

Remarks on priorities for developing capital markets

Speech by Shigeru Ariizumi, Vice Minister for International Affairs, Financial Services Agency, Japan, at the “EUROFI High Level Seminar 2025” on April 10, 2025

Good afternoon, everyone. It is a great pleasure for me to be here today at Eurofi. Eurofi has always been a particularly enjoyable conference to attend, bringing together colleagues from across Europe — including public authorities and market participants. I always appreciate the opportunity to be part of this forum. I would like to begin by thanking David, Didier, and the entire Eurofi team for hosting this event in the beautiful city of Warsaw. At the outset, I would also like to commend the European Commission for the recent publication of the Savings and Investments Union, which has already sparked considerable discussion.

This is a very welcome development. There is a growing need for investment across the globe, including in Europe, and it is encouraging to see that this proposal outlines a comprehensive strategy with a clear timetable for action. In today’s rapidly evolving global environment, the world needs a dynamic and resilient Europe. We hope that this initiative will become a central pillar supporting that aim.

Both the European Union and Japan face similar challenges. Japan has long struggled with deflation and sluggish economic growth. Like Europe, we have a predominantly bank-based financial system, and we recognise the need to shift from cash and deposits towards investment. In Japan, we are now on the verge of overcoming deflation. I hope that current developments will not jeopardise this effort, but last year brought promising signs of economic recovery. We witnessed record wage increases of over five percent — a figure that is extraordinary from a Japanese perspective.

For the first time in thirty-three years, equity prices and nominal capital investment also reached record highs. One of the key drivers of this progress has been our initiative to position Japan as a leading asset management hub. While this may appear narrow in scope, it is in fact far-reaching. The initiative rests on three pillars: first, supporting stable asset building by households; second, enhancing corporate governance; and third, reforming the asset management industry and patterns of asset ownership. Today, in the context of the Savings and Investments Union, I shall focus on the mobilisation of household assets.

What was the central thinking behind our reform efforts? Let me share some personal reflections. Although I am not especially fond of 3D films, **I describe our strategy using three Ds: determination, decisive action, and a diverse approach.**

Let me begin with **determination**, which refers to strong political commitment at the highest level. For instance, former Prime Minister Fumio Kishida launched our asset management initiative, and it continues to receive strong support from the current Prime Minister, Shigeru MISHIBA. This backing enables government agencies to act boldly, knowing they have the

support of their political leadership. That is crucial.

The second element is **decisive action**. As was discussed in the previous panel, ambition is essential. Let me illustrate this through our efforts to encourage retail investment. At the heart of our approach is the Nippon Individual Savings Account (NISA), which is comparable to the ISA scheme in the United Kingdom. NISA is a tax-exempt investment scheme, offering exemption from capital gains and dividend taxation. In 2024, we implemented a major overhaul of the programme, tripling the investment limit and making it permanent — a move that provides clarity and confidence to retail investors.

NISA now consists of two components. The first is the Accumulation Segment, designed for novice investors. It promotes long-term, diversified, and regular investment — typically via monthly deductions from salaries. The products eligible under this scheme are restricted to simple, balanced, low-cost investment trusts. The second component is the Growth Segment, which is tailored to more experienced investors. It allows investment in individual stocks and active funds, including those with a more dynamic investment strategy.

A particularly important feature is that NISA includes eligibility for overseas investment products. This allows investors to construct globally diversified portfolios. Naturally, there have been political voices in Japan questioning why household assets should be invested abroad, and why the scheme is not limited to domestic equities and bonds. Nevertheless, we have remained steadfast in our approach.

At the same time, given the realities of global market competition, the government has introduced a complementary growth strategy. This strategy identifies key sectors in which Japan has a comparative advantage and aims to attract investment into these areas.

The third D stands for a diverse approach. Alongside reforming the NISA programme, we have integrated financial literacy efforts. This point was discussed earlier as well. If retail investors are to participate actively in markets, they must be well-informed. To that end, we established the Japan Financial Literacy and Education Corporation (J-FLEC) in April of last year. J-FLEC is a public-private partnership, with both sectors contributing financial and organisational resources. Together, we aim to raise the level of financial literacy across the country.

J-FLEC certifies financial professionals who demonstrate a commitment to acting in their clients' best interests. The organisation produces standardised educational materials and offers both group sessions and one-on-one consultations. While standardisation is important, it is equally vital to recognise individual circumstances. People have different financial goals based on their age, income, asset base, and risk tolerance. Thus, in practice, guidance must be personalised — and that demands significant time and resources. It is not easy, particularly in Japan, but it is essential.

As mentioned earlier, this is not a matter of one or two days. It requires long-term, consistent effort. In addition, it is important to ensure that broker-dealers are acting in good faith and

prioritising their clients' needs. We must guard against the promotion of opaque or excessively complex products. This is critical.

The success of NISA has been remarkable. In just two years, the number of accounts has increased by eight million, bringing the total to twenty-five million — meaning that one in four Japanese adults now holds a NISA account. Annual purchases through the programme have reached eighteen trillion yen, a threefold increase from the previous year. The statistics also indicate strong uptake among younger generations, which is very encouraging.

Before concluding, let me share two additional thoughts. First, regarding the three Ds — while political leadership is crucial, I appreciate that consensus-building across multiple Member States can be more challenging in the European context. Nevertheless, I hope that constructive dialogue between the European Commission and Member States will help find an optimal path forward. Europe's success remains vital on the global stage, and I have high hopes for this initiative.

Second, let me briefly touch upon the risks. Shifting from savings to investment often sounds very promising, but investment inherently involves risk. At times, investments may underperform or even result in losses. Recent market developments have tested our resolve, but we have remained committed. Our Minister made a statement earlier this week, urging investors to remain calm and to focus on long-term, diversified, and regular investment strategies.

Consistency is key. Retail investors who begin with an accumulative strategy need reassurance that policies will not change abruptly. Policymakers must remain steady and coherent over time.

Finally, allow me a short announcement. We plan to showcase the progress of our reforms during "Japan Weeks," a series of investor-related events taking place from 20 to 24 October. If you are considering a visit to East Asia, that would be an ideal time to come. We would be delighted to welcome you to Tokyo.

Thank you very much for your attention.