

Promoting Japan as a Leading Asset Management Center

March 3rd 2025

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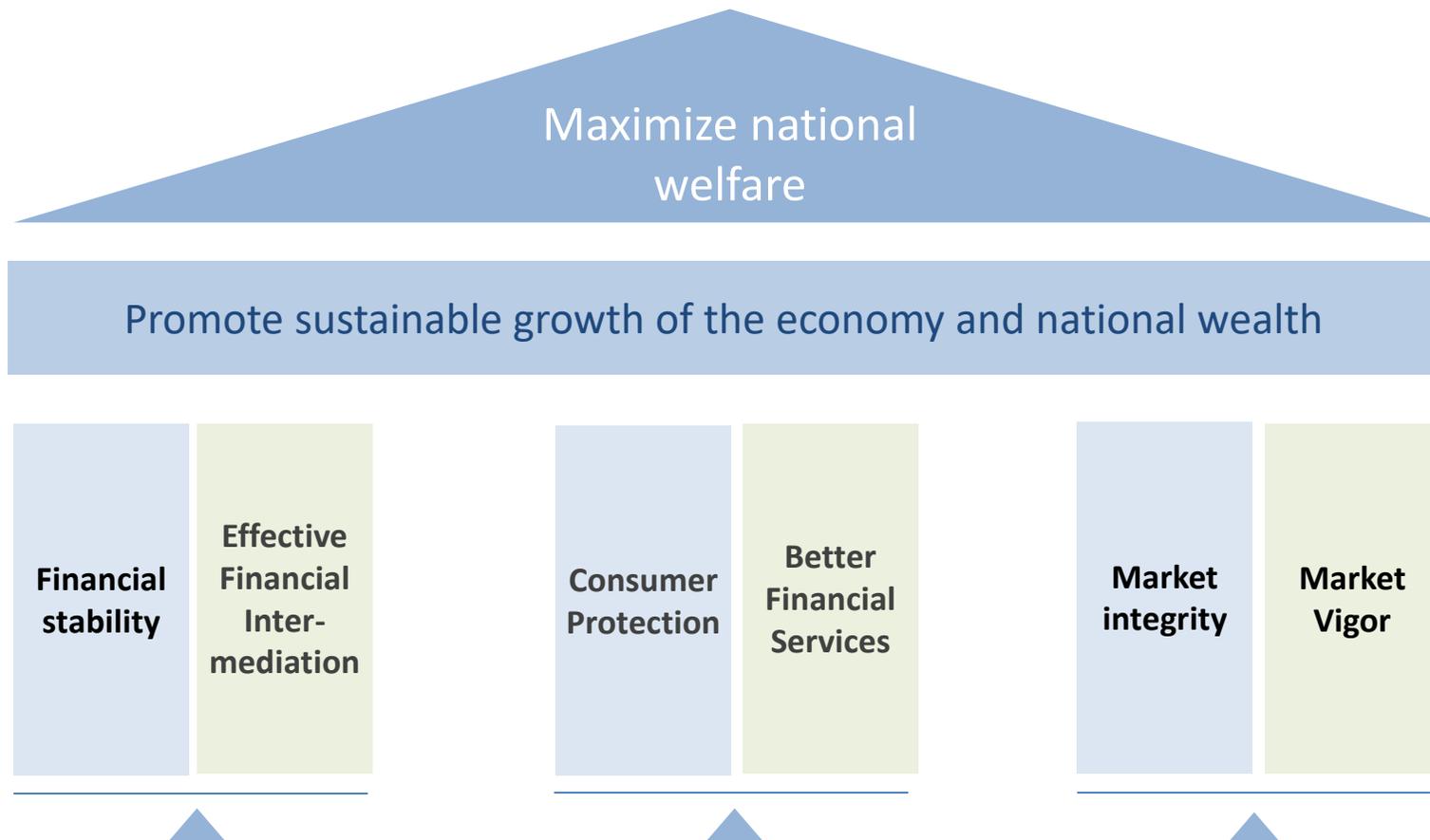


金融庁

Financial Services Agency, Government of Japan

※ The content of the presentation may not necessarily reflect the official view of the FSA of Japan.

- The FSA’s ultimate objective is to maximize national welfare by promoting sustainable growth of the economy and national wealth.
- To achieve this objective, the FSA will aim to strike the right balance between; i) financial stability and effective financial intermediation, ii) consumer protection and better financial services and iii) market integrity and vigor.



Who are we ? – Our Mandate

	US	EU	UK	Japan	
Policy Planning	UST	EC	HMT		
Bank Supervision	OCC	ECB	Prudence	FSA	
	FRB		Conduct		
	FDIC				
	NCUA	EBA	PRA		FCA
	State-level regulators				
Securities Business Supervision	SEC	ESMA		SESC	
Insurance Supervision	State-level regulators	EIOPA			

*SESC is mandated to make recommendations to the FSA to take administrative actions regarding market related fraud.

Key Items of Today's Presentation

1. Japanese Economy at a Glance

2. Japan's Decisive Initiatives and its Progress

1. Encouraging Stable Asset Building of Households
2. Corporate Governance Reforms
3. Asset Management Sector Reforms
4. Reforms on Asset Owners
5. Japan Weeks 2025

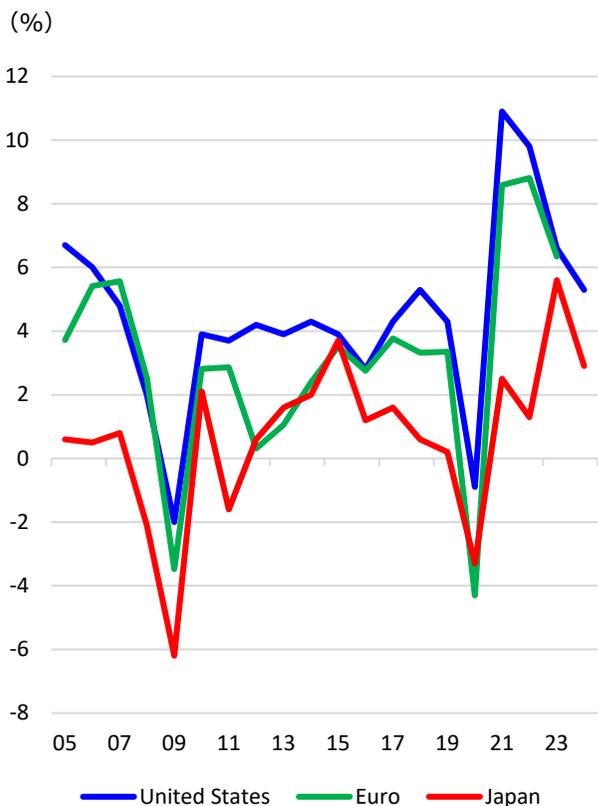
3. Envisioning Japan's Future

- Japan’s Nominal GDP growth increased steadily during 2023 - 2024 and surpassed 600 trillion yen for the first time – the milestone in 32 years since it reached 500 trillion yen in 1992.
- The potential growth rate has been on the recovery trend post COVID-19.

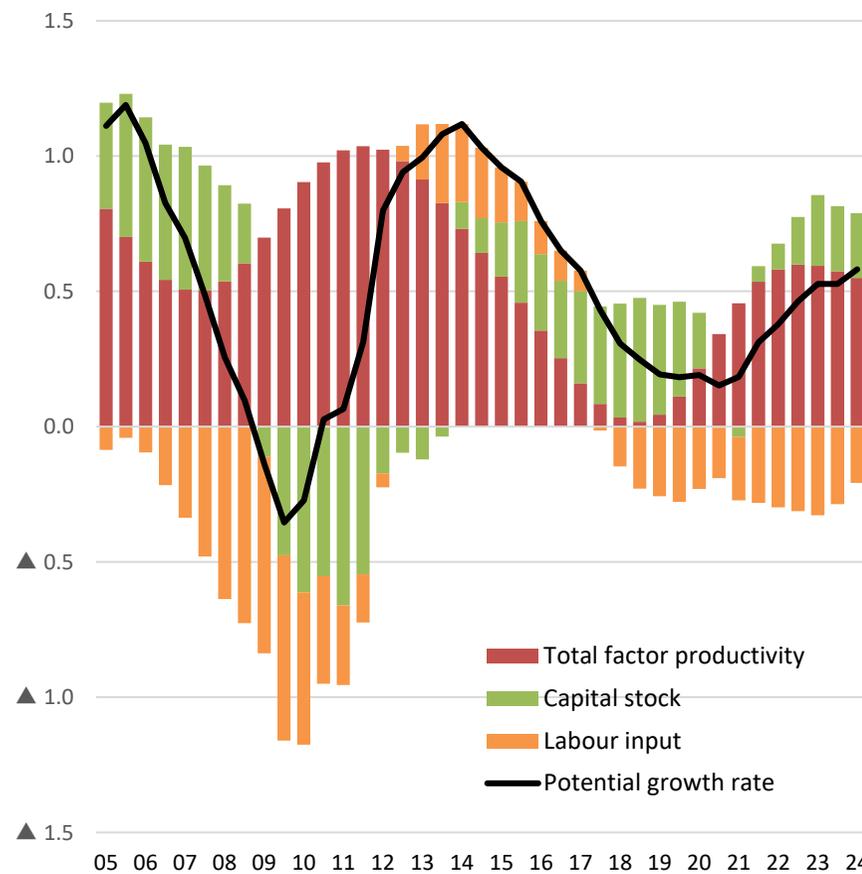
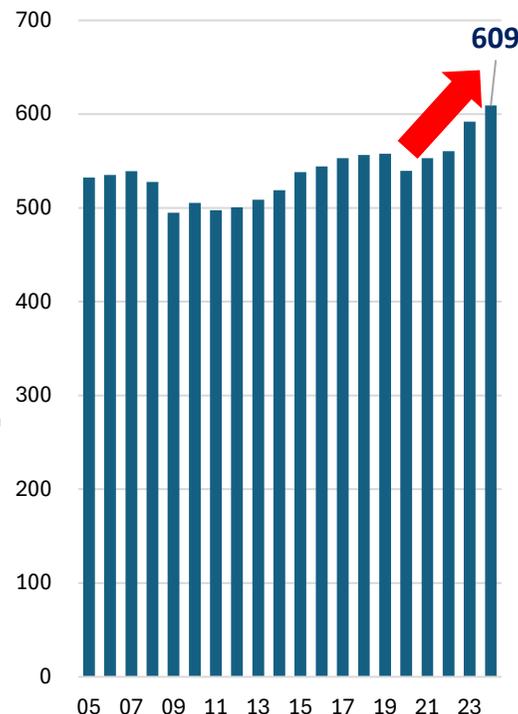
Economic Growth

Potential Growth Rate (YOY, %)

Nominal GDP Growth Rate (YOY,%)



Nominal GDP Value (JPY, tn)



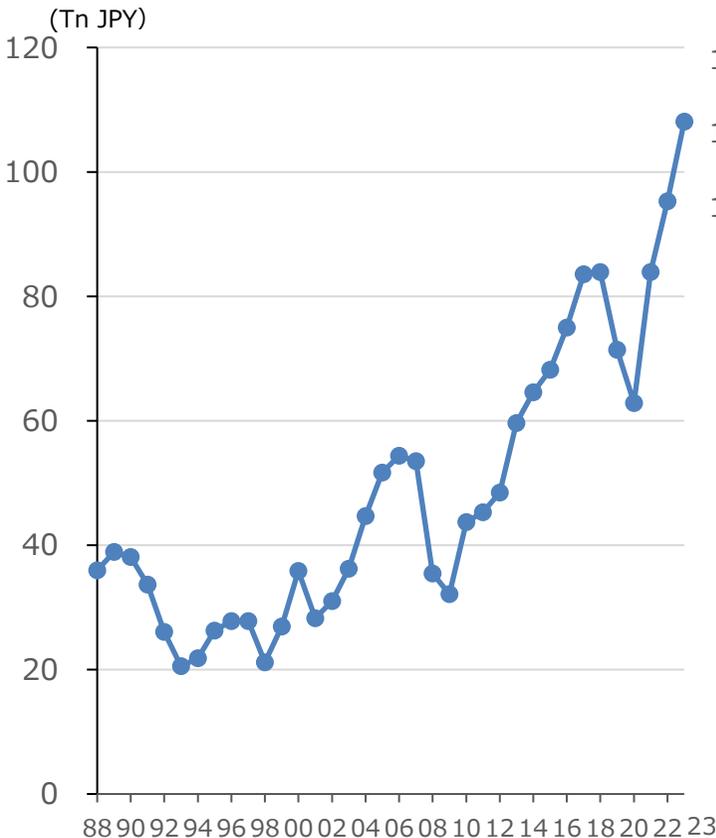
*Labour input: Hours worked + Number of employed

(source) Bank of Japan

(source) Bloomberg, Cabinet office

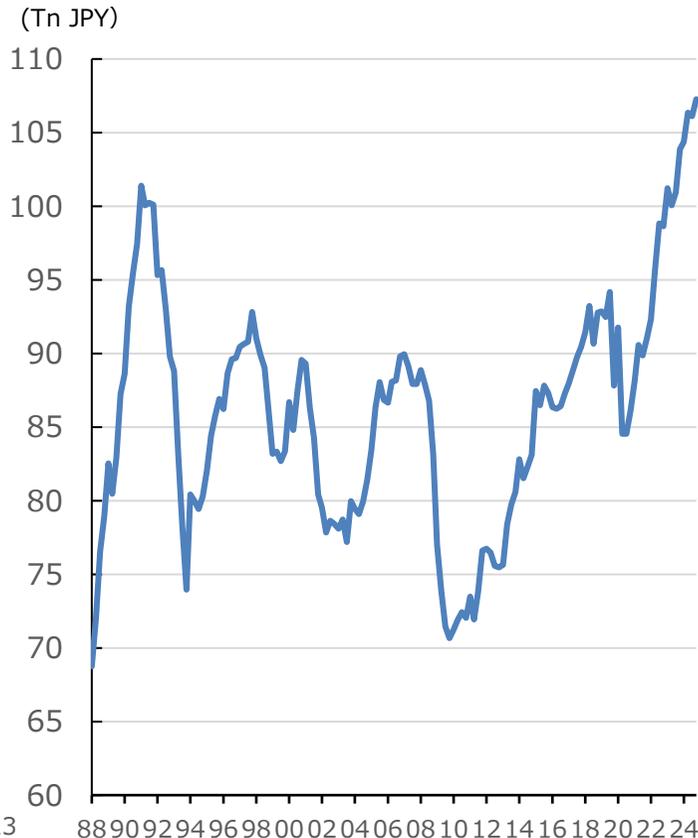
- Japanese corporates are performing remarkably well, continuing to achieve record breaking profits.
- Nominal private investment is also at historical highs.
- With this strong performance, wage growth last year also hit the highest level in the past 30 years.

Corporate Profits



(source) Ministry of Finance

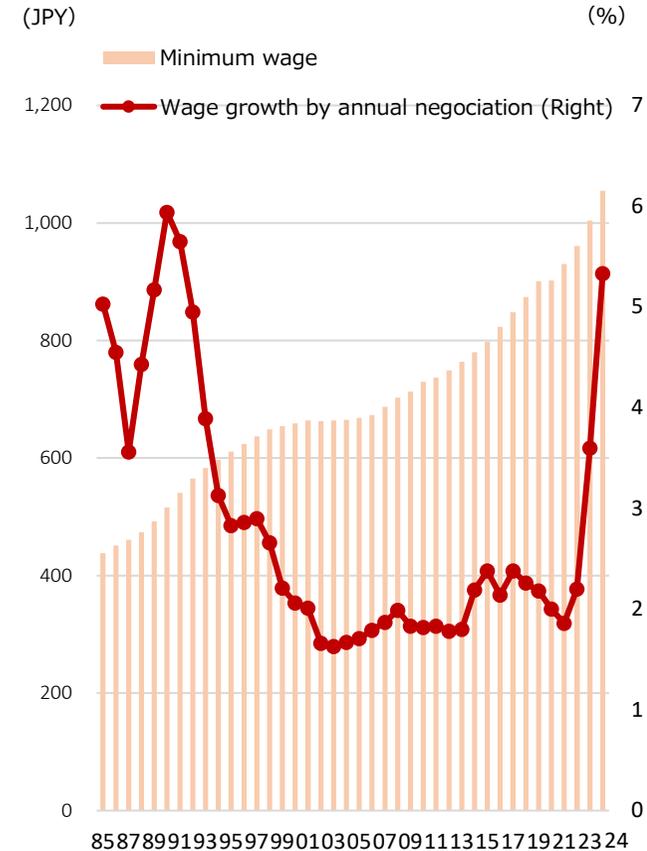
Nominal Private Capital Investment



*Annualized

(source) Cabinet Office

Wage Growth



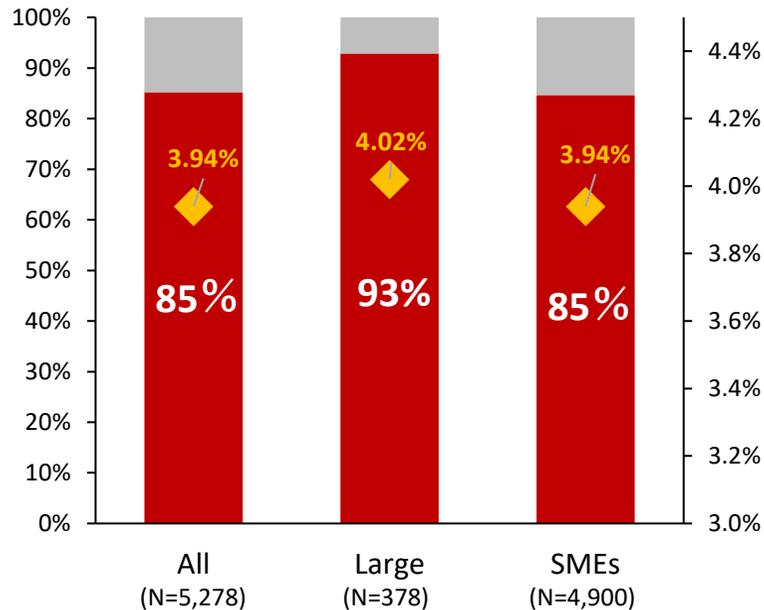
(source) Ministry of Health, Labour and Welfare

- 85% - a record high percentage - of Japanese companies plan to raise workers' wages with expected increase around 4% in the FY 25 Shunto negotiations. Wage growth is expected to outpace consumer price inflation; this trend is expected to take hold in FY25.

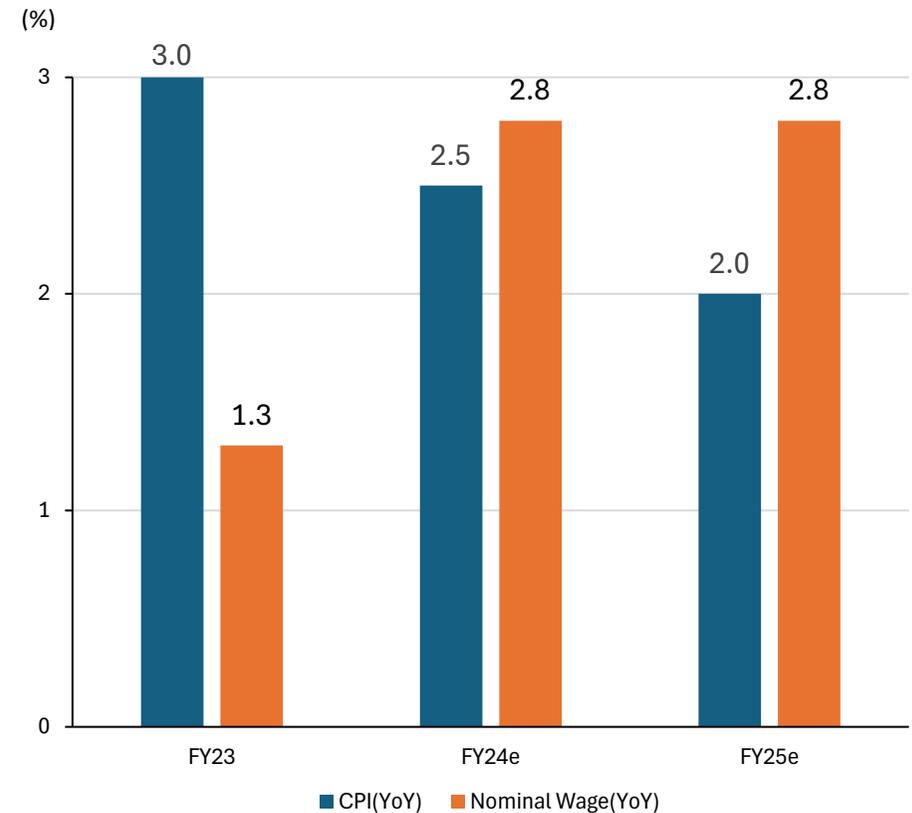
Corporate Survey on FY 25 Wage Growth

Q. Will you plan to raise your employees' wage in FY 25?

■ Yes ■ No ◆ Expected wage increase rate_Mean(right)



Outlook for Wage Growth and Consumer Price Inflation



*Note 1: The survey was conducted from February 3 to 10, 2025.

*Note 2: Large: companies capitalized at 100 million yen or more, SMEs: those capitalized at less than 100 million yen

*Note 3: For "Expected wage increase rate", N=2,403/152/2,251 respectively at All/Large/SMEs

*Note 4: "wage increase" includes regular pay raise, increase in base salary and bonus, increase in starting salary for new graduates and increase in wages for rehired employees

(source) TOKYO SHOKO RESEARCH

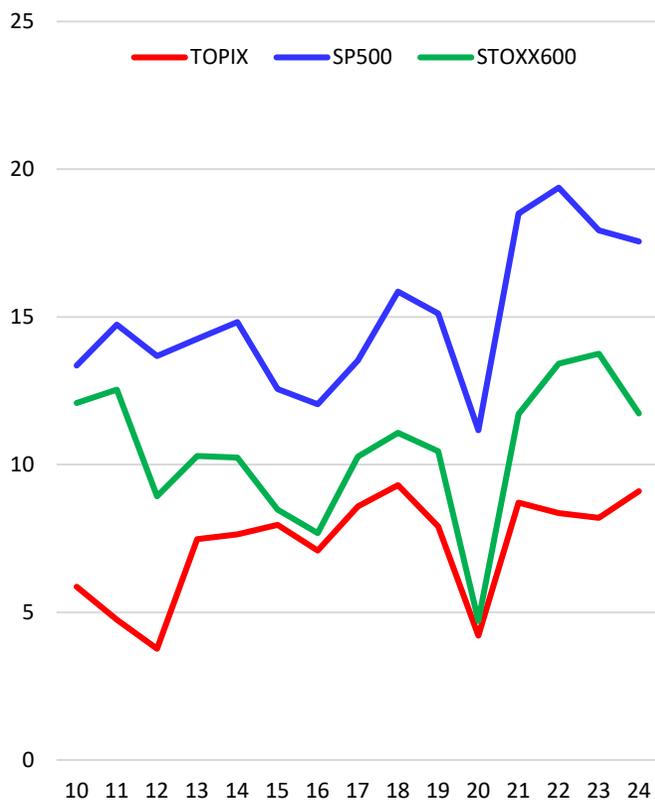
*Note: "Nominal wage" reflects total cash earnings, which consists of scheduled/non-scheduled contractual cash earnings and special cash earnings (bonus) for establishment with 5 or more employees

(source) Cabinet Office

- While Japanese companies have steadily performed, profitability and efficiency have room to improve. The Tokyo Stock Exchange (TSE) requested listed companies to take concrete actions to strengthen their business efficiency and to disclose its progress periodically.
- So far, those who responded to TSE’s request have outperformed those who have not in the equity market.

Return on Equity

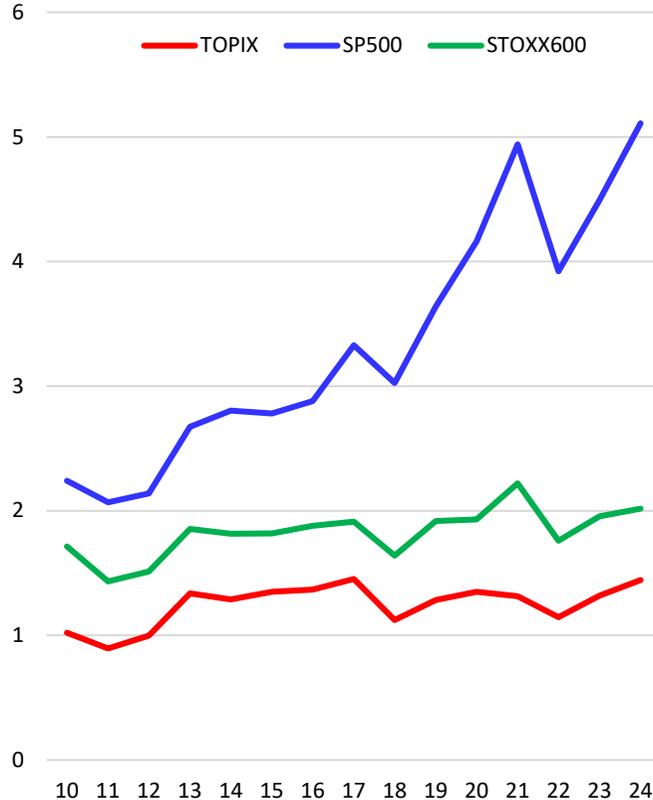
As the end of 2024



(source) Bloomberg

Price-to-Book Ratio

As the end of 2024



(source) Bloomberg

Average equity prices of listed companies responded/not responded to TSE’s request

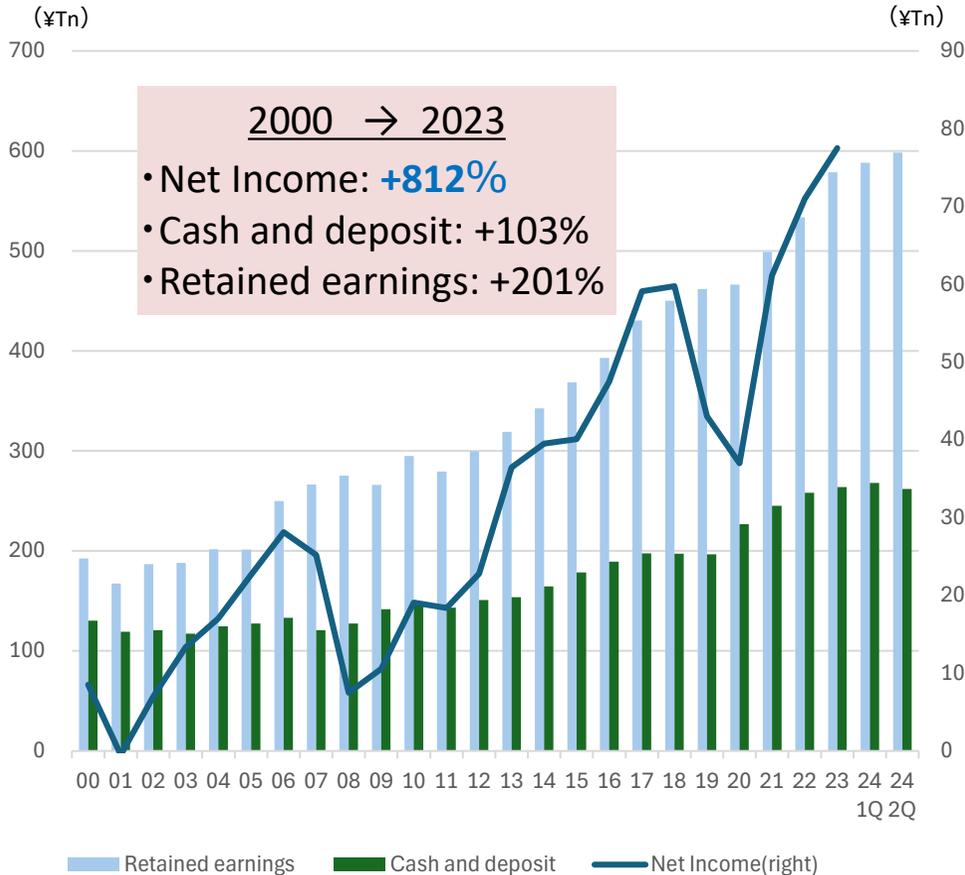
(2024/1=100)



*“Disclosed” includes those who declared “under consideration”
(source) QUICK, TSE

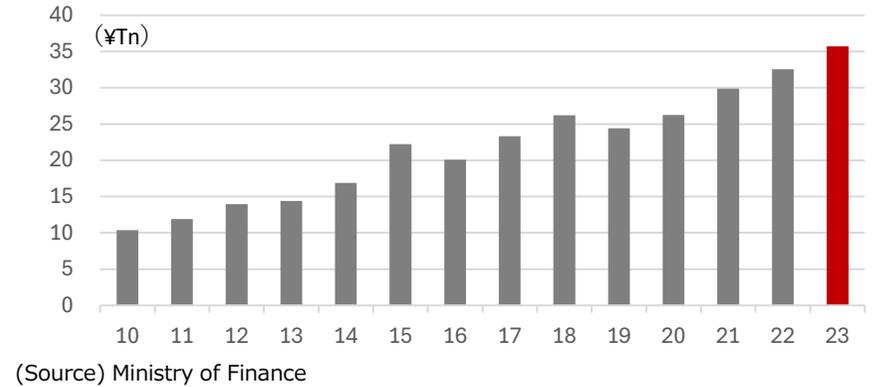
- The corporate governance reforms have borne fruit in the form of enhanced shareholder returns. The growth of retained earnings has moderated and cash and deposits has begun decreasing, relative that of net income recent years. Dividends and share repurchases have increased.

Retained Earnings/ Cash and Deposit/Net Income

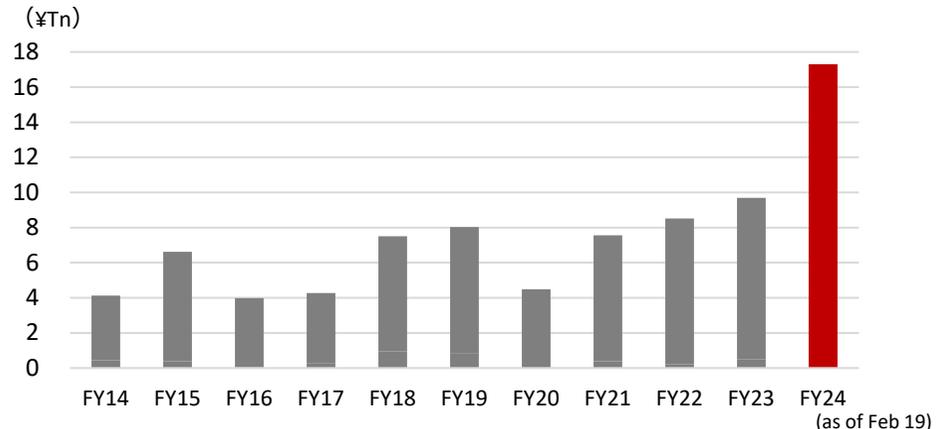


*Companies capitalized at 10 million yen or more
(source) Ministry of Finance

Corporate Dividend



Share Repurchases



*Note 1: Based on figures announced by domestic listed companies with fiscal year ending March 31

*Note 2: Figures for FY 2024 are as of February 19, 2025
(source) QUICK

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5. Japan Weeks 2025

3. Envisioning Japan's Future

Overcoming Deflation; Two key initiatives in economic policy

"Stimulating Japan's Investment Power"
 promote bold domestic investment in growth sectors

"Promoting Japan as a Leading Asset Management Center"
 support households' asset formation through a shift from savings to investment

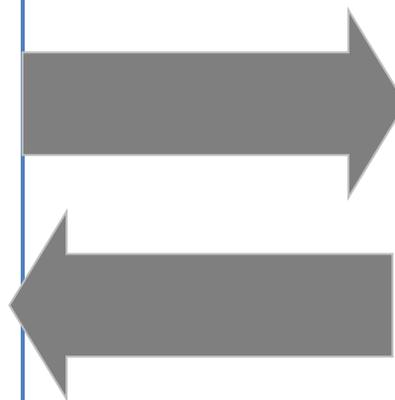
→ Transform Japan into a **growth-oriented economy to overcome deflation**. Aims to achieve a **virtuous cycle of growth and distribution**, where corporate profits will flow through to employees via wage increases, leading to sustainable economic growth.

Promoting Japan as a Leading Asset Management Center

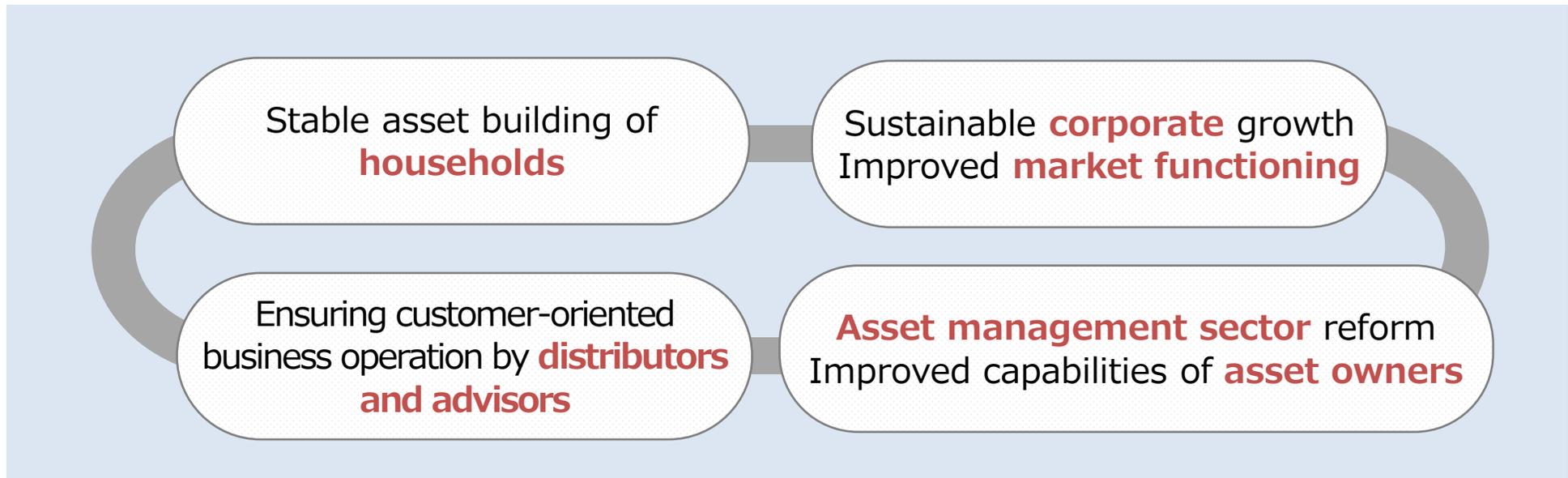
- Support stable asset formation by **households**
- Accelerate **Corporate governance** reforms
- Sophisticate **the asset management business**
- Strengthen **asset owners'** functions
- Enhance supply of growth capital and diversify investment products
- Promote public communication of the initiatives

Stimulating Japan's Investment Power

- Promote bold investment in:
 - **Science and Technology**
 - **Innovation**
 - **Digital Transformation, AI**
 - **Green Transformation**
 - **Semiconductor, storage batteries, and bio-tech**
 - **Health and Medical Care**
 - **Startups**
- Must be mindful of economic security



- The initiative aims to achieve a **“virtuous cycle of growth and distribution”**, including through an increased flow of Japan's household savings into productive investment. This will lead to household asset transformation, laying a foundation for Japan’s economic growth.
- The initiative focuses on engagement with **stakeholders in the investment chain** to encourage this dynamics, including through:
 - I. **Plan to boost household asset building (Doubling Asset-based Income Plan)**
 - II. **Corporate governance reforms**
 - III. **Reform of Asset Management Sector and Asset Ownership**
 - IV. **Ensuring customer-oriented business operation by distributors and advisors**



Stable Asset Building of Households

- ✔ **Complete Revamp of NISA** (January 2024)

- ➔ **Reform of iDeCo : increase in iDeCo contribution limits and age eligibility**
 - * The individual-type Defined Contribution pension plan (iDeCo) is a private pension plan based on the Defined Contribution Pension Act.

- ✔ **Establishment of the Japan Financial Literacy and Education Corporation (J-FLEC)**
(in full operation from August 2024)

- ✔ **Introduction of the legal obligation of financial institutions to operate in the best interests of customers** (from November 2024)

Corporate Governance Reform

- ✔ **Request by TSE to encourage effective management of listed Companies** (March 2023)
- ✔ Publication of “Cases Where Companies Are Not Aligned With Investors’ Perspectives ” (November 2024)
- Follow-up listed companies’ responses to the request by TSE
 - ✘ Ratio of the Prime Market listed companies disclosing their plans or under consideration of disclosing them
49% as of Dec 2023 → 90% as of Jan 2025
- **Revision of Japan’s Stewardship code** (public consultation in spring 2025)
- **Addition of disclosure items concerning cross-shareholdings**
(from FY ending March 2025)
- ✔ **Introduction of the obligation for listed companies to disclose key information in English** (from April 2025)

Reforming the Asset Management Sector and Asset Ownership

- ✔ **Announcements by major financial groups on initiatives to enhance their asset management businesses** (January 2024-)
- ✔ **Publication of Policy Package to Achieve Special Zones for Financial and Asset Management Businesses** (June 2024)
- ➔ Promotion in cooperation with the 4 target municipalities (Sapporo & Hokkaido, Tokyo, Osaka, Fukuoka)
- ✔ **Introduction of a new program to assist new entrants (Emerging Manager Program)** (January 2024)
- ➔ Deregulation to allow asset managers to outsource middle- and back- office Operations (from May 2025)
- ✔ **Development of Asset Owner Principles** (August 2024)
- ➔ Reform of occupational **pension funds**, including promotion of **more transparent and comparable disclosure**

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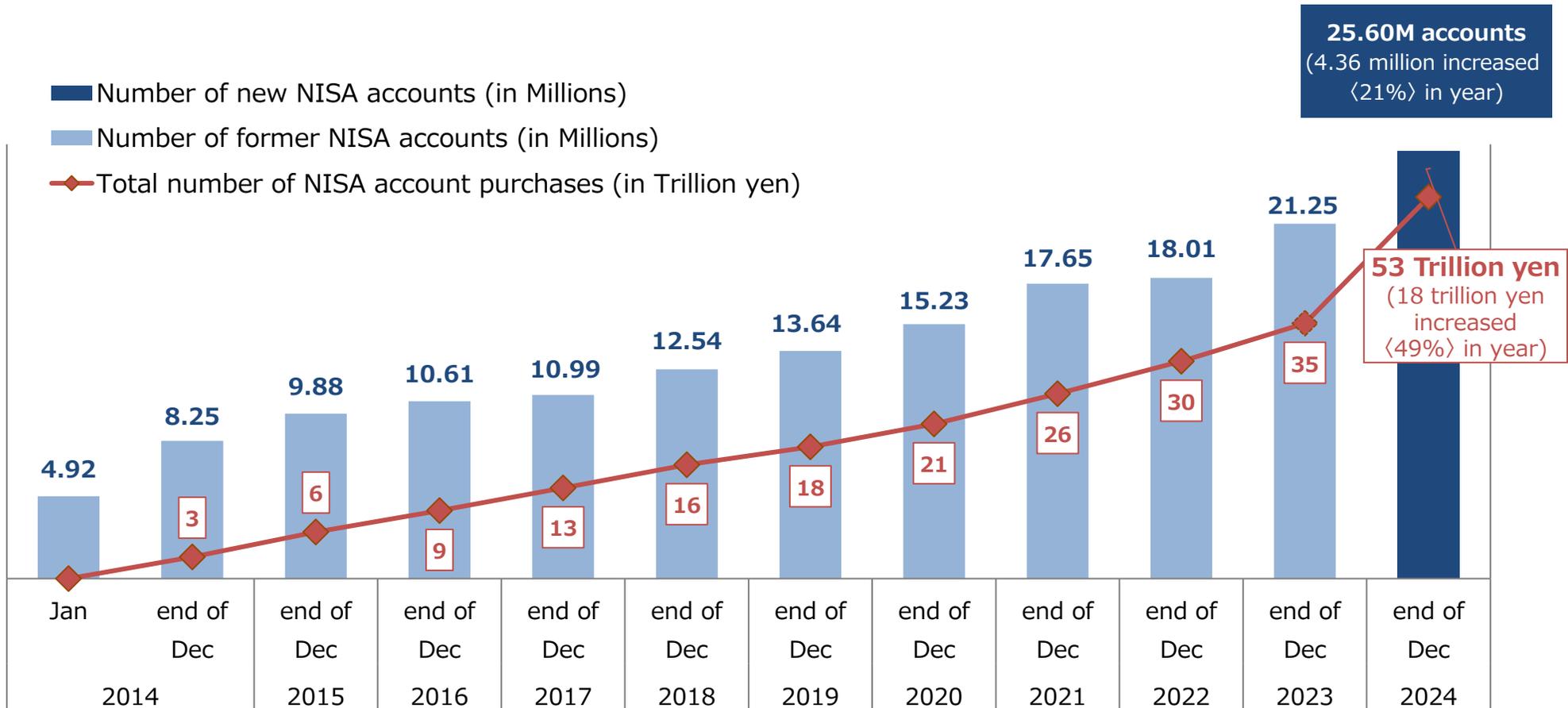
3. Envisioning Japan's Future

- NISA has been greatly expanded in terms of the amount of tax exempted both for growth related investment as well as long-term, accumulative and diversified investment. It has been made permanent which provides clarity and comfort for retail investors to make long-term decisions.

	<i>Tsumitate</i> (Installment) investment quota	Growth investment quota
Annual investment quota	1.2 million yen	2.4 million yen
Period of tax-exemption	Permanent	
Maximum investment quota (Total quota)	18 million yen	
		12 million yen (part of the total quota)
Products eligible for investment	Investment trusts suited for long-term, installment and diversified investment	Listed stocks, investment trusts

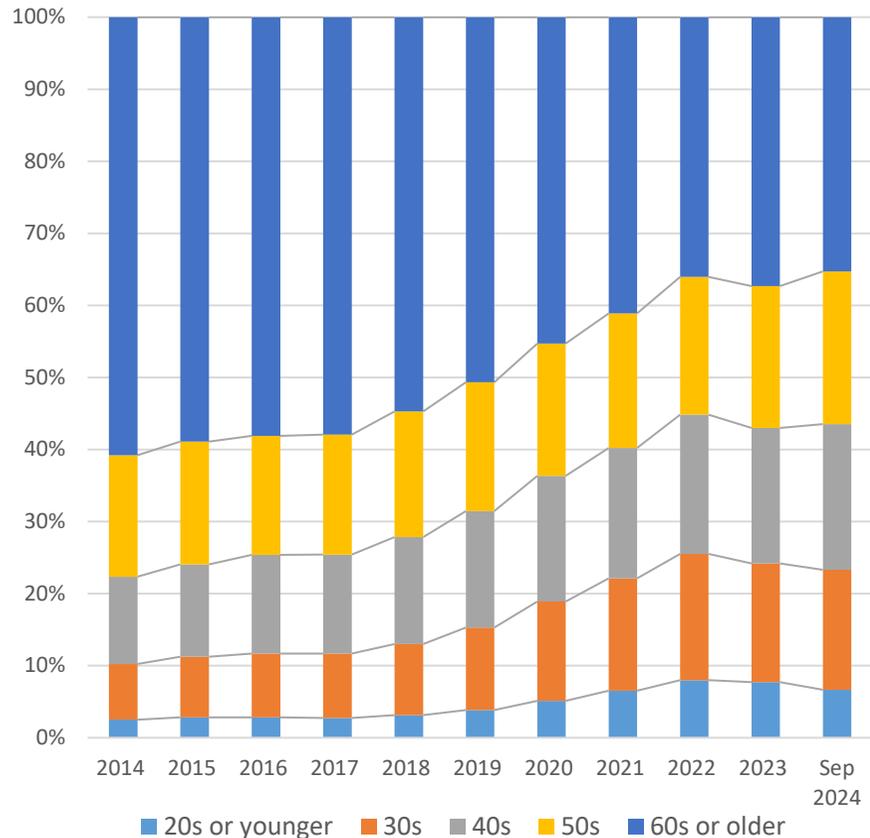
Can be used at the same time

- **The number of NISA accounts and the total purchases have significantly increased, particularly from the start of 2024, reflecting strong household interest.**
 - ➔ NISA accounts have **increased by 8 million** from end of 2022.
 - One out of every four citizens (aged 18 and over) holds a NISA account.**
 - ➔ NISA accounts purchase of **2024 was 18 trillion yen, tripling from that of 2023.**

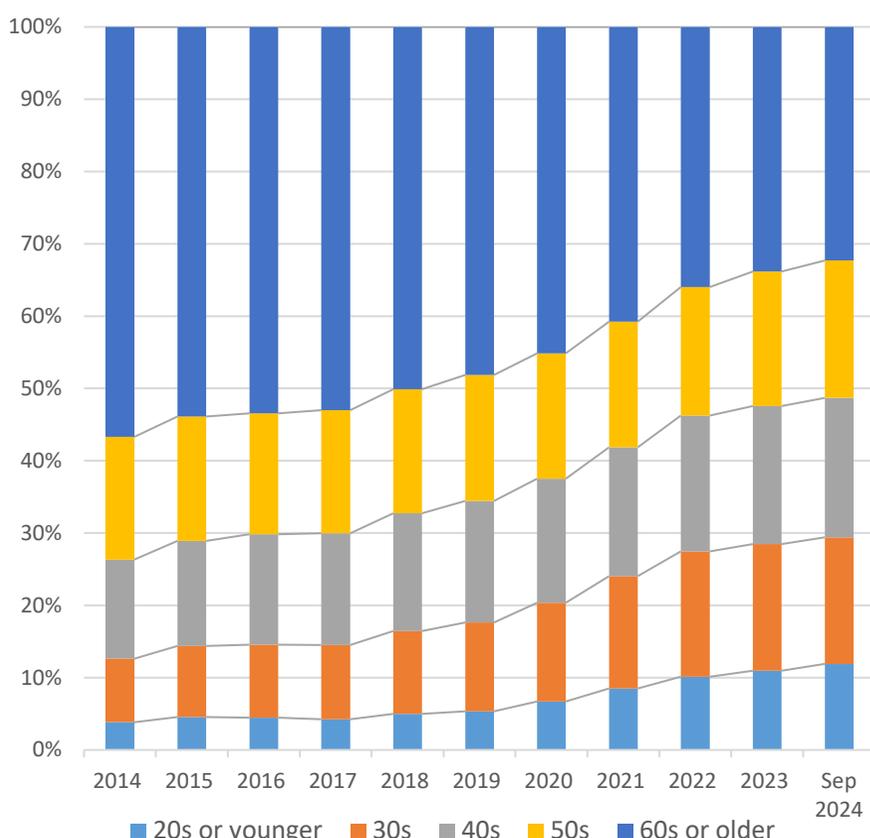


- The younger generation have been catching up with the idea of stable asset formation, with more investment through NISA even before the introduction of the new NISA in 2024.

Investment through NISA accounts by Age



Opening of NISA accounts by Age

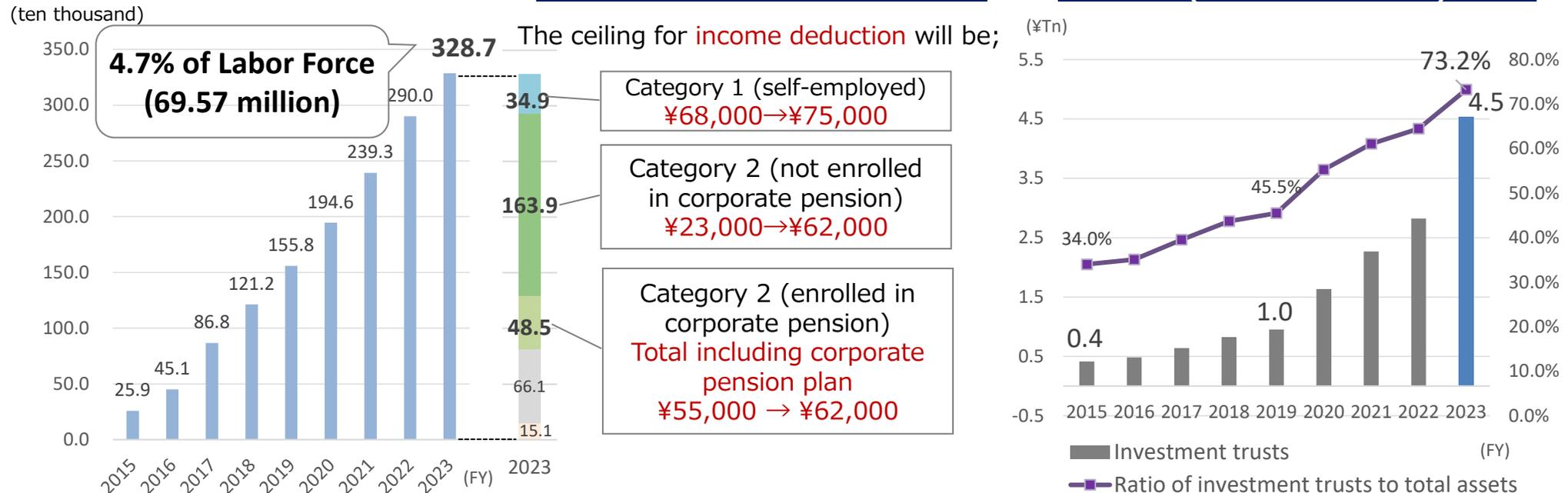


- **iDeCo (The individual-type Defined Contribution pension plan)** is a private retirement pension plan. Its reform which includes the following tax incentives has been proposed last December.
 - **Raise the contribution ceiling**, depending on the circumstances of employees.
 - Extend the **eligible age from 65 to 70**.
- While the number of iDeCo accounts are relatively low compared to the total workforce, it has been steadily increasing.
- Approximately **70%** of iDeCo assets are currently allocated to investment trusts.

Number of Accounts

Contribution Ceiling

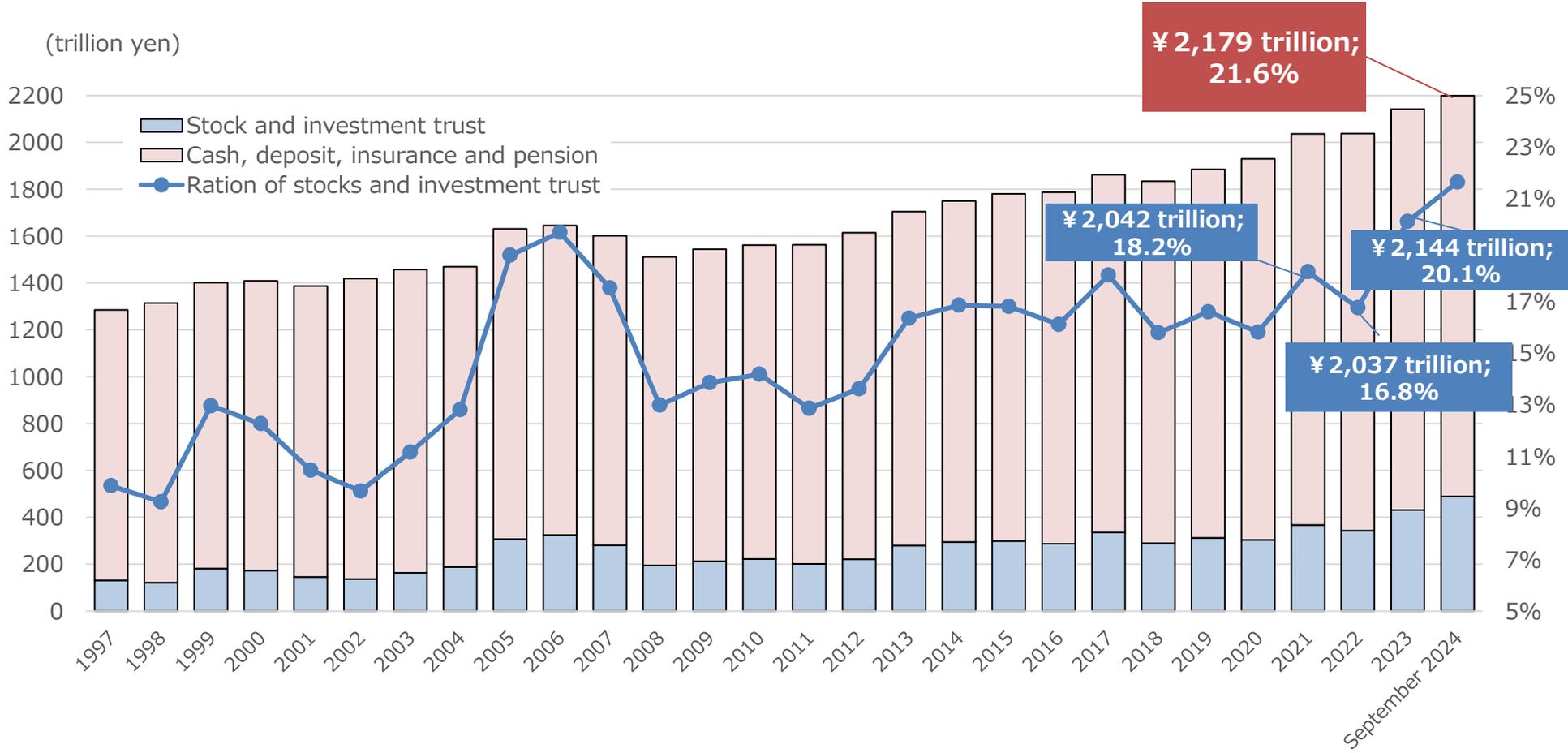
Outstanding Assets (Investment Trusts)



(Source) Ministry of Labor, Health and Welfare, and National Pension Fund Association. Labor force data is sourced from the Ministry of Internal Affairs and Communications.

Composition of Household Assets

- Household financial assets have steadily increased to **¥ 2,179 trillion**.
- The composition of stocks and investment trusts has **been increasing in recent years: from 16.8% to 21.6% in 3 years**.



Source: Bank of Japan, "Flow of Funds"
 Note: The ratio of stocks and investment trust, etc. is the total ratio of listed stocks, investment trusts, bonds, foreign securities investments, unlisted stocks, and other equities.

1. Name

- Japan Financial Literacy and Education Corporation (J-FLEC)

2. Legal basis, Date of Incorporation

- Established by the Act on Provision of Financial Services and Improvement of User Environment, on April 5, 2024 (Full operation from August 2024)

3. Purpose

- Promote teaching and guidance (financial education) in order to acquire financial and/or economic knowledge that contributes to the appropriate use of financial services, and to develop abilities to utilize such knowledge

4. Public-private partnership

- Activities: Provide comprehensive financial education based on public-private partnerships.
- Financial Resources:

Government: JPY 1,007 million	(JPY 50 million)
Bank of Japan: JPY 25 million	(JPY 25 million)
Japanese Bankers Association: JPY 12.5 million	(JPY 12.5 million)
Japan Securities Dealers Association: JPY 12.5 million	(JPY 12.5 million)

*All initial costs are covered by the government.

Operating costs are shared with the above institutions, as described in ().

- Human Resources: Approx. 70 as of end of February 2025
Personnel are seconded from the Japanese government, Bank of Japan, and financial industry associations.

1. Certify J-FLEC financial advisors

- Certify financial advisors who act in the best interest of customers ("J-FLEC Certified Advisors").
- Certified 1,144 financial advisors, as of January 7th, 2025.

2. Dispatch lecturers

- Dispatch J-FLEC Certified Advisors as lecturers to companies and schools for free

3. Hold Events and Seminars

- Hold free events and seminars for employees, companies and teachers.

4. Provide Consumers with “J-FLEC First Money Plan”

- Provide free trial hands-on individual consultation on J-FLEC First Money Plan with J-FLEC Certified Advisors.
- Distribute electronic coupons (80% discount up to 24,000 yen) for initial individual consultations.

5. Support School Teachers on Financial Education

- Designate schools and support them on financial education through subsidies and advices.
- Publish progress reports submitted by these schools.

- The Government amended the Financial Services Provision Act, legally requiring financial service providers to conduct customer-oriented business operations. (Enforced on November 2024)
- ✓ Introduced legal obligations to financial service providers, including distributors and advisors, to conduct their business in a sincere and fair manner taking into account the best interests of customers.
- ✓ Aims to foster competition among financial businesses to provide quality driven, customer-oriented services and products.
- ✓ The FSA will closely monitor how firms develop, sell and manage products that are in the best interests of their customers, in line with the regulatory obligations. The monitoring will focus on;
 - how deeply the top management is involved in the retail business;
 - whether it has structured a sustainable business model in line with its obligations,
 - the progress in improving their strategy to embed this obligation at ground level,
 - how properly the sales management works to provide suitable financial products tailored to customers, with particular focus on high-risk products including structured products,
 - the effectiveness of internal control and whether an appropriate PDCA cycle is put in place.

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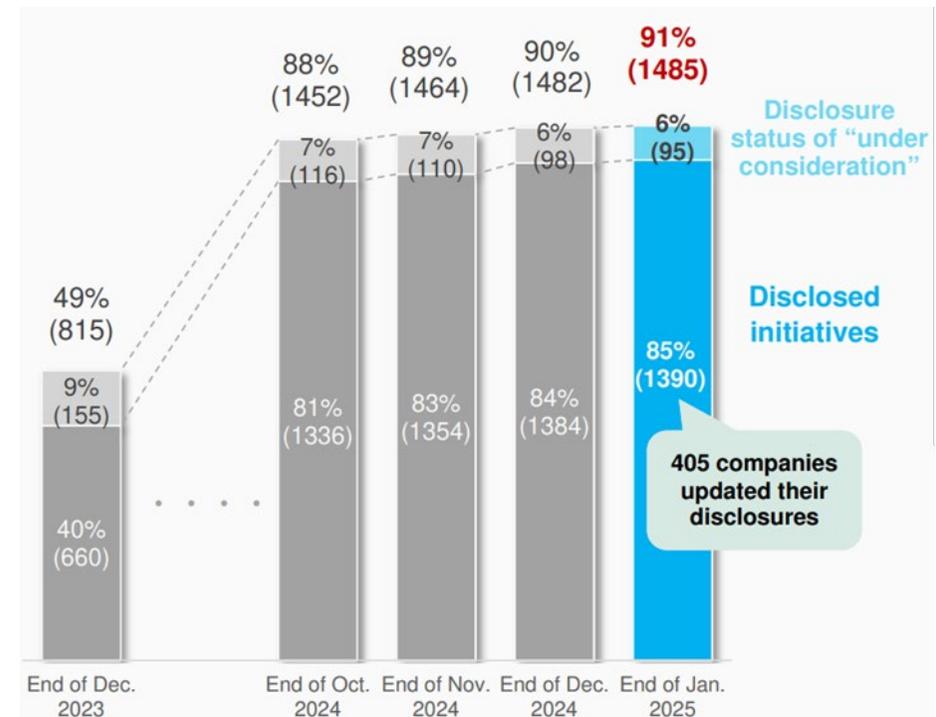
3. Envisioning Japan's Future

- In March 2023, the TSE requested that its listed companies develop and disclose business management plans being conscious of its cost of capital and stock prices.
- In response, 91% of companies in the Prime Market either disclosed or were considering disclosure of their plans which includes improving their key indicators such as PBRs.

PDCA Cycle for Disclosure and Dialogue with Investors



Disclosure Status <Prime market (1485 companies)>



Source: TSE

- In November 2024, the TSE has published “Cases Where Companies Do Not Align With Investors’ Perspectives” in light of recent feedback from investors.

Basic

1. Analysis and evaluation of the current situation is only superficial
2. Disclosures are just a list of initiatives
3. Requests for dialogue are denied without legitimate reason

Advanced

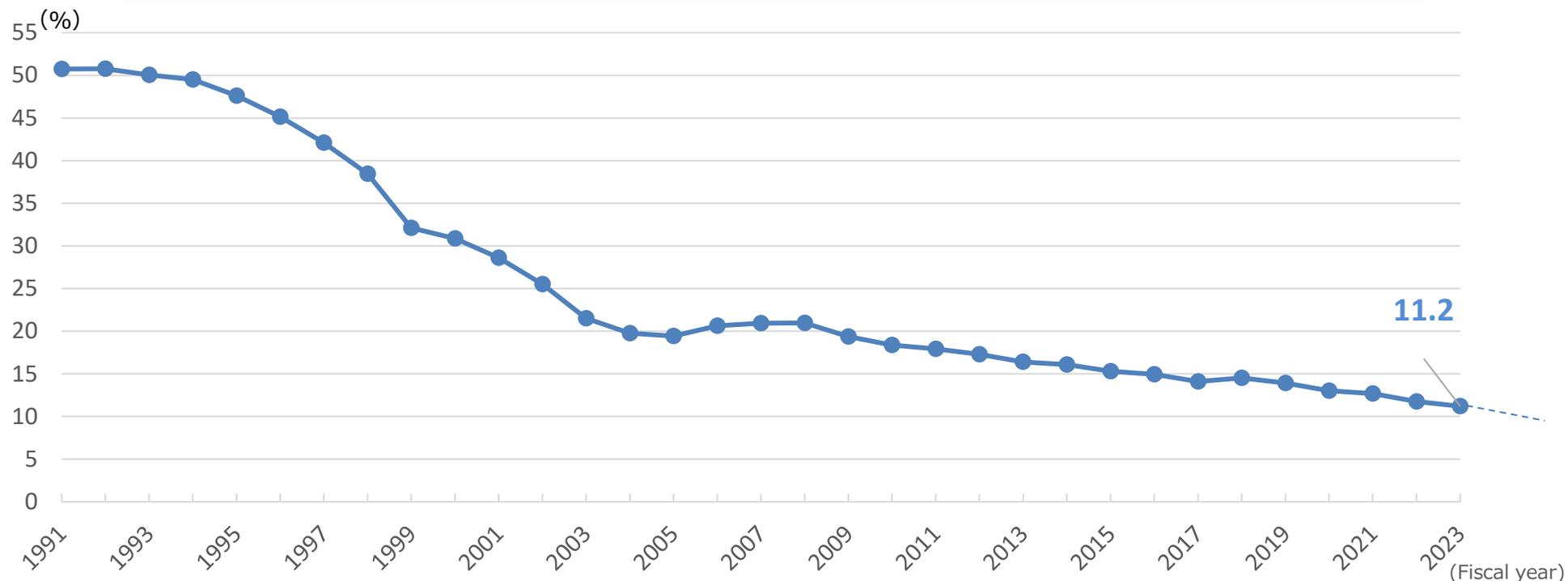
1. Misalignments in companies’ evaluation of their current situation
2. Insufficient consideration given to ideal balance sheets and capital allocation policies
3. Target setting is not in line with investors’ perspectives
4. Analysis of issues and consideration of additional responses are not considered flexibly

More Sophisticated

1. Insufficient focus is given to downsizing or withdrawing from unprofitable business
2. Performance-linked executive compensation is not necessarily an incentive for medium- to long-term improvements in corporate value
3. Disclosure of dialogue implementation status lacks specificity

- Cross-shareholdings have steadily **decreased** due to accelerated **corporate governance reforms**, including through the introduction and enhancement of the Corporate Governance Code.

Cross-shareholdings of listed companies (market capitalization basis)

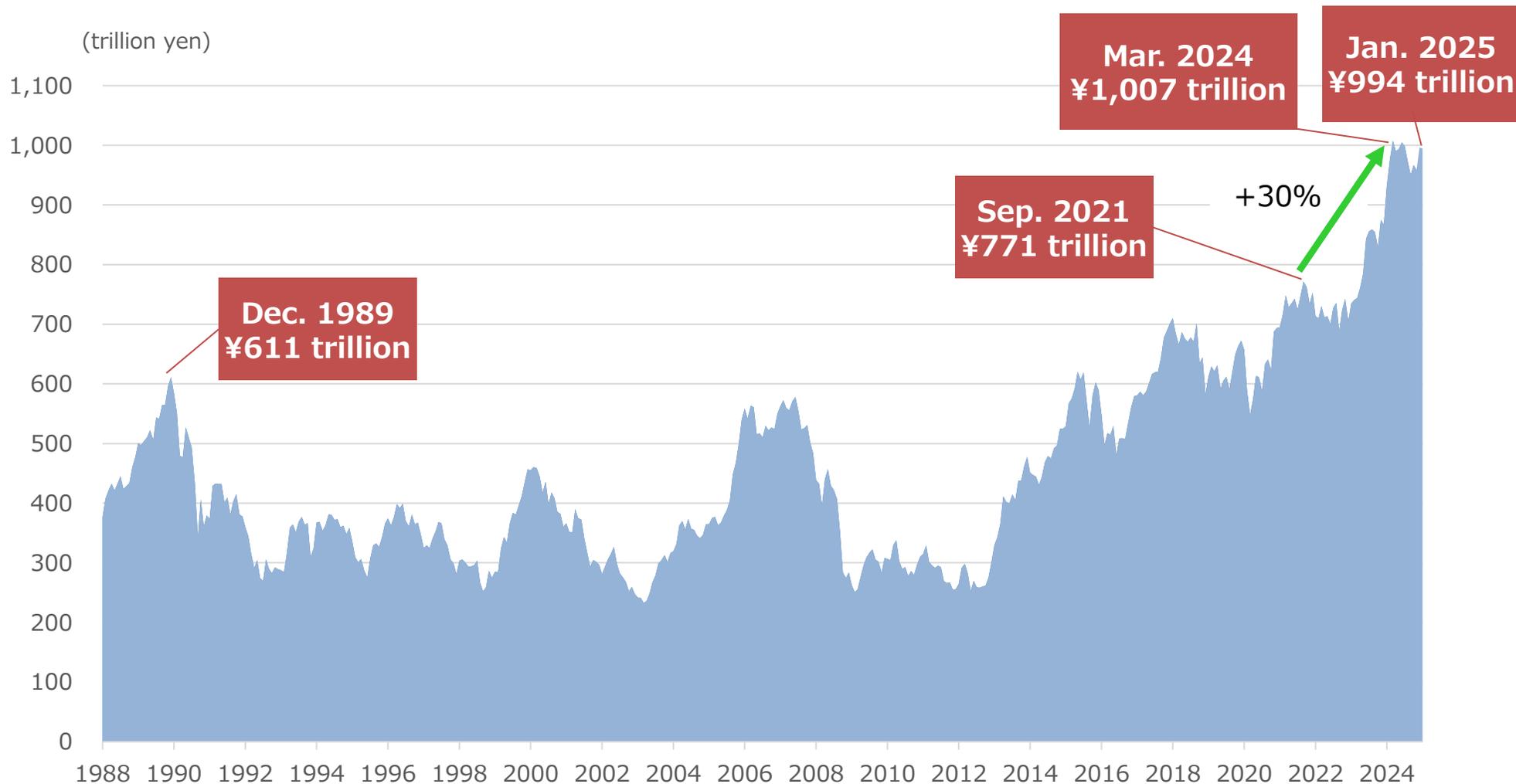


***Three major non-life insurance companies** announced to **reduce their cross-shareholdings to zero** by the end of FY 2029 or FY 2030 (around ¥9 trillion in total) .

Source: Nomura Institute of Capital Markets Research

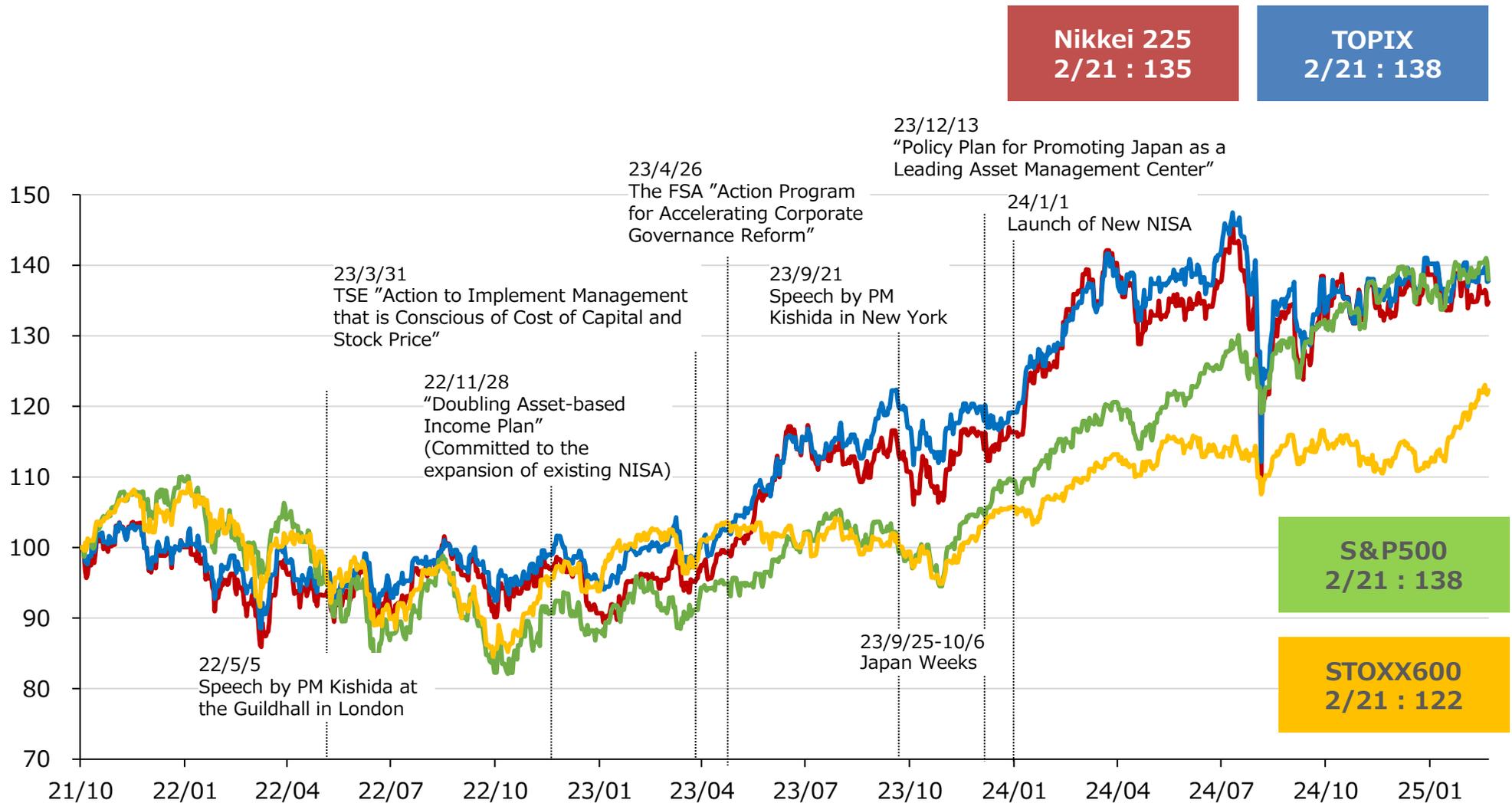
Note: The ratio of shares (market value) of listed companies held by other listed companies to the total market capitalization of the market. It only includes shareholdings for purposes other than investment.

- The TSE's market capitalization **reached around ¥1,000 trillion** last year.



Source: TSE (as of the end of Month)

- The Nikkei 225 and the TOPIX hit **record highs** for the first time in 34 years.
- The Nikkei 225 have risen by around 35% compared to Oct. 2021.



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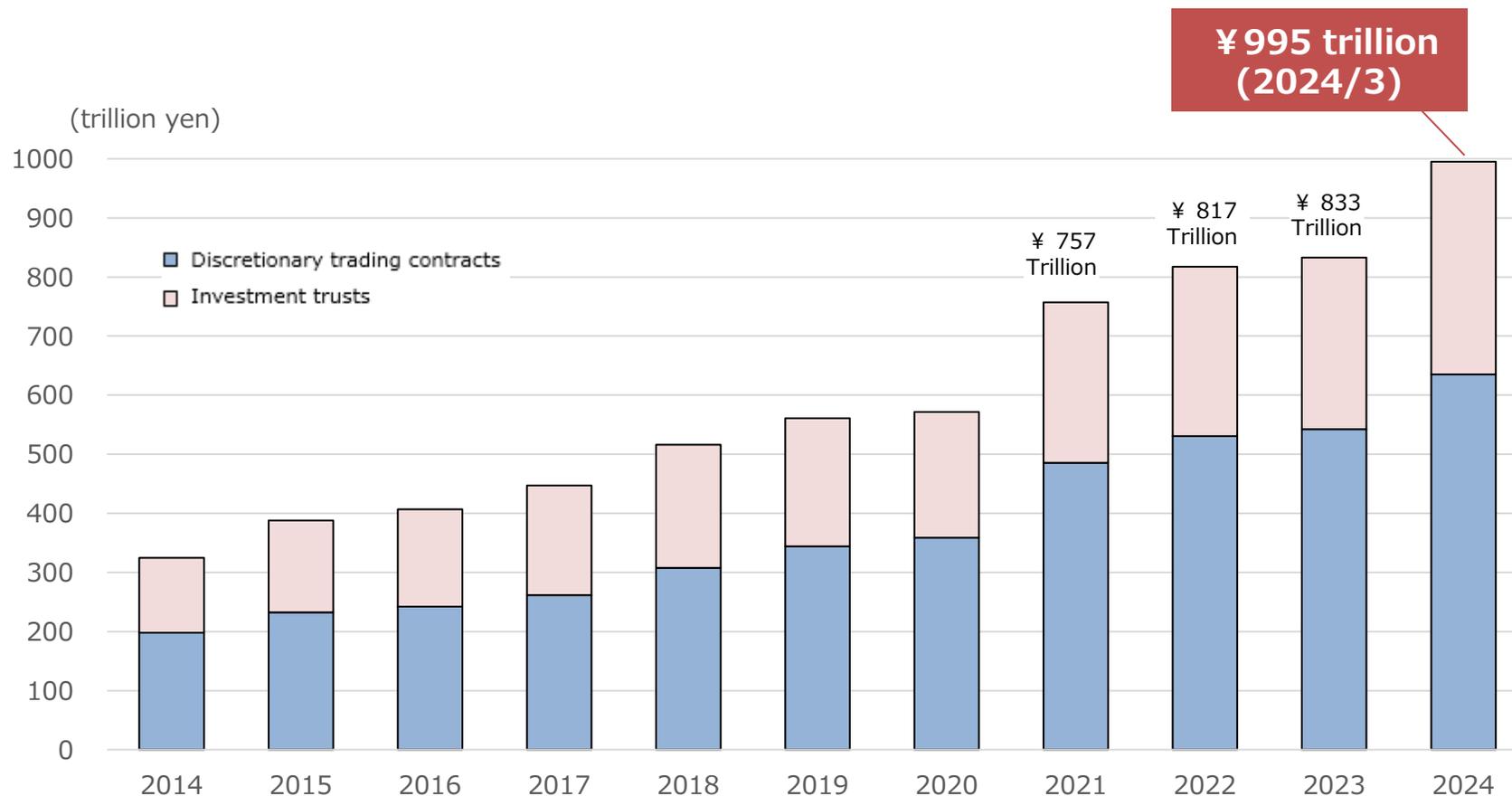
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3. Envisioning Japan's Future

- Gross **assets under management** have sharply increased to **¥ 995 trillion**.



Sources: Japan Investment Advisers Association, Investment Trusts Association
 Note: The balance at the end of March of each year. Some figures are duplicated.

1. FSA's Financial Market Entry Office (FMEO)

- Assist regulatory application for foreign firms interested in doing business in Japan
- All documents and information are available in English

2. Financial Start-Up Support Program (available until March 2026)

- Support foreign firms in setting up their business and living in Japan
- Provide subsidies to cover initial set-up costs

3. Special Zones for Financial and AM business

- Established in four municipal areas (Hokkaido&Sapporo, Tokyo, Osaka and Fukuoka)
- Aimed to promote financial and asset management business in these areas.

Financial Start-Up Support Program



Special Zones for Financial and AM business

Hokkaido & Sapporo

Cluster **GX** (Green Transformation) industries and financial functions, to realize a special business zone for GX, financial and AM businesses

Tokyo

Promote sustainable finance and facilitate growth of startups in Japan and Asia, through creating a better environment as an **international financial center**

Osaka

Promote realization of **innovation** by startups, through attracting investment from overseas

Fukuoka

Strengthen financial services as a gateway to Asia, and foster **startups** in Fukuoka and Kyushu

List of entry cases assisted by JFSA's Financial Market Entry Office

34

	Name	Date	Licenses	From		Name	Date	Licenses	From
1	Affirmative Investment Management	Apr. 2021	IAA	GBR	21	Macquarie Asset Management	Apr. 2023	Type II	AUS
2	Schonfeld Strategic Advisors	May 2021	IM & IAA	USA	22	EG Japan	Apr. 2023	IAA	AUS
3	Columbia Threadneedle Investments	Aug. 2021	IAA	USA	23	Sanford C. Bernstein Japan	Jun.2023	IAA	USA
4	Dymon Asia Capital Japan	Aug. 2021	Pro-IM	SGP	24	PE Investments Japan	Jul.2023	IAA	USA
5	EQT Partners	Dec. 2021	IAA	SWE	25	EQT Exeter Japan	Aug.2023	IAA	SWE
6	Minerva Growth Partners	Feb. 2022	IAA	HKG	26	MABE Japan	Sep.2023	Pro-IM	USA
7	Federated Hermes	Apr. 2022	IAA	USA	27	New Mountain Capital Japan	Sep.2023	Type II	USA
8	BMO Japan Securities	Jun. 2022	Type I	CAN	28	Tishman Speyer Japan	Oct.2023	Type II	USA
9	Pantheum Partners	Jul. 2022	IAA	HKG	29	Impax Asset Management Japan Ltd.	Dec.2023	IAA	GBR
10	Columbia Threadneedle Investments	Aug. 2022	Type II	USA	30	Carlyle Japan, LLC	Dec.2023	IAA	USA
11	Citadel Securities	Aug. 2022	Type I	USA	31	Muzinich & Co. Japan Pte. Limited	Jan.2024	IAA	GBR
12	EQT Partners	Sep. 2022	Type II	SWE	32	Newton Investment Management Japan Ltd.	Jan.2024	IAA	USA
13	HS Group Japan Cayman	Nov. 2022	IAA	HKG	33	HOKU Inc.	Jan.2024	IM	JPN
14	Newton Investment Management Japan Ltd.	Dec. 2022	IM	USA	34	StepStone Group LP	Jan. 2024	Type II	USA
15	Allspring Global Investments Japan Ltd.	Jan. 2023	IAA	USA	35	Hines Japan Real Estate GK	Feb.2024	IAA	USA
16	Tishman Speyer Japan GK	Mar. 2023	IAA	USA	36	Alpha Financial Advisors G.K.	Mar.2024	IAA	USA
17	Yawara Capital Co., Ltd.	Mar. 2023	IAA	JPN	37	Brookfield Japan Kabushiki Kaisha	Apr.2024	Type II	CAN
18	18 Salisbury Capital Japan	Mar. 2023	IAA	HKG	38	Gaw Capital Advisors Japan K.K.	May.2024	IAA	HKG
19	Frontier Advisors Japan	Mar. 2023	IAA	AUS	39	Ares Management Asia Japan KK	Jul.2024	Type II	USA
20	PINECONE	Mar. 2023	SPBQII	AUS	40	Dymon Asia Capital (Japan) Limited	Aug.2024	IM	SGP
					41	Monterey Capital Management Japan Co., Ltd.	Oct.2024	IM	SGP
					42	Avenue Japan Limited	Oct.2024	IAA	HKG
					43	3D Shareholder Services K.K.	Nov.2024	IAA	SGP
					44	Canyon Capital Japan K.K.	Dec.2024	IM	USA
					45	HOKU Inc.	Jan.2025	IAA	JPN



Scan to read the English Guidebook to prepare for the registration

Government has taken a comprehensive approach to provide unique incentives in Special Zones.

- **Promoting easier access for financial institutions/ AM companies**
 - ✓ **Establish FMEO** in these Special Zones for starting AM business (currently only in Tokyo)
 - ✓ Introduce certain **administrative procedures which can be done solely in English**
 - Applying for corporate registration including certification of articles of incorporation
 - Setting up private pension plans, healthcare insurance plans and employment insurance plans
 - Applying for status of residence
 - ✓ **Introduce a new visa** for foreign nationals investing in start-ups in Special Zones
 - ✓ Establish a platform which assists foreign nationals **to open bank accounts**
- **Promoting investment in growth sectors (Green Transformation, start-ups)**
 - ✓ Relax rules allowing banks to hold 5-50% voting rights **in GX-related companies**
 - ✓ Relax rules allowing AMs to **invest more easily in funds solely for qualified institutional investors**

Local governments are also implementing their own incentives in Special Zones.

- ✓ **Provide tax and fiscal support** for financial institutions/ AM companies (preferred treatment of local taxes, subsidies for starting business)
- ✓ Expanding **one-stop English support center for foreign nationals**

(Note) The policy measures above include those under consideration or consultation with municipalities of Special Zones.

Challenges for emerging asset managers:

- ✓ securing seed money due to lack of the company's track record
- ✓ covering the initial and the running cost of doing business in Japan



Encourage investment to emerging asset managers by addressing their challenges through public-private initiatives

- FSA requested financial institutions to actively consider investment through **emerging asset managers actively** and **not exclude them simply because they have only a few years of experience**
- Financial institutions published **actual use cases utilizing** emerging asset managers on the FSA web site (**22 institutions** as of February 2025)
- Industry Associations published **a list of emerging asset managers (entry list)**
- FSA submitted a reform bill to allow asset managers to **outsource middle- and back-office operations so that they can focus on asset management** (Approved by Diet and will be effective from May 2025)

Key Items of Today's Presentation

1. Japanese Economy at a Glance

2. Japan's Decisive Initiatives and its Progress

1. Encouraging Stable Asset Building of Households
2. Corporate Governance Reforms
3. Asset Management Sector Reforms
4. **Reforms on Asset Owners**
5. Japan Weeks 2025

3. Envisioning Japan's Future

- While the size and type of funds managed may vary, the Government of Japan published a **set of common principles that is useful for asset owners to fulfill their responsibility to manage their assets (fiduciary duties)** in August 2024.
- The Principles adopt a **"comply or explain" approach**. The Government published a **list of the asset owners who adopted the Principles** in January 2025.
- These asset owners are expected to report their progress to responsible Ministries.

Principle 1. Determining the purpose of investment, investment target and management policy, which should be reviewed as appropriate.

Principle 2. Securing talents with sufficient knowledge and experiences, in order to realize the investment purpose and policies.

Principle 3. Choosing investment methods for the best interest of beneficiaries, with **appropriate risk management** and selection of the optimal investment trustee **while managing conflicts of interest**.

Principle 4. Providing information of asset under management and engaging in **dialogue with stakeholders**, in order to **fulfill accountability to stakeholders**.

Principle 5. Encouraging the sustainable growth of investee companies by conducting stewardship activities, in order to **achieve the investment targets for beneficiaries**.

Adoption of Asset Owner Principles

(97 institutions adopted Asset Owner Principles)

Asset Owner	Type	Asset size (billion \$)	No. of entities	Acceptance of Asset Owner Principles ⁽⁵⁾
Government Pension Investment Fund (GPIF)	Pension	\$1,648 billion ⁽³⁾	—	✓
Corporate Pension (DB)	Pension	\$415.9billion ⁽³⁾	11,304	30
Pension Fund Association for Local Government Office	Pension	\$233.1billion ⁽³⁾	—	✓
Pension Fund Association (PFA)	Pension	\$90.0billion ⁽¹⁾	—	✓
Organization for Small & Medium Enterprises and Regional Innovation	Pension	\$78.6billion ⁽²⁾	—	✓
Federation of National Public Service Personnel Mutual Aid Associations (KKR)	Pension	\$65.0billion ⁽³⁾	—	✓
Organization for Workers' Retirement Allowance Mutual Aid	Pension	\$44.6billion ⁽²⁾	—	✓
Promotion and Mutual Aid Corporation for Private Schools of Japan	Pension	\$35.6billion ⁽³⁾	—	✓
National Pension Fund Association	Pension	\$35.0billion ⁽³⁾	—	✓
Life Insurance Companies	Insurance	\$2,584billion ⁽²⁾	41	24
Non-Life Insurance Companies	Insurance	\$208.6billion ⁽¹⁾	35	8
Japan Science and Technology Agency (JST)	University	\$74billion ⁽²⁾	—	✓
Educational corporations	University	N/A	N/A	18

Note: (1) Mar. 2024 (\$1=¥151), (2) Nov. 2024 (\$1=¥150), (3) Dec. 2024 (\$1=¥157)

Key Items of Today's Presentation

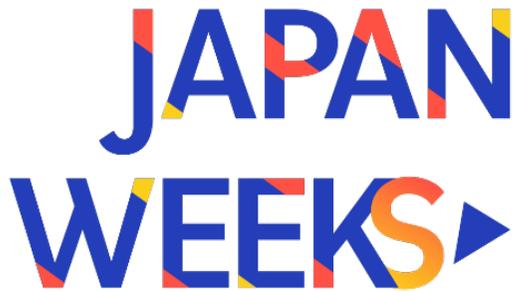
1. Japanese Economy at a Glance

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3. Envisioning Japan's Future

- **Japan Weeks 2025 will be held with its core week from October 20 to 24**, as in 2023 and 2024. This will further strengthen communication with stakeholders on the attractiveness of Japan's financial and capital markets.
- Following the last year's success, the annual meeting of the **Asset Management Forum** will be held during Japan Weeks 2025. AMF serves as a communication platform among asset management companies and other stakeholders from Japan and abroad.



It is crucial to closely communicate with the market and finance sector stakeholders. **I hereby declare the establishment of the “Asset Management Forum,”** and would like to express my hope for the development of the Forum as a communication platform for the stakeholders.



The First Annual Meeting of the Asset Management Forum(October 3, 2024)

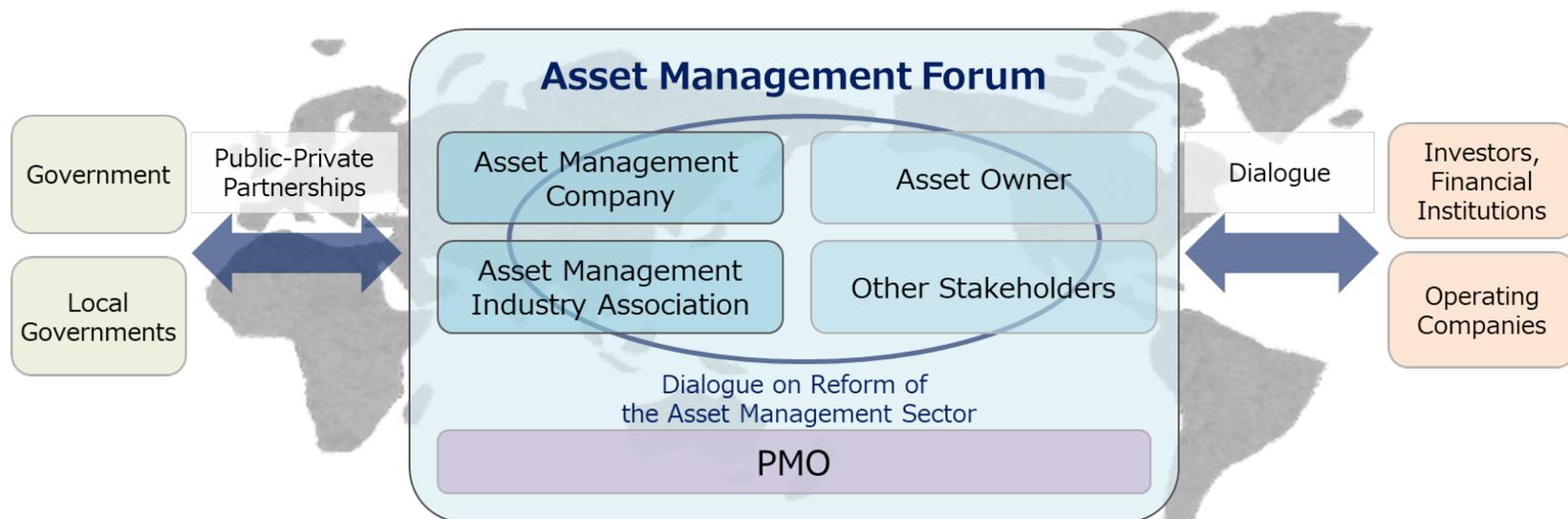
Speech at the inaugural Asset Management Forum (October 3rd, 2024)

- *I will **take over and reinforce the initiatives of promoting Japan as a leading asset management center. Building on them, I will position my new initiatives for “stimulating Japan's investment power” as one of the key pillars of my economic policy to attract domestic and foreign investment to Japan including rural areas.** In other words, we will work to ensure that the newly emerging flows of investment capital, formed through the initiatives for promoting Japan as a leading asset management center, **not only benefit specific investors**, companies or areas, but also contribute to the growth of the entire economy and provide returns to the household sector.*

Instruction to Cabinet Members on developing a comprehensive economic package (October 4th 2024)

- *The second is the growth of the Japanese economy and its local economies. We will utilize ICT technology to develop new policies for regional revitalization (the “Regional Revitalization 2.0”). In addition to supporting agriculture, forestry and fisheries from the perspective of food security, we will also promote initiatives to maximize the potential of local areas in various fields, including local service industries and tourism. To foster an environment where small and medium-sized companies can raise wages, **we will promote labor-saving investments, ensure price increases are passed on to consumers, and support ongoing wage increases. We will focus on enhancing domestic investment that drives growth in areas such as science and technology, innovation, semiconductors, economic security, GX (Green Transformation), DX (Digital Transformation), and startups.***

- Established last October, it brings together domestic and overseas asset management companies for the reform of Japan’s asset management sector.
- In April, four sub-committees will start discussions on;
 - ✓ alternative investments,
 - ✓ improving Japanese companies’ corporate value and promoting investment in Japan, including in regional areas,
 - ✓ digital transformation of the asset management industry, and
 - ✓ sustainable finance.
- A statement on the discussions will be published at the next Annual Meeting of Asset Management Forum during Japan Weeks 2025.



Event Overview

Venue: Yumeshima (Coastal area of Osaka)

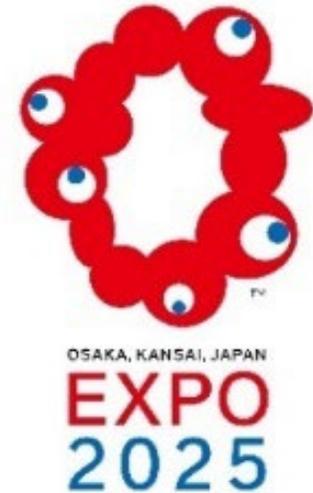
Duration: **Sun. April 13 to Mon. October 13, 2025**

Estimated visitor count: 28.20 million

Number of participating countries: 158 / 9 international organizations

Theme: Designing Future Society for Our Lives

Concept: People's Living Lab



Key Items of Today's Presentation

1. Japanese Economy at a Glance

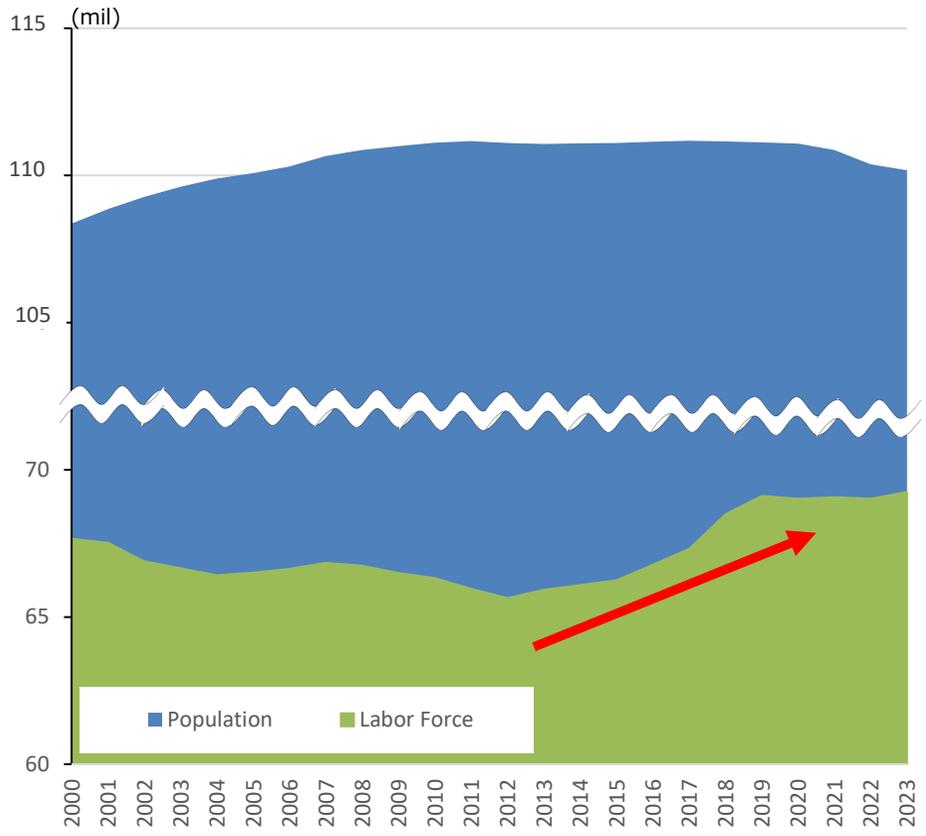
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- So far, Japan has managed well – while the population has been declining, total labor force has been increasing.

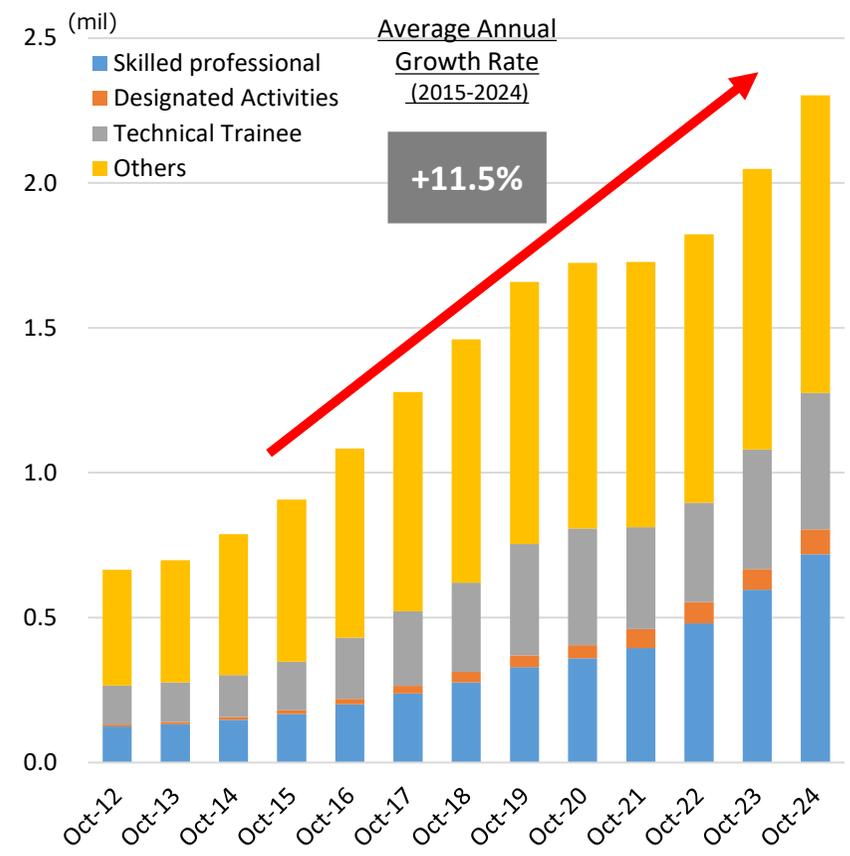
Population(15+) vs Labor force



(Note) "Population" refers to the total population aged 15 and over, and "labor force" refers to the sum of the employed and unemployed among the population aged 15 and over.

(source) Ministry of Internal Affairs and Communications

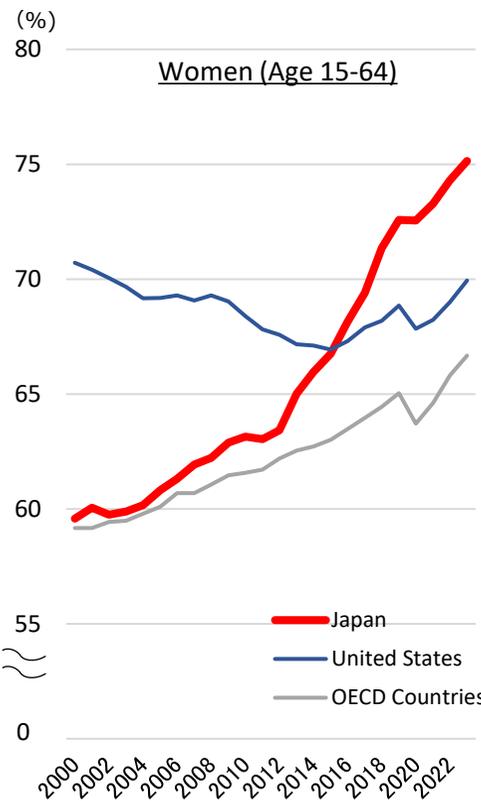
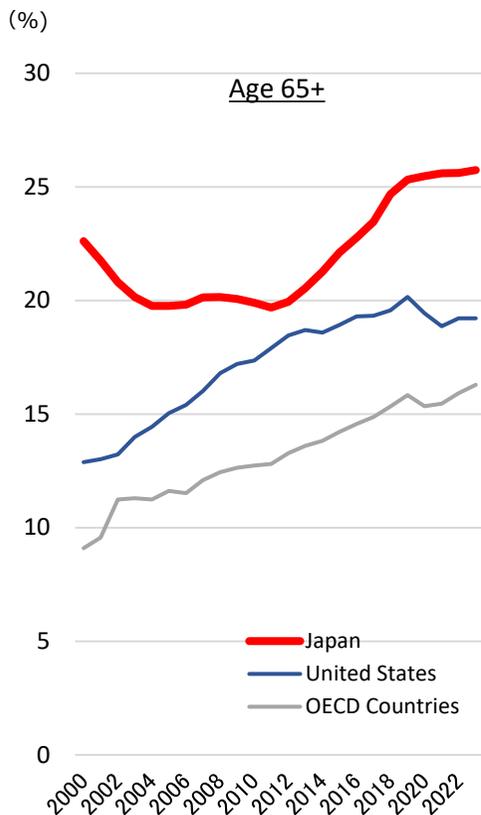
of foreign workers in Japan



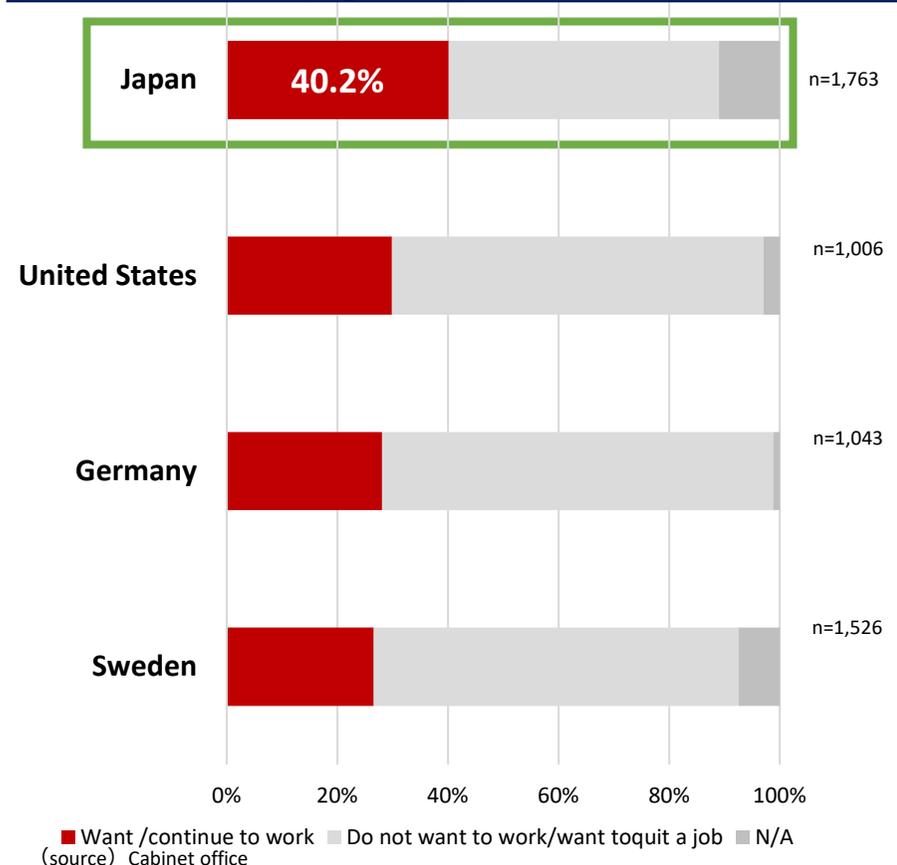
(source) Ministry of Health, Labor and Welfare

- Labor participation of the elderly and women has been increasing.
- Japanese elderly are more willing to work compared to other countries.
- [IMF\(2025\)](#) points out that Japan's seniors already have a relatively high labor force participation rate, and Japan has made significant progress in increasing female labor force participation recently.

Labor Participation Rate



Willingness to work (Age 60+) as of 2020

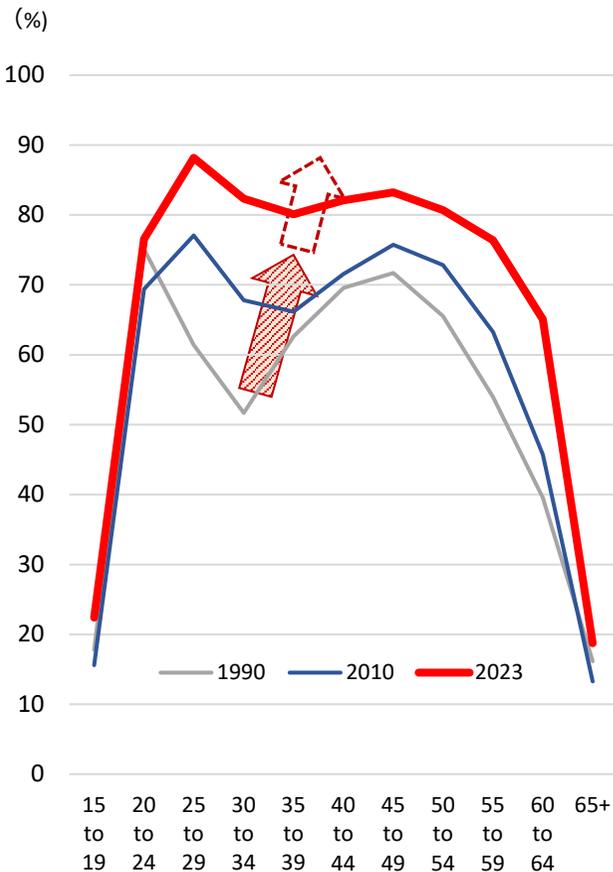


Legend: ■ Want /continue to work ■ Do not want to work/want to quit a job ■ N/A
 (source) Cabinet office

- There is still room to increase labor participation of women compared to other G7 countries.
- Japan has also set a target to increase the share of female managers to 30% for listed companies in the JPX Prime Market.

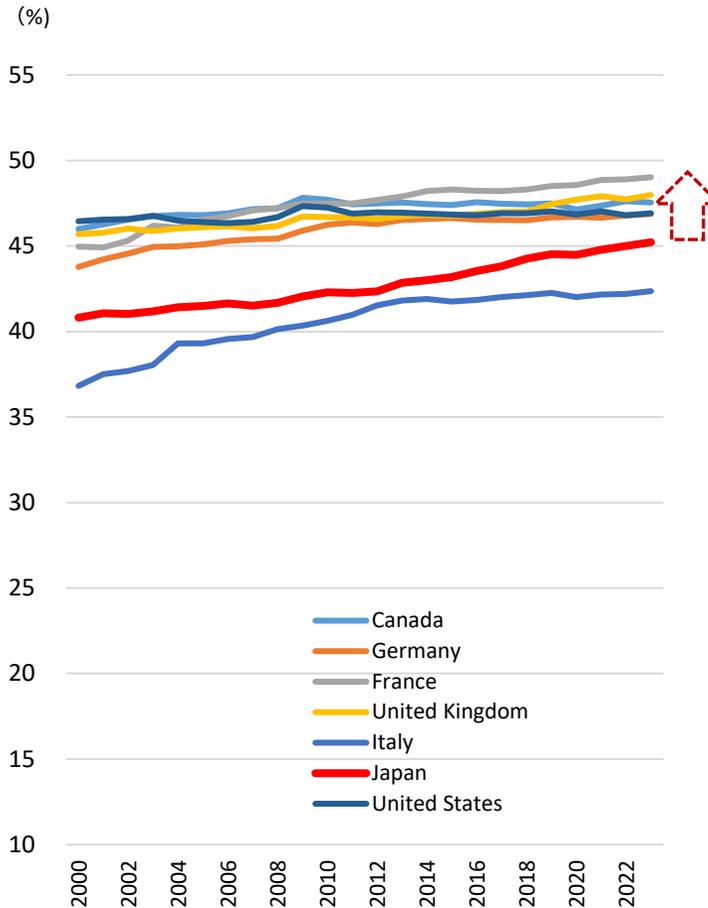
Labor Participation Rate

Women workforce by age



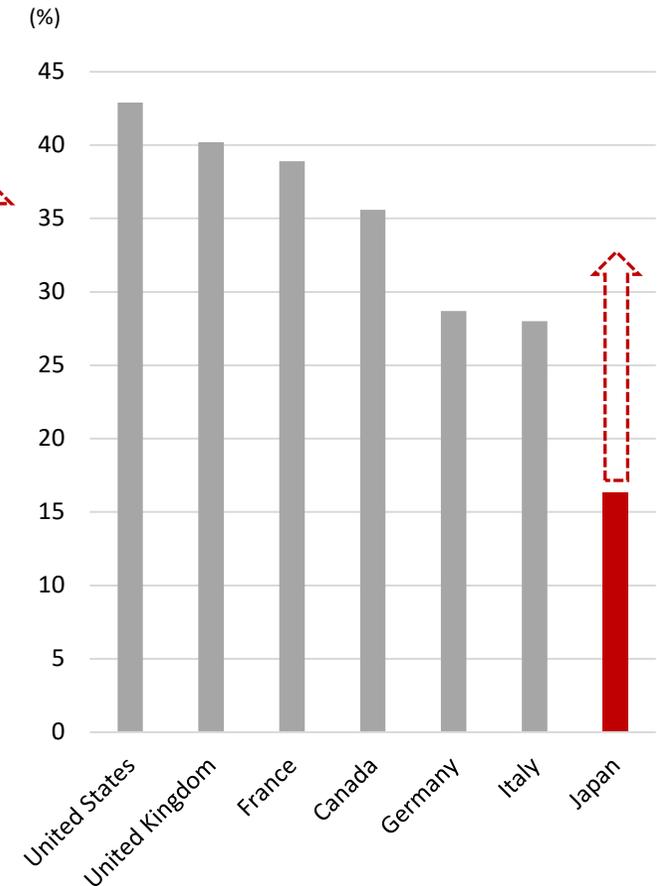
(source) OECD

Women in employed population



(source) ILO

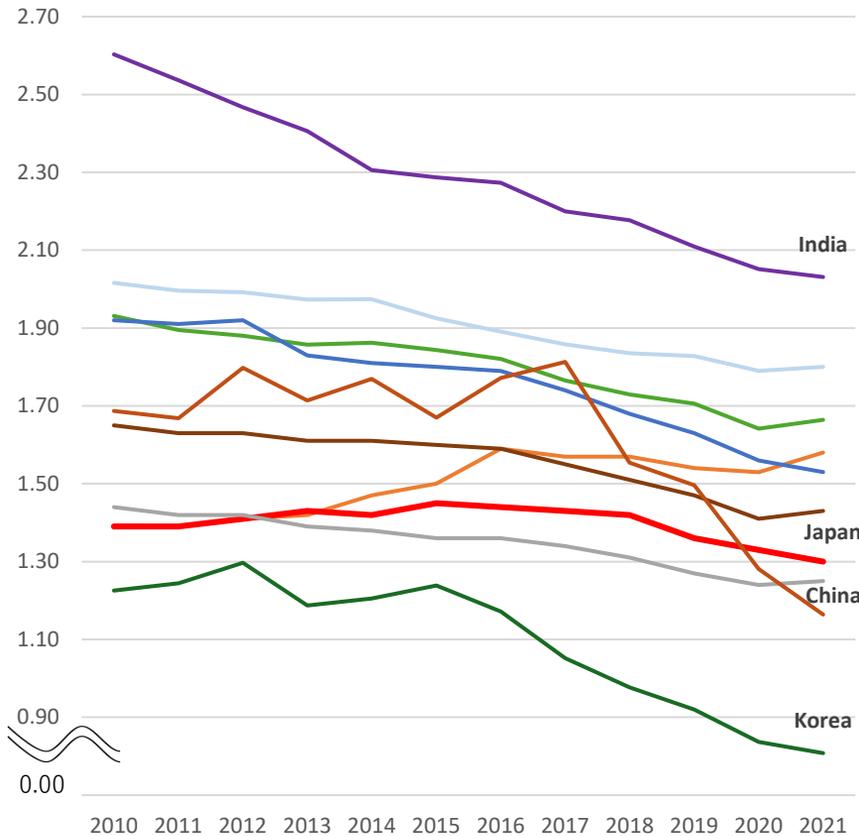
Women in managerial positions



*Japan and the US: as of 2024,
Germany, France, Italy and UK: as of 2023, Canada: as of 2021
(source) ILO

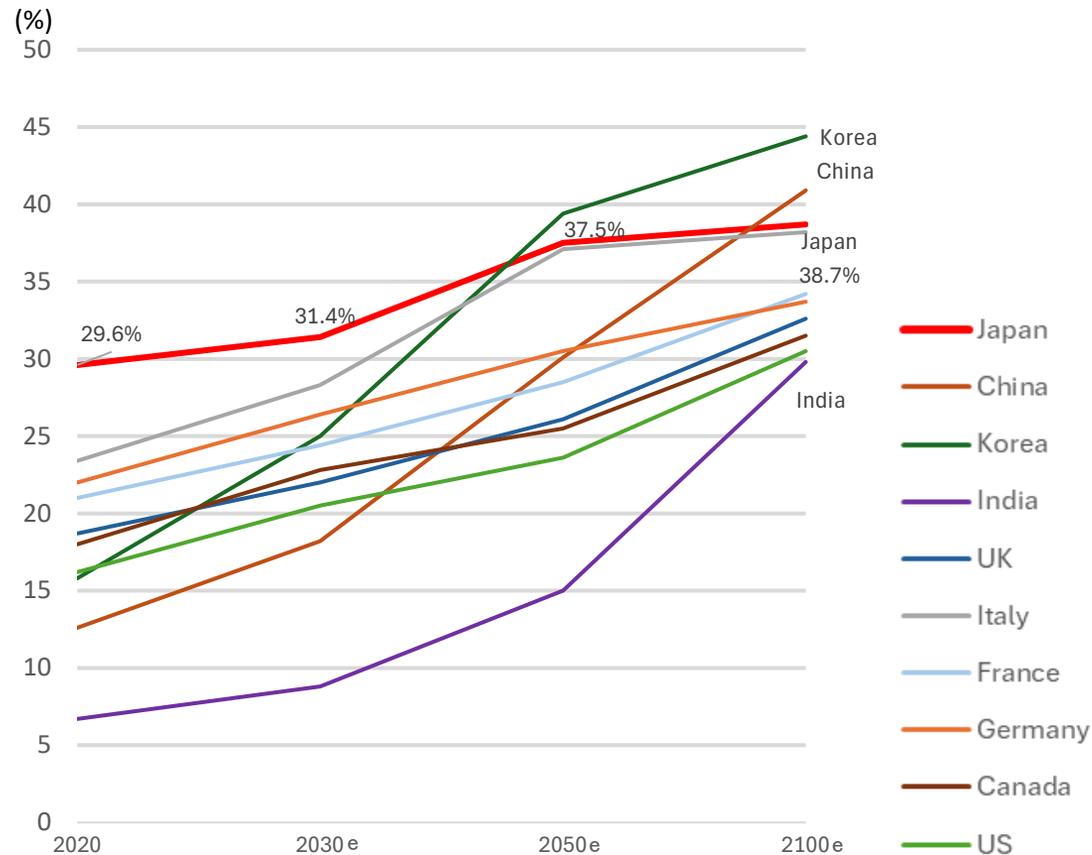
- Total fertility rate has been declining, but this is not a problem unique to Japan.
- Many major countries are facing shrinking population / aging society. Japan's aging is expected to peak out earlier than other countries.

Total fertility rate



(Source): OECD Family Database

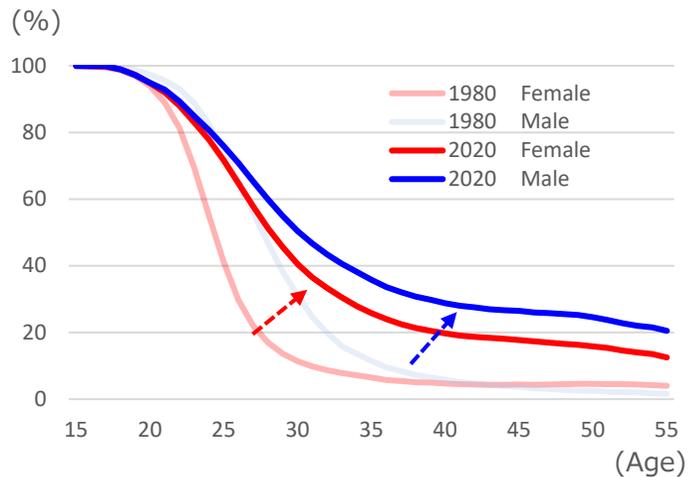
Proportion of Age 65+ (%)



(source) United Nations

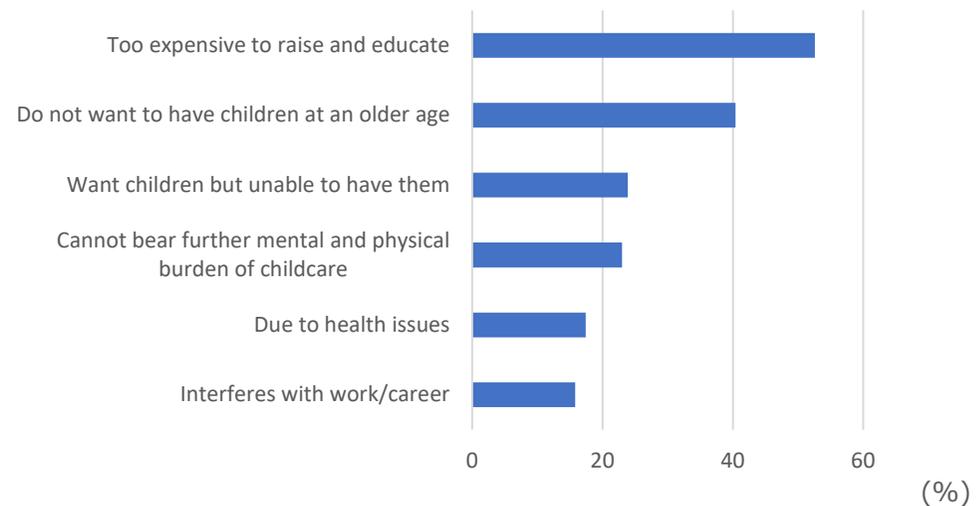
- The percentage of unmarried individuals has significantly increased in 40 years.
- The main reasons for married couples of not having children are;
 - (1) the cost of raising children and education,
 - (2) the reluctance to have children at an older age,
 - (3) inability to have children, including factors such as infertility, and
 - (4) the psychological and physical burdens associated with childcare.

Percentage of unmarried individuals by age

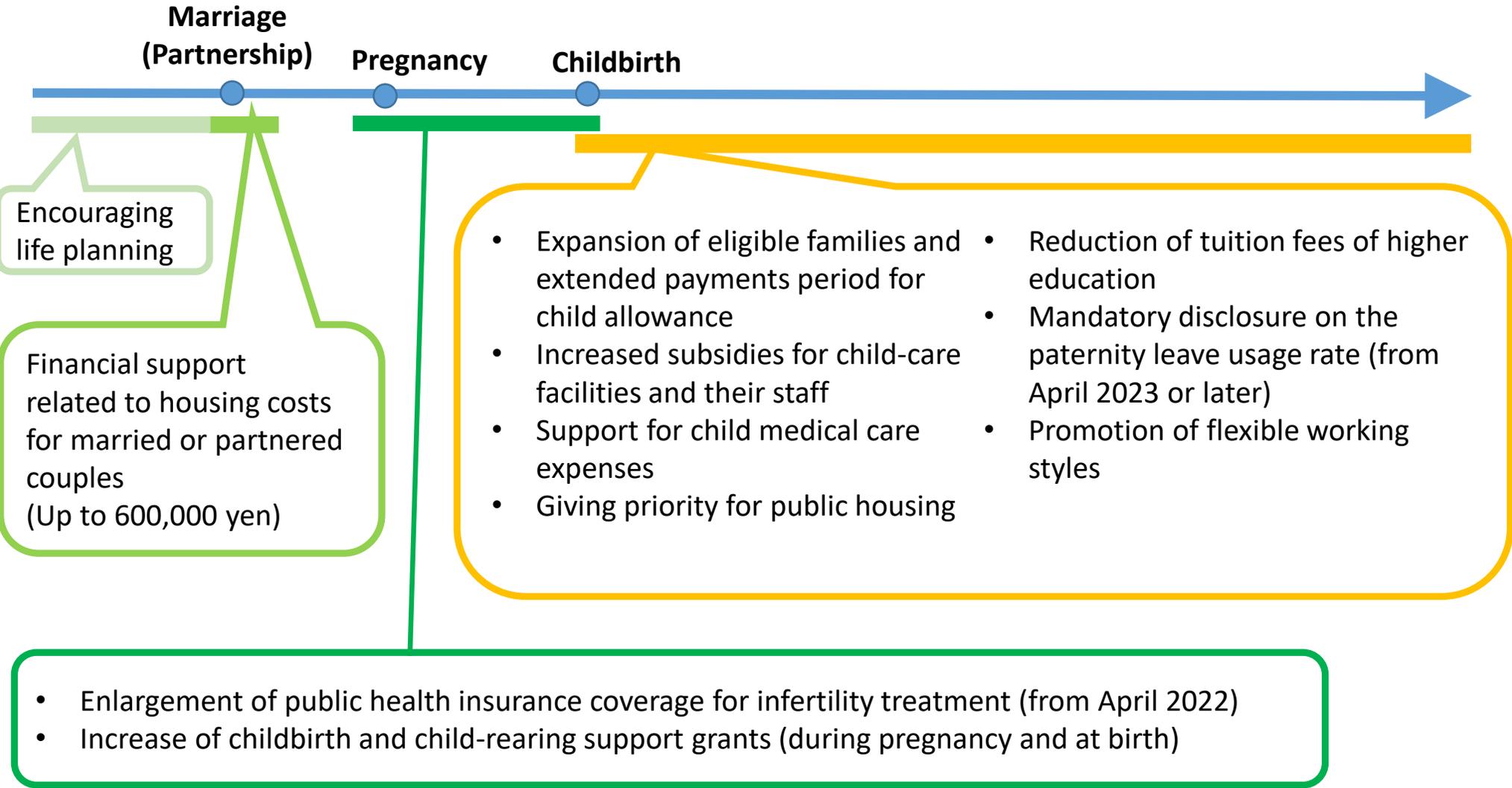


Source: The White Paper on Gender Equality 2022

Reasons for not having the ideal number of children (top 6 responses)



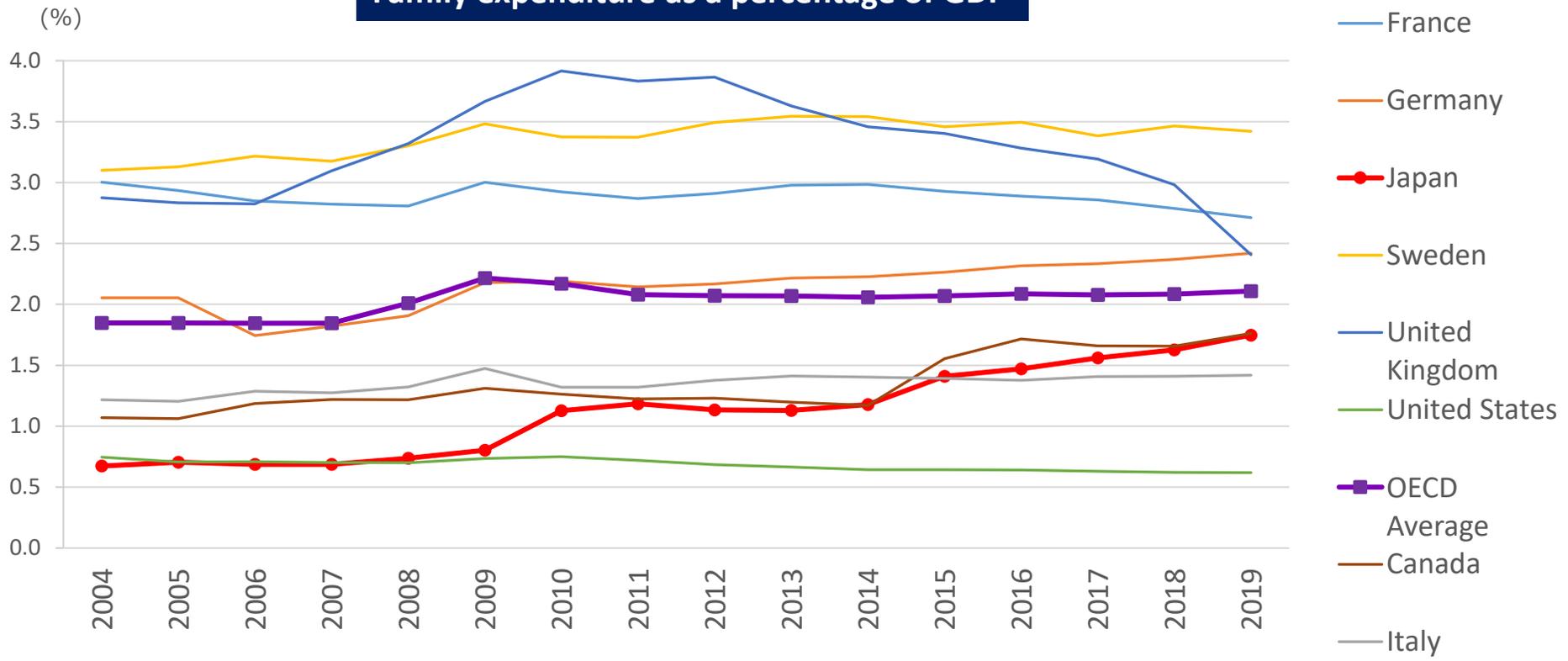
Source: The 16th Japanese National Fertility Survey



(Note) - These policies include those implemented at the national level and those implemented by local governments.
 - The measures implemented by local governments are not uniform across the country, but differ depending on the area where the child or parent lives.

- Japan's family expenditures as a percentage of GDP has been on an upward trend despite rising social security costs.
- The policy package in December 2023, aims to strongly promote children-related public support and plans to invest an additional 2.9 trillion yen, approximately 18.5 billion dollars, in family expenditures by FY 2028 (about 9.7 trillion yen, approximately 61.9 billion dollars as of FY 2019).

Family expenditure as a percentage of GDP



Source: Social Expenditure Database (OECD).

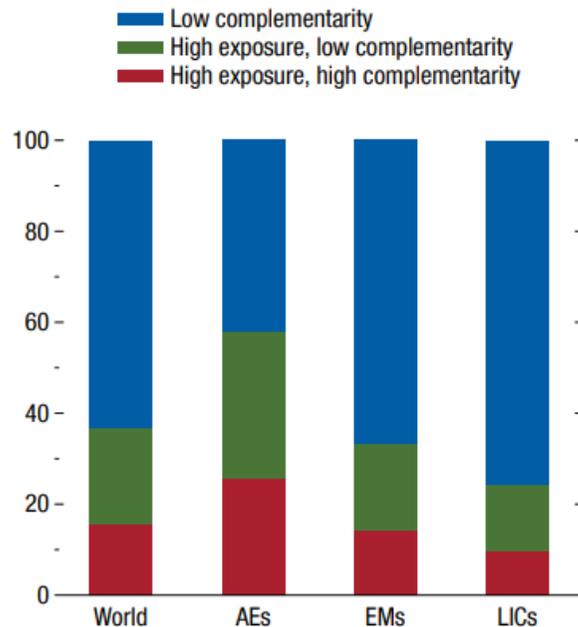
Note: 1 USD = 156.68 JPY (as of 12.23.2024)

Note: If the fiscal year is not a calendar year, the percentage is calculated based on the period of the fiscal year of the country.

- Advanced economies (AEs) are more likely to be exposed to AI. [IMF\(2024\)](#) suggests that AI will likely enhance productivity rather than replace these roles in Asia’s AEs*.
- Japan’s labor market is expected to witness a significant transformation driven by population aging and advances of AI.
- Japan is assessed as well-prepared for AI adoption in terms of digital infrastructure, human capital, technological innovation, and legal frameworks, according to the IMF’s report.

* Asia’s AEs include Australia, Singapore, and Japan.

AI Exposure



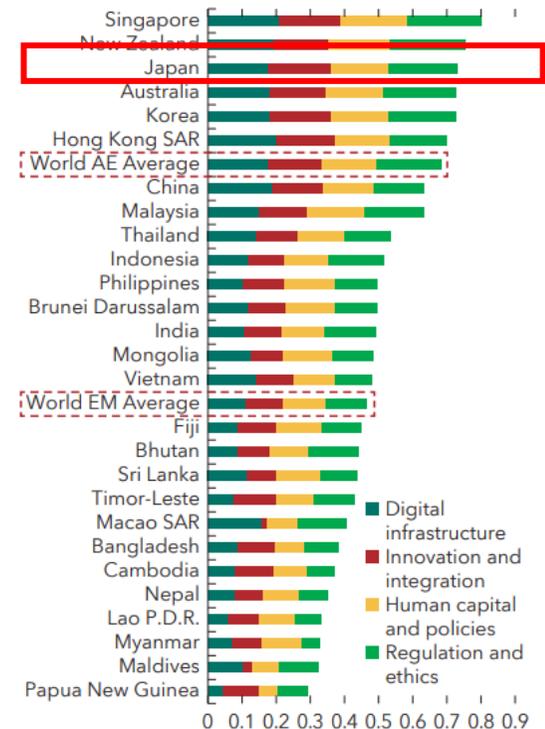
Source: IMF(2024) World Economic Outlook

Aging population and advances in AI in Japanese market

Japan’s labor market is expected to witness a **significant transformation driven by population aging and advances in artificial intelligence (AI)**. Japan is aging rapidly—a trend that is expected to continue over coming decades and **has been at the forefront in labor-saving automation to alleviate labor shortages**—.

(source) Staff Concluding Statement of the 2025 Article IV Mission by IMF (February 7, 2025)

AI Preparedness by Country

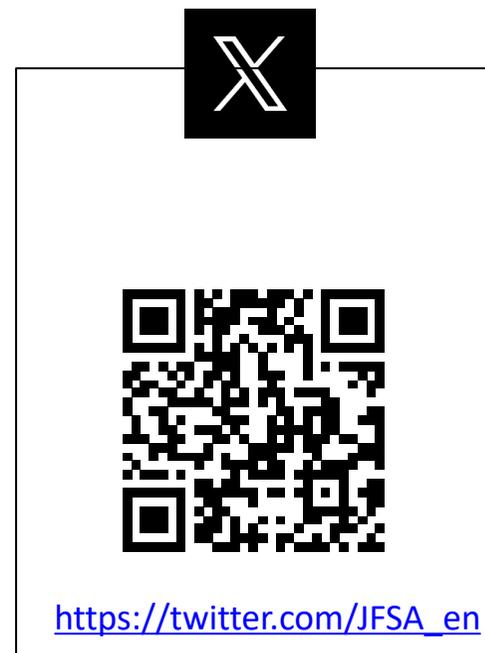


Source:IMF(2024) Regional Economic Outlook Asia and Pacific Analytical Note

Thank you for your attention

FSA Official X (formerly Twitter)

- ◆ The FSA disseminates information in a timely manner not only on its website but also on its official X.
- ◆ Please follow us for the latest information.



Annex

Key Figures of the Policy Plan Progress

56

		As of Oct. 2021	Latest Figure
Market	Nikkei 225 Index	¥ 28,771	¥ 39,894 (as of Dec. 2024)
	TSE Market capitalization (month-end price)	¥ 771 trillion (\$4.88 trillion)	¥ 996 trillion (\$6.30 trillion) (as of Dec. 2024)
Asset Management	Asset under management of asset management companies (gross)	¥ 757 trillion (\$4.79 trillion)	¥ 997 trillion (\$6.31 trillion) (as of 3Q 2024)
Household	Household financial assets (combined ratio of stocks and investment trusts)	¥ 2,036 trillion (18%) (\$12.89 trillion)	¥ 2,179 trillion (22%) (\$13.79 trillion) (as of 3Q 2024)
	NISA accounts	17.65 million	25.60 million (as of 4Q 2024)
	NISA account purchases	¥ 26 trillion (\$0.16 trillion)	¥ 53 trillion (\$0.33 trillion) (as of 4Q 2024)
Corporate Governance	Number of companies that responded to the TSE's request (Prime)	-	1,482 (90%) (as of Dec. 2024)
	Ratio of cross-shareholdings	12.7%	11.2% (as of 1Q 2024)
Resolution of Social issues	Sustainability Investment (Global Share)	\$2.8 trillion (8%)	\$ 4.3 trillion (14%) (as of Dec. 2022)

Note: 1 USD = 158JPY

The Guidelines were published in August 2023.

【Purpose of the Guidelines】

To present principles and best practices that should be shared among the economy to develop fair rules regarding M&A transactions

with a focus on how parties should behave in acquiring corporate control of a listed company

- To contribute to **the establishment of a fair M&A market** by **complementing Japan’s legal systems** and court precedents, as well as **providing predictability**
- To enhance **the credibility of Japanese capital markets by meeting the expectations of stakeholders** including international investors

【What METI expects for】

The economy where the market functions soundly and desirable acquisitions are actively conducted.

- For acquiring companies: **Growth through acquisitions**
- For target companies: **Opportunities to select superior corporate strategies** and to **improve external discipline** on management
- For the whole economy: Optimization of **resource allocation**, acceleration of **industry restructuring**, and promotion of **healthy economic metabolism of Japan’s capital markets**

Three principles that should be respected in acquisitions

Principle 1: Principle of Corporate Value and Shareholders’ Common Interests

Whether or not an acquisition is desirable should be determined on the basis of **whether it will secure or enhance corporate value and the shareholders’ common interests.**

To promote desirable acquisitions (**acquisitions that both increase corporate value and secure the interests of shareholders**), a code of conduct is required that the related parties must respect

Principles 2 and 3 are required as a prerequisite for materializing Principle 1

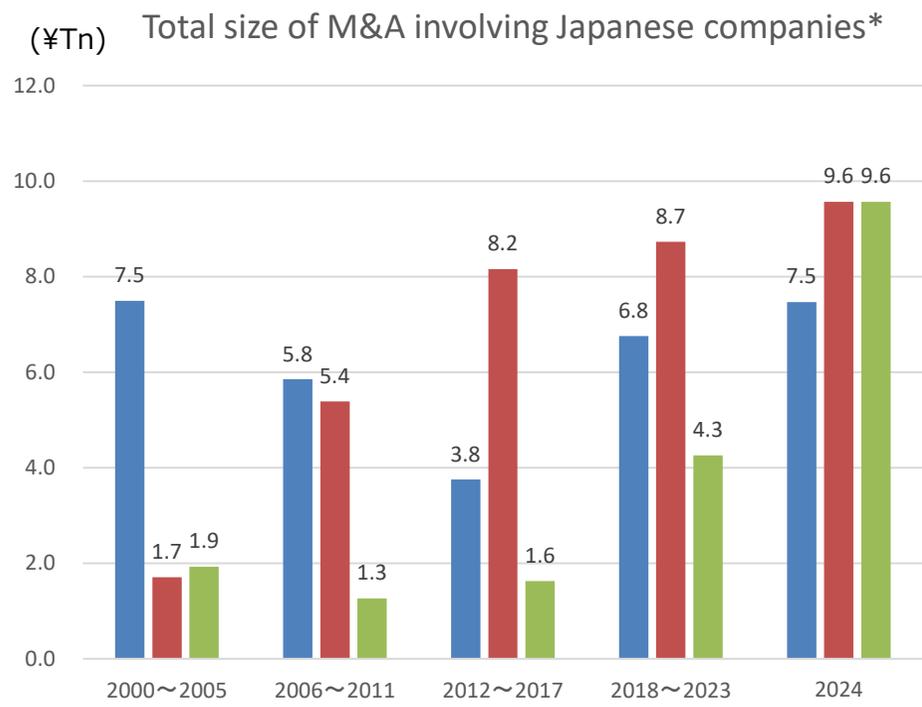
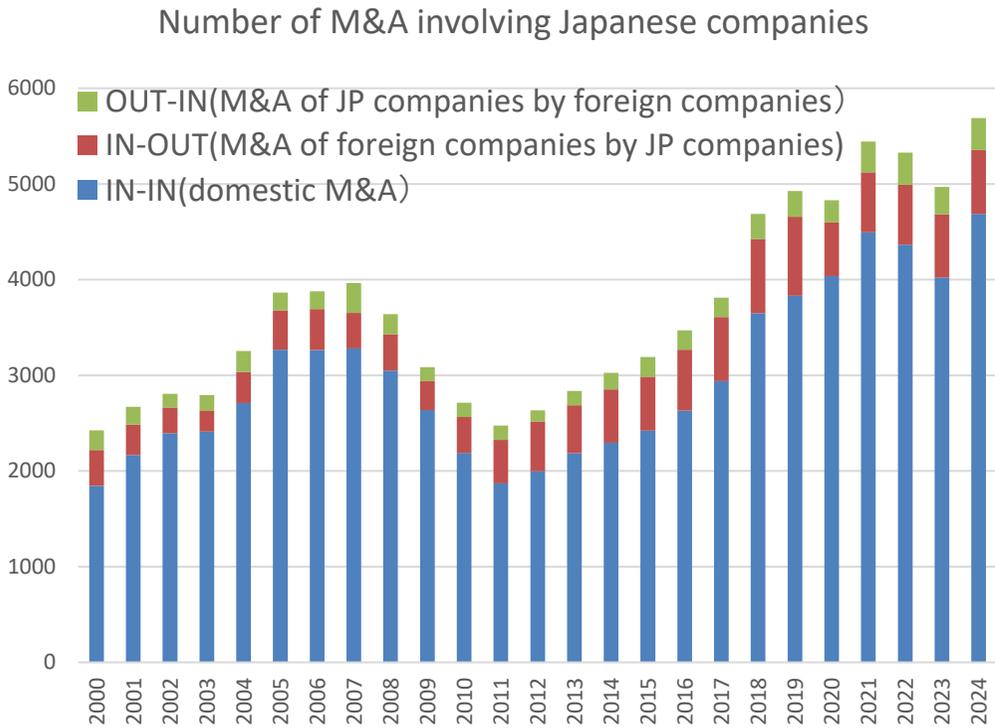
Principle 2: Principle of Shareholders’ Intent

The rational intent of shareholders should be relied upon in matters involving the corporate control of the company.

Principle 3: Principle of Transparency

Information useful for shareholders’ decision making should be provided appropriately and proactively by the acquiring party and the target company. To this end, the acquiring party and the target company should **ensure transparency regarding the acquisition** through compliance of acquisition-related laws and regulations.

- The number of M&A transactions involving Japanese companies has been increasing, in particular, after the publication of the Guidelines in 2023, signalling positive impacts from the Guidelines with growing appetite to increase corporate value.
- The total amount of M&A transactions has also sharply increased during the last decade, particularly OUT-IN M&As.



*Figures are M & A transactions in per year for each period.

(Source) Recof M&A database. The data are including transactions involving non-listed companies.

Shigeru Ariizumi

Vice Minister for International Affairs
Financial Services Agency, Government of Japan



Shigeru Ariizumi is Vice Minister for International Affairs of the Financial Services Agency.

He is a member of the Financial Stability Board (FSB) and serves as the Chair of the Executive Committee of the International Association of Insurance Supervisors (IAIS) as well as the Vice Chair of the Board of International Organization of Securities Commissions (IOSCO).

While at the Ministry of Finance, he served as G7/G20 Deputy's Deputy in the finance track and supervised Japan's relationship with the IMF and World Bank.

He is currently responsible for the international work of the FSA with abundant experience on banking, securities and insurance supervision.

He holds a Law Degree from the University of Tokyo and a Masters Degree from Harvard Law School. He is a registered attorney in the State of New York.