Progress Report 2026

for Advancing Asset Management Services in Japan

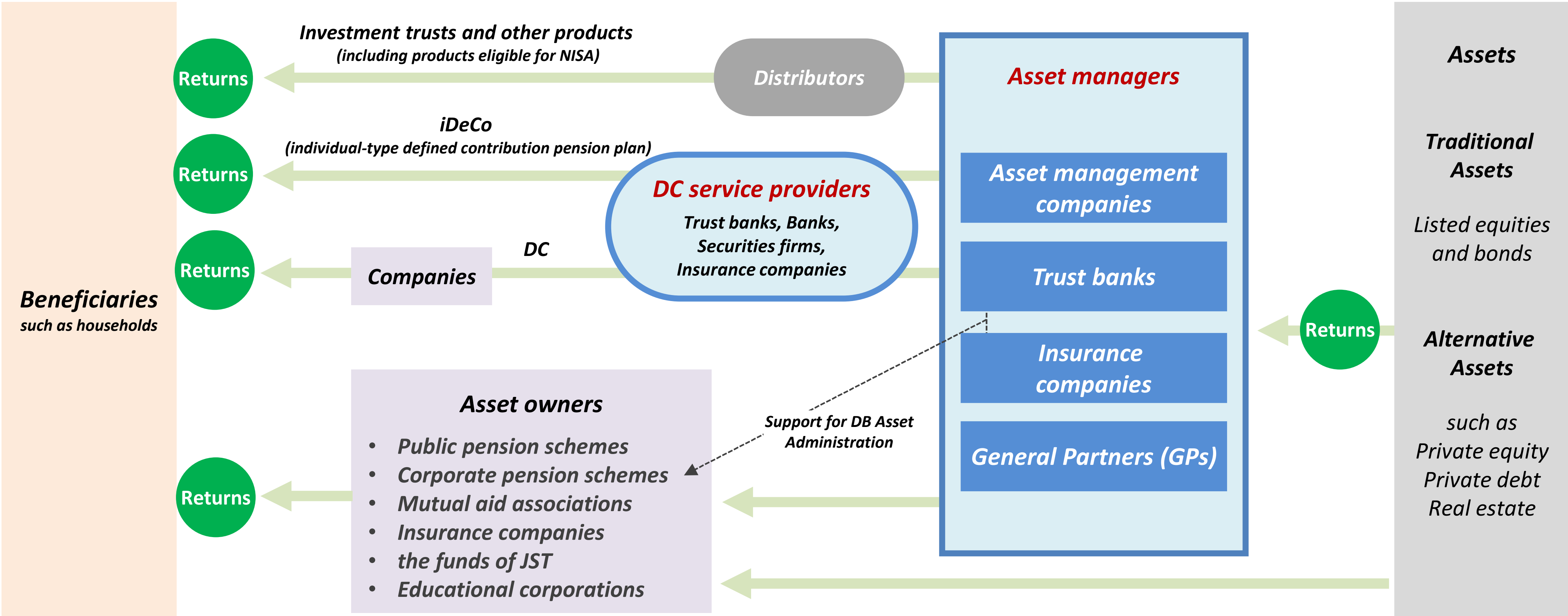
- Executive Summary -

July 2026

Financial Services Agency

Monitoring for Advancing Asset Management Services

- Financial institutions provide households and asset owners with a wide range of asset management services. As social, economic, and financial conditions continue to evolve, **financial institutions are expected to operate in the best interests of beneficiaries and further strengthen their efforts to advance asset management services**.
- To provide high-quality services on a sustained basis, **financial institutions need to invest in research and development, talent development and recruitment, infrastructure enhancement, digital transformation, and innovation** in order to deliver better financial products and services. At the same time, it is important to establish a stable revenue base to support these efforts.
- From these perspectives, **the Financial Services Agency (FSA) conducts cross-cutting monitoring of a broad range of financial institutions that provide asset management services**. Through such monitoring, the FSA and industry participants will develop a shared understanding of current developments and challenges and work together to promote a better-functioning investment chain and realize Japan as a leading asset management center.



1. Advancing Middle- and Back-Office Operations and Asset Servicing Operations

- As household asset building progresses and asset owners strengthen their capabilities, asset management activities are expected to expand and become increasingly diverse. In order to act in the best interests of beneficiaries, **asset management companies should further enhance their asset management capabilities, while trust banks should continue to advance their asset servicing operations**. Such efforts are essential to realizing Japan as a leading asset management center.

- **Many operational processes** at asset management companies and trust banks **remain insufficiently standardized or digitalized**. **To enable asset management companies to focus on their core investment functions, operational and administrative processes should be streamlined through an appropriate allocation of functions among relevant stakeholders**, including greater use of trust banks and specialized service providers. The industry should further improve efficiency and rationalize operations through these efforts. The FSA will support discussions and initiatives led by industry participants.

  * This initiative represents a significant business transformation and requires strong leadership and commitment from top management across the organization.

***Industry views to be consolidated by FY2027** in line with the Financial Services Strategy to Promote Growth Investment*

2. Advancing Institutional Asset Management Services

- **Advancing institutional asset management services is important for strengthening the capabilities of asset owners**. Moreover, the asset management capabilities developed through institutional investors' rigorous selection of asset managers, and through asset managers' efforts to meet those expectations, should contribute not only to better institutional asset management services but also to the enhancement of services for retail investors.

  * Institutional asset management services involve a diverse range of market participants, including asset management companies, trust banks, and life insurance companies. In some cases, investment mandates awarded to trust banks or life insurance companies are further delegated to affiliated asset management companies within the same financial group. Against this background, this survey was conducted on a consolidated financial group basis to better understand the current state of such services.

- As business strategies and sources of competitive advantage vary across financial groups, there is no single solution for improving service quality and establishing a sustainable revenue base. **Financial groups are expected to use the data and analysis presented in this report**, including various indicators relating to the industry as a whole, their own organizations, and peer financial groups, **to assess their competitive position and consider the appropriateness of their business models, sources of differentiation, challenges to further growth, and potential solutions**.

3. Improving the Environment for Corporate DC and iDeCo

* In defined contribution pension plans (DCs), DC service providers are appointed by employers (or by the National Pension Fund Association in the case of iDeCo (individual-type defined contribution pension plan)) to select investment product lineups and manage participant records. To improve operational efficiency, many DC service providers have established or jointly invested in recordkeepers (RKs), which provide recordkeeping and related services. There are currently four RKs in Japan.

- Many DC service providers operate their DC businesses at a loss and believe that there is scope for reducing the fees and other charges paid to RKs. At the same time, some RKs have expressed concerns that their current revenue levels may not be sufficient to cover future system-related costs. **Establishing a sustainable business structure is therefore critical**.

- **The government will consider bold reforms aimed at improving the efficiency and simplicity of the DC framework**, taking into account both the complexity of the current system compared with NISA and the fact that the number of iDeCo participants remains less than one-seventh of the number of NISA accounts, with the gap continuing to widen. **DC service providers and RKs should also identify high-cost processes and develop proposals for improving the system**.

- In addition to institutional reforms, operational initiatives by DC service providers and RKs will also be important. **The industry should examine the appropriate role of RKs, considering whether multiple RKs continue to deliver value for participants, employers, and DC service providers**. **It should also consider the desired medium- to long-term industry structure and the measures** needed to achieve it. Continued efforts to improve efficiency and streamline operations will be essential.

  * Various data-sharing and transfer processes currently take place among RKs. Rising system-related and cybersecurity costs must also be borne separately by each RK platform. In addition, ownership links between many DC service providers and RKs may limit switching between RKs, particularly in the case of the two largest RKs.

4. Fostering the Growth of Capable and Diverse PE Funds

- Many Japanese private equity (PE) funds currently manage relatively small funds focused on small and mid-sized transactions, while large-scale deals are often undertaken by foreign PE funds. At the same time, **many Japanese PE funds are seeking to manage larger funds and undertake larger transactions**.

  * Domestic LP investors have noted that (i) large-scale transactions require capabilities different from those needed for smaller deals, making strong value-creation capabilities and robust organizational structures essential, and (ii) rapid fund growth may exceed managerial capacity and undermine the repeatability of past performance.

- **As corporate restructuring, consolidation, and large-scale M&A activity continue to increase, it is desirable that more Japanese PE funds develop the capabilities needed to execute larger transactions**.
  - Funds seeking to expand should strengthen their organizational capabilities and clearly demonstrate to LP investors **their readiness, capabilities, and strengths** for larger transactions.
  - LP investors should **exercise robust due diligence and assess fund managers based on their capabilities and organizational strength** rather than relying solely on formal criteria.