As prepared for delivery

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Vice Minister for International Affairs, Financial Services Agency
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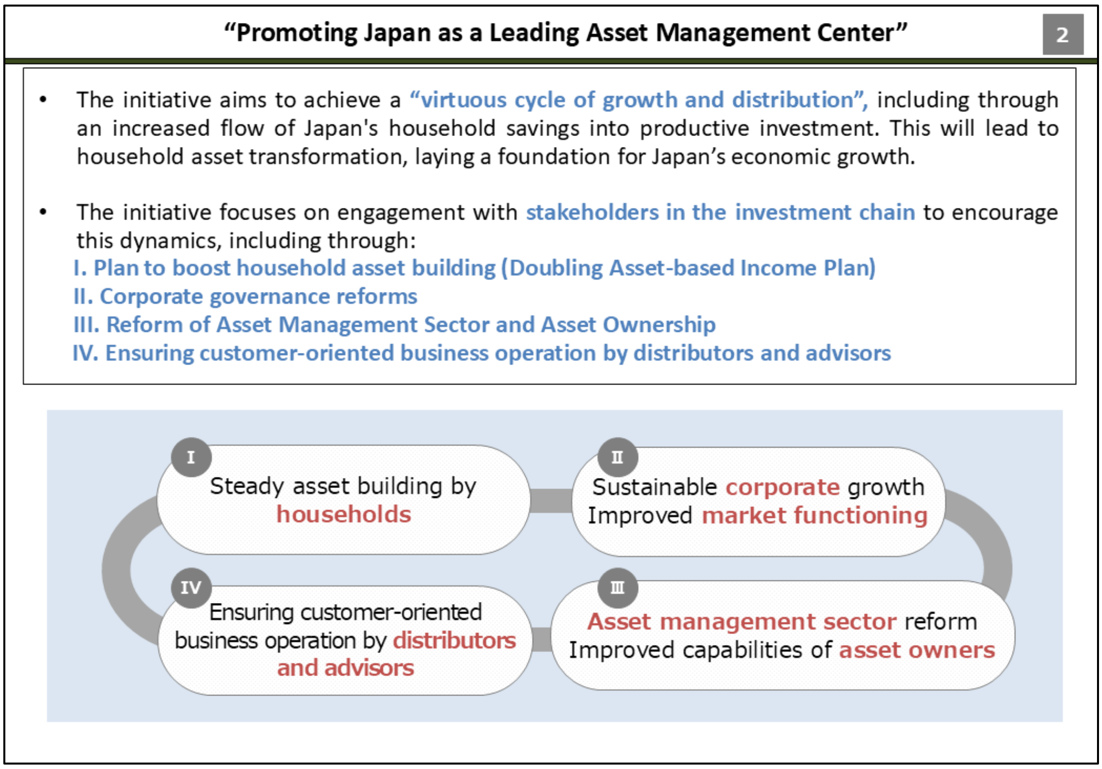
Good afternoon, everyone, and thank you for the kind introduction. I am the Vice Minister for International Affairs at the FSA. I was appointed just last Tuesday. It is a great honor to join this panel, and I thank the organizers for inviting me.

In this session titled "Capital Market Challenges in Japan, the US, and the World," I will be discussing the progress of the government's recent initiative to promote Japan as a leading asset management center in the world. This initiative forms a crucial part of the government's economic strategy, as Japan is faced with the challenge of sustaining economic growth in the context of its aging and shrinking population. It aims to achieve a virtuous cycle of economic growth and distribution through the increased flow of household savings into productive investments, which is expected to contribute to enhancing companies' corporate value and economic growth, the fruits of which will be returned to households.



Although many in the audience may already be aware of it, I will first provide an outline of the policy plan, which was put together in December 2023. It has the following three pillars:

- First, the initiative includes measures to promote steady asset building by households. The government developed a plan to double people's asset-based income and expanded the tax exemption scheme for retail investors.
- Second, corporate governance reform has been advanced. Through this, the FSA aims to improve the functioning of Japan's capital markets, which will contribute to enhancing companies' long-term corporate value.
- Third, Japan's asset management industry and patterns of asset ownership are being reformed. Encouraging new entrants from Japan and abroad will stimulate the asset management sector, and asset owners are expected to act in the best interests of their beneficiaries.

In addition, "ensuring customer-oriented business operations" is provided as the fourth pillar in this slide. It initially formed part of the first pillar, but it applies to the third pillar as well.

Let me explain the progress made on the first pillar, promoting asset building by Japanese households.

This slide shows the efforts by the FSA and other government agencies to encourage investment by households, including a legal provision to strengthen customer-oriented business operations by providers of financial services. Here, I will focus on reforms of NISA and efforts to enhance people's financial literacy.

At the heart of our approach is the Nippon Individual Savings Account (NISA), which is a tax-exempt investment scheme on capital gains and dividend income. In January 2024, the government implemented a major overhaul of the program, tripling the investment limit and making it permanent. This move has provided retail investors with clarity about and confidence in the scheme.

New NISA： A Complete Revamp 4

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

	Tsumitate **(Installment) investment quota**	**Growth investment quota**
	Can be used at the same time	
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

NISA now consists of two segments. The Accumulation (or *Tsumitate*) Segment is designed for novice investors to promote long-term, diversified, and regular investment in simple, low-cost investment trusts. And the Growth (or *Seichou*) Segment is tailored to more experienced investors, and it allows investing in individual stocks and active funds.

New NISA: Positive Results

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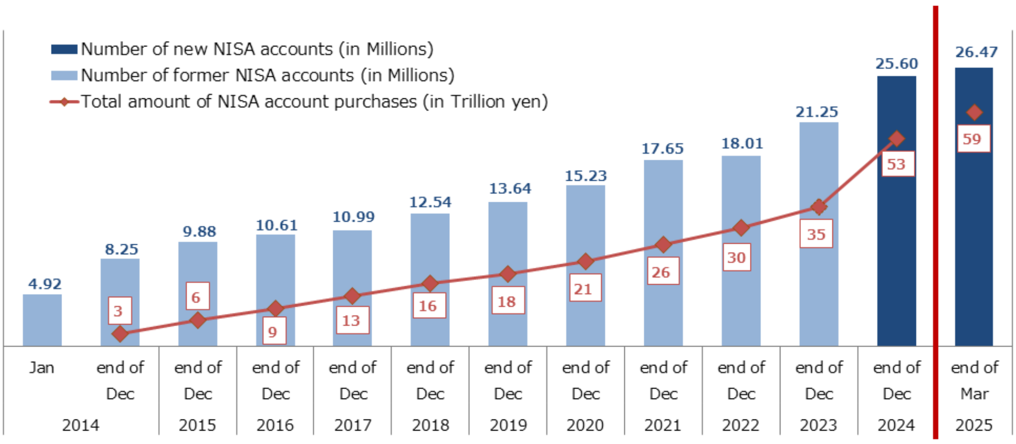
- The number of NISA accounts and the total purchases have significantly increased, particularly from the start of 2024, reflecting strong household interest.
  - ➡ NISA accounts have increased by 5 million from end of 2023.
    One out of every four citizens (age 18 and over) holds a NISA account.
  - ➡ The amount of NISA account purchases have increased by 18 trillion yen in 2024, and by an additional 6 trillion yen during the first three months of 2025.



Reflecting Japanese households' strong interest in NISA, the number of accounts has increased by five million since the end of 2023. This means that one out of every four citizens (age 18 and over) holds a NISA account. Also, purchases using NISA accounts increased by 18 trillion yen in 2024 and an additional 6 trillion yen during the first three months of this year.

J-FLEC - Promoting Financial Literacy

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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.

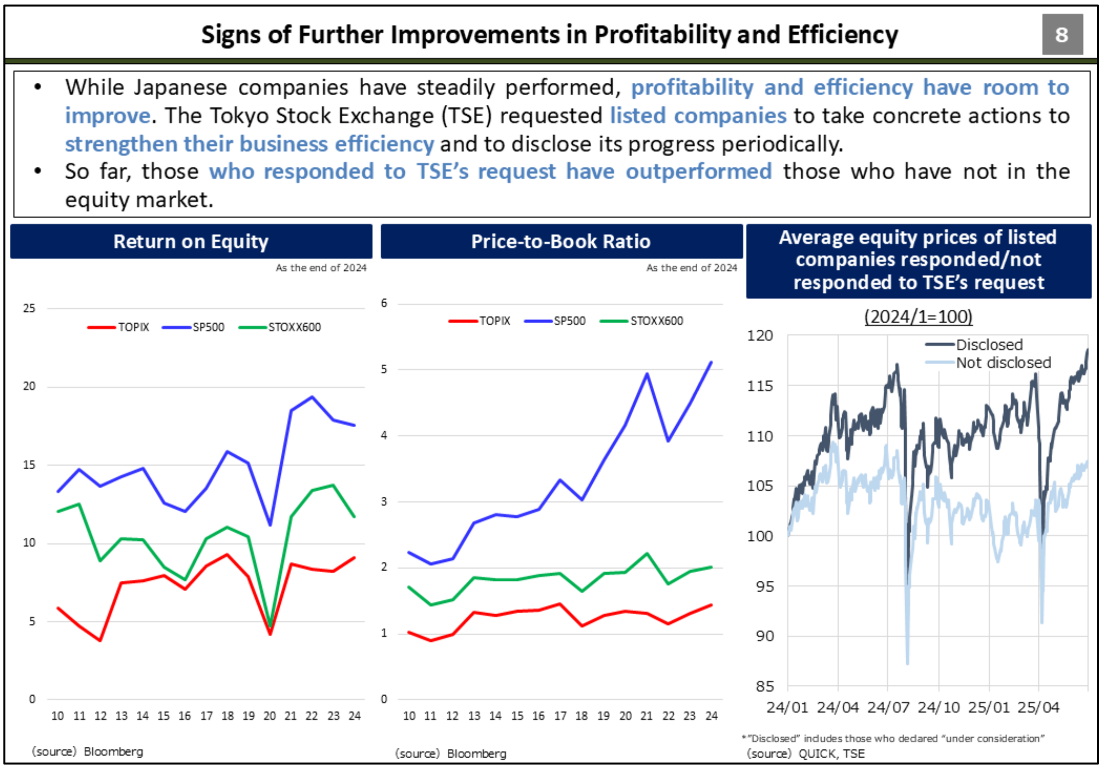
(Source) J-FLEC

Alongside the reform of NISA, the FSA has advanced efforts for financial literacy, as retail investors must be well-informed if they are to invest in financial products with risks. To this end, Japan Financial Literacy and Education Corporation (J-FLEC) was established in April last year. J-FLEC is a public-private partnership, with both sectors contributing financial and human resources. J-FLEC produces standardized educational materials, and it offers individual and group consultations. It also certifies financial professionals who demonstrate a commitment to acting in their clients' best interests.

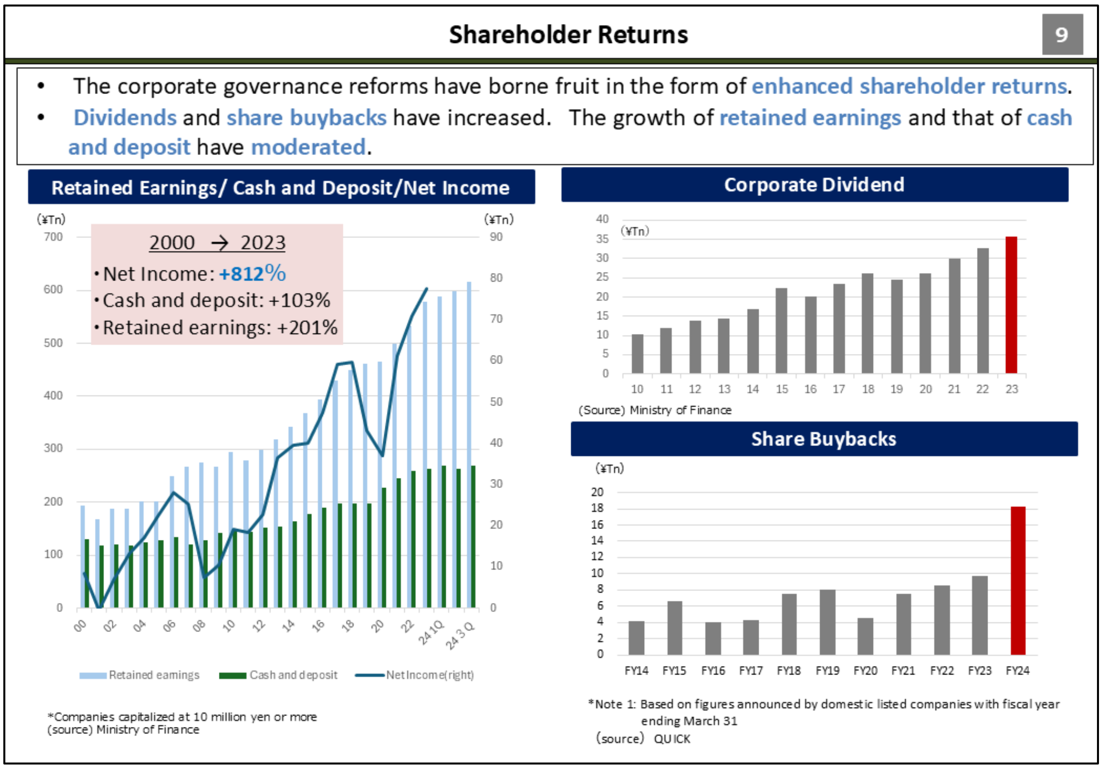
Let me now move on to the second pillar of the initiative, which is corporate governance reform.

Japan's drive for corporate governance reform dates back to the development of the Corporate Governance Code in 2015. The code has been adopted by many listed companies since then, leading to the appointment of independent directors and the establishment of nomination and remuneration committees. At the same time, some experts questioned the effect of corporate governance measures on corporate performance, such as a lack of improvement in the use of capital.

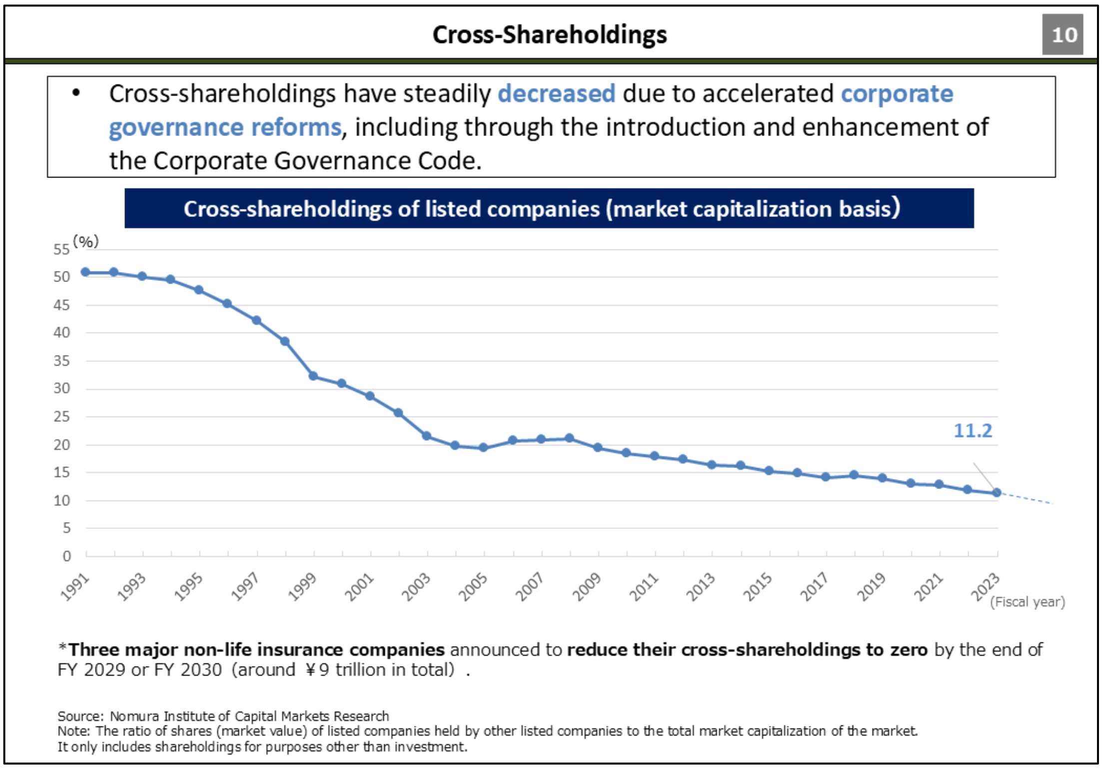
In view of this, the FSA, in close collaboration with the Tokyo Stock Exchange, has shifted its focus from ensuring compliance with reform to yielding substantive results. To this end, the FSA has published its action program for reforms for the last three consecutive years, and the TSE has taken measures to encourage listed companies to enhance their performance.



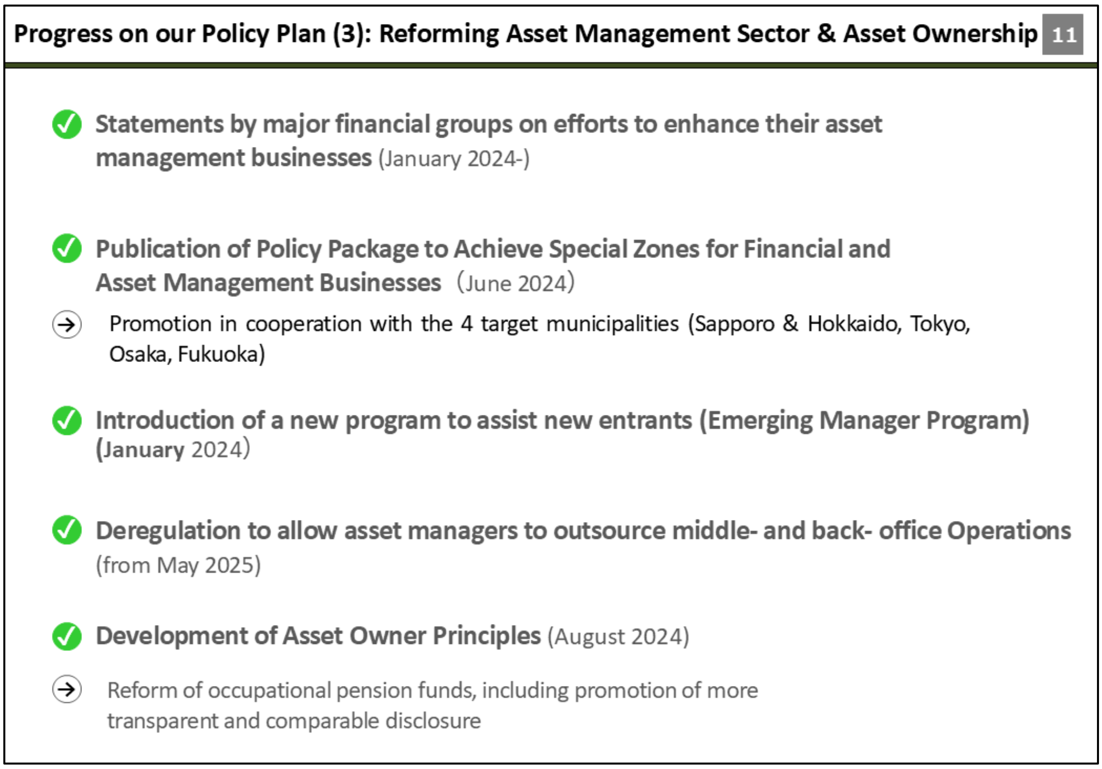
I will leave the presentation of the measures taken by the TSE to Mr. Yamaji. I just wanted to show you that the TSE's efforts have started to bear fruit. These figures show that the listed companies that have responded to the TSE's request for actions to strengthen efficiency have outperformed those that have not. They also show that companies listed on the TSE still have room to improve their profitability, which is good news for global investors looking for opportunities for profits.



The reforms also appear to have enhanced shareholder returns in the form of increased dividends and share buybacks.



Furthermore, cross-shareholdings have steadily decreased due to accelerated corporate governance reforms. In addition to implementing and strengthening the Corporate Governance Code, the FSA has recently amended its rules for financial disclosures to clarify the concept of shareholdings for "pure investment (net investment) purposes." This amendment aims to make it difficult to hold shares for cross-shareholding purposes while classifying them as those for pure investment purposes.



I will now turn to the third pillar of the initiative, which is reform of the asset management sector and asset ownership. The measures include asking major financial groups to set out their plans to strengthen their asset management businesses and creating special zones for these businesses. I will focus on the last three measures listed here.

Program to Support Emerging Asset Managers (Japanese EMP) 12

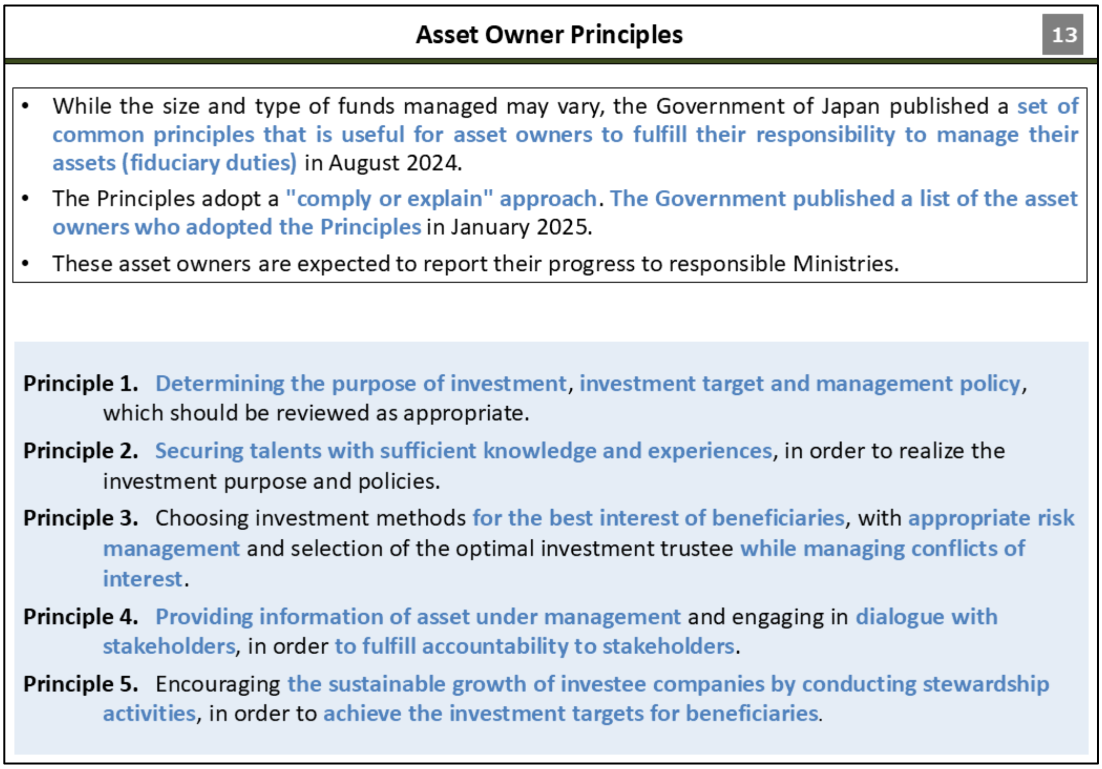
Challenges for emerging asset managers:

- ✓ 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 the entry of emerging asset managers by addressing their challenges through public-private initiatives

- FSA requested financial institutions to actively consider entrusting their assets on **emerging asset managers** 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 (**24 institutions** as of May 2025)
- Associations of asset management industry 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 effective from May 2025)

One of the key measures to stimulate Japan's asset management industry is encouraging new entrants into the market. Several measures have been taken by the public and private sectors to encourage end investors and asset owners to entrust their assets to emerging asset managers. The FSA drafted a deregulation bill to allow asset managers to outsource middle- and back-office operations, which are the main costs when doing the asset management business in Japan. The bill was passed by the National Diet, and it took effect in May this year.



The Asset Owner Principles, which are a set of common principles that help asset owners fulfil their responsibility to manage their assets, were published by the government in August 2024. The Principles set out the following things that asset owners are expected to do: define the purpose, policy, and targets of investment, secure competent human resources, address risks and conflicts of interest, fulfil accountability to stakeholders, and conduct stewardship activities. As of the end of June this year, 219 asset owners have adopted the Principles.

In conclusion, the initiative to promote Japan as a leading asset management center has made good progress. The FSA will stay the course to implement the policy plan with the aim of improving the functioning of Japan’s capital markets, helping asset building by households, increasing the corporate value of companies, and thereby contributing to the sustained growth of Japan’s economy.

Thank you for your attention.