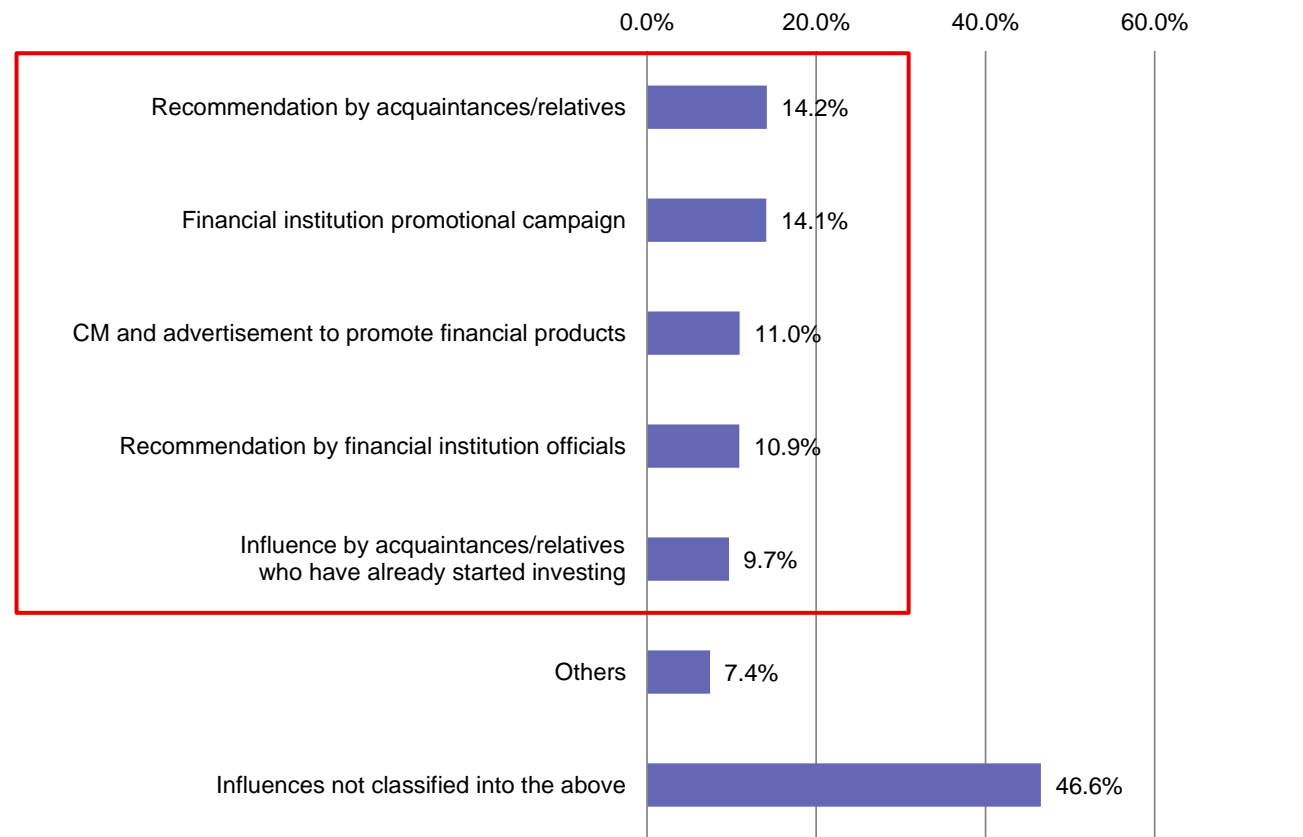
What Outside Influence Has Inspired You to Consider Opening an Account?

(Respondent) Company employee respondents who chose options other than “Have never considered opening an investment account” for their personal investment experience¹

2 3 4 5

(n=5,318)

(Multiple responses allowed)



(Notes) 1. Excluding investment experience through corporate DC pension plan

“Recommendation by acquaintances/relatives”, “Financial institution promotional campaign” or “Recommendation by financial institution officials” has inspired them to consider opening an account

Takeaway

Although the ratios are smaller compared with the environment change (P12), a certain percentage of people have been inspired by the outside influences and considered opening an account.

Information They Want to Value When Considering Investing in Financial Product

The ratio of active information collection is relatively lower in those with no investment experience

The ratio of active information collection is relatively lower in those with no investment experience

Takeaway

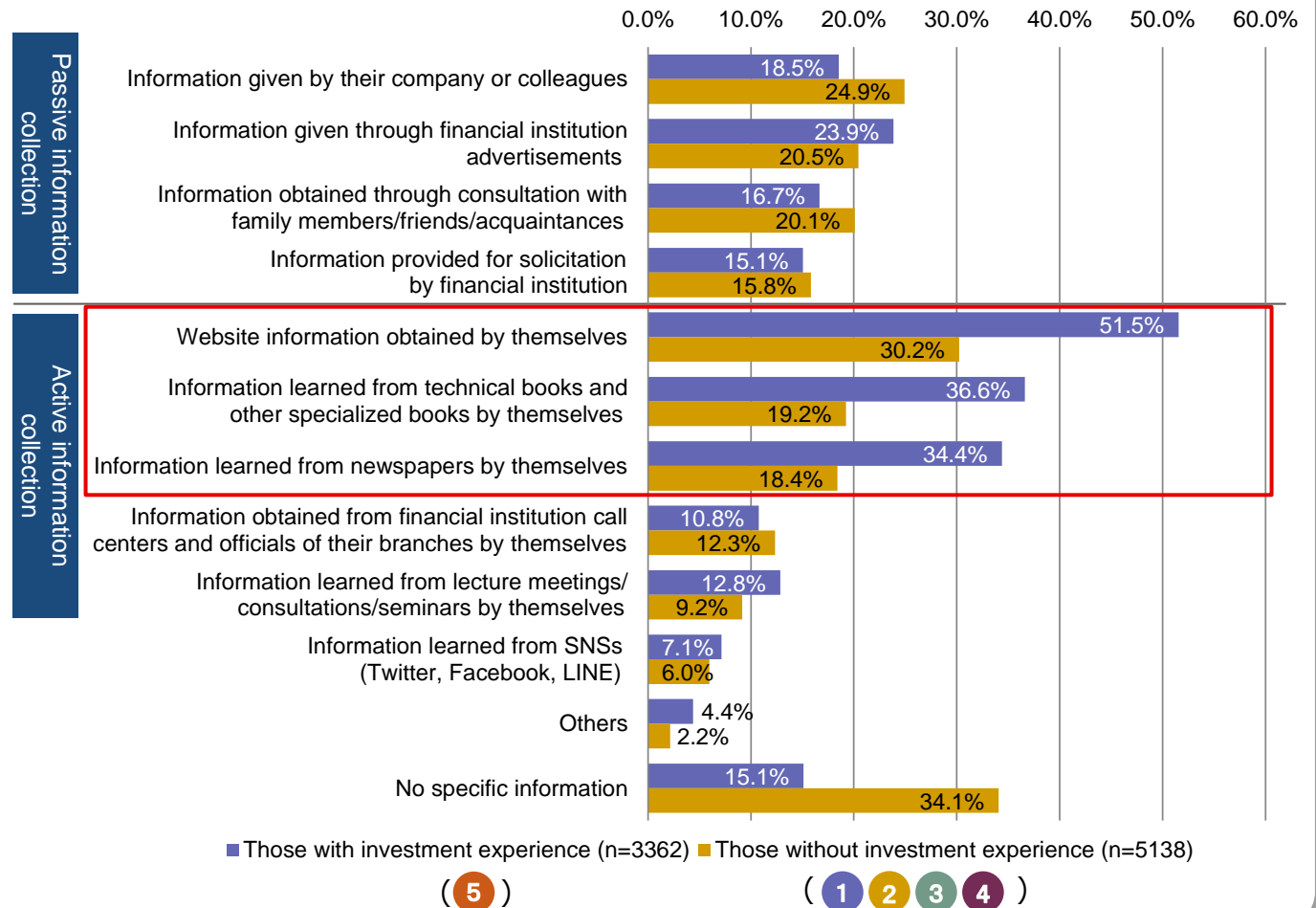
Those with investment experience are more active in information collection compared with those without and they mainly obtain information from text media including web-sites, newspapers and books.

Information Valued When Considering Investing in Financial Product

(Respondent) Company employees

(n=8,500)

(Multiple responses allowed)



3. Motivation to Consider or Start Investing

Opportunities that Encourage Investing

There are two entrances for investment for starters

1st Entrance

For obtaining tangible (current) benefits

- Many investors choose individual Japanese stocks “as their first investments”
- Realization of the relationship between investment and its tangible benefits to their everyday life including “shareholder benefits” can be a good opportunity to start investing

2nd Entrance

For obtaining (future) return to build assets for life after retirement

- Many people consider investing also from a view point of “long term investment benefits” including “securing fund for life after retirement”
- Investments that can generate higher return in the long term compared with deposit and saving are preferred

Investment Chosen by 1st-time Investor

Over 50% of those started with investing in equity

- Nearly 60% of those with investment experience started with investing in equity
- Approximately 20% started with investment trust

Takeaway

Many 1st-time investors might start with Japanese equities because they are “easy to understand” and “easy to relate to their everyday life”.

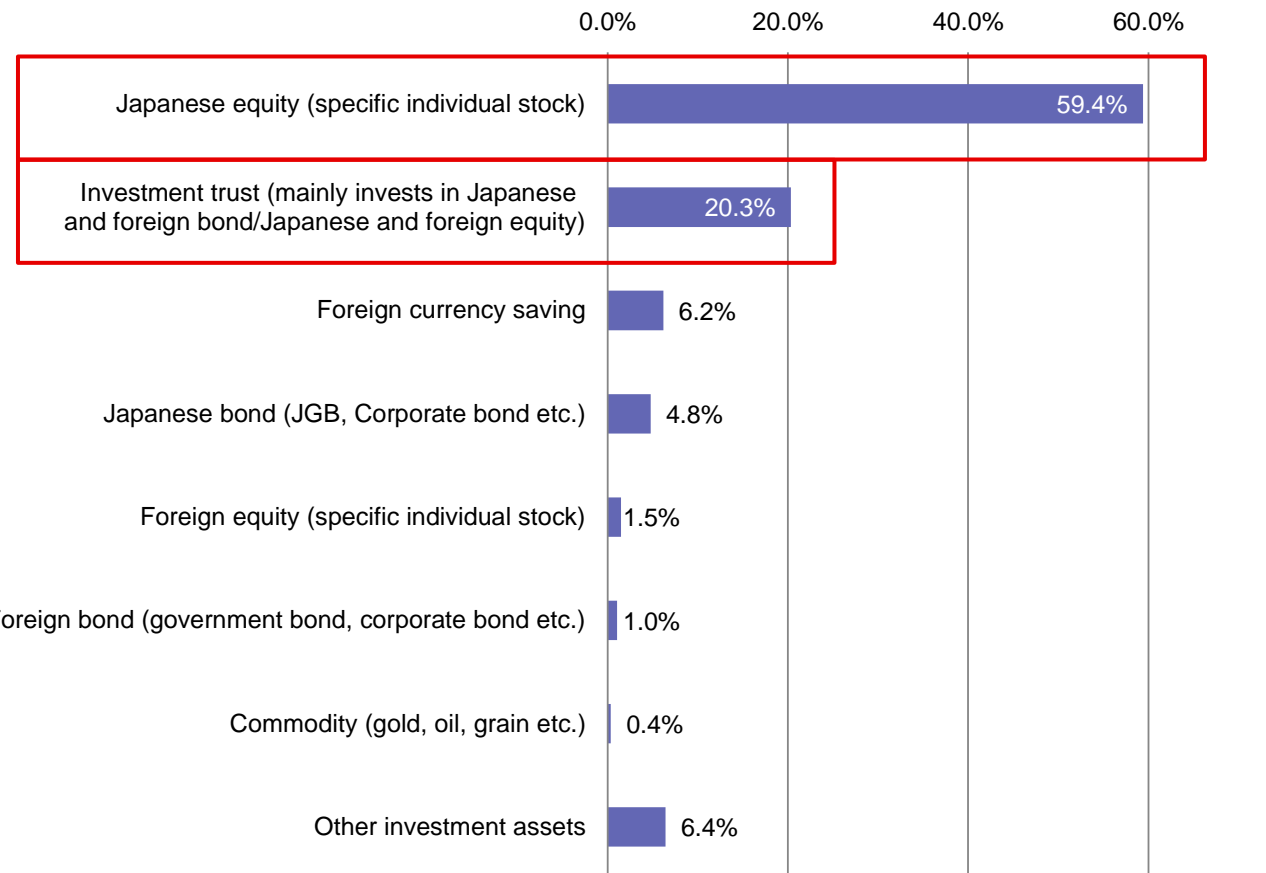
Investment Chosen by 1st-time Investor

(Respondent) Company employee respondents who chose “Have opened an account and experienced investments using the account” for their personal investment experience¹

5

(n=3,362)

(Single response allowed)



(Notes) 1. Excluding investment experience through corporate DC pension plan

Objective for Considering Opening an Account

Opening an account is considered for financially secured future life objectives including “securing fund for life after retirement” and for financially enriched current life objectives including “shareholder benefit”

- 50% of those who have considered or experienced investment considered opening an account for objectives of “higher return in the long term” or “securing fund for life after retirement”
- Over 20% did so for “shareholder benefit”, which is nearly equivalent to the percentage of “short-term benefit”

Takeaway

- ① Relating investment to their “financially secured future life” could motivate them to consider investing
- ② They started investing for shareholder benefits because they could relate the benefits including services or products of issuer companies to their everyday life. Relating investing to the tangible services might lower hurdles before starting investing

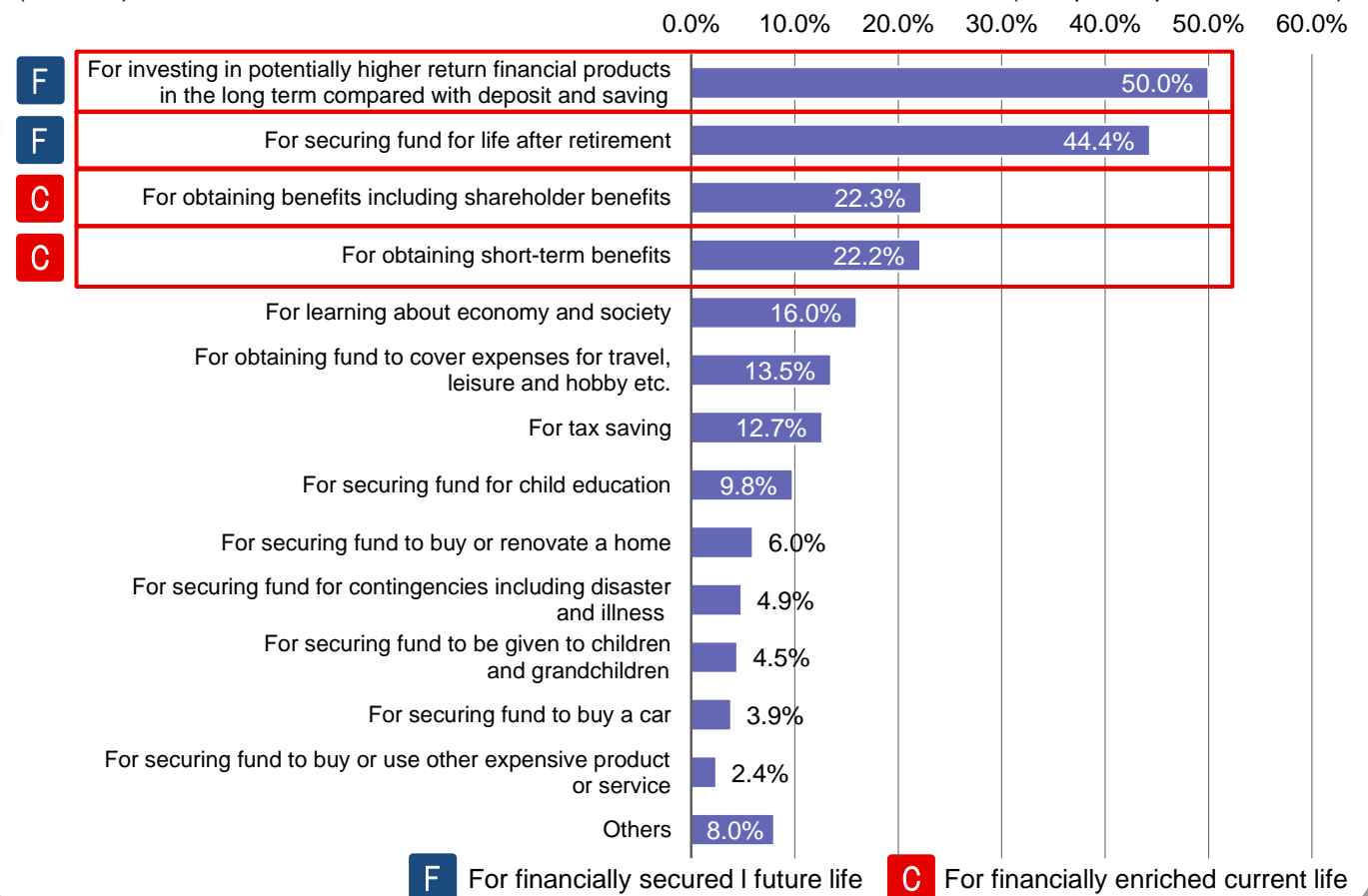
Objective for Considering Opening an Account

(Respondent) Company employee respondents who chose options other than “Have never considered opening an investment account” for their personal investment experience¹

2 3 4 5

(n=5,318)

(Multiple responses allowed)



(Notes) 1. Excluding investment experience through corporate DC pension plan

4. Relationship Between Life Event (child education, buying a home, life after retirement etc.) and Investment

Relationship Between Life Event and Investment

① Those who prepare for their life events (child education, buying a home, life after retirement etc.) tend to make a financial plan for them

② People tend to view investment as something special and not to relate it to their everyday life. However, it actually is part of their financial plan for their life

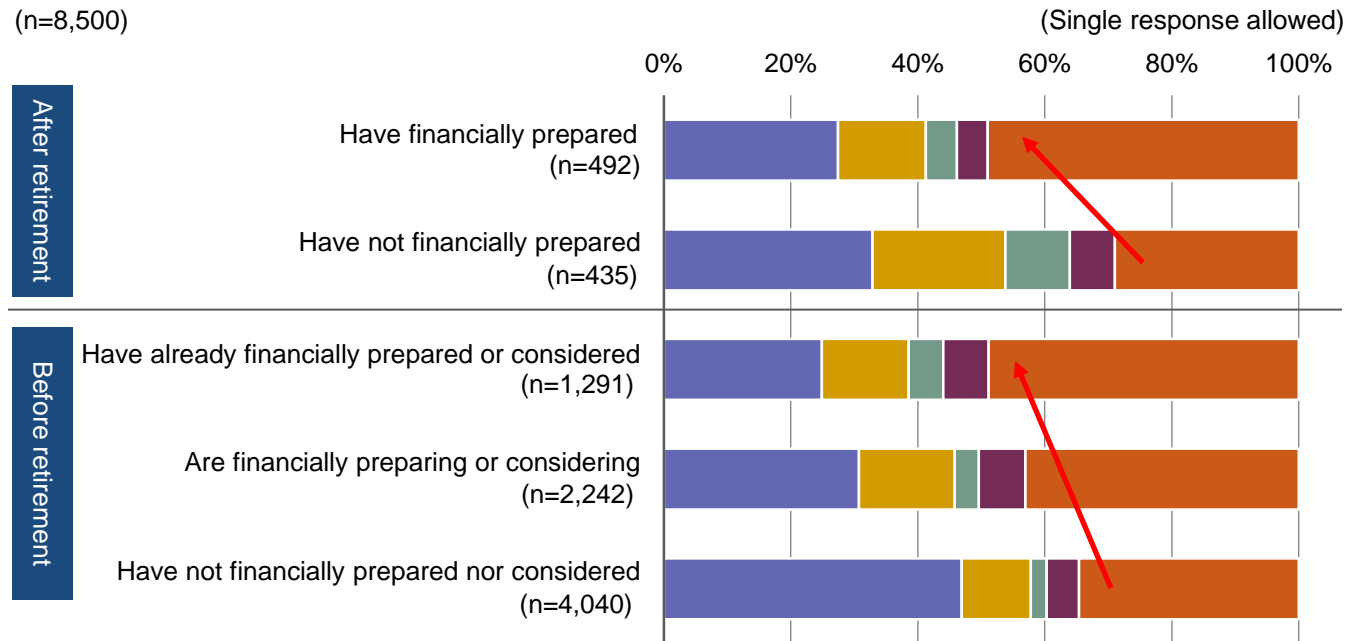
③ Those who financially prepare for their life events show higher tendency of considering investment, indicating that financial preparation for a life event could be a good opportunity to consider starting investment

Financial Preparation for a Life Event ①

Those who have financially prepared for their life after retirement tend to make investment as part of their preparation

The relationship between financial preparation for retirement of respondent/their spouse and the 5 steps for starting investing

(Respondent) Company employees



[5 Steps for Starting Investing] (See P4)

- Have never considered investing nor opening an investment account
- Have considered opening an account but have not started procedures for the opening
- Have started procedures to open an account but cancelled before their completion
- Have opened an account by completing the procedures but have never made any investments
- Have opened an account and experienced investments using the account

The ratio of those who have actually invested is higher in those who have designed their life plan and financially prepared for future events

Takeaway

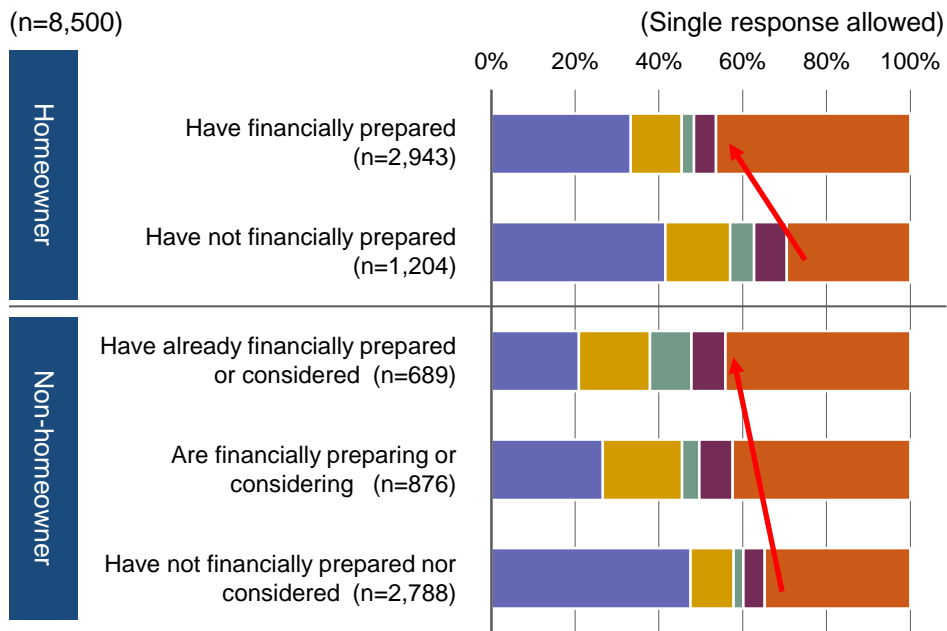
As part of financial preparation for their life after retirement, many people consider investment. Even for those who have less interest in investing, financial preparation for a life event could be a good opportunity to consider asset building.

Financial Preparation for a Life Event②

The same tendency is seen in terms of buying home and child education

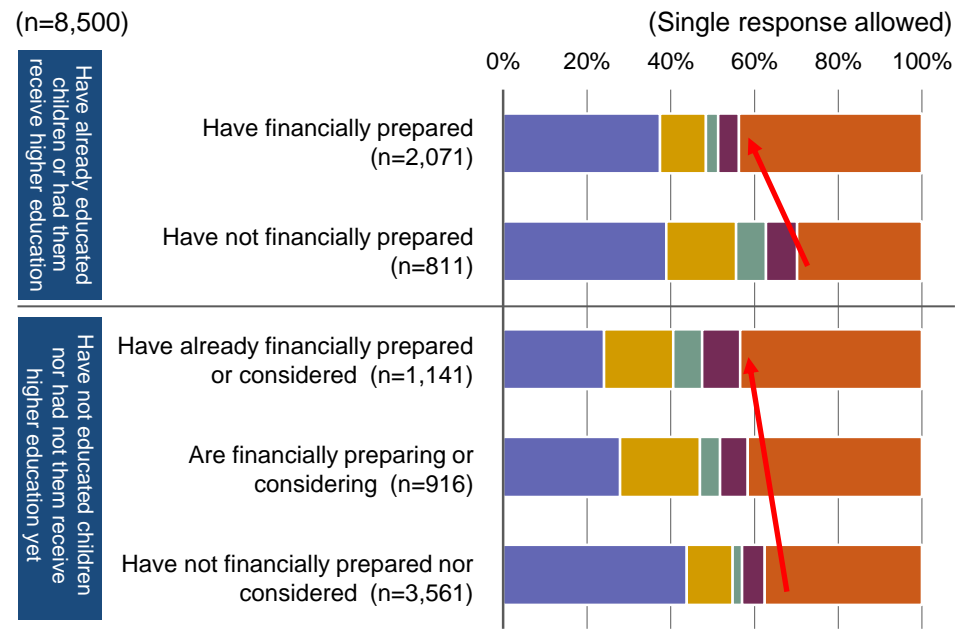
The relationship between financial preparation for buying a home and the 5 steps for starting investing

(Respondent) Company employees



The relationship between financial preparation for child education and the 5 steps for starting investing

(Respondent) Company employees



[5 Steps for Starting Investing] (See P4)

- Have never considered investing nor opening an investment account
- Have considered opening an account but have not started procedures for the opening
- Have started procedures to open an account but cancelled before their completion
- Have opened an account by completing the procedures but have never made any investments
- Have opened an account and experienced investments using the account

5. Relationship Between Learning About/Collecting Information on Investment and Starting Investment

Relationship between learning about/collecting information on investment and starting investment

① Those who learn about investment show a higher tendency of starting investment



② Those who learn about investment even passively show a higher tendency of starting investment



③ Those who actively collect information on investment also show a high tendency of starting investment and tend to value text media including website, newspaper and book

Learning Experience Before Starting Investing

The ratio of those who have actually invested is higher in those with pre-investment learning experience

- The ratio of those who have actually invested is higher in those with pre-investment learning experience
- As much as over 40% of those without learning experience consider starting investment (opening an account)

Takeaway

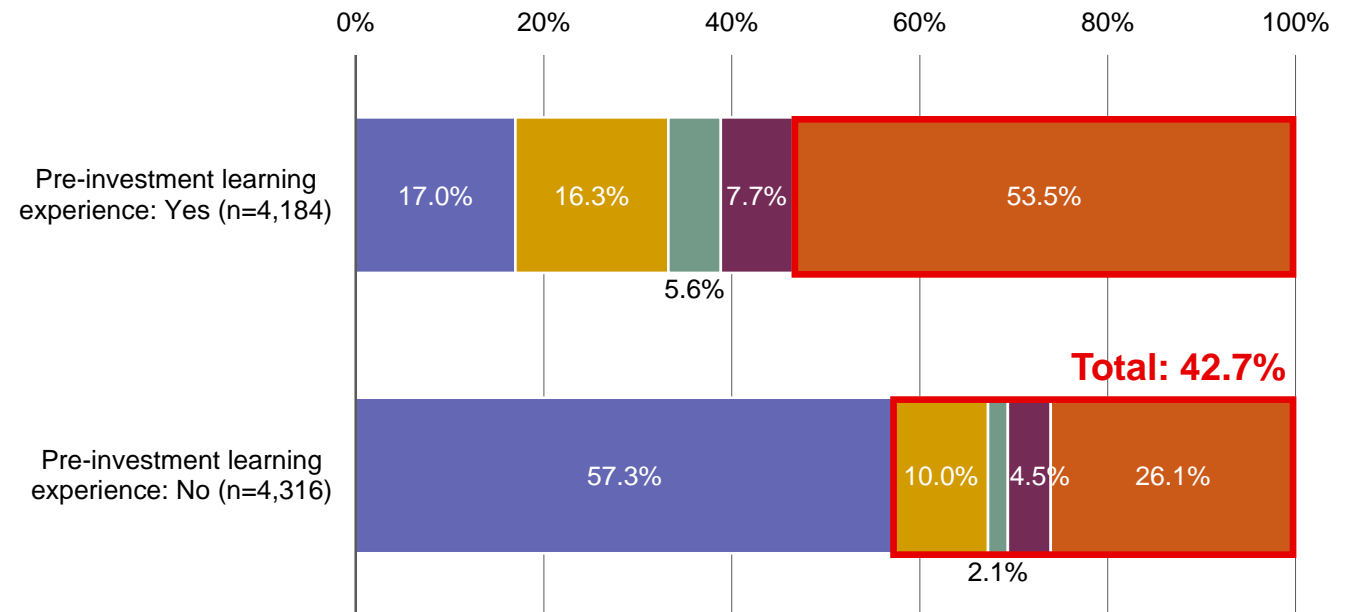
Learning about asset building could increase the possibility of actually starting investment.

Learning Experience Before Starting Investing

(Respondent) Company employees

(n=8,500)

(Single response allowed)



【5 Steps for Starting Investing】 (See P4)

- Have never considered investing nor opening an investment account
- Have considered opening an account but have not started procedures for the opening
- Have started procedures to open an account but cancelled before their completion
- Have opened an account by completing the procedures but have never made any investments
- Have opened an account and experienced investments using the account

Information They Value When Investing in Financial Product

Those with investment experience value text media including website, newspaper, book and magazine

- ① Those with investment experience value text media including website, newspaper, book and magazine
- ② Obtaining information on investment from financial institution, colleague, family member and acquaintance has become a good opportunity to start investing

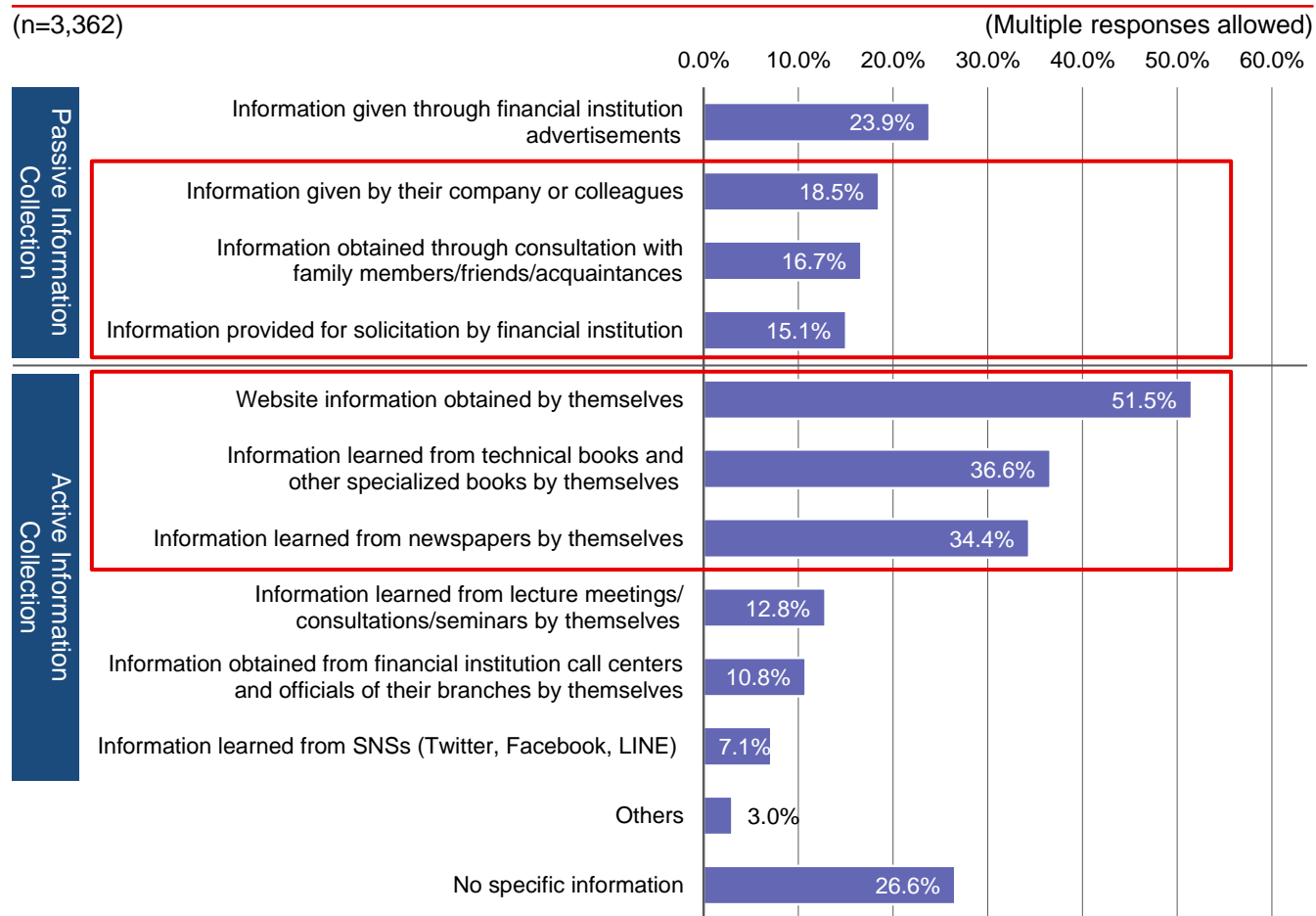
Takeaway

In addition to verbal information, text media information is also valued.

Information They Value When Investing in Financial Product

(Respondent) Company employee respondents who chose "Have opened an account and experienced investments using the account" for their personal investment experience¹

5



(Notes) 1. Excluding investment experience through corporate DC pension plan

Information They Value When Investing in Financial Product

Those who are given information on investment even passively show higher tendency of starting investment

Those who actively collect information on investment show a higher tendency of starting investment. However, being passively given information on investment shows a higher tendency compared with those who neither collect nor are given any information

Takeaway

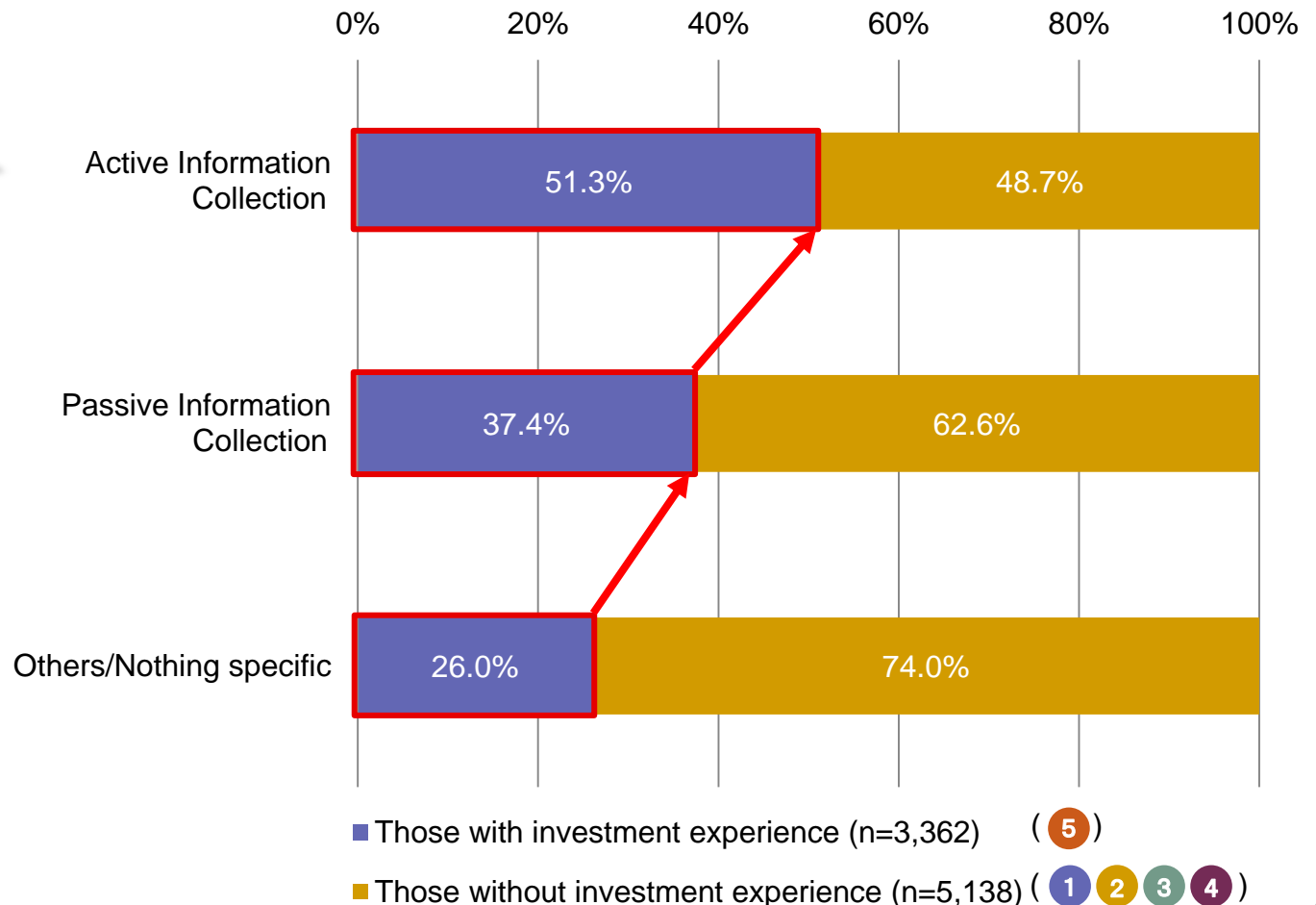
If we are given some information from others, we tend to study it in order to have it make sense. This might be the same for investment information and we assume being repeatedly given information on investment passively could raise awareness for actively collecting such information. We also assume that those who are not interested in investment (=those who do not actively collect information on investment) could increase their interest by being passively given such information.

Information They Value When Investing in Financial Product

(Respondent) Company employees

(n=8,500)

(Single response allowed)



Interest in Life Planning, Economic Theory and Financial Product etc.

Nearly 60% of respondents were interested in life planning, economic theory and financial product etc.

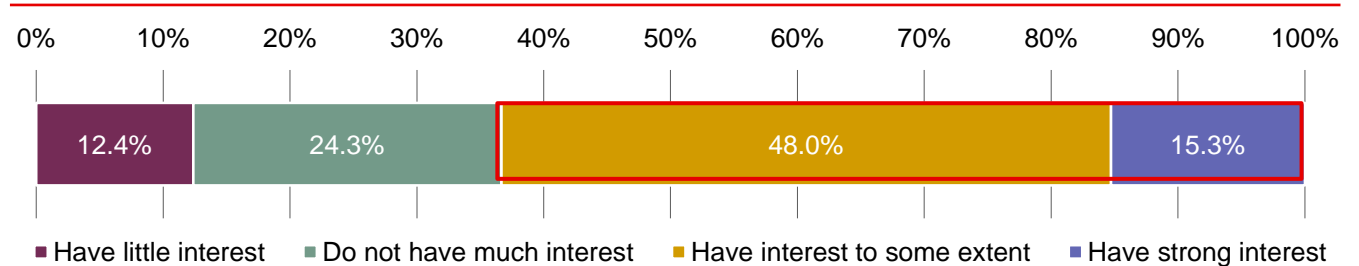
Nearly 60% of respondents were interested in

- Life designing based on their life plan
- Understanding economic theory
- Obtaining knowledge of financial product

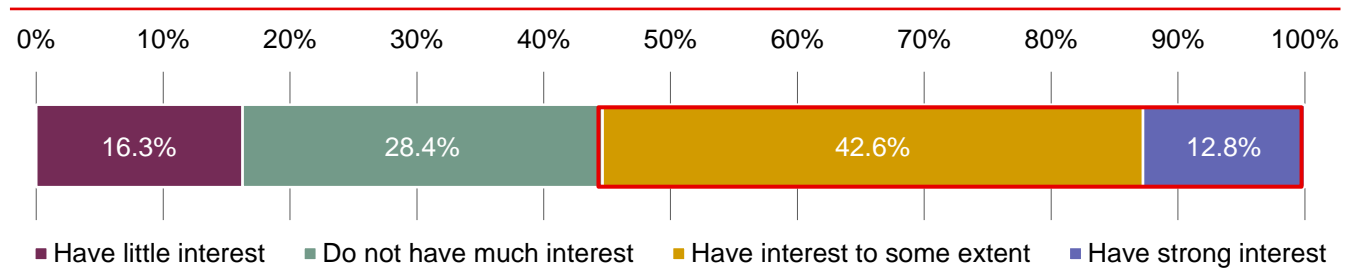
Takeaway

- ① These themes are related to asset building and more than 50% of the respondents are interested in them.
- ② Getting interested in their own asset building could encourage them to learn about investment.

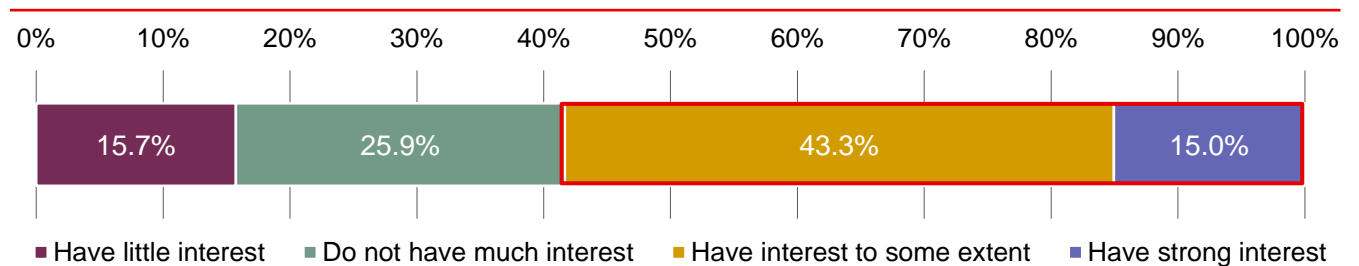
Life designing based on their life plan



Understanding economic theory on asset management etc.



Obtaining knowledge of financial product etc.



(Respondent) Company employee (n=8,500), single response is allowed for each question

6. Relationship Between the Internet/Smartphone Apps and Starting Investment

Relationship between the Internet/smartphone Apps and starting investment

① Information obtained over the Internet plays a big role as an opportunity to have people consider starting investment



② Website information is more valued compared with newspaper, book and magazine when buying and selling financial products and using smartphone financial apps could nurture interest in investment



③ Convenience of procedure completion over the Internet and utilization of financial apps on smartphone could encourage people to start investing

What Motivates You to Consider Opening an Account ? (in terms of environment change not on their own)

The ratio of “Convenience improvement in investment transaction over the Internet” is high as motivation to consider investment

- The ratio of “Convenience improvement in investment transaction over the Internet” is high as motivation to consider investment
- Changes in market environment/market and tax break for investment also have non-negligible ratios

Takeaway

Even after taking the potential bias that this is a web-based survey into consideration, the result suggests convenience of the Internet made a certain level of contribution in lowering hurdles of obtaining learning materials and starting procedures.

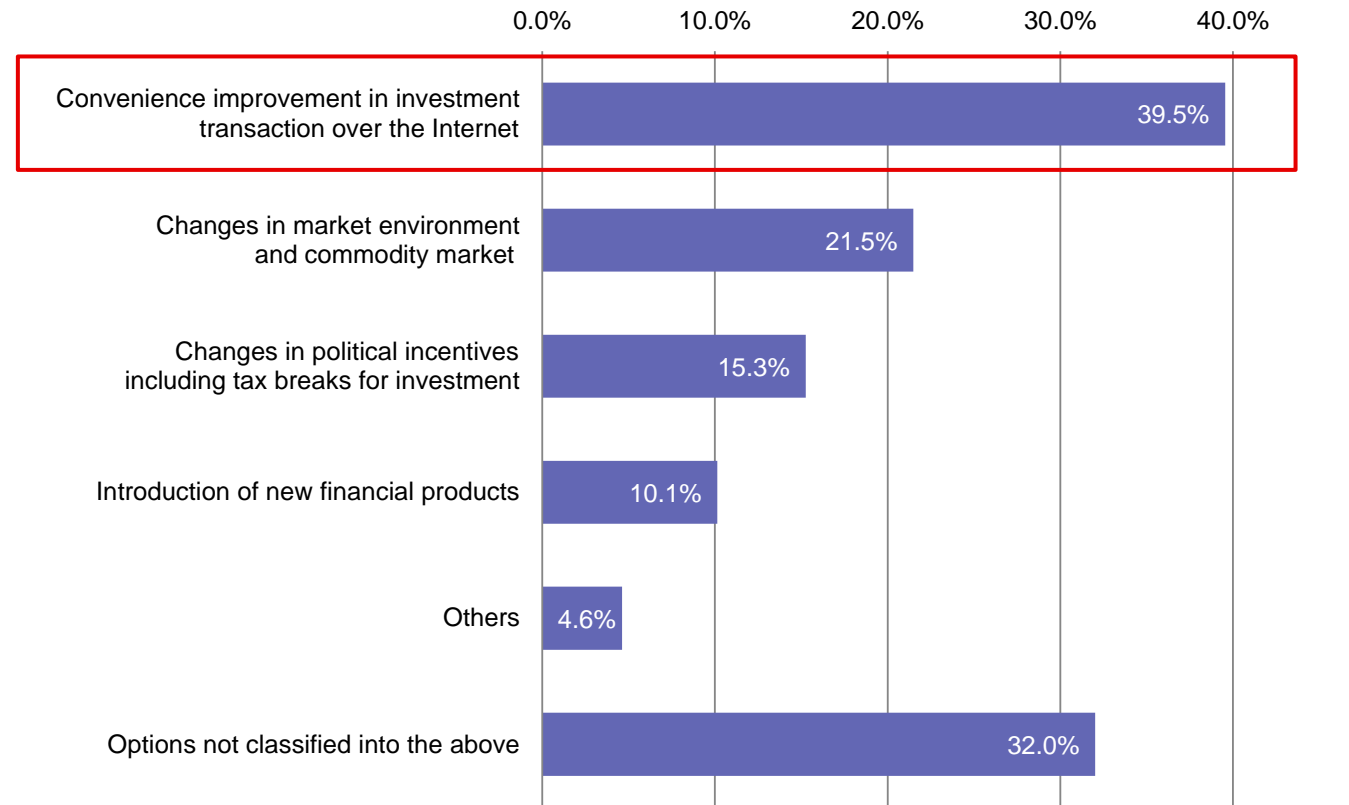
What Motivates You to Open an Account ? (in terms of environment change not on their own)

(Respondent) Company employee respondents who chose options other than “Have never considered opening an investment account” for their personal investment experience¹

2 3 4 5

(n=5,318)

(Multiple responses allowed)



(Notes) 1. Excluding investment experience through corporate DC pension plan

Information They Value When Investing in Financial Product

Actively collected website information is valued

- When buying and selling financial products, respondents tend to value actively collected information
- Website information tops newspaper, book and magazine as information media

Takeaway

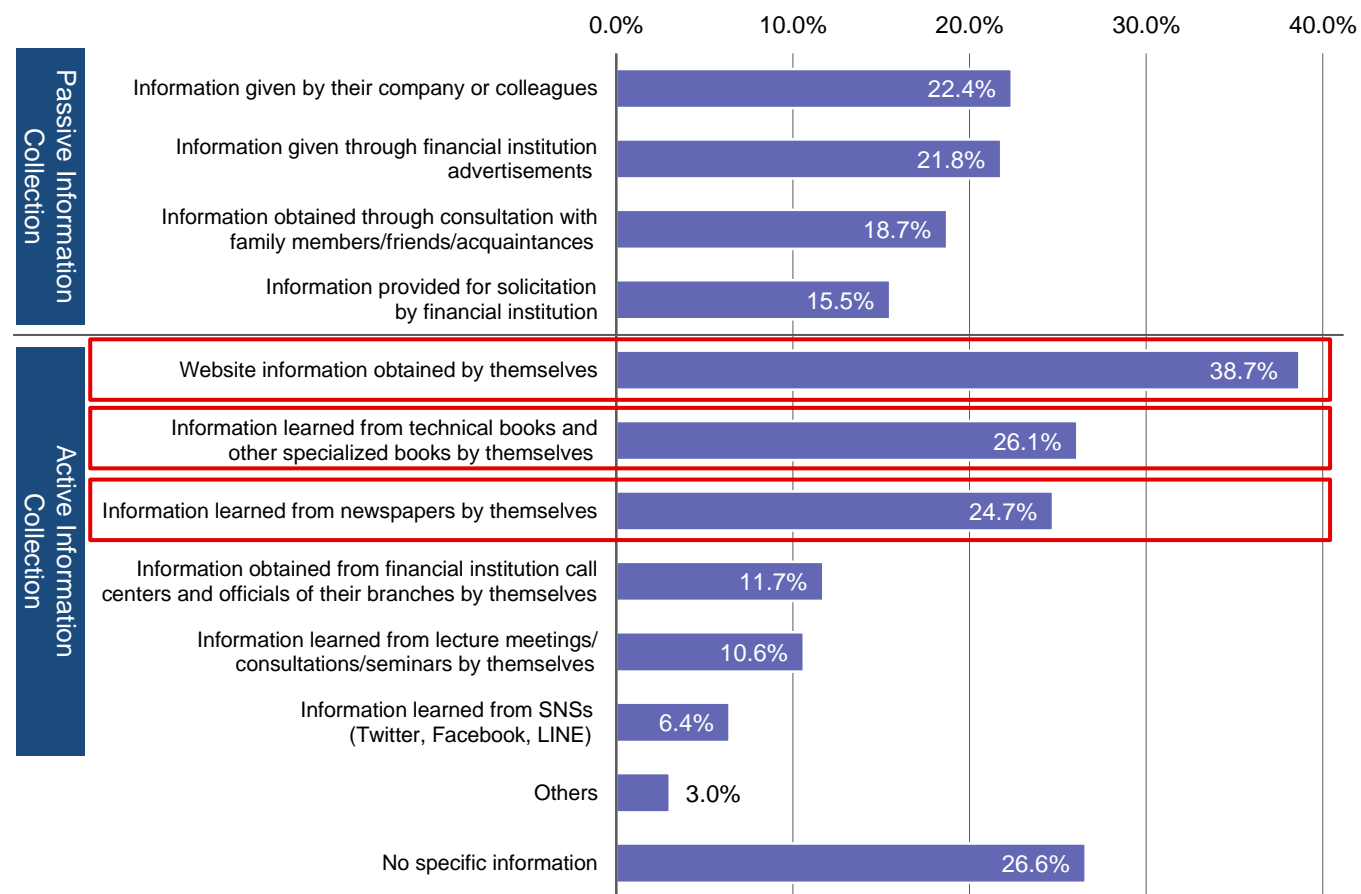
The result suggests the importance of the Internet as information media also in their actual asset building

Information They Value When Investing in Financial Product

(Respondent) Company employees

(n=8,500)

(Multiple responses allowed)



Financial Apps on Smartphone

Nearly 60% of those with investment experience use financial apps

- Among those who use apps for investment and for internet banking, the ratios of those with investment experience are relatively higher
- Nearly 60% of those with no investment experience have not installed any financial apps

Takeaway

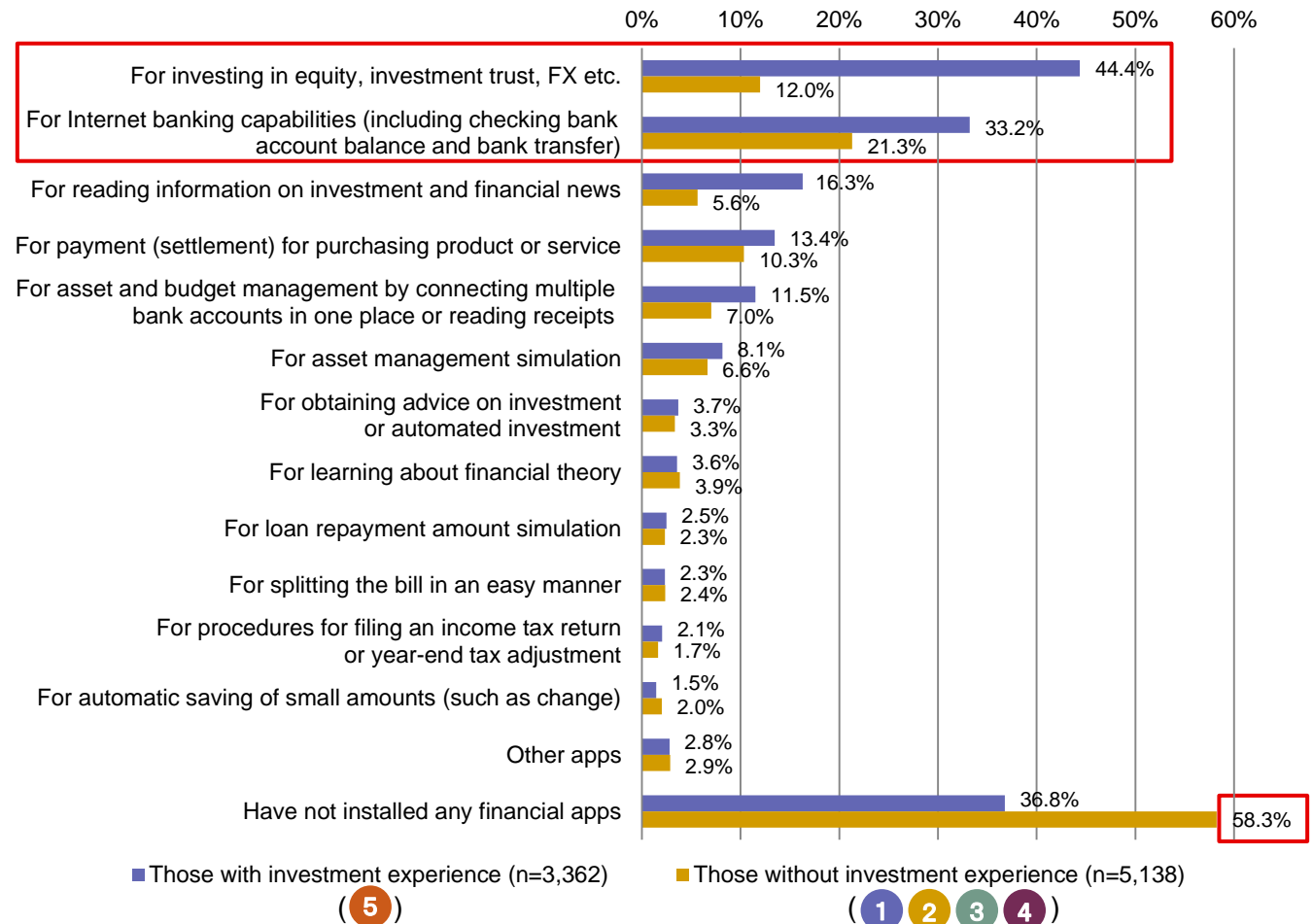
Use of financial apps shows their high level of interest in investment. We consider that there is still some room for more app penetration and that app user increase could lead to more people making investment.

Financial Apps on Smartphone

(Respondent) Company employees

(n=8,500)

(Multiple responses allowed)



Many of those who use apps for reading information on investment and financial news have actually invested

Nearly 65% of users of apps for reading information on investment and financial news and nearly 52% of users of apps for personal budget management have made investment

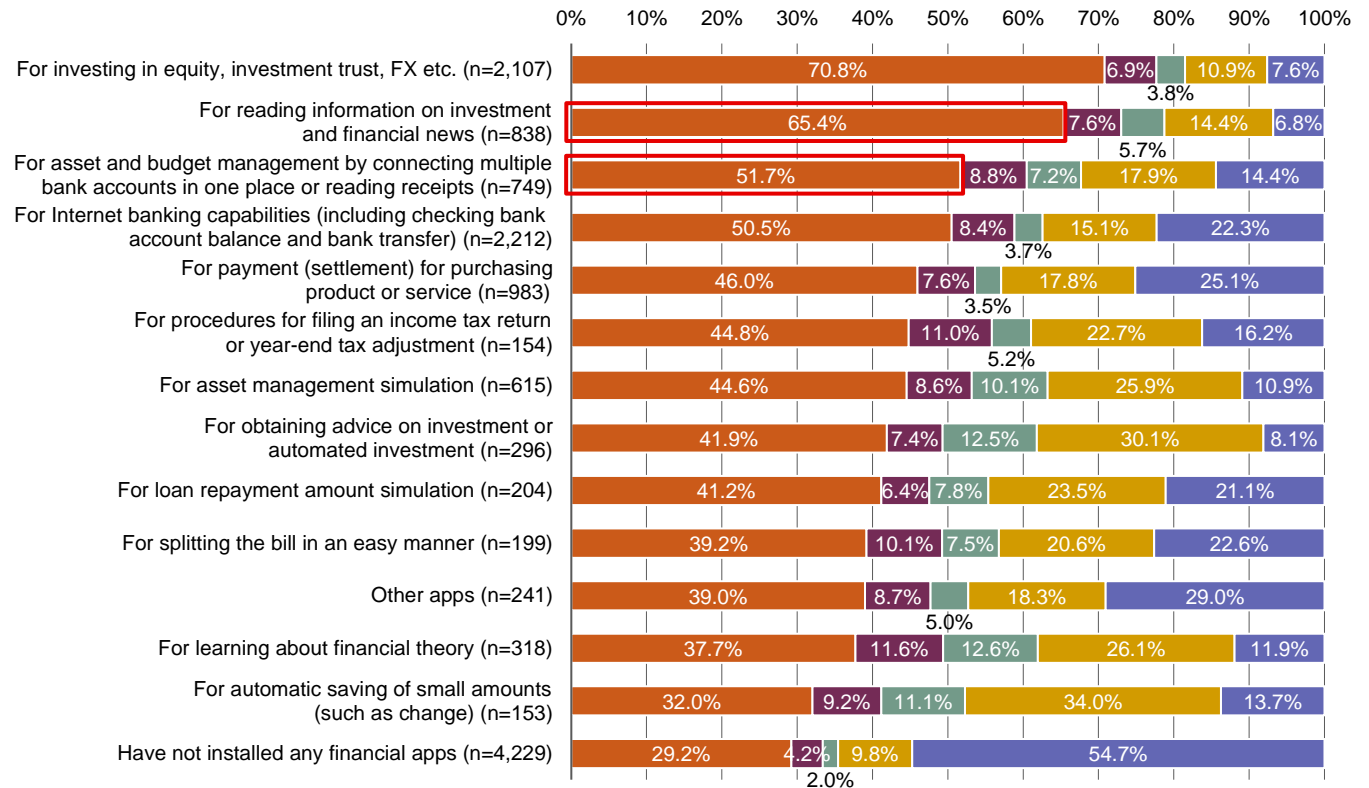
Takeaway

We assume that people could nurture interest in investment by paying more attention to their assets and income/spending through use of apps on a daily basis for obtaining investment information from news and managing their household budget.

Financial Apps on Smartphone (Respondent) Company employees

(n=8,500)

(Multiple responses allowed)



[5 Steps for Starting Investing] (See P4)

- Have opened an account and experienced investments using the account
- Have opened an account by completing the procedures but have never made any investments
- Have started procedures to open an account but cancelled before their completion
- Have considered opening an account but have not started procedures for the opening
- Have never considered investing nor opening an investment account

Media Used for Information Collection When Considering Opening an Account

When considering opening an account, the ratios of those who use websites on PC for information collection are higher

When considering opening an account, the ratios of those who use websites on PC for information collection are higher



Takeaway

When considering opening an account, more respondents use websites over the Internet on PC for information collection than on smartphone. This suggests that when opening an account, people prefer using a wider PC screen at home so that they can take enough time for information collection from comparison websites.

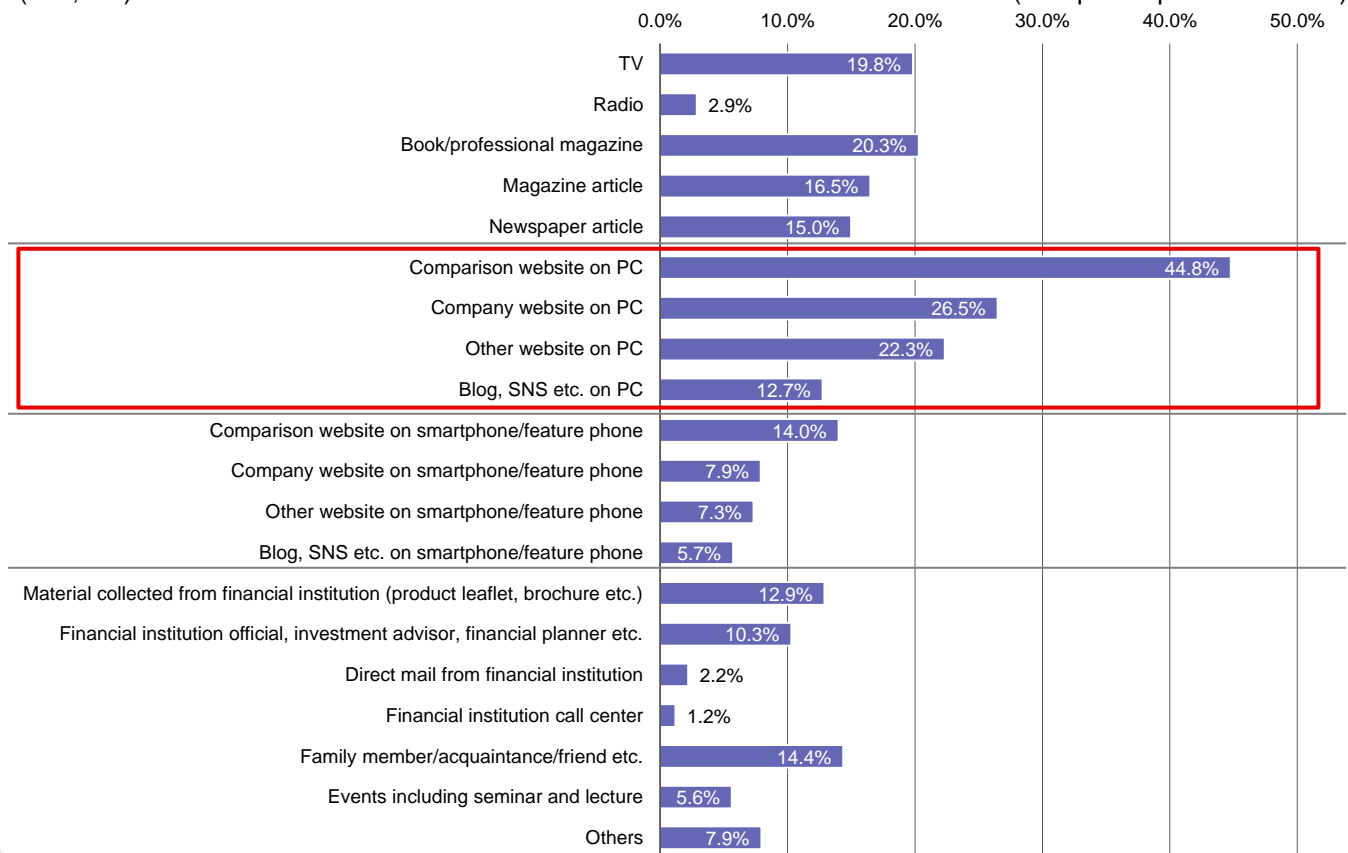
Media Used for Information Collection When Considering Opening an Account

(Respondent) Company employee respondents who chose options other than “Have never considered opening an investment account” for their personal investment experience¹

2 3 4 5

(n=5,318)

(Multiple responses allowed)



(Notes) 1. Excluding investment experience through corporate DC pension plan

Reason for Cancelling Procedures to Open an Account

Over 20% made their cancellation because “sending documents by snail mail was cumbersome”

Of those who have started procedures to open an account but cancelled half way through, the ratio of those who made their cancellation because “sending documents by snail mail was cumbersome” is high

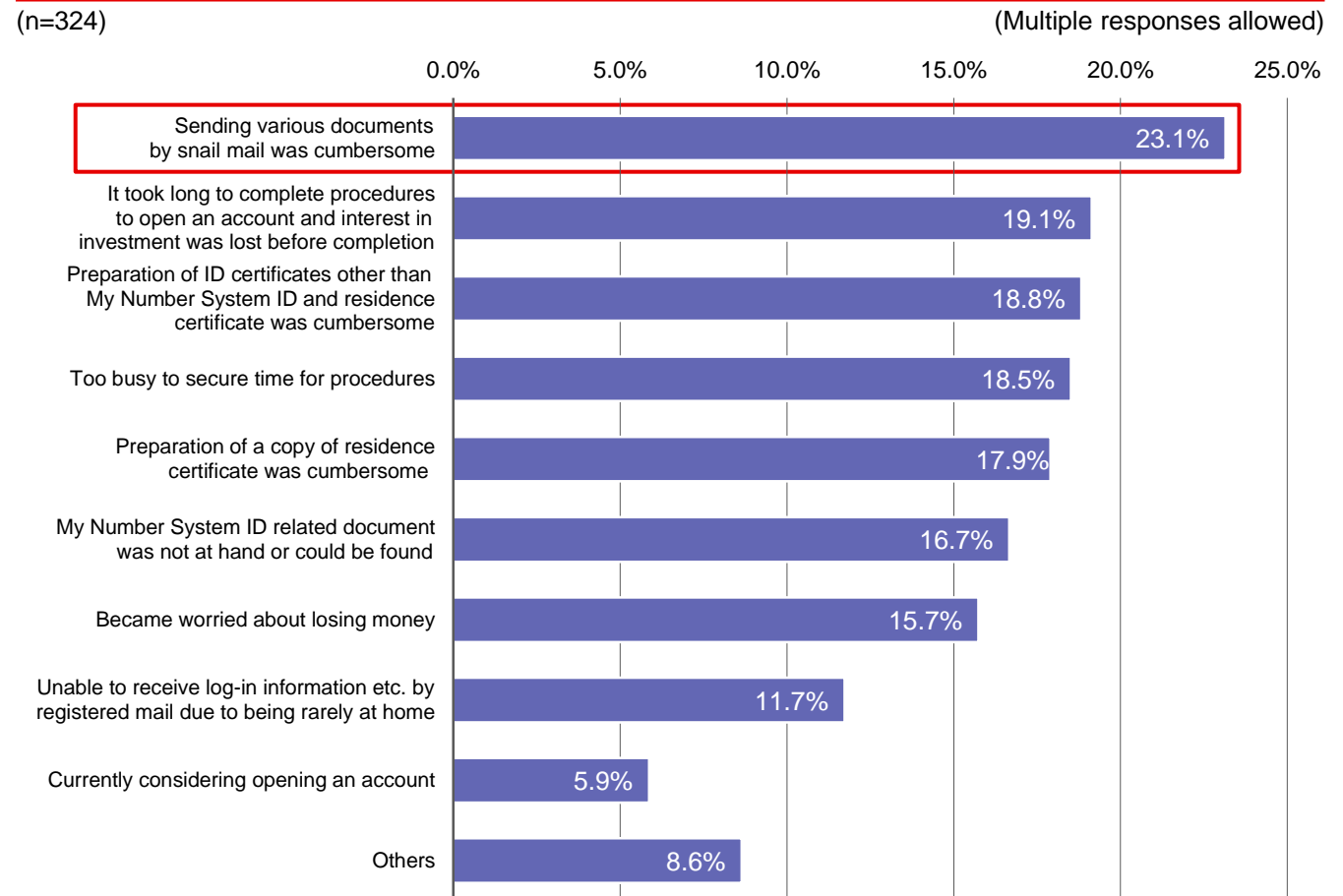
Takeaway

In order to lower hurdles before starting investment, it is effective to have them complete necessary procedures over the Internet not by snail mail.

Reason for Cancelling Procedures to Open an Account

(Respondent) Company employee respondents who chose “Have started procedures to open an account but cancelled before their completion” for their personal investment experience¹

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(Notes) 1. Excluding investment experience through corporate DC pension plan

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