

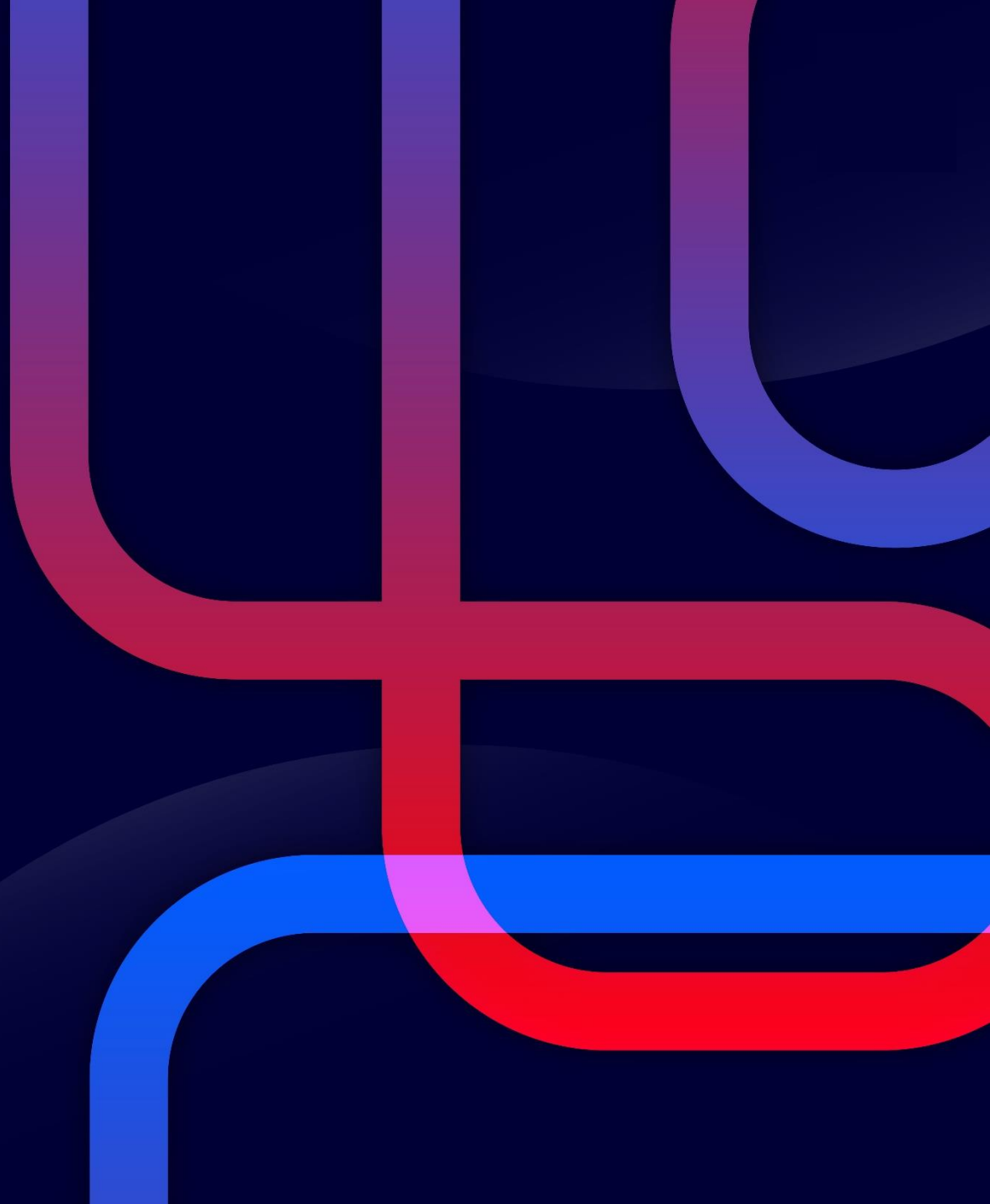
Japan Market

Survey on Digital Asset Investment Trends for Institutional Investors 2024

June, 2024



NOMURA



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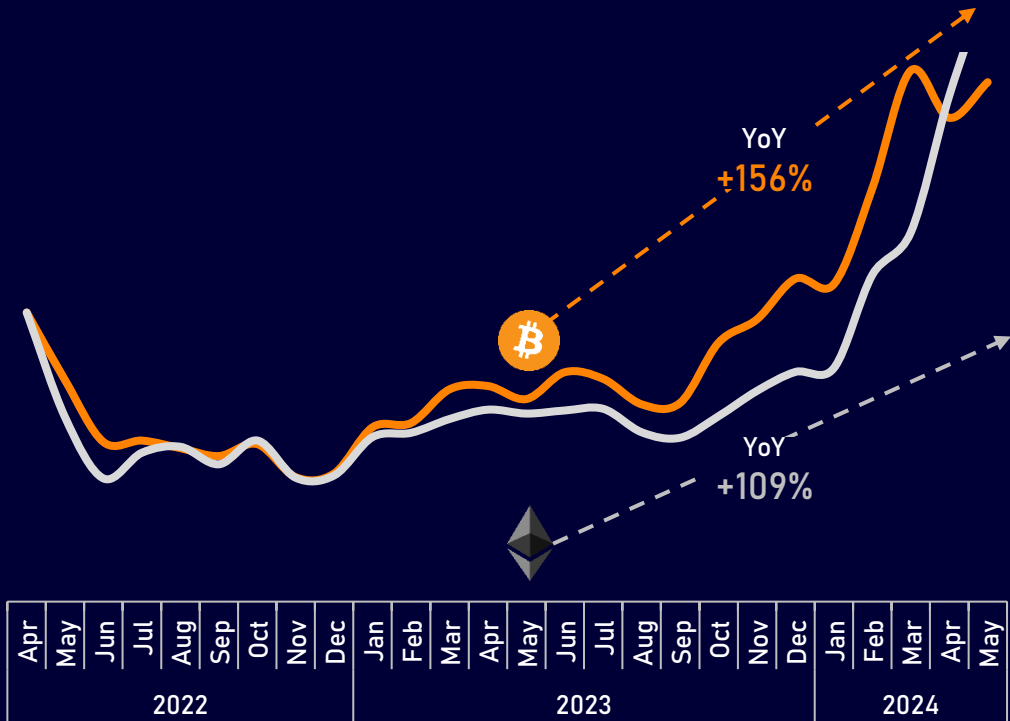
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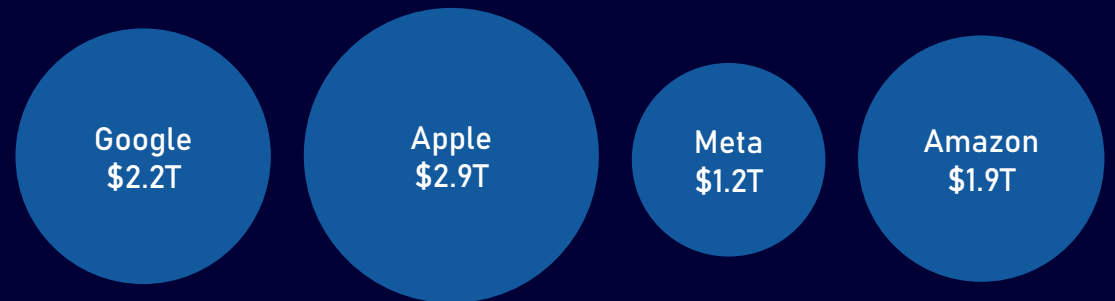
Digital assets are growing strongly, especially major crypto assets, and have a substantial presence.

BTC and ETH prices and % increase in the past year ^{1,*}
 (Indexed with price(USD) at the end of April 2022)



Market Cap of major equities and crypto assets ^{1,2,**}

Market Cap of Google Apple Meta and Amazon



Market Cap of major crypto assets



^{**}Charted for the period April 28, 2022 to May 28, 2024. ^{**}Created the chart based on market Cap as of May 2024

Source(s) 1 CoinDesk JAPAN (<https://www.coindeskjapan.com/price/bitcoin/> , <https://www.coindeskjapan.com/price/ethereum/>)

2 Stock Analysis (<https://stockanalysis.com/stocks/goog/> , <https://stockanalysis.com/stocks/aapl/> , <https://stockanalysis.com/stocks/meta/> , <https://stockanalysis.com/stocks/amzn/>)

Crypto assets are attracting attention as an investment target, as regulations are being developed in Japan.

Regulatory Trends

Re-definition of crypto assets / Regulation of Derivatives

User protection was secured for derivatives strengthening presence in the asset class. Wallet regulations also make Japan the safest market in the world.

Defined Security Tokens ("ST") as Electronically Recorded Transferable Rights

Clarification of regulations is expected to lead to increased participation in STs.

Regulation of virtual currencies and exchanges

Clarification of exchange operator regulations and user protections led to increased use as a payment method.

Lift the ban on the holding crypto assets by LPS (expected)

This will lead to more token-based investments in Web3 startups.

Regulation of stablecoins

It led to greater use of stablecoins.

Lifting the ban on ST investments by LPS

This led to expanding a gateway to private equities.

Corporate Trends

2017

NOMURA BOOSTRY

Nomura HD established BOOSTRY to develop ST infrastructure.

2019

NOMURA BOOSTRY

Japan's first digital bond issued.

2020

2021

Japan's first IEO to raise funds.

2022

NOMURA  Laser Digital
NOMURA Group

Nomura HD established Laser Digital, a digital asset subsidiary.

2023

Major pension fund begins gathering information on Bitcoin.

2024

1. Introduction

As the environment surrounding digital assets is changing, Laser Digital and Nomura decided to conduct a survey to understand the investment trends and intentions of institutional investors in Japan toward digital assets (especially crypto assets).

Period



April 15 – April 26, 2024

Questionnaire



547 investment managers at institutional investors, family offices, and public-service corporations in Japan

Conducted by Nomura Fiduciary Research & Consulting and external research firms via online

Interview

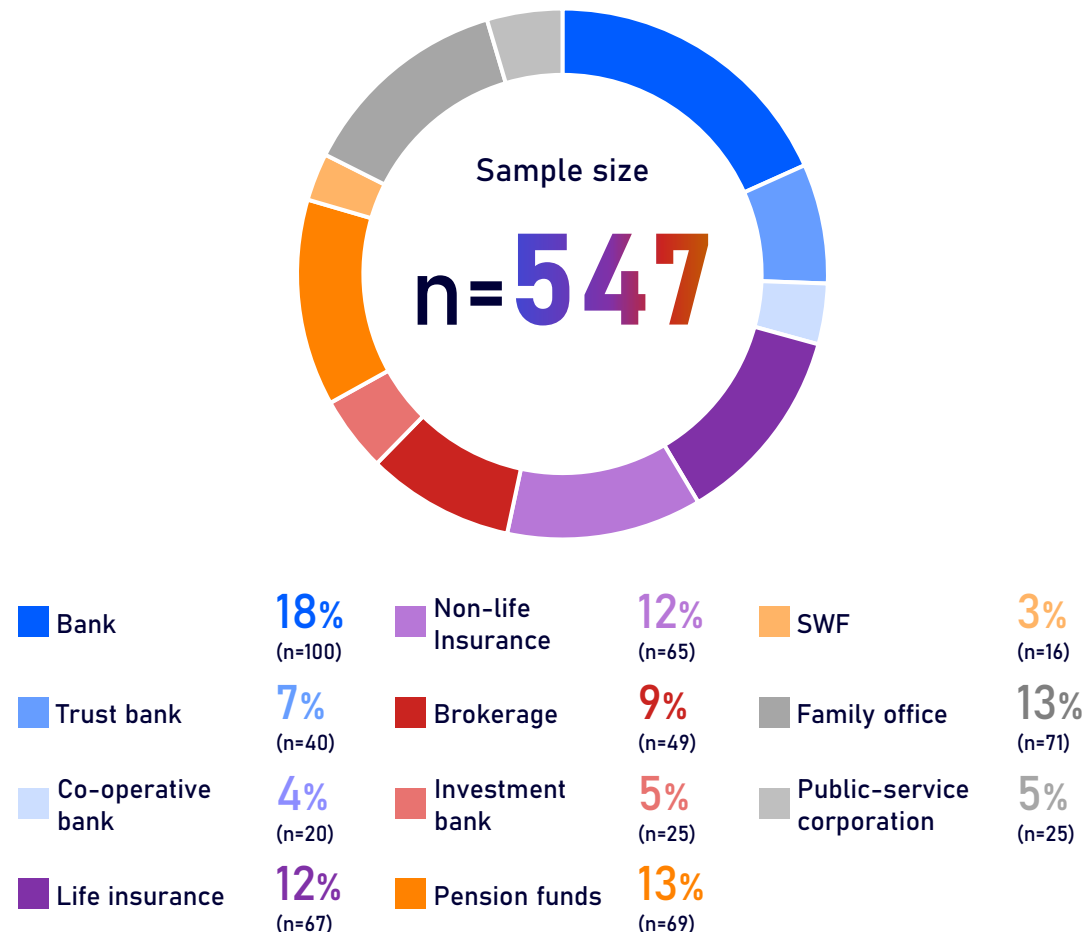


Individual with knowledge of investment trends of HNWI*s in Japan (with experience of advising more than 100 HNWIs in total)

Survey designed and analyzed by KPMG Consulting Co., Ltd. to maintain objectivity of the survey

Attributes of respondents

The survey was of institutional investors including those with AUM of ¥10T or more, family offices, public-service corporations with the total AUM ranging from several hundred million yen to several hundred billion yen.



* HNWI : High-Net-Worth Individual. ** Hereafter, institutional investors, family offices, and public-service corporations are referred to as "institutional investors" in this document.

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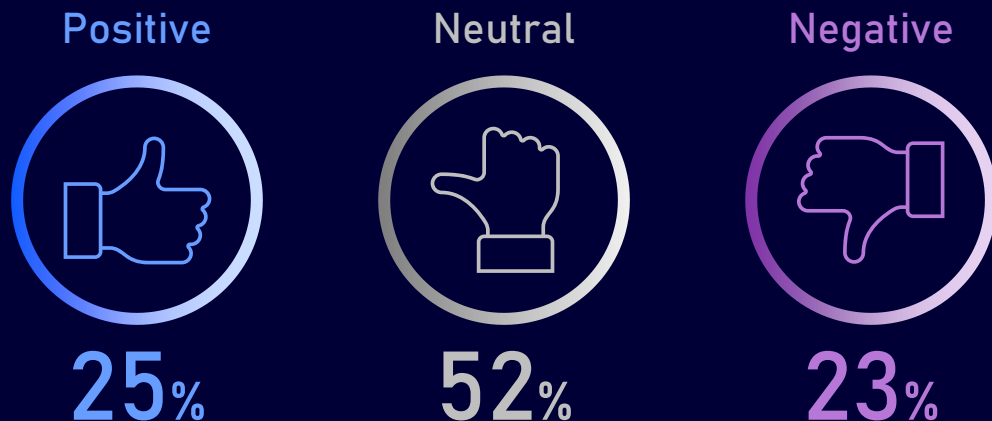
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25% of respondents have a “Positive” impression of crypto assets.

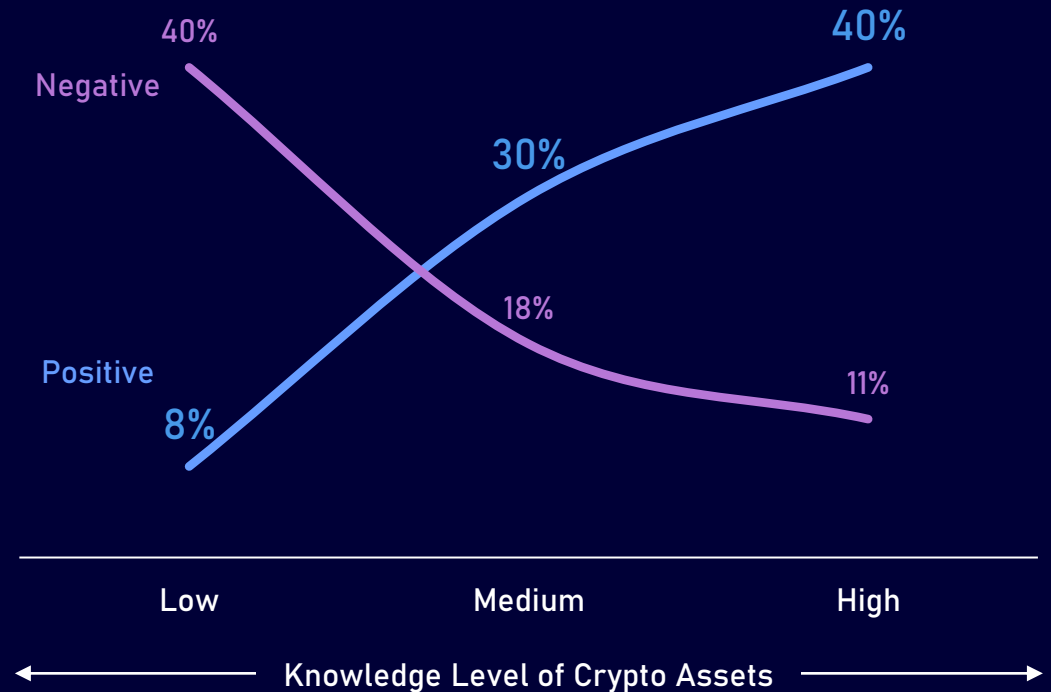
25% of respondents said their impression of crypto assets (especially Bitcoin and Ethereum) is “Positive” when looking ahead to the next 12 months.

On the other hand, 23% were “Negative” and 52% were “Neutral”

Impression toward crypto assets n=547



Relevance between knowledge level and impression n=547

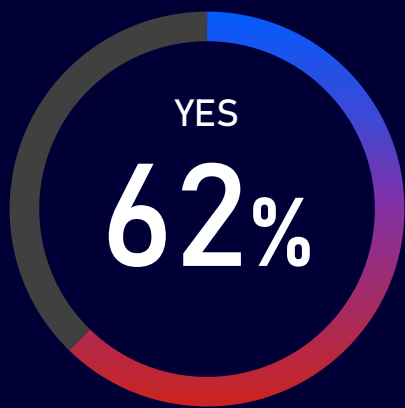


40% of respondents with “High” knowledge level had a “Positive” impression of crypto assets, indicating relevance of “High” knowledge level and “Positive” impression of crypto assets.

Therefore, acquiring the correct knowledge of crypto assets may lead to a positive impression.

62% of respondents see crypto assets as a diversification opportunity.

Do you perceive crypto assets as a diversification opportunity? n=547, *

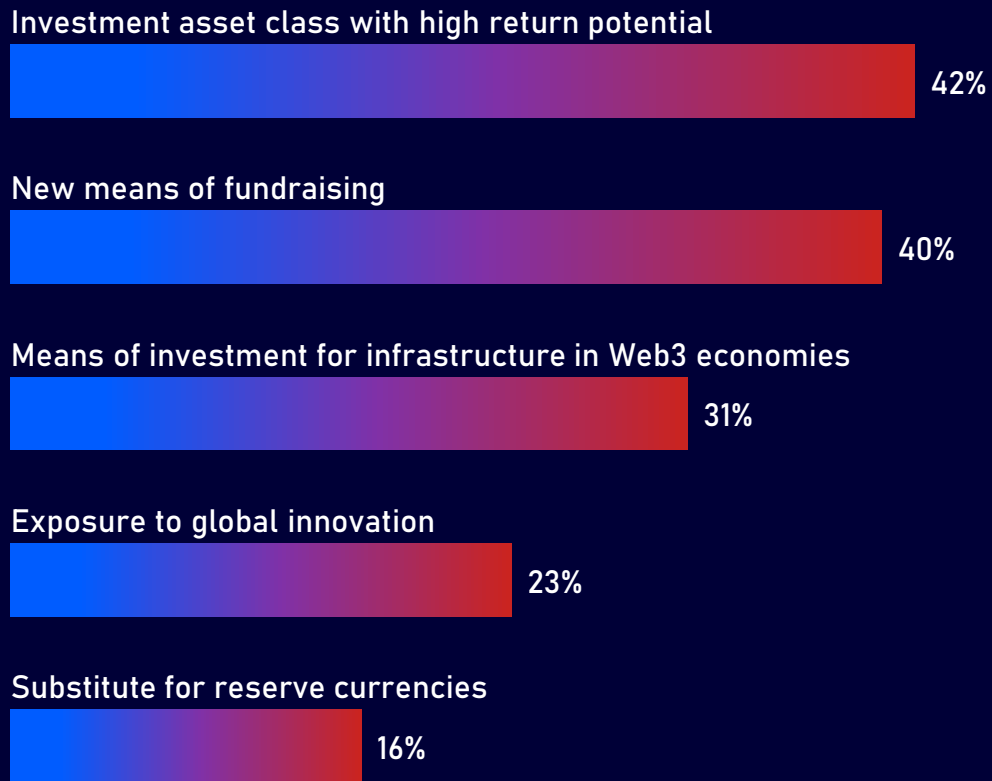


62% see crypto assets as a diversification opportunity, alongside cash, stocks, bonds, and commodities. 88% of those with a “High” knowledge level also see them as a diversification opportunity, indicating depth of knowledge could influence how respondents see crypto assets.

* Rest of the respondents chose “No”

Recognized value and use case of crypto assets

(multiple-choice) n=547



While 42% said “Investment asset class with high return potential”, only 16% said “Substitute for reserve currencies”, indicating that many respondents perceive crypto assets as an investment asset class rather than a means of exchanging value.

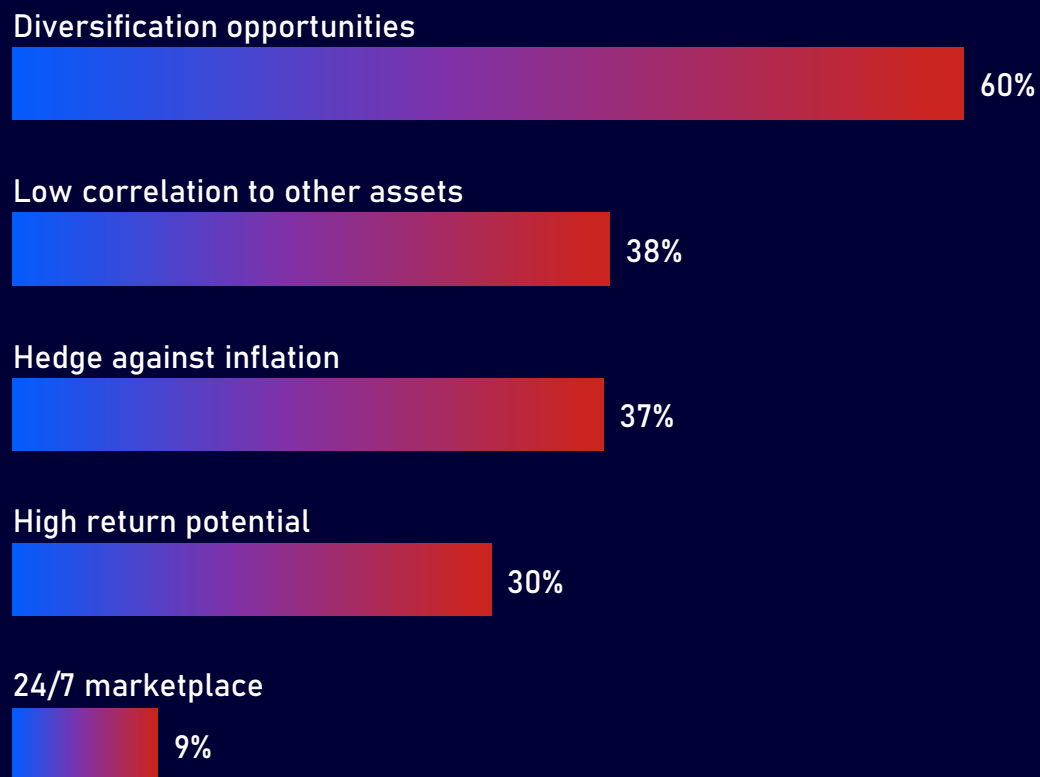
54% intend to invest in crypto assets in the next 3 years.

Do you intend to invest in crypto assets in the next 3 years? n=547, *



Reason to invest in crypto assets in the future (multiple-choice) n=294

Respondents are interested to invest in crypto assets for the purpose of stabilizing their portfolio while reducing risk, such as diversification and hedging against inflation, than in pursuit of potential returns.

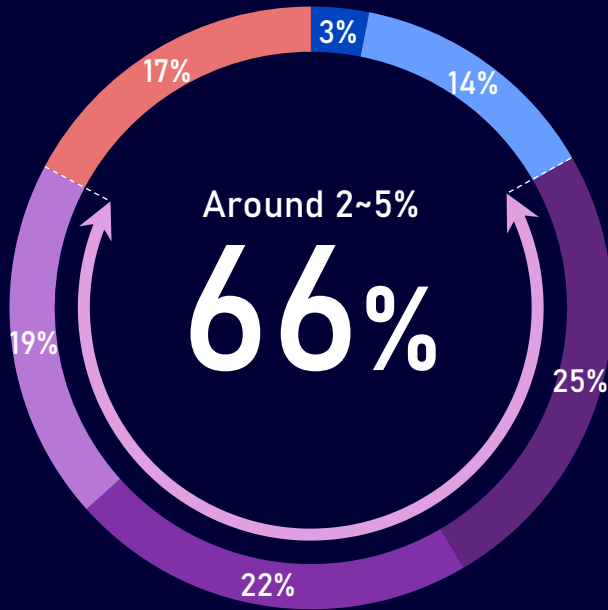


* Rest of the respondents chose either "More likely don't want to invest", "Don't want to invest"

The most preferred allocation is around 2~5%. Nearly 80% intend to invest over 1 year.

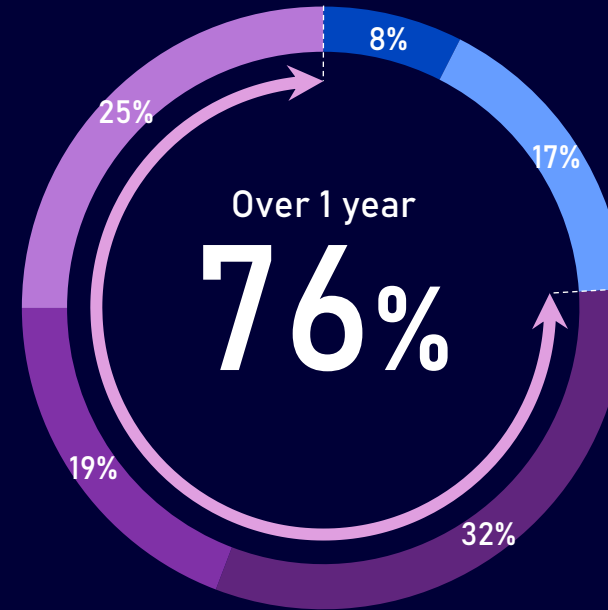
Future allocation of crypto assets to AUM n=294

- Less than 1%
- 1%~2%
- 2%~3%
- 3%~4%
- 4%~5%
- Over 5%



Expected investment period n=547

- Less than half year
- Half year to 1 year
- 1 year to 3 years
- 3 years to 5 years
- Over 5 years



When investing in crypto assets over the next 3 years, 66% expect an allocation of around 2~5%.

The most preferred investment period is 1~3 years. 76% expect to invest over 1 year.

* Figures in the chart rounded to whole numbers, so the total figure exceeds 100%

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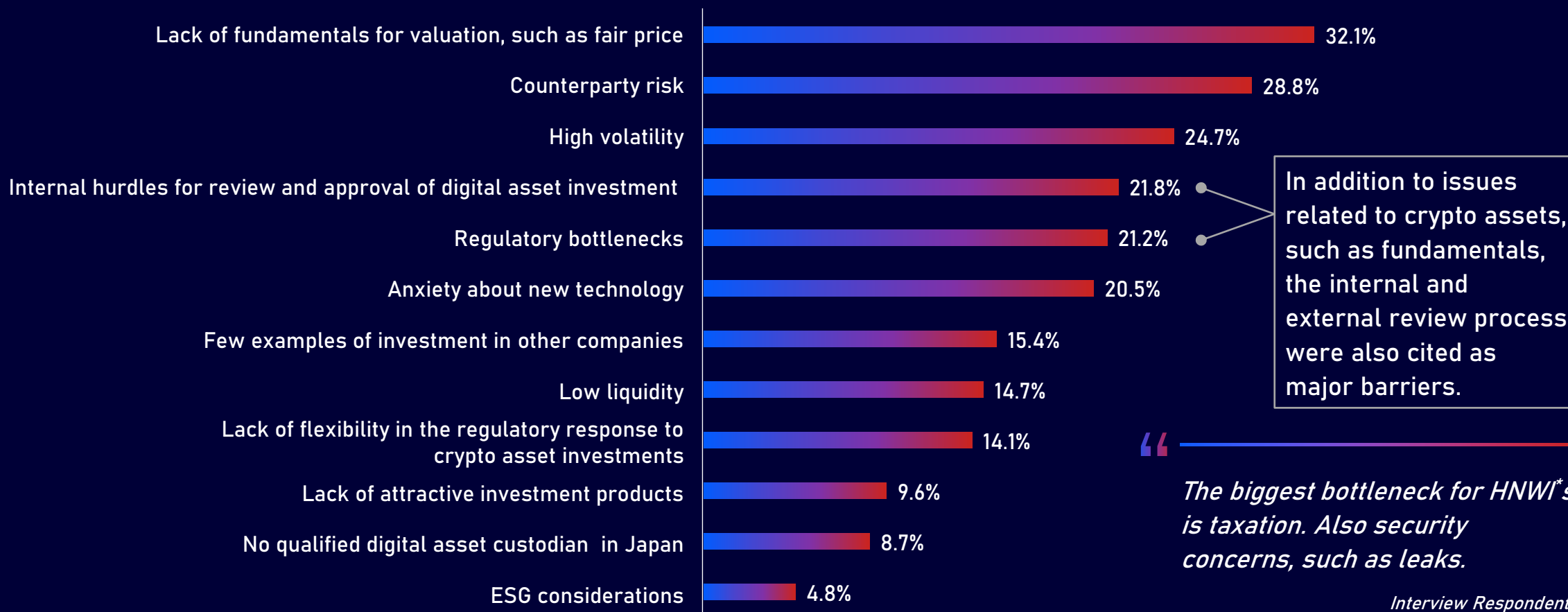
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Barriers to investing are fundamentals, counterparty risk, volatility, internal environment and regulation.

Reason for NOT currently investing in crypto assets (multiple-choice) n=312

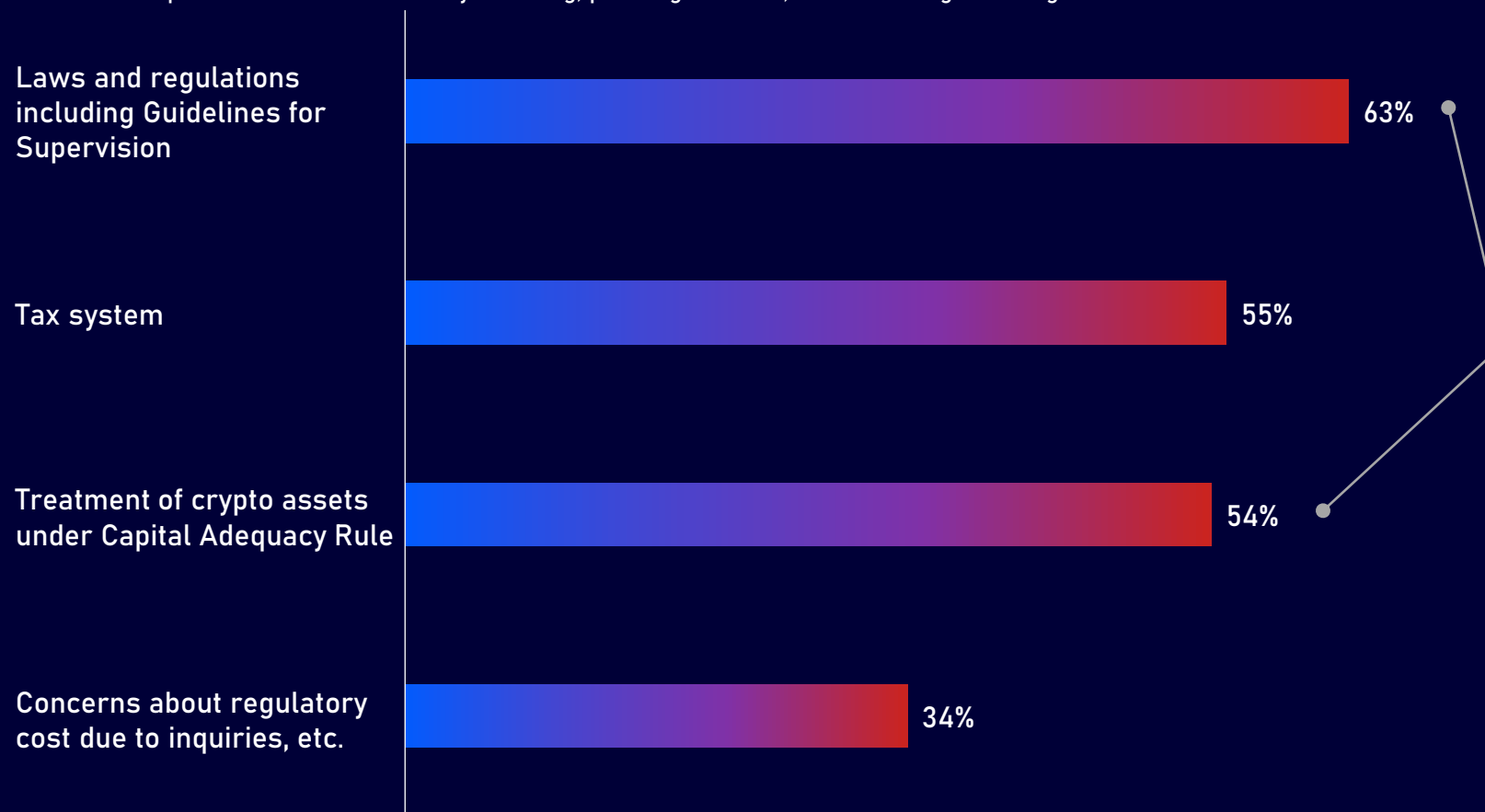


* HNWI : High-Net-Worth Individual

As for regulatory bottlenecks, there are barriers related to laws, regulations and the tax system.

Details of “Regulatory Bottlenecks” (multiple-choice) n=98

* Includes respondents who are currently investing, planning to invest, or considering investing.



Respondents belonging to banks and life insurance were particularly concerned about “Laws and regulations” and the “Capital Adequacy Rule”.

[Guidelines for Supervision]

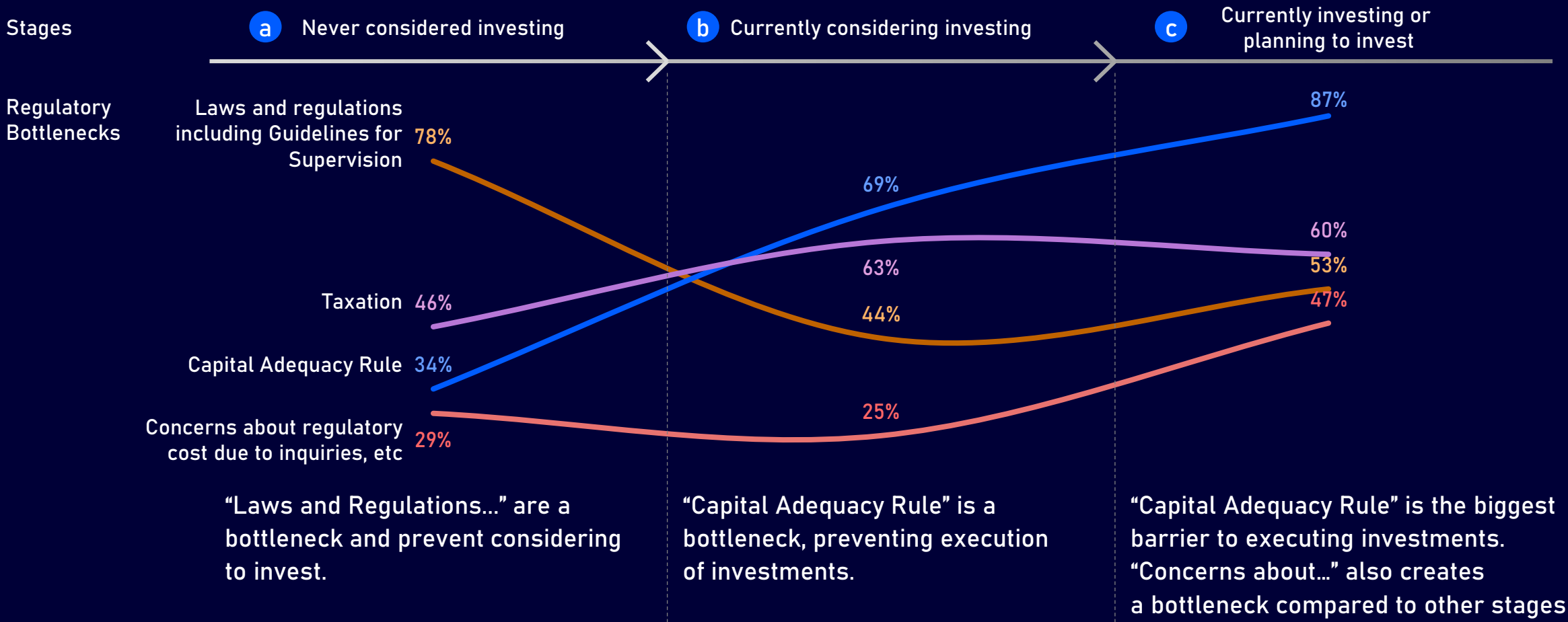
- Banks and life insurance are restricted by Guidelines for Supervision from acquiring crypto assets for investment purposes.

[Capital Adequacy Rule]

- Basel Committee is considering setting a higher risk weighting for crypto assets, which may be a barrier to banks’ investments.

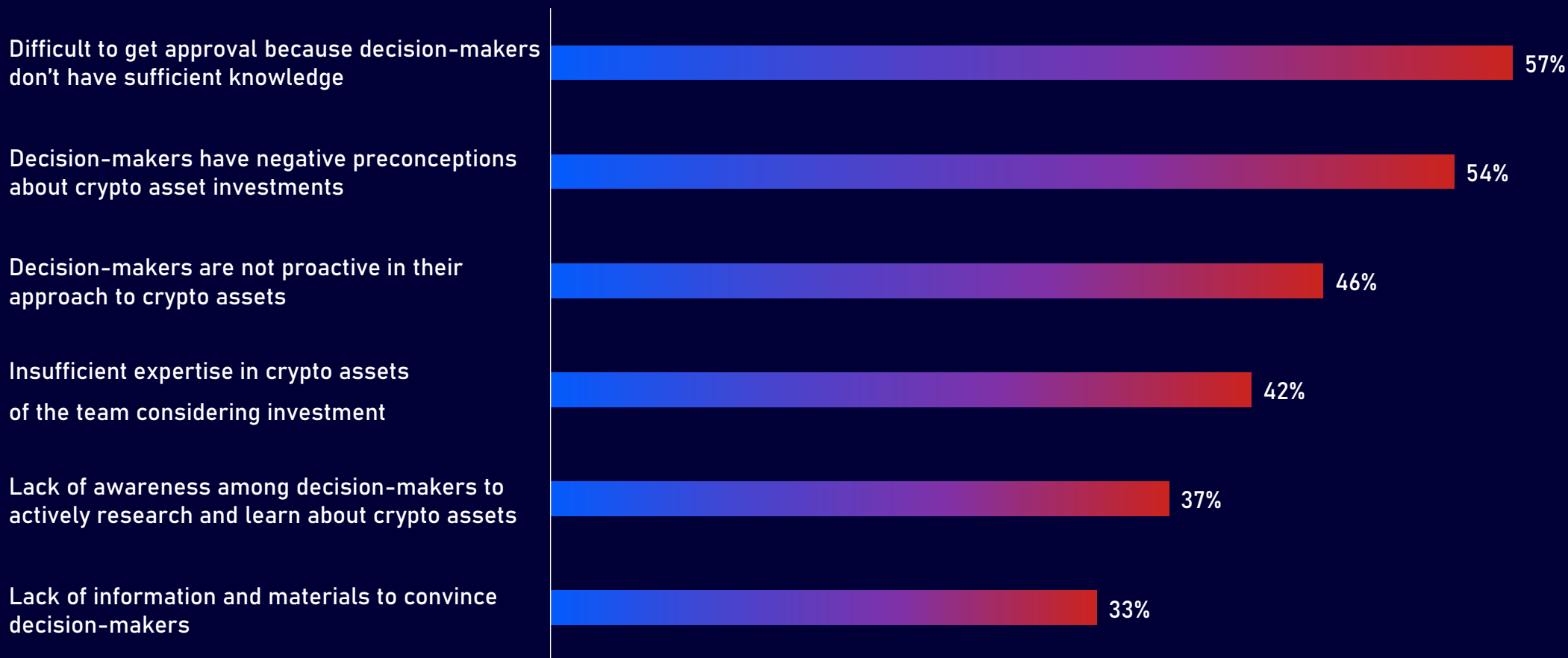
Laws and regulations are barriers before **b**. Capital Adequacy Rule is a barrier during **b** and **c**.

Details of “Regulatory Bottlenecks” by investment stages (multiple-choice) n=87



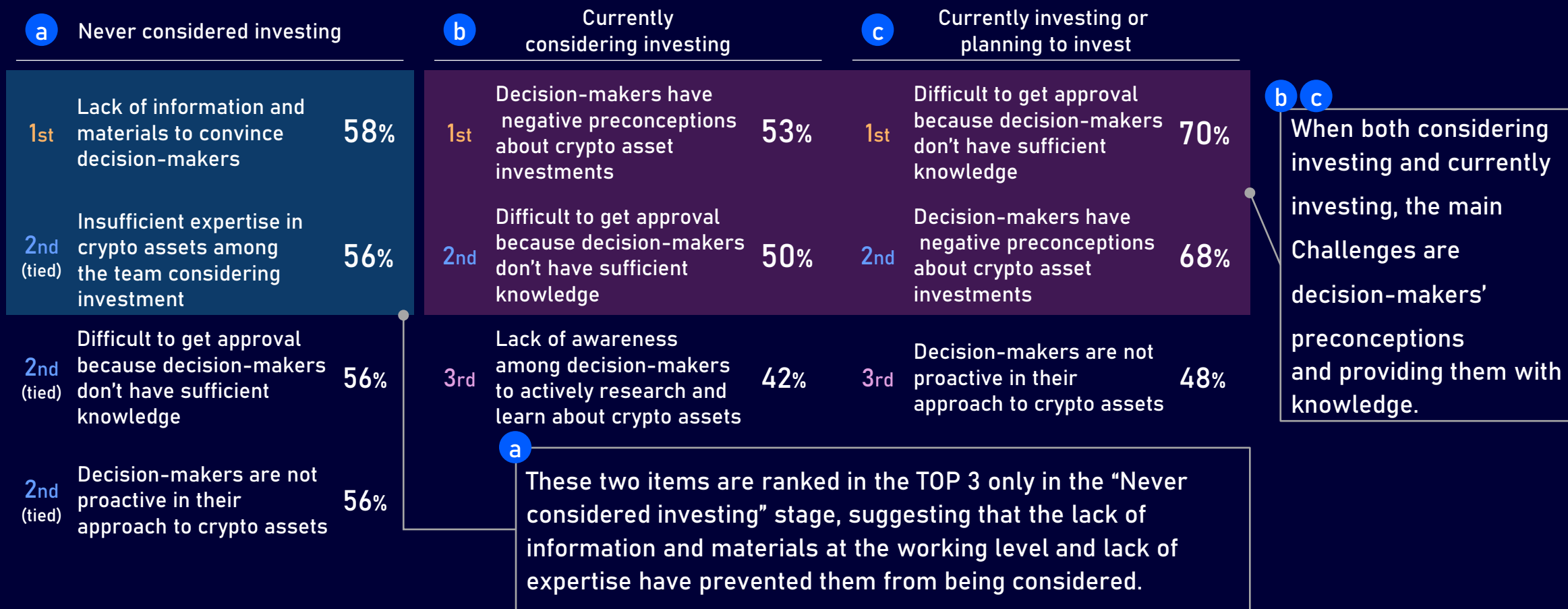
Internal bottlenecks include lack of knowledge and negative preconceptions of the decision-maker.

Internal Barriers to investment (multiple-choice) n=141



Challenges exist in gathering, accumulating knowledge, and discarding decision-makers' preconceptions.

Internal Barriers to investment (multiple-choice) n=134



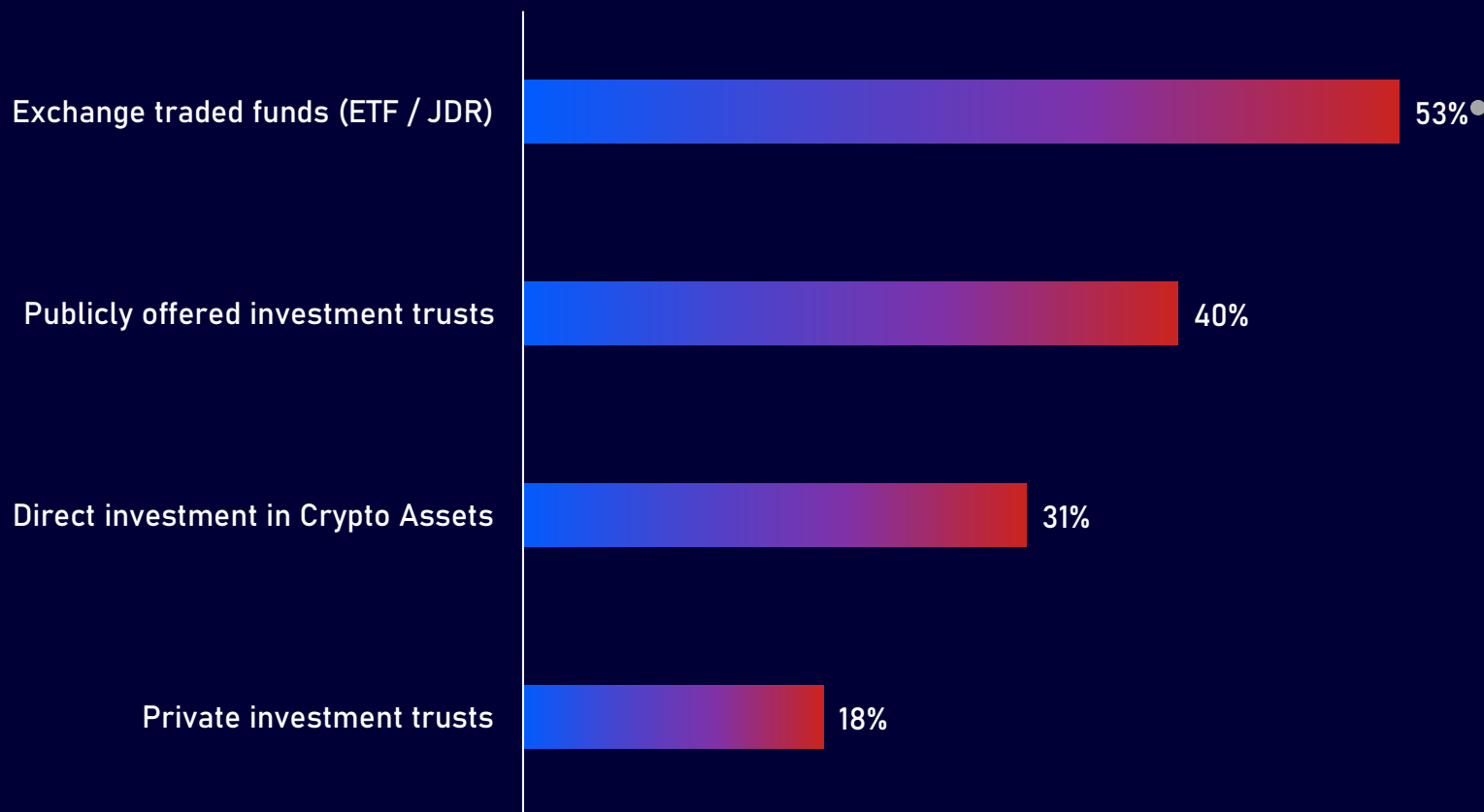
Development of a variety of investment products could boost investment in crypto assets.

Drivers to accelerate investment and consideration of investment in crypto assets (multiple-choice) n=235



There is demand for direct investment and investment in the form of funds, including ETFs.

If you are investing in crypto assets, how do you want to invest? (multiple-choice) n=547



31% of respondents want direct investment in crypto assets, and 53% want ETFs.

In Japan, the ban on the issuance and handling of ETFs for crypto assets has not yet been lifted, but if this were to happen, the market may be further revitalized.



If ETFs are approved in Japan, there could be an explosion of investment both as an inflation hedge and potential returns.

Interview Respondents

More than half are interested in income investments such as staking, mining and lending.

Interest in income investments (including investing through funds) n=547, *



Interest tends to be influenced by experience in investing in crypto assets. For example, 80% of respondents who are “Currently investing” or “Plan to invest” in crypto assets are interested in staking.

“It is difficult to be interested in a product unless it is profitable as a passive investment. Therefore, products, such as lending and staking, may be preferred.”
Interview Respondents

“Although there are psychological barriers to lending, such as crypto assets coming out of wallets, the fact that it is handled by a major financial institution creates a sense of security.”
Interview Respondents

* Rest of the respondents chose “not interested in”

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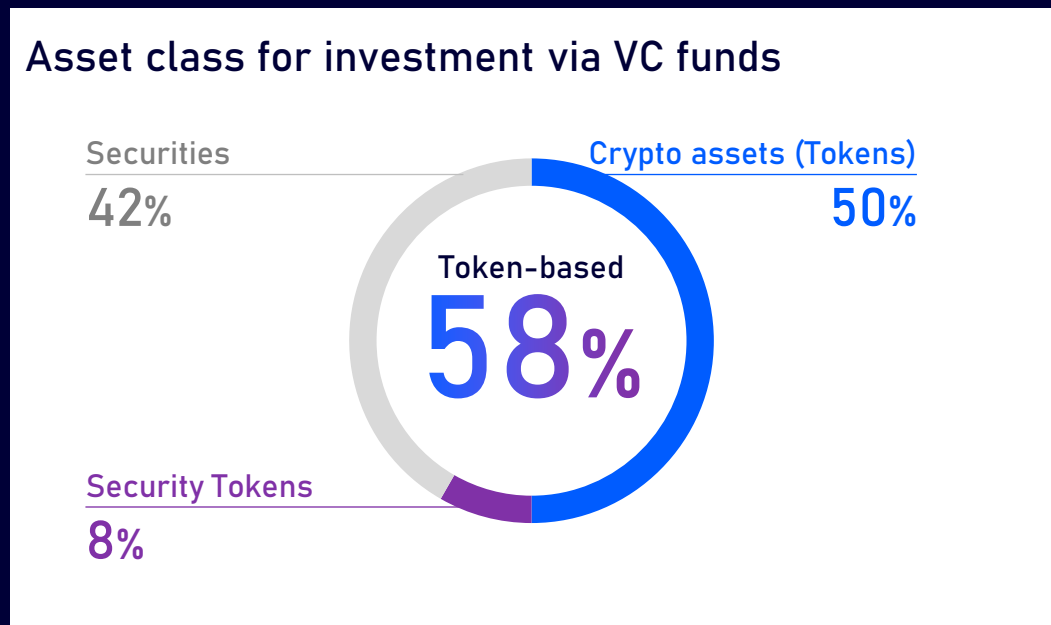
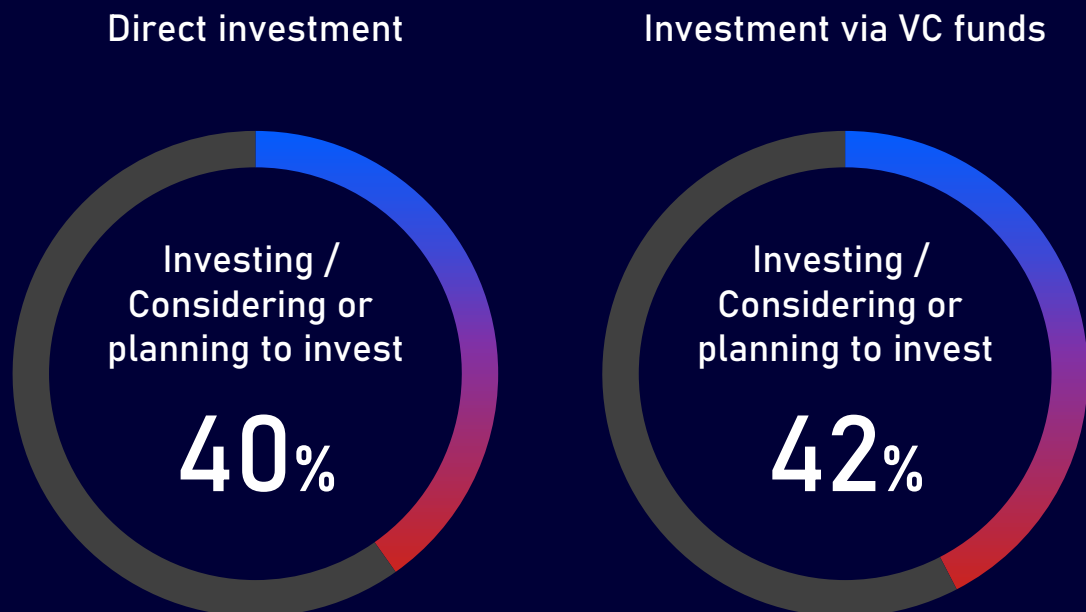
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About 40% intend to invest in new Web3 services and projects, both as direct investment and via VC funds.

Intention to invest in new Web3 services / projects n=547, *

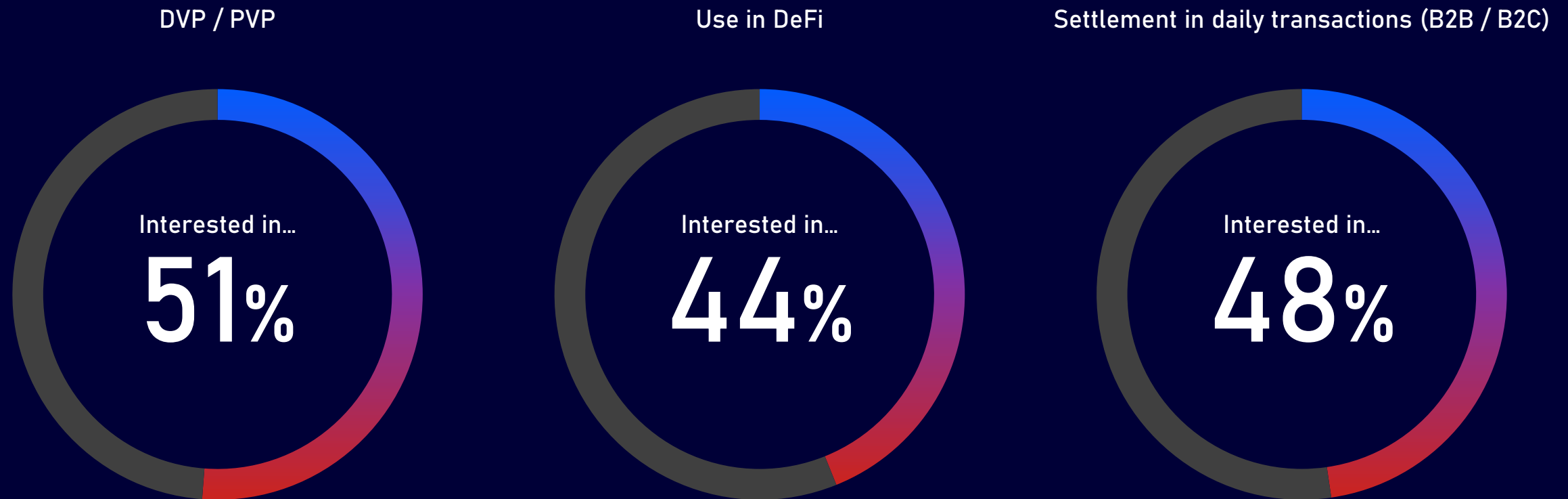


Hopes are rising for token-based investments in startups in the Web3 space, as the Limited Partnership Act is expected to be revised to allow LPs to acquire / hold crypto assets.

* Rest of the respondents chose either "Have considered investing but abandoned it", "Have not considered investing", "No plans to consider investment", or "invested in the past but stopped"

About half of respondents are interested in using stablecoins in a variety of situations.

Interest in using stablecoins for non-investment purposes n=547



* Rest of the respondents chose "not interested in"

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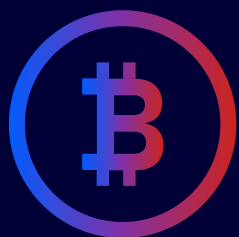
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CONCLUSION



The digital asset sector has grown rapidly in recent years, especially amongst the top crypto assets. The bitcoin market cap alone now stands at over \$1 trillion.

In Japan, digital asset laws and regulations are being developed ahead of the rest of the world, and corporations are also moving toward the development of an investment environment.

25% of respondents have a “Positive” impression of crypto assets. 62% see crypto assets as a diversification opportunity, and many institutional investors see crypto assets as an investment asset class.

In addition, 54% intend to invest in crypto assets over the next 3 years, indicating that institutional investors are motivated to invest to some extent in the future.

When investing in crypto assets, the preferred allocation is 2~5% of AUM.



Although there is growing momentum towards investment by institutional investors, there are some barriers to market entry.

For respondents who are not considering investing, barriers include not only issues related to crypto assets, such as fundamentals, counterparty risk and high volatility, but also regulatory requirements and the internal environment.

For respondents who are investing or considering investing in crypto assets, the driver for investment in the future will be the development of a variety of products (38%), such as direct investments, ETFs, other funds, staking, lending, etc.

Drivers to accelerate investment	
1位	Development of a variety of investment products
2位	Other companies begin to invest actively in crypto assets
3位	Expanding crypto asset use cases and DeFi economies

About half of the respondents are interested in investing in new Web3 services / projects and using stablecoins, and it is expected that both use cases and investment in digital assets will increase over time.

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