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Good afternoon. First of all, I would like to thank FinCity.Tokyo for inviting me to this roundtable today. It is a great honor to speak in front of distinguished investors from the City of London at this historic venue of Chartered Accountants’ Hall.

Today, I would like to focus my remarks on recent developments in Japan’s financial and capital markets—what has changed, what reforms the government has undertaken, and how we can work together with investors in London by capitalizing on shared opportunities.

Japan’s economy is now at an important turning point. We have seen a number of positive signs in economic indicators. The Nikkei Stock Average reached an all-time high last week and again this week—approximately five times its level at the end of 2012, when Abenomics began. Japan is now moving away from the long-standing deflationary, cost-cutting economy toward a growth-oriented one, supported by increased investment and higher productivity.

Last week’s general election demonstrated strong public support for economic reform. Voters endorsed Prime Minister Takaichi’s vision of a strong economy, aimed at promoting growth-oriented investment and strengthening the supply-side of the Japanese economy.

The government has identified 17 strategic sectors—including AI and semiconductors, green transformation (GX), defense industries, quantum technology, biotechnology, and space—and is advancing bold public-private investment in these areas. Finance is expected to play an important cross-cutting role in supporting these strategic fields.

In the financial sphere, the government has been advancing a policy initiative to Promote Japan as a Leading Asset Management Center as a crucial part of the government's growth strategy.

It is aimed at contributing to economic growth through an increased flow of household savings into productive investments. This would lead to companies' enhanced corporate value, and the fruit of the investment would then return to households for further investment and consumption. To this end, the FSA has been implementing comprehensive reforms across the investment chain—households, corporates, financial services providers, asset managers, and asset owners.

This initiative has had a significant impact across the entire investment chain. In January 2024, we launched the new NISA. NISA is a tax-exemption scheme on capital gains and dividend income for retail investors and has been substantially expanded. The new NISA is now a permanent scheme and the annual investment limit has been raised. As a result, the number of NISA accounts have increased by 27 percent in 18 months to reach approximately 27 million—meaning one in four adults in Japan holds an account. Purchases under NISA have grown roughly three times over the past five years and around ten times over the past decade. Recognizing that broad participation requires financial literacy, the government has also established a dedicated public institution (the Japan Financial Literacy and Education Corporation, J-FLEC), to promote financial education through schools and workplaces, and local communities.

As a result of these developments, AUM (assets under management) in Japan's asset management industry have grown to more than 1,000 trillion yen (GBP 5.0 trillion), a record high.

While Japan's asset management industry was not fully competitive, the government has been advancing reforms. For example:

- We have allowed asset managers to outsource middle- and back-office functions, such as compliance and fund accounting;
- We have also allowed investment managers to fully outsource investment execution, so that they can focus on planning investment concepts and investment universe design; and
- We are strengthening support for emerging managers through the Japanese version of an Emerging Managers Program.

We also work on strengthening the capabilities of asset owners—such as pension funds and insurers—through the introduction of the Asset Owner Principles.

The FSA itself has positioned asset management industry as the fourth pillar of Japan’s financial sector, alongside banking, insurance, and securities. Reflecting this strategic priority, we plan to establish a new bureau (department) for supervision of the asset management and insurance sectors this year.

Against this backdrop, foreign asset managers are steadily expanding their presence in Japan. The FSA enabled licensing procedures in English and established an office that provides one-stop support in English, from prior consultations to registration and post-registration supervision. Since 2021, more than 50 firms have entered Japan through this office, and we have handled over 700 inquiries.

Corporate governance in Japan has also made notable progress. Through revisions to the Corporate Governance Code, the FSA has promoted constructive dialogue and engagement between companies and investors with a view to improving companies’ corporate value over the medium- to long term. In response to a request from the Tokyo Stock Exchange (TSE), more than 90 percent of companies listed on its Prime Market have disclosed their business plans that reflect cost of capital and stock price considerations. As such, corporate mindset is changing.

Going forward, the FSA will further advance these initiatives to support the government’s growth strategy from financial perspectives.

A new financial strategy to be developed this summer will address several key areas, including:

- Further corporate governance reform aimed at promoting value creation, including through appropriate allocation of resources by companies;
- Measures to expand funding for growth through the reform of the TSE’s Growth Market and diversification of financing methods for startups; and
- Enhancing the functions of asset owners to ensure the best interests of beneficiaries.

With regard to corporate governance, I understand that the United Kingdom has been emphasizing principle-based approaches and focusing on substantive enhancement of governance rather than mere formal compliance with the text of the Corporate Governance Code. We share such philosophy and are working on a revision of its Code from this standpoint.

The FSA aims for building robust and internationally competitive capital markets in Japan—a philosophy we believe we share with our counterparts here in the UK.

One of Japan’s strengths is the close collaboration between the FSA and promotion bodies such as FinCity.Tokyo, to welcome foreign asset managers. For example, we launched Japan Weeks in 2023 to promote Japan’s financial markets to global investors, in collaboration with promotion bodies and Japanese financial institutions. It has expanded to host around 90 events with more than 25,000 participants last year. We plan to organize the next edition this October.

In addition, the Japan Asset Management Forum, established in 2024, includes global asset management firms (such as BlackRock, Blackstone, Goldman Sachs and KKR) as core members in discussions on reforms.
We would also like to invite British asset managers to join these discussions.

London continues to lead the world in the asset management space—especially in long-term capital for pensions, insurance companies, supported by sophisticated risk management and a strong culture of fiduciary duty.
I believe that greater participation by London’s financial professionals in Japan’s markets will create a good complementary relationship between our two financial centers, bringing more capital.

Japan is in the midst of change. To ensure that this transformation leads not to temporary momentum but to concrete change, constructive dialogue with global investors is essential. I sincerely hope that today’s discussion in London will serve as an important first step.

Thank you.