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Upgrading of Data Utilization

- Examples of Analyses Utilizing Granular Data and Efforts for Data Collection and Management -

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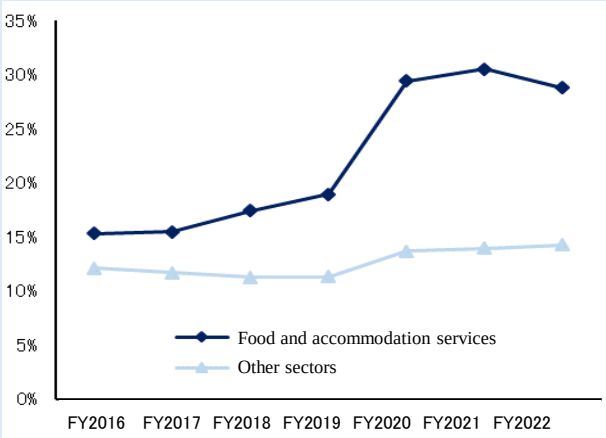
1. Introduction

Data utilization in public administration has become increasingly important in recent years. As stated in the "JFSA Strategic Priorities July 2022-June 2023" published in August 2023, the FSA is also endeavoring to better utilize data to ascertain the current status in a multifaceted manner as part of the initiatives for upgrading financial policy. As granular data, such as loan details for corporations, will start to be regularly collected by stages, the FSA is conducting analyses using granular data on a trial basis with the aim of utilizing those data in policy planning and monitoring. This June, the FSA compiled several analysis examples and publicized them as the "FSA Analytical Notes – FSA Data Analysis Examples –" (FAN).^{*1} Those analysis examples are outlined and the FSA's efforts for collecting and managing granular data, which serve as the analysis base, are introduced below.

2. Examples of analyses using granular data (outline of FAN)

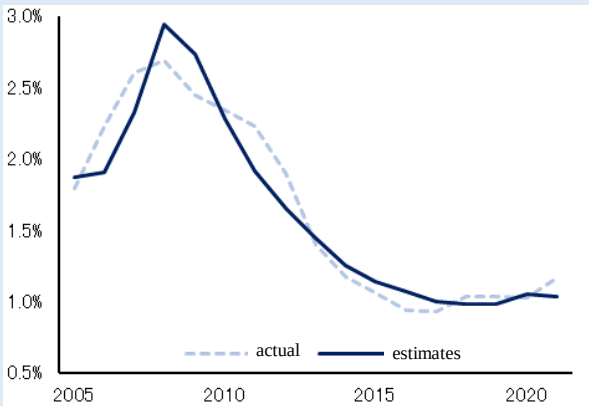
FAN introduces three data analysis examples. The first is the analysis concerning current trends in financial conditions of the corporate sector. The post COVID-19 trend of corporate finance, or the situation of the food and accommodation services, etc.,^{*2} which are considered to have been seriously affected by COVID-19 in particular, was analyzed based on corporate finance data provided by Teikoku Databank. The earnings and debts of this category show a sign of improvement on average, but when dividing companies into groups from a specific standpoint, there are aspects that we need to continue monitoring (Figure 1).

(Figure 1) Portion of insolvent enterprises (SMEs)



The second is the analysis concerning credit risks in bank loans. The FSA constructs and estimates a model to assess the credit risk of the loan portfolio using anonymized data of the financial statements and credit profiles of corporate borrowers from member banks of the Regional Banks Association of Japan (62 banks) (Figure 2). This model enables estimations of the impact exerted by changes in economic and financial environments on the default probability based on various viewpoints, such as company size or by industry, and is expected to contribute to the timely and multifaceted analyses.

(Figure 2)) Actual default proportion and estimated default probability



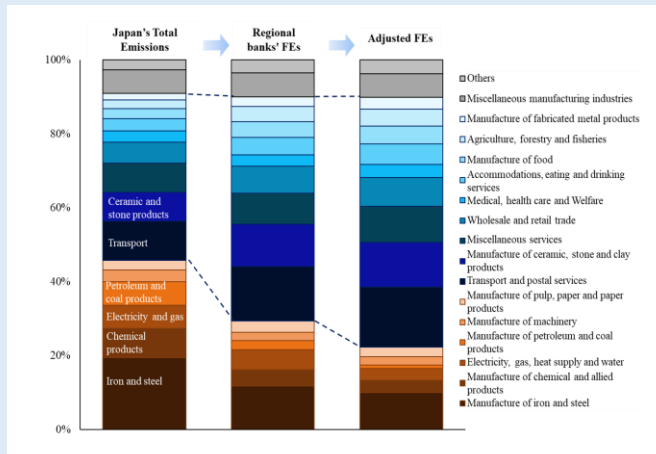
^{*1} FSA Analytical Notes: <https://www.fsa.go.jp/en/news/2023/20230929-2/index.html>

^{*2} Indicating accommodations and food services; education and learning support; and lifestyle-related services

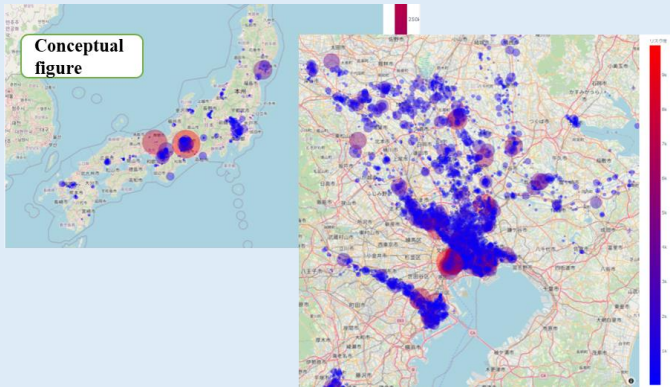
The third is the analysis of climate-related financial risks. The FSA uses granular data, such as details of transaction-level corporate loans, collected from regional banks(49 banks). It then focuses on the industries, products, and geographic conditions of client companies and clarifies the characteristics of climate-related risks (transition risks and physical risks) faced by regional banks, as well as the regional differences in these characteristics. For example, when analyzing financed emissions (figures obtained by multiplying greenhouse gas emissions from companies for which relevant financial institutions provide loans or make investments by the rate accounted for by the amount of relevant loans or investments among the total amount of funds procured by those companies; hereinafter referred to as "FE"), the percentage of high emission industries in FE (corrected FE) of clients that use regional banks as their main banks is correspondingly lower than the percentage of high emission industries in CO₂ emissions of the entire nation (Figure 3). Additionally, by crossing data on loan details with hazard maps, it became possible to visually identify which areas with high water disaster risks are concentrated (Figure 4). Other than these, the FSA also analyzed risks of business changes due to climate change, or more specifically, characteristics of engine parts manufacturers that will be affected by the dissemination of electric vehicles.

Incidentally, all of these analysis examples are affected by restrictions regarding used data and models, and due care is required when interpreting the results thereof. Additionally, analyses using granular data are still at a trial stage and there is room for enhancement in methods and data management therefor. The FSA will continue making efforts for improving analysis methods and its capacity to analyze data as its medium- to long-term challenge.

(Figure 3) Comparison of Industry Composition of Regional Bank FEs



(Figure 4) Mapping of risk levels



3. Efforts for data collection and management

In order to further enhance the aforementioned analyses, collecting a bigger, high-quality data in a timely manner and developing an infrastructure to accomodate such data. The FSA and the Bank of Japan (BOJ) the BOJ have taken initiatives toward data integration with a view to further enhancing their monitoring capabilities and reducing the burden on financial institutions. As part of the initiatives, the FSA and the BOJ have deliberated on a more effective and efficient framework for data collection and management (hereinafter referred to as the “Common Data Platform(CDP)”).

The CDP aims to regularly collect and accumulate more granular data from financial institutions, such as transaction-level corporate loan data, and share them among the authorities, for replacing part of existing data templates that can be substituted with granular data to reduce the burden on financial institutions, and for more detailed analysis on lending/business trends, thereby promoting dialogue to identify risks in the financial system and encourage financial institutions to support their client firms.

Toward establishing the CDP, a survey on overseas developments was conducted in fiscal 2021. In fiscal 2022, the FSA and the BOJ coordinated to conduct a joint experiment to collect transaction-level corporate loan data from some financial institutions.

Based on the results of the experiment, the aggregation of granular data will possibly substitute for some existing data templates, and granular data have great potential to further enhance their monitoring and analytical capabilities (Figure 5).

On the other hand, it also turned out that data collection and management require a considerable amount of time and resources, both on the side of financial institutions and at the FSA and the BOJ in terms of organizing their operations (Figure 6).

Based on the joint experiment, the two entities will start to collect granular data on corporate loans in a phased manner from the second half of fiscal 2023, with a close communication and coordination with financial institutions.

The environment surrounding Japan's financial system is changing significantly. the FSA and the BOJ will continue to make steady progress with necessary data collection and management from a medium-term perspective, including improving the quality of data, with a view to conducting more comprehensive and accurate monitoring and analysis. Through these initiatives, they will encourage financial institutions to further sophisticate their data governance and risk management.

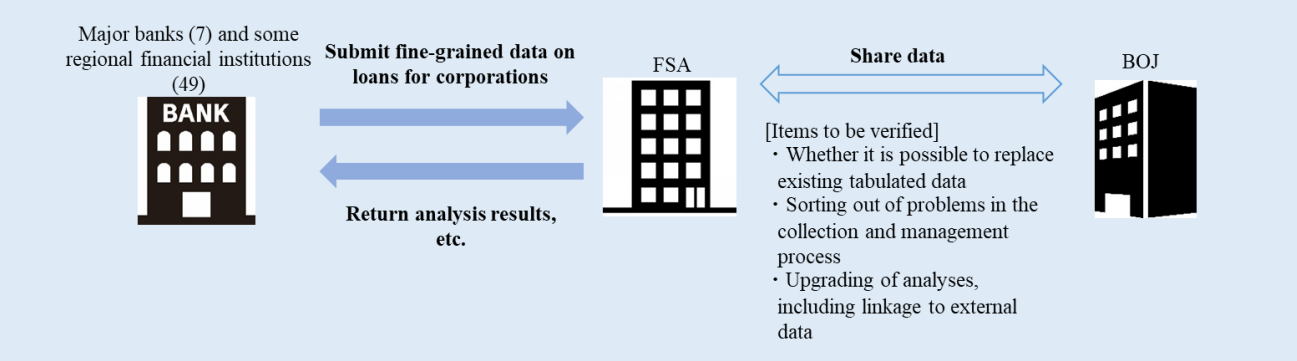
4. Toward further upgrading of data utilization

The upgrading of the FSA's practice of data analyses needs to be achieved simultaneously with the fostering of data analysis staff. From such perspective, the FSA has implemented a data analysis project (a project to integrate analysis projects within the FSA, including those voluntarily commenced by staff members, and offer experts' advice and other forms of support) as one means of fostering human resources and

developing organizational culture regarding data analyses. In PY2022, the third year of the project, a system to award excellent projects was launched (awarded projects were outlined in Access FSA No. 239 for July 2023). Those projects include cases where staff members personally worked to obtain new implications from various data on a voluntary basis. The FSA's efforts for fostering data analysis staff and developing organizational culture have thus borne fruit steadily.

In order to fully utilize data analysis results in policy planning and monitoring, it is also important to develop a foundation to enable not only staff in charge of analyses but also many other staff members engaging in policy planning and monitoring to have access to granular data and analysis results using them easily whenever necessary, for example by utilizing BI tools. The FSA will continue efforts for upgrading financial policy through data utilization from various approaches.

(Figure 5) Overview of the experiment



(Figure 6) Details and results of the experiment

	Verification details	Results
[i] Whether it is possible to replace existing tabulated data	• Compared compiled figures based on fine-grained data and figures in the existing tabulated data submitted by individual banks, and verified whether fine-grained data can replace existing tabulated data	• Existing tabulated data may be partially replaced if (i) definitions of items are further clarified and adjusted and (ii) the submission of data for additional items can be ensured.
[ii] Problems in the collection and management process	• Data are transferred from financial institutions to the FSA and further to the BOJ. • Submitted data are cleansed, normalized and stored.	• Confirmed and compiled problems concerning data management by financial institutions and data cleansing, management and sharing by the FSA and BOJ
[iii] Upgrading of monitoring and analyses	• The FSA receives the provision of information on debtors from financial institutions and assigns corporation numbers. • Considered whether there is any room to upgrade monitoring and analyses by taking advantage of the characteristics of fine-grained data	• Corporation numbers were assigned to over 90% of covered companies both in terms of the number of cases and in terms of the outstanding balance. • Analysis on climate change risk was conducted by linking to individual company data and geographical data. • It was confirmed that fine-grained data can be utilized much more for enhancing monitoring and data analyses.

The 3rd Report by the Expert Panel on Sustainable Finance

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1. Introduction

With the adoption of the Sustainable Development Goals (SDGs) and the Paris Agreement, constructing a sustainable society is a major challenge. It is now essential to promote sustainable finance, which encourages transition to new industrial and social structures and realizes a sustainable society.

From the viewpoint of promoting sustainable finance as a policy, the FSA's Expert Panel on Sustainable Finance, which was established in December 2020, has had discussed on three pillars, enhancement of corporate disclosure, capital market functions, the financial institutions and risk management," and overarching issues such as promotion of impact investment.

The Japanese government has made clear that realizing of sustainable growth opportunities through the addressing social issues is a key element in the "New capitalism," and "The Grand Design and Action Plan for New Capitalism 2023 Revision" and the "Basic Policies for Economic and Fiscal Management and Reform 2023" both of which were decided by the Cabinet in June, advocate Green Transformation (GX) investments and loans, as well as promotion of impact investment. Internationally as well, the importance of sustainable finance was confirmed at the G7 Minister of Finance and Central Bank Governors Meeting and the Hiroshima Summit chaired by Japan.

In consideration of these moves, the FSA compiled the environmental changes and the trends of policy measures especially for the one-year period after the publication of the Second report of the Expert Panel in July last year, newly recognized issues and the overall picture on direction of the policies, and published them as the Third Report this June (see the Figure on the next page). Key

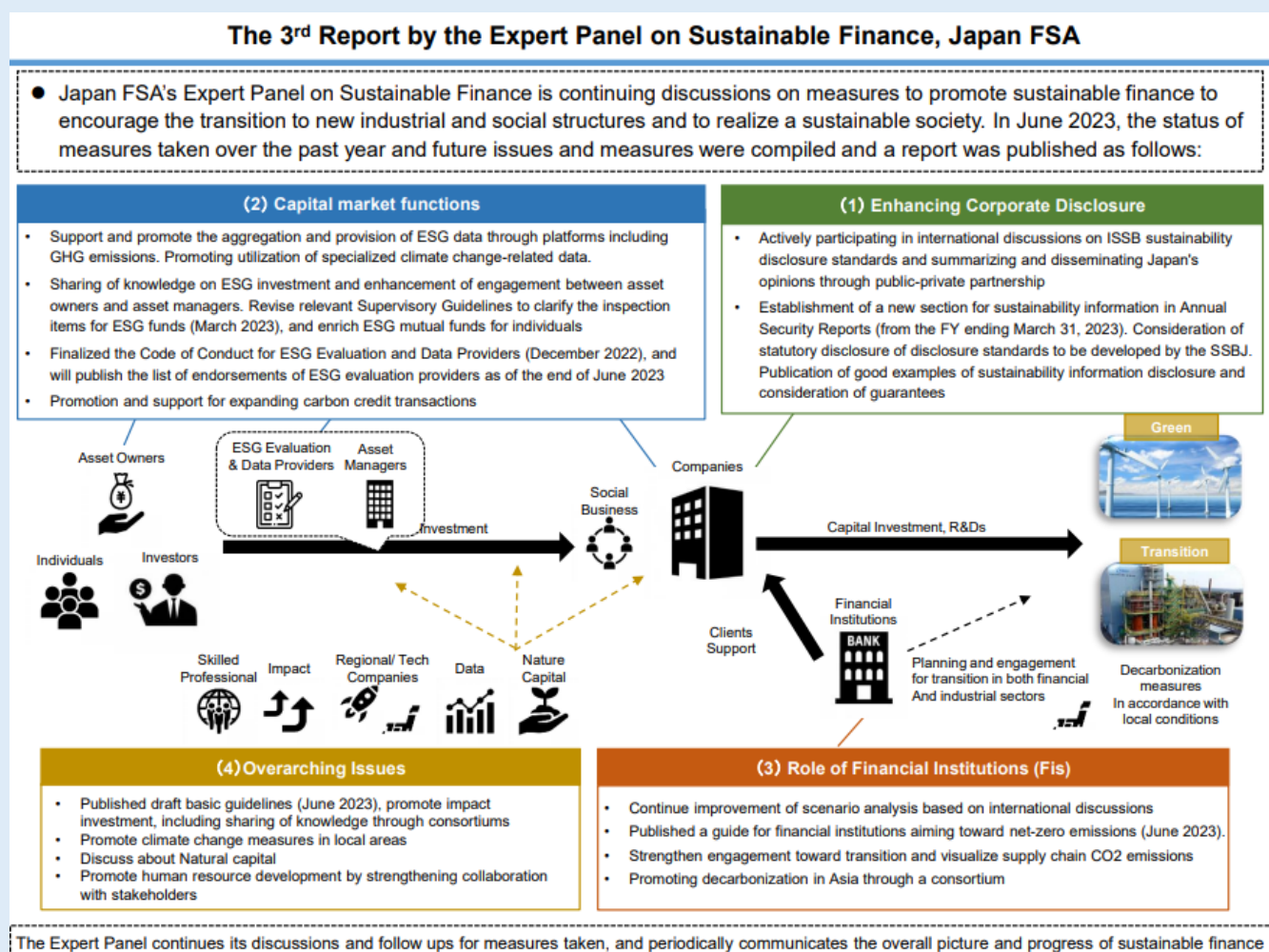
points of the Third Report are introduced below, centered on themes of "capital market functions" and "the financial institutions and risk management," and on "overarching issues."

2. Capital market functions

In order to have the sustainable finance market function effectively, it is important to aggregate diverse information relating to ESG investment and secure the quality thereof. Japan Exchange Group (JPX) launched an "ESG Bond Information Platform," which aggregates information on issuance of ESG bonds, in July 2022. As the frameworks for sustainability disclosure are being developed in Japan and overseas, the Expert Panel stated that it is indispensable to develop and manage GHG emissions data, including those of client companies, and recommended as the direction of future responses that relevant ministries and agencies, financial institutions, JPX and other stakeholders should cooperatively discuss how to aggregate and provide data disclosed by companies, while referring to the status of international discussions.

From the perspective of enhancing the transparency of the ESG investment market, the Expert Panel also discussed the importance of securing the objectivity and fairness of ESG evaluation. With regard to the "Code of Conduct for ESG Evaluation and Data Providers," which was formulated last December as the first of its kind in the world, the Third Report points out the necessity to disseminate it further broadly among relevant organizations.

(Figure) Overall picture of efforts for sustainable finance



Institutional investors are expected to play an important role in providing necessary funding and other support to companies that are promoting sustainability initiatives from a medium- to long-term perspective, and in encouraging to increase their corporate value through stewardship activities. The Third Report points out the necessity to share knowledge on measures to improve the growth and sustainability of assets, including ESG investment, based on the characteristics and problems of individual investee companies, and shows the Expert Panel's expectation that discussions are to be held with consideration for sustainability toward the achievement of a policy which fundamentally reforms the asset management industry in Japan.

3. Financial institutions and risk management

Based on the fact that Japan has a high ratio of indirect finance, the Third Report states that also in the field of sustainable finance, it is important for financial institutions to assess risks and opportunities possessed by themselves and their client companies and play an effective role in the relationship with companies.

In particular, transition finance that supports companies' efforts for reducing GHG emissions based on their medium- to long-term business strategies and capital investment toward decarbonization is important for advancing the decarbonization of the economy as a whole.

When companies formulate and implement transition plans toward decarbonization, financial institutions are expected to have dialogues with the companies and fulfil their roles to make investment and provide support in accordance with the circumstances of individual companies. The FSA established the Working Group on Financial Institutions' Efforts towards the Decarbonization of the Economy last October. Recommendations were compiled this June regarding points to be deliberated by financial institutions that aim to achieve net-zero through engagement with customers. In light of these recommendations, the Third Report states that it is important to disseminate information in Japan and overseas regarding the importance and eligibility of transition through developing concrete projects.

It is also important to promote the implementation of transition projects not only in Japan but also globally, including emerging countries. The Expert Panel discussed the importance of Japan's contribution to promoting GX particularly in Asia, which has strong geographical ties by establishing a consortium with the participation of diverse stakeholders both from the public and private sectors to aggregate relevant information and by implementing projects while taking advantage of Japan's financial functions.

4. Overarching issues

The Expert Panel also discussed the promotion of impact investment as one of the overarching issues. Impact investment that aims to realize both social or environmental impact and profitability has been attracting increasing attention domestically and internationally from the perspective of encouraging support for companies engaged in introducing technologies and reforming business models that contribute to solving social or environmental problems.

Under such circumstances, the FSA established the Working Group on Impact Investment under the Expert Panel on Sustainable Finance last October to discuss the significance of and challenges in promoting impact investment. The results of the discussions were published this June as a report

including the Basic Guidelines (draft) that compile basic ideas and principles concerning impact investment.

In consideration of the discussions by the Working Group, the Expert Panel recommended that it would be important to formulate guidelines after undergoing public consultation of the draft Basic Guidelines and to establish a consortium as a place for a broad range of stakeholders to participate and share knowledge on impact investment, from the perspective of developing shared understanding on impact investment and promoting investments through in-depth dialogues among diverse market players in Japan and overseas.

The Third Report also compiles the significance, points to be deliberated and future direction of overarching issues other than impact investment, such as biodiversity and human resource development with sustainable finance expertise.

5. Towards the Materialization of Sustainable Finance

Since the publication of the Initial Report, measures and environmental development for the promotion of sustainable finance have been carried out steadily. On the other hand, in addition to the climate change issues, problems that sustainable finance should consider, such as the aging population with declining birth rates, human capital, and expansion of economic disparities, are expanding and becoming more and more serious, while understanding of and interest in sustainable finance are increasing and the concept of sustainable finance is spreading.

Based on the future direction shown in the Third Report, the FSA will continue having discussions with diverse stakeholders in Japan and overseas for the purpose of financially supporting transformation and growth of the Japanese economy and society toward building a sustainable society, and will move forward from the first stage of establishing awareness of sustainable finance to the second stage of elevating, deepening, and materializing its content.

Publication of (i) the revised version of the “Summary of Issues and Practices for Dialogues Regarding IT Governance of Financial Institutions” and (ii) the “Analysis Report of Financial Institutions’ Computer System Failures”

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On June 30, 2023, the FSA published the two documents: (i) the revised version of the “Summary of Issues and Practices for Dialogues Regarding IT Governance of Financial Institutions” (Discussion Paper (DP) on IT Governance at Financial Institutions) and (ii) the “Analysis Report of Computer System Failures at Financial Institutions.”*1

1. Revision of the "Summary of Issues and Practices for Dialogues Regarding IT Governance of Financial Institutions"

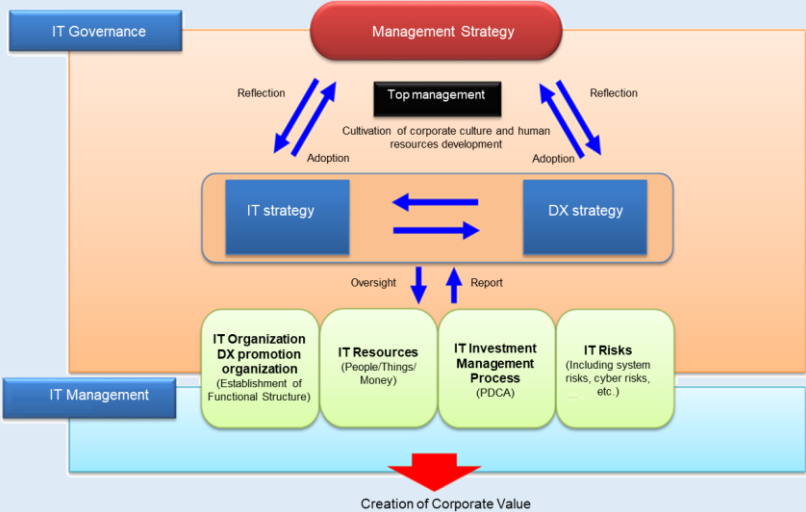
In order for financial institutions to make their business models sustainable, it is important to consider IT strategies integrally with management strategies, such as developing and enhancing their IT mechanisms in accordance with changes in users' needs and other business environments. As these IT strategies deeply relate to management strategies, top management needs to proactively contribute to such process. The FSA defines the mechanism in which top management exercises their leadership in making linkage between IT and management strategies and creating corporate value as "IT governance." In line with this definition,

IT governance includes not only internal control but also growth strategy to increase business earnings.

In June 2019, the FSA published the original version of the DP that describes issues that the FSA intends to have a constructive dialogue with financial institutions on IT governance. After the publication of the DP, financial institutions' digital transformation (DX) considerably progressed. Taking into account the recent developments on DX and other insights gained from dialogues that the FSA had with the financial industry in the past few years, the FSA updated the DP and published the updated version on June 30, 2023.

In the updated version of the DP, the FSA lists key characteristics of the relationship among financial institution' management strategy, IT strategy and DX strategy (see Reference 1). In many entities, a DX promotion unit formulates its DX strategy that aimsto bring innovation into existing business operations and transform business models with use of IT, based on the management strategy and IT strategy even though there are other cases where an IT strategy on infrastructures and data utilization bases contains the DX strategy too.

(Reference 1) Concept of IT Governance



*1 "Summary of Issues and Practices for Dialogues Regarding IT Governance of Financial Institutions (2nd Version)":
<https://www.fsa.go.jp/news/r4/sonota/20230630/20230630.html> (Available in Japanese)
"Analysis Report on Financial Institutions' Computer System Failures":
<https://www.fsa.go.jp/news/r4/sonota/20230630-2/20230630-2.html> (Available in Japanese)

The updated version of the DP summarizes a set of typical approaches to DX taken by financial institutions and characteristics of these approaches as shown in (Reference 2).

Regarding leadership of top management, the DP points out that it is important for top management to obtain trust and understanding from stakeholders through continuously providing information on their DX strategy from the perspective of enhancing opportunities and motivation toward the achievement of strategies within the organization. In addition, top management needs to consider how to reduce and manage information security risks (including cyber risks), which is the imperative precondition for financial institutions to enjoy benefits of the utilization of digital technology in promoting their DX strategy.

The FSA will maintain dialogues with financial institutions to observe the state of IT governance, including developments in best practices and challenges, and will share with financial institutions knowledge and insights that the FSA obtains from such dialogues, which may help promote innovation and DX in the financial sector.

2. "Analysis Report on Financial Institutions' Computer System Failures"

Based on the Supervisory Guidelines, the FSA receives reports on computer system failures from financial institutions.*2 Since 2019, the FSA publishes the "Analysis Report on Financial Institutions' Computer System Failures" on an annual basis. The report describes the latest trend in the incidents and discusses the results of the analyses on causes of failures, challenges faced by financial institutions, actions required for remediation. The report also provide some case studies where the FSA sees beneficial to share good practices with the general public and provide reference for financial institutions to look at how peers deal with incidents and enhance resilience.

The latest report was published on June 30, 2023 on the FSA's website. A brief summary of each section is provided as follows:

(Reference 2) Approaches and Viewpoints Relating to IT Governance

◆ IT Governance that Creates Corporate Value

Has an IT governance mechanism been developed to link IT and management/business strategies and make it possible to create corporate value, not limited to an IT management framework to operate systems safely and stably?

(i) Leadership of Top Management

Does top management provide leadership and work proactively when developing an IT governance mechanism

(ii) IT Strategy and DX Strategy Linked to Management Strategy

Are IT strategy and DX strategy linked to management/business strategies? Are efforts being made for operational reforms, such as cost reduction and productivity enhancement, in addition to the creation of new services and other innovative initiatives?

(iii) IT Organization and DX Promotion Organization that Implement IT Strategy

Are functions in charge of IT strategy and DX strategy deployed appropriately, instead of leaving everything to the system department or outsources? Have the roles and responsibilities been clarified between the system department/DX promotion department and the sales department, for example? Furthermore, is a required environment being discussed regarding the need to develop a corporate culture fostering a trial-and-error spirit and the need to recruit human resources well-versed in IT and digital technology?

(iv) Optimized IT Resources (Resource Management)

Are IT resources (people, things, money) distributed and optimized based on IT strategy and DX strategy?

(v) IT Investment Management Process that Leads to the Creation of Corporate Value

Is strategic IT investment (including DX investment) that leads to the creation of corporate value being made? Is a PDCA cycle functioning that includes benefit evaluations of IT investment?

(vi) Properly Managed IT Risks

Are IT risks considered while taking into account risks of opportunity loss due to refusal of new technologies and risks in promoting DX?

Effective IT Management

Has an appropriate IT management system been developed to support IT governance?

Conventional Viewpoints

*2 Based on the Comprehensive Guidelines for Supervision, etc., the FSA receives reports on computer system failures from financial institutions, checks and has interviews with financial institutions concerning the statuses of restoration from failures, and receives reports on causes of failures analyzed and deliberated by financial institutions, and subsequent remedial measures.

*3 Capacity to recover and restore from a computer system failure; IT resilience includes the capacity to ensure early restoration of business operations and alleviation of impact on customers upon a computer system failure, not limited to capacity to prevent failures.

8

(1) Intentional troubles, including cyberattacks and unauthorized accesses

There have been cases of information leakage due to an unauthorized access caused by an outsourcee's error in setting, infection with malware of equipment for which a support service has expired, and impossibility to access a website due to a DDoS attack.*4

It is considered necessary to strengthen security measures, including those for material outsourcees, and to strengthen resilience in the event of an incident, for the purpose of preventing occurrence and recurrence of serious incidents.

(2) System failures occurring during routine operations and maintenance checks

There have been cases of a redundant configuration's failure to function in the event of a system failure or delay in resumption of services due to insufficient verification of an outsourcee's procedures for restoration work.

It is necessary to develop restoration procedures and systems, including responses at outsourcees, and ensure the effectiveness of the restoration procedures through joint training with outsourcees.

(3) System failures accompanying system integration/renewal or function addition

There have been cases of system failures due to a lack of understanding about specifications of old systems or inadequate framework for conducting review, etc. that affected customers' settlements.

Upon system integration or renewal, it is considered necessary to develop system specifications and other development documents, as well as a framework for conducting review by properly deploying experts as reviewers.

(4) System failures triggered by program renewal or any other non-routine or special operations

There have been cases of unavailability of ATMs due to an outsourcee's error in setting or in operation upon irregular work, such as renewal of a program.

It is necessary to develop work procedures and confirm the effectiveness thereof in collaboration among relevant departments and to strengthen financial institutions' management of outsourcees, such as prior verification of work procedures prepared by outsourcees.

(5) An example of smooth responses after a computer system failure

There was a case in which ATMs became unavailable due to a communication line and network failure, but responsible staff promptly restored ATMs manually based on a contingency plan and responded to customers, and thereby minimized the impact on customers.

*4 Abbreviation of Distributed Denial of Service; A DDoS attack means an attack that aims to disrupt and deny services in a distributed manner.

Summary of "Progress Report on the Efficiency of Financial Intermediation"

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1. Introduction

The FSA compiles financial institutions' initiatives in collaboration with Local Finance Bureaus and regional financial institutions' characteristic initiatives, and releases them as a "Progress Report on the Efficiency of Financial Intermediation" with the aim of supporting the exercise of financial intermediation functions by financial institutions and the creation of sustainable business models for regional financial institutions.

The latest report released in June 2023 compiles measures for backing up financial institutions' efforts for supporting business operators, responses to companies' new needs for support, not limited to financial support, and the current status of governance and human capital, which serve as the base for assisting regional financial institutions with their sustainable value creation. The report is outlined below.

2. Backing up financial institutions' efforts for supporting business operators (i) (Project to Create Support System for Business Operators)

Amid the continued impact of COVID-19 and high prices on regional economies, it is becoming more and more important for parties providing support to business operators in individual regions to make efforts for highly refined support in accordance with business operators' actual conditions in close cooperation and collaboration. Therefore, Local Finance Bureaus have been

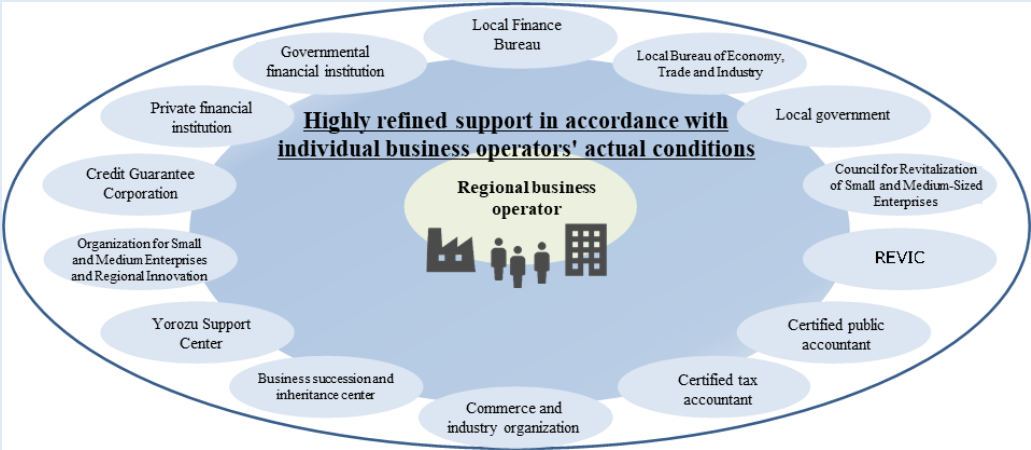
promoting "Project to Establish Support System for Business," together with local bureaus of economy, trade and industry and parties providing support to business operators, in order to share challenges and countermeasures in providing support in individual regions (Figure 1).

In PY2022, there were cases where a prefecture held opinion exchange meetings for strengthening collaboration among responsible personnel for individual regions within the prefecture and where a local government held a briefing session on services of organizations supporting business succession, mainly targeting certified tax accountants, who are major advisers regarding business succession.

3. Backing up financial institutions' efforts for supporting business operators (ii) (enhancement of abilities to support business operators)

While the social environment surrounding financial institutions is changing significantly with further population declines and the aging population, regional financial institutions are expected to contribute to the growth of regional economy through supporting business operators as the core of the economy of individual regions. From such perspective, the FSA backs up the enhancement of regional financial institutions' abilities so that they can support regional business operators effectively and efficiently.

(Figure 1) Diagram of support system for business operators



(Note) Related organs are not necessarily limited to those mentioned above. 10

For example, the FSA conducted a survey and research regarding how AI technologies may be utilized when regional financial institutions set priorities for their client companies in accordance with the need for support for business improvement in order to provide support properly at an early stage. In this survey and research, the FSA obtained a large number of individual corporate data (financial data and attribute data) from multiple cooperative institutions that hold corporate credit data, and analyzed those data and external environmental data by a machine learning method. Based on the correlations ascertained through the analysis, the FSA developed an AI model that contributes to early detection of client companies with urgent need for business improvement. Through demonstrations using individual financial institutions' client data, etc., it was suggested that the developed AI model has a certain degree of accuracy and may be utilized in practical operations. In March 2023, the FSA commenced the distribution of this AI model.

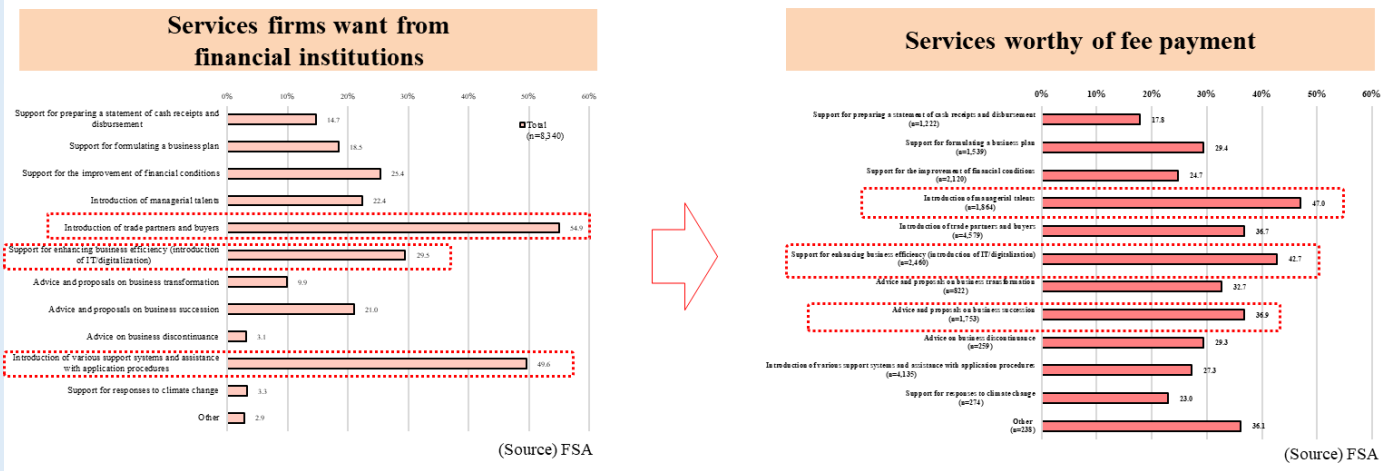
Furthermore, in March 2023, the FSA compiled the "Points for Support by Business Type" (hereinafter referred to as the "Points for Support") mainly for business types in which needs for support are considered to arise so that front-line personnel can provide business improvement support effectively and efficiently, irrespective of years of experience. The "Points for Support" concretely presents major matters to be ascertained for understanding business operators' situations and conceptual examples of responses for providing support, and compactly compiles the basics to

enable even less-experienced personnel to properly understand the key points for business improvement support and make responses. It is expected that the "Points for Support" will be fully utilized by financial institutions and serve as a trigger to deepen their dialogues with business operators and encourage personnel to further acquire deeper expertise in business improvement support.

4. Responses to new needs for support (human resources matching)

Every year, the FSA conducts the questionnaire survey* targeting companies that use regional financial institutions as their main financing banks with the aim of checking customers' evaluation, etc. of regional financial institutions' intermediation functions. Looking at the results of the 2023 survey, services directly leading to profit improvement, such as "introduction of trade partners and buyers," account for large portions among services that companies want to receive from financial institutions, together with "introduction of managerial talents" and "support for enhancing business efficiency (introduction of IT/digitalization)." Out of these services, the percentage of respondents who would pay fees therefor was the largest for "introduction of managerial talents," at slightly less than 50%. This suggests that there are high needs for human resources-related support among business operators (Figure 2).

(Figure 2) Services firms want from financial institutions and services firms consider worthy of fee payment



* For the results of the Corporate Questionnaire Survey published in June 2023, see the following.
<https://www.fsa.go.jp/policy/chuukai/shiryou/questionnaire/230628/01.pdf> (Available in Japanese)

In relation to such needs for human resources-related support, the FSA has been conducting “Project for Promoting Matching of Business Administration Professionals to Regional Enterprises,” since FY2020 to create a new flow of human resources from large companies to leading medium-sized enterprises and SMEs in local areas through regional financial institutions' initiatives for human resources matching, thereby supporting companies' efforts for securing managerial talents. This project backs up regional financial institutions' initiatives for linking workers with experience of working for large companies with regional companies in various forms, such as employment transfer, spare-time jobs or side jobs, or temporary assignment, via the REVICareer, which is a human resources platform developed by the Regional Economy Vitalization Corporation of Japan (REVIC).

The FSA has been developing and improving diverse systems for enhancing the convenience and promoting the use of this project based on opinions and requests from large companies and regional financial institutions. For example, in August 2022, the FSA eased the requirements for registration to allow workers of large companies to directly register with the REVICareer without the involvement of their companies' personnel affairs departments. Through such efforts, the FSA will continuously back up regional financial institutions' initiatives for human resources matching.

5. Regional financial institutions' governance and human capital

While the social environment surrounding financial institutions is changing significantly with further population declines and the aging population, regional financial institutions are expected to flexibly respond to those changes, make brave business decisions and proceed with management reforms. The key elements therefor are the governance that supports their decision making based on medium- to long-term visions and human capital who support the enforcement of governance and the creation of value.

In PY2022, the FSA and Local Finance Bureaus had dialogues with some regional banks, focusing on their governance and human capital. With regard to governance, there was a case where a regional bank invited outside personnel as lecturers of in-house workshops to check their

abilities and willingness before calling on them as outside directors who will positively participate in deliberations. However, there were also cases where outside directors had been appointed conventionally from specific organizations or where the eligibility and the adequate number of directors might not have been discussed sufficiently.

Regarding human capital, the FSA conducted a questionnaire survey targeting 100 regional banks concerning their personnel composition, status of recruitment, and efforts for fostering human resources, etc. As a result, it was found that the percentages of female workers are higher in sales offices than in the headquarters and gender-based differences were also observed in managerial personnel in sales offices. While referring to the results of the questionnaire survey, individual regional banks are expected to formulate and implement personnel strategies for recruitment, fostering, deployment, etc. in line with their business strategies, and to develop a working environment in which diverse workers can bring the best out of themselves.

6. Conclusion

The FSA will continuously back up regional financial institutions' initiatives for exercising intermediation functions, in collaboration with relevant organizations, endeavor to ascertain current status of challenges in relation to regional financial institutions' intermediation functions, and broadly publicize the results thereof. The FSA expects that such efforts will encourage regional financial institutions to further exercise intermediation functions and that this will lead to the revitalization of regional economies and the development of regional financial institutions' sustainable business models.

Holding of Japan Weeks for Realizing an International Financial Center



The government of Japan is committed to promoting its initiatives for realizing an international financial center and also its initiatives for promoting Japan as a leading asset management center. As part thereof, the Japan Weeks is held from September 25 to October 6, 2023. In this article, we will introduce the background to the launch of the Japan Weeks and the outline of the major events.

1. Background leading to the launch of the Japan Weeks

The government of Japan has been making various efforts for enhancing Japan's position as an international financial center. At the meeting of the Council on Economic and Fiscal Policy held on April 26, 2023, Minister of State for Financial Services Suzuki announced the Future Policies for the Realization of an International Financial Center. The Policies point out that in order to open up households' financial assets totaling 2,000 trillion yen and realize Japan's development as an international financial center, it is necessary to (i) promote effective implementation of the corporate governance reform, (ii) promote green

transformation (GX) investment, (iii) address various problems in the taxation system, and (iv) fundamentally reform the asset management business, etc. In response, Prime Minister Kishida stated that it is important to fundamentally reform the asset management business, etc. together with promoting corporate governance reform and measures to facilitate GX investment for Japan to further develop as an international financial center, and also requested the development of policy plan for promoting Japan as a leading asset management center.

On June 16, 2023, the Cabinet approved the "Basic Policy on Economic and Fiscal Management and Reform 2023," which states that with regard to a series of initiatives for promoting Japan as a leading asset management center and realizing an international financial center, "[the government of Japan] will effectively and strategically disseminate relevant information, by holding promotion events inside and outside of Japan, including the launch of the 'Japan Week (provisional title)' to intensively invite overseas financial business operators to Japan." Accordingly, it was decided to hold the Japan Weeks.

2. Events during the Japan Weeks

During the Japan Weeks, overseas investors and asset management companies will visit Japan and many events will be held under diverse themes, such as sustainable finance, promotion of a shift from savings to investment, and a leading asset management center. For example, the "PRI in Person" (Oct. 3-5), which is the 15th annual conference of the UN Principles for Responsible Investment,* is one of the world's largest events on ESG investment and is expected to be participated in by more than 1,000 people from around the world.

Many government officials, including Prime Minister Kishida and Minister of State for Financial Services Suzuki, will also participate in the events of the Japan Weeks. In the aforementioned PRI in Person, the Prime Minister will give a keynote

speech, and at the end of the Japan Weeks, a roundtable event by global investors and government officials is scheduled (Oct. 5-6).

3. Conclusion

The government of Japan positions the Japan Weeks, which is held for the first time, as an important step towards the achievement of an international financial center and a leading asset management center. The FSA will diligently work to make the Japan Weeks a significant opportunity to globally disseminate Japan's attractiveness as a financial and capital market and the initiatives of the government of Japan, and to provide a place for communications among people concerned. We hope you will look forward to it!

<<List of Japan Weeks Events (as of Aug. 23)>>

Date	Events (subject to addition or change)	Organizers, etc.
Sep. 25	National Securities Conference	Japan Securities Dealers Association, Japanese Stock Exchanges Conference, and Japan Investment Trusts Association
Sep. 29	Enhancing the Function of Japan as an International Financial Center – Perspectives from Fukuoka, Osaka, Tokyo and Sapporo	Consortium for Japan International Asset Management Center Promotion, and Fukuoka Prefectural Government
Sep. 30	Finance Seminar for Everyone	The Organization of Global Financial City Tokyo
Oct. 2	GGX×TCFD Summit	Ministry of Economy, Trade and Industry
Oct. 2	The Nikkei sustainable forum	Nikkei Inc.
Oct. 2-6	Events hosted by Bloomberg	Bloomberg
Oct. 3-5	PRI in Person	PRI Association (Media partner: Nikkei Inc.)
Oct. 3	"Financial Nippon" Top Symposium	Nikkei Inc.
Oct. 4	Financial Reform Forum	Nikkei Inc.
Oct. 4	October 4 Securities Investment Day Talk Event	Japan Securities Dealers Association, Japanese Stock Exchanges Conference, and Japan Investment Trusts Association
Oct. 5-6	2023 BlackRock Japan Head of State/Long Term Investors Summit	BlackRock
Oct. 6	Tokyo Sustainable Finance Forum	The Organization of Global Financial City Tokyo

★ For details, see the dedicated website as well:

https://www.fsa.go.jp/internationalfinancialcenter/lp/japanweeks/index_en.html

* The Principles for Responsible Investment were published by the United Nations in April 2006 as six principles showing the ideas for reflecting the viewpoints concerning ESG issues in institutional investors' process of making investment decisions and in decisions of their policy on shareholdings.

Children's Visit to Kasumigaseki (Government District)

On August 2 and 3, 2023, the "Children's Visit to Kasumigaseki" was held.

This event is aimed at deepening the contact between parents and children and letting children have a taste of society on a broad basis through experimental activities. Government ministries and agencies including the FSA participate in the event, led by the Ministry of Education, Culture, Sports, Science and Technology.

The FSA held a lecture and a practical experience program "Let's Go to FSA!" in order to help children easily understand the role and importance of money.

1. Explanations of the FSA: "What does the FSA do?" "Ask questions in the briefing room!"

Firstly, an FSA official explained what the FSA is doing. The official gave a lecture on works and roles of the FSA, including its location, in an easy-to-understand manner, while explaining the separation of powers between the administration, the legislation and the judicature. Then, children were given an opportunity to play a role as a reporter and ask questions about the FSA and money to the FSA official. They asked various questions, including those from the children's viewpoints.



Photo: Explanation session

2. "Money Lesson" lecture speech

Aug. 2 "Learn pleasure and difficulty in working and getting money!"

Lecturer: Thankyou Kurata



Comedian affiliated to Yoshimoto Kogyo Co., Ltd.

After graduating a university, he joined the Tokyo Regional Taxation Bureau but resigned after two years and one month. Then, he became a comedian and has been engaging in speaking work, giving lectures on tax and money based on his experience of working for the taxation bureau and his early days struggling to make it in the entertainment world. He was in the news as he passed the entrance examination for the University of Tokyo in 2023.

(Official website) <https://thankyoukurata.com/>
(Available in Japanese)

Thankyou Kurata talked passionately, based on his experience, saying that by selecting a job that you find enjoyable, you can develop your capabilities and be highly evaluated, and eventually get much money and find your job to be even more pleasant, and that it is important to take actions while well considering what is right about working and about money. With some easy quizzes, he explained the importance of obtaining knowledge on money in an easy-to-understand manner. Children asked many questions and positively participated in the lecture to the end.



Photo: "Money Lesson" lecture speech

Aug. 3 "Parent-Child Allowance Conference"

Lecturer: Kid's Money Station

A body established with the hope that kids understand the importance of goods and money and acquire capacity to support themselves; Approx. 300 lecturers are affiliated nationwide and have given lectures on money education and career education at local governments and schools.

(Official website)

<https://www.1kinsenkyouiku.com/>

(Available in Japanese)



Teacher Batako (Lecturer Tabata) and Teacher Eko (Lecturer Hagiwara), who are financial planners, held a lecture titled "Parent-Child Allowance Conference" to have participating parents and children consider how to use money. After a short play by the lecturers, children divided their allowance by objective, talked about the details with their parents, and prepared an Allowance Agreement that prescribes promises concerning their allowance. They worked diligently throughout the lecture. The lecturers, who are raising children themselves, also provided advice on financial education at home to parents. The lecture was a good learning opportunity for both parents and children.



Photo: Lecture, "Parent-Child Allowance Conference"

3. Tour the Minister's office and the FSA courtroom: "Take a look at the Minister's office!" "What is the FSA administrative law courtroom like!?"

In a tour of the FSA, participants were shown into the Minister's office, where the Finance Minister engages in work, and the FSA administrative law courtroom, where hearing procedures are conducted for the violation of the Financial Instruments and

Exchange Act. In the Minister's office, not only children but also parents appeared to enjoy themselves as they sat in the Minister's chair and posed for a commemorative photo.



Photo: Participants taking a commemorative photo

4. Experience the weight of bills and gold bullion worth 100 million yen: "Can you hold bills and gold bullion representing 100 million yen?"

At the venue, bills (10 kg) and gold bullion (12.5 kg) worth 100 million yen (*replicas) were displayed for participants to touch freely. Children were surprised at their weight and both parents and children enjoyed the experience.



Photo: A participant holding up the gold bullion

This fiscal year, events were held face-to-face both days for the first time in quite some time, with the participation of many parents and children. Children positively participated in all events and we received positive opinions from participants that they enjoyed the events and understood them well and that they would like to participate in future events. Those opinions will be fully utilized in planning and holding the events in the future.

JFSA's Major Activities in August (August 1 to August 31, 2023)



- [Updated list of issuers of gift certificates in repayment procedures based on the "Payment Services Act" \(August 18, 2023\)](#)
- [Updated : Dedicated Website for International Financial Center" \(August 23, 2023\)](#)
- [Japan Weeks for the Realization of an International Financial Center" \(August 23, 2023\)](#)
- [Comment letter on the International Sustainability Standards Board \(ISSB\)'s Request for Information Consultation on Agenda Priorities" \(August 31, 2023\)](#)

JFSA's official English X(formerly Twitter) account
https://twitter.com/JFSA_en



**We are promoting
information dissemination
using X(formerly Twitter)!**

Editorial Postscript

The hottest ever summer ended and morning air has come to be cooler. During the summer, I made it a rule not to eat anything three hours before going to bed, and I recognized a significant change in my mood when I awake in the morning after resisting temptations at night. I am afraid of possible further temptations during the long autumn nights, but I would like to maintain the strong attitude to resist temptations both in the morning and at night.

This month's issue introduces what went on in the Children's Visit to Kasumigaseki. It was very impressive that participating elementary school children enjoyed listening to talks of the lecturers and clearly replied with their opinions to questions about the way of spending their allowance.

As they came all the way to the FSA, I served as a lecturer and explained about the FSA's ordinary duties, but it was like a career open house targeting elementary school children (laugh). I would like to positively provide information on financial policy continuously so that the FSA's duties look attractive to future administrative officials.

YANO Shohei, Director,
Public Relations Office, FSA

(*The opinions expressed in this report are the personal views of the author and do not necessarily reflect the organization with which the author is affiliated.)