As prepared for delivery

FSA's efforts to realize a strong economy
Presentation by Miyoshi Toshiyuki
Vice Minister for International Affairs, Financial Services Agency

American Chamber of Commerce in Japan
Financial Services Forum Meeting
Tokyo, Japan, June 24, 2026

Introduction

Good afternoon, everyone. At the outset, I would like to thank you all for inviting me to this meeting today. It is a pleasure to have the opportunity to speak in front of such a distinguished participants including executives at the Japan Office of U.S. financial institutions.

Today, I would like to update you on the FSA's efforts to realize a strong economy through strengthening the functioning of Japan's financial markets. I will begin by briefly touching upon a new financial services strategy currently under consideration by the Government of Japan. I will then introduce to you the proposed revision of Japan's Corporate Governance Code, which was published last April for public consultation. I will also mention a few deregulatory measures recently implemented to promote the entry of new asset managers, and tax measures that have been introduced to expand the tax exemption schemes for retail investors further. The FSA has also launched an initiative to enhance financial market infrastructure through support for experimental projects that may contribute to promoting innovation in the payment and settlement systems, in view of broad adoption of artificial intelligence (AI) in the financial sector. And we highly value close dialogue with stakeholders and will continue active communications with them.

Financial Services Strategy

First, let me touch briefly upon the economic policy agenda of the current government.

The government led by Prime Minister Takaichi is advancing discussions toward the development of a comprehensive growth strategy for Japan's economy. One of its main focuses is on increasing growth and strategic investment, and finance is expected to play an indispensable role in accelerating this strategy.

In this context, the government intends to build on its ongoing initiative to Promote Japan as a Leading Asset Management Center and develop a new financial services strategy by this summer. This strategy would be aimed at unlocking the potential of Japan's economy and enhance the prosperity of the Japanese people by creating a virtuous cycle of capital.

The new financial services strategy would be structured around four key pillars:

- First, it would aim to strengthen the functioning of financial institutions and markets to support growth investment in strategic sectors—including the 17 strategic fields—as well as business restructuring and transformation.
- Second, it would advance the corporate governance reform further to promote growth-oriented investment by companies, with a view to enhancing their corporate value in the medium to long term.
- Third, measures would be introduced to maximize the benefits from economic growth to stakeholders through advanced asset management services, enhanced capabilities of asset owners, and support for steady asset building by households.
- And fourth, the strategy would be aimed at upgrading the market infrastructure that supports the financial system.

Today, I would like to introduce to you the FSA's initiatives along the four key pillars I have just mentioned.

Strengthening the Functioning of Financial Institutions and Markets

Let me start with measures to strengthen the functioning of financial institutions and markets, which would include the following:

First, measures would be taken to enhance the ability of banks to provide financing in a flexible manner to support large-scale projects and business transformation, including through regulatory changes.

- For example, bank subsidiaries dedicated to investment activities would be allowed to invest in take-private and carve-out transactions, with a view to facilitating provision of equity by banking groups while safeguarding their financial soundness.

- Also, provision of risk capital through funds structured and managed by banks would be facilitated by greater participation of other institutional investors in such funds. To this end, equity interest of third parties in such funds would be deducted from calculations of the bank's capital requirements on a consolidated basis.

Second, the FSA will promote the development of deep and diverse financial markets by revitalizing the corporate bond market, developing the loan secondary market, and fostering the sound development of private funds, including private equity and venture capital.

The FSA will also strengthen the capabilities of Japan's regional financial institutions to enhance the value of local businesses and address the challenges faced by local economies, building on the "Regional Financial Power Enhancement Plan" the FSA developed last December.

- For example, the FSA will encourage the use of Enterprise Value Charge (EVC), a framework introduced in 2024 to promote debt governance and future cashflow lending to smaller and younger firms. EVC is expected to be used for venture debt for startups, loans related to M&As for MSMEs (micro, small and medium enterprises) with aging managers to facilitate their business succession, and loans associated with business restructuring.
- In addition, the FSA will compile initiatives by financial institutions to revitalize local economies, with a view to encouraging financial institutions to learn from successful practices by their peers across the country.

Corporate Governance Reform

Next, I would like to move to the corporate governance reform and the revision of the Corporate Governance Code.

Since the Code's introduction in 2015, the FSA has promoted strengthening of corporate governance through revisions to the Corporate Governance Code, with a view to improving Japanese companies' corporate value in the medium to long term. Thanks at least in part to these efforts, the corporate mindset appears to be shifting.

In March 2023, the Tokyo Stock Exchange (TSE) requested that its listed companies develop and disclose business management plans focused on their cost of capital and stock price. In response, 94 percent of companies listed on the TSE's Prime Market have disclosed their plans to improve key indicators such as PBR (price-to-book ratio).

The chart on the lower right compares the share price trends between companies that disclosed their plans following the TSE's request and those that did not. Companies that made the disclosures tend to show higher share prices than those that have not disclosed or are still considering disclosure. Furthermore, the TSE has published good disclosure practices that have been highly valued by investors. The performance of these featured companies—shown by the red line—is even stronger.

At the same time, cash and deposits held by Japanese companies increased consistently for a long time until recently, while the ratios of capital expenditure and R&D investment to sales have remained relatively low. Although this is in part a reflection of a deflationary economy, it may also mean that there is room for improving resource allocation to achieve sustainable growth.

As Japan is finally overcoming deflation, companies' initiatives to enhance their capabilities for value creation should be supported strongly. It is in this context that the FSA and TSE decided to revise the Corporate Governance Code for the first time in five years.

The main objective of the proposed revision is to strengthen what we call "growth-oriented governance." Through market discipline and constructive dialogue between companies and shareholders or investors, Japan's corporate governance reform aims to provide company boards and executives with strong incentives to fulfil their fiduciary duty to their shareholders, and to promote fair, transparent, timely and decisive decision-making. Such governance would lead to companies' sustainable growth and an increase in their corporate value over the medium to long term.

The proposed revision to the Code aims to encourage companies to prioritize initiatives that would contribute to longer-term value creation in a substantive manner. To this end, the structure of the entire Code would be reclassified. Specifically:

- The General Principles and Principles would be subject to the comply-or-explain approach and capture the essence of effective corporate governance;
- In the revised Code, Interpretive Guidance sections would be newly created. While they would not be subject to the comply-or-explain approach, they would contain good practices that would support effective implementation of the Principles as well as the General Principles.

The intention of this reclassification is not to loosen the Code. At first glance, the reduction in the number of provisions subject to the comply-or-explain approach might give the impression that the Code would be weakened. This is not the case. On the contrary, the proposed reclassification is aimed at encouraging companies to continuously assess what their ideal governance structure should be; to implement governance effectively; and to explain their initiatives to investors clearly. I would emphasize that companies would be expected to enhance their corporate governance in a substantive manner, beyond mere compliance with the text of the Code. In other words, they would be expected to engage in governance at a higher level.

Let me highlight some key pillars of the proposed revisions to the Code.

First, the revised Code would stress the importance of the roles and responsibilities of company boards for the appropriate allocation of management resources, including for growth investment. Specifically:

- The board should set a path for growth towards corporate goals.
- It should also clearly explain to investors how resources are allocated, including growth investments.
- It should persistently review whether the allocation of the company's resources is appropriate.

The second pillar relates to enhancing the effectiveness of the board. The board plays a crucial role in value creation by setting the broad direction of corporate strategy, establishing an environment that supports appropriate risk-taking by management, and conducting effective oversight of management from an independent and objective standpoint. In this regard:

- What is most important is that each company persistently considers the ideal state of the board, that is, what its board should look like and discuss. Then, the board should appoint directors with appropriate expertise.

- The revised Code would also emphasize the importance of ensuring the quality of independent directors, especially regarding their effective monitoring functions. In the 2021 revision of the Code, companies listed on the TSE's Prime Market were asked to fill at least one third of the Board with independent directors. Since then, the number of independent directors has increased significantly. However, it is equally—if not more—important to appoint individuals who possess the appropriate expertise and independence. The proposed revision places particular emphasis on this point.
- Furthermore, the draft revised Code highlights the importance of strengthening board secretariat functions such as corporate secretary, which plays a key role in supporting directors, including the board chair and independent directors.

The third pillar is the disclosure of the annual securities report (*Yuho*) before annual general shareholders' meetings (AGMs).

Since the *Yuho* contains useful and reliable information for investors' decision-making, it is appropriate that the report be disclosed prior to the AGM. Following a request from the Minister of State for Financial Services in March 2025, 57.7 percent of companies with fiscal years ending in March 2025 disclosed their *Yuho* before their AGMs, a significant increase from 1.8 percent in the previous year. However, most companies still disclose them only a few days before the meeting.

In the proposed revision to the Code, disclosing *Yuho* before the AGM has been clarified as an important measure to allow the effective exercise of shareholder rights. The Interpretive Guidance further notes that it is best for the report to be disclosed at least three weeks before the AGM and, to this end, companies could consider moving back the date for the AGM.

It is worth noting that Japanese listed companies face a unique situation in which they are required to prepare both the Business Report under the Companies Act and the Annual Securities Report (*Yuho*) under the Financial Instruments and Exchange Act. In this regard, the FSA is cooperating with the Ministry of Justice in advancing discussions on integrating the Business Report and *Yuho*. Through these efforts, we aim to make it easier for more companies to disclose their *Yuho* earlier and to promote disclosure before the AGM.

These are the main points of the proposed revision to the Code. Upon finalization of the revision, the FSA plans to follow up on the implementation of the revised Code by companies and dialogue between companies and investors. Feedback from stakeholders will be extremely valuable.

Advancing Asset Management Services

Let me now turn to measures to promote the sophistication of asset management services, which have a crucial role to play in channeling household financial assets into growth investments.

Assets under management in Japan amount to approximately 1,000 trillion yen (USD 6.7 trillion), having tripled over the past decade and continuing to grow. However, the number of asset management firms operating in Japan remains limited compared with overseas markets.

To address this, the FSA has put in place a Japanese version of EMP, which stands for Emerging Managers Promotion Program. We are working to promote new entry into the investment management business through easing regulations and encouraging financial institutions to use emerging managers.

One such regulatory easing involves relaxing the requirements when emerging managers outsource so-called middle- and back-office functions, such as compliance and fund accounting. This facilitates the entry of skilled asset managers and allows them to focus on asset management itself. Since the amendment of relevant laws and regulations took effect in May last year, five companies have been registered as service providers eligible to undertake middle- and back-office functions. We understand that more firms are currently preparing for registration.

Another regulatory easing allows investment managers to fully outsource investment execution and solely focus their work on business planning. This revision also came into effect in May last year and has enabled emerging managers to make use of so-called fund management companies. By entrusting the launch and operational execution of the funds to specialized firms, asset managers can focus on producing investment concepts and investment universe design. We hope that such a business model will become a viable option in Japan.

We hope that the entry of asset managers with various investment approaches will result in raising the quality of asset management services and industry in Japan.

NISA Expansion

Next, I would like to explain further enhancement of NISA.

NISA is a tax-exemption scheme for retail investors on capital gains and dividend income in Japan. The government implemented a fundamental revision of NISA in January 2024; it is now a permanent scheme, and the annual investment limit has also been expanded. As a result, the number of NISA accounts has increased by 33 percent in two years to about 28 million; this means that one in four Japanese adults now holds a NISA account. Participation is growing across all generations, particularly among younger people. As such, our long-standing aim of channeling household savings into productive investments is steadily gaining momentum.

It is important to keep this momentum and enable people of all generations—including the young and the elderly—to accumulate their assets in line with their individual life plans. Accordingly, the tax amendments for the fiscal year starting this April include a provision to remove the age restrictions for NISA’s installment-type scheme. This will take effect next January, allowing households to have NISA accounts for their children under the age of 18. Also under these tax amendments, investment trusts focused primarily on bonds have been included in NISA-eligible investment trusts since this April, in addition to those focused primarily on equities. This amendment is expected to incentivize those with relatively low risk tolerance to take their first step toward starting to invest.

At present, Japan’s household financial assets exceed 2,300 trillion yen (approximately USD 15 trillion). While the share of risk assets has increased and reached a record high, cash and deposits still account for about half of total assets. This proportion is higher than that of the US (10 percent) or the UK (35 percent); while this is partly a result of a deflationary economy, it also indicates substantial room for growth in asset management in Japan. An increase in the proportion of equities in a growing economy would also result in greater returns on household financial assets.

Enhancing Financial Market Infrastructure

Let me now turn to the FSA's initiative to enhance financial market infrastructure, in view of the advancement of digital finance. To this end, we launched the Payment Innovation Project, or PIP, last year.

Blockchain technology has the potential to transform the way business is conducted, by integrating logistics, commercial transactions, and payments. As the use of this technology is expected to enhance the overall efficiency of the economy, it is essential to ensure that legal, institutional, and regulatory frameworks are capable of accommodating such transformation.

In this context, facilitating broad adoption of blockchain-based payment solutions, such as stablecoins and tokenized deposits, is becoming increasingly important. This is the motivation for launching the PIP.

Through this initiative, the FSA supports trial projects in the payment area undertaken by financial institutions and Fintech firms, with a view to advancing payment systems through the use of blockchain technology. PIP is aimed at addressing the hesitation and concerns that firms tend to have when engaging in unprecedented trial initiatives.

Under the PIP framework, a dedicated team is formed within the FSA for each individual project. In coordination with relevant ministries and agencies as necessary, these teams examine key issues such as compliance risks, supervisory considerations, and regulatory interpretation that may arise when services are provided to end users. Through this process, we aim to provide continuous support so that firms can readily undertake innovative challenges.

Under the PIP, several concrete projects are underway. One of them is a project for joint issuance of stablecoins by Japan's three megabanks and their use in cross-border funds transfer; another project is for simultaneous execution of securities transfers and payments by stablecoins on respective blockchains; and there is yet another project for a mechanism for interbank settlement of tokenized deposits.

In this connection, let me touch upon our work on AI as well. AI is becoming widely adopted in the financial sector, with applications expanding from internal efficiency to customer-facing services.

Given the rapid pace of technological advancements in this field, it is essential for us to stay closely engaged with the industry to promote responsible adoption of AI. To this end, the FSA convened the AI Public-Private Forum last year, bringing together financial institutions, AI developers, and other stakeholders to discuss the sound use of AI in the financial sector. Discussions in this Forum were focused on practical use cases, challenges, and how to address them. For example, we held in-depth discussions on risk mitigation measures essential for deploying AI in customer-facing services.

Advances in AI are also fundamentally changing the assumptions underlying cybersecurity. The use of frontier AI could dramatically increase the speed and scale of cyberattacks, potentially creating serious asymmetry between attackers and defenders. To respond to these challenges, the FSA have been convening joint public-private sector meetings with financial institutions and IT vendors to build a shared understanding about the threat of frontier AI and examine possible countermeasures. We also urged financial institutions to strengthen their preparedness for large-scale patching requirements as a top priority.

External Communications

In advancing the initiative to promote Japan’s capital markets, the FSA is also strengthening dialogue with stakeholders in Japan and abroad.

For example, the FSA has hosted “Japan Weeks” since 2023 as an annual event to strengthen engagement with global investors and promote the attractiveness of Japan’s financial markets. The core week of “Japan Weeks 2026” is scheduled for October 26-30 and the event is expected to serve as an important opportunity to communicate Japan’s vision for becoming a leading asset management center.

In addition to “Japan Weeks,” another important initiative being led by the private sector in collaboration with the government is the Japan Asset Management Forum. It was launched in October 2024 as a platform for dialogue on increasing the flow of household savings into productive investment and reforming the asset management industry in Japan. Numerous valuable proposals have been put forward by a wide range of stakeholders, particularly asset management firms in Japan and abroad.

Conclusion

Let me conclude.

To date, I believe that our initiative to promote Japan as a leading asset management center has received positive feedback from market participants both at home and abroad.

Going forward, the FSA will continue its efforts to realize a strong Japanese economy under the government’s upcoming new financial services strategy align with four key pillars. I would appreciate your continued interest in the FSA’s work and cooperation.

Thank you.