

# **Meeting for Promoting Japan as a Leading Asset Management Center and Appealing Japanese Financial Market**

## **Agenda**

August 30, 2024

19:00-19:40

Large Meeting Room. 4th floor,  
Prime Minister's Office

- 1 Opening Remarks from Shunichi SUZUKI, Minister of State for Financial Services**
- 2 Presentation by Junichi KANDA, Parliamentary Vice-Minister**
- 3 Comments from Participants**
- 4 Closing Remarks from Fumio KISHIDA, Prime Minister**

## Promoting Japan as a Leading Asset Management Center

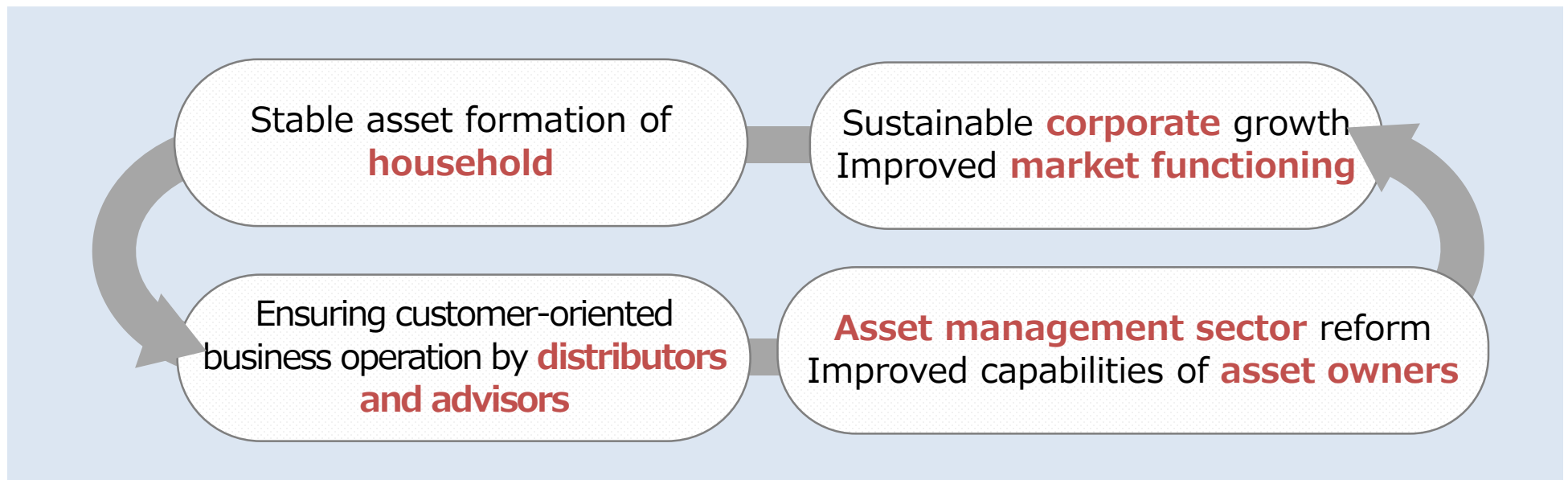
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Junichi Kanda

Parliamentary Vice-Minister

August, 2024

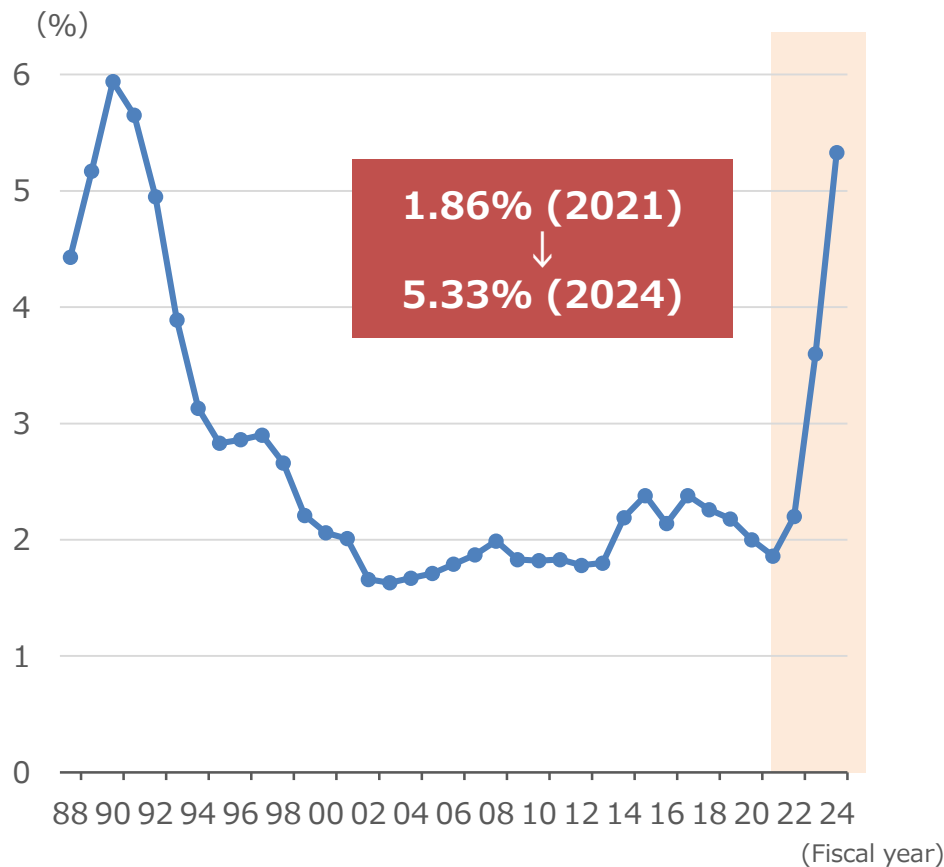
- To overcome deflation and realize the transition to **a new growth economy**, the Kishida administration is working intensively on **structural wage increases**, **growth investment through public-private cooperation** and **strengthening corporate profitability**
- In order to sustain this virtuous cycle of the economy, the Kishida administration is promoting Japan as an leading asset management center
  - To this end, Japan is implementing initiatives aimed at various stakeholders in the investment value chain



1. November 2022 : **Doubling Asset-based Income Plan**
2. April 2023 : **Action Program for Accelerating Corporate Governance Reform**
3. December 2023 : **Policy Plan for Promoting Japan as a Leading Asset Management Center**

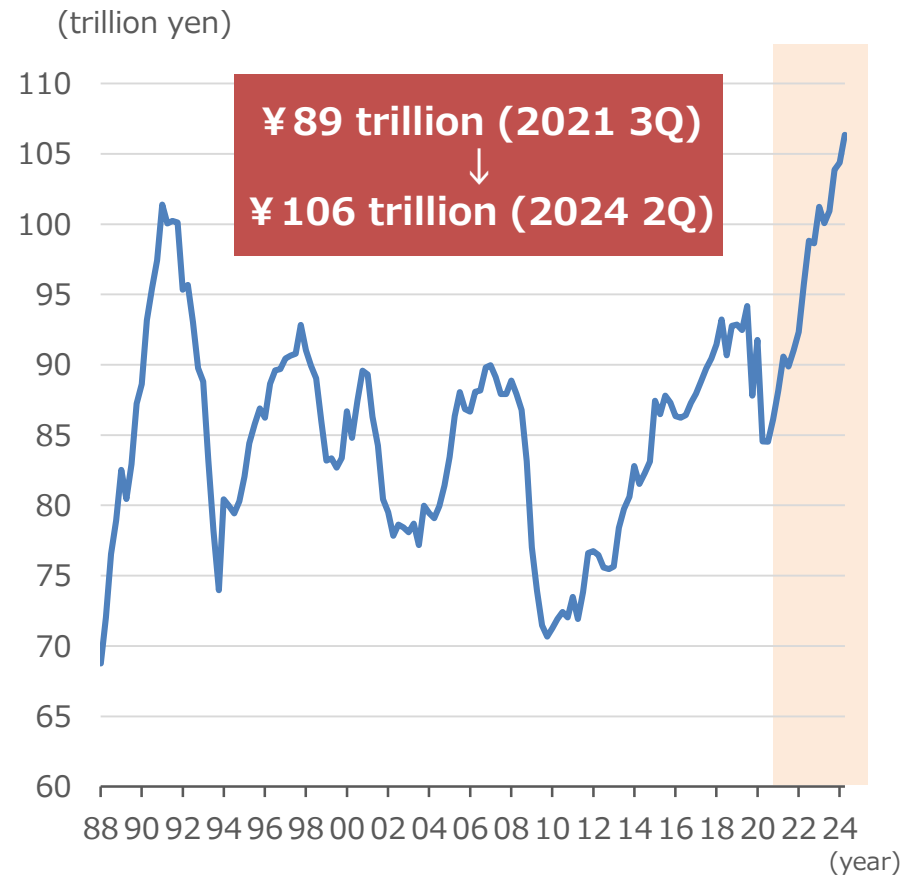
✓ The Japanese economy is overcoming deflation and continues to make a strong transition towards a new growth economy

## Wage Growth



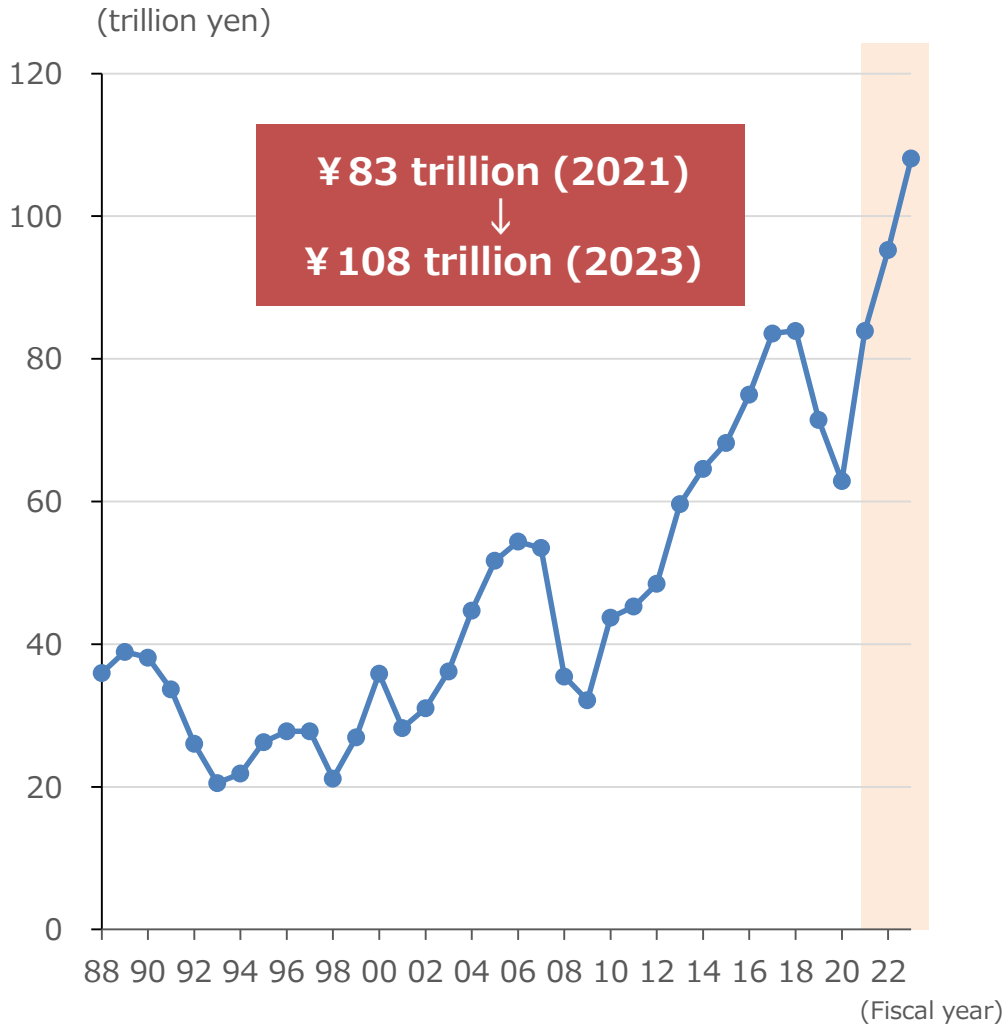
Source: Ministry of Health, Labour and Welfare (MHLW), "Wage Increase Demands and Settlements in spring wage negotiation"

## Nominal Private Capital Investment



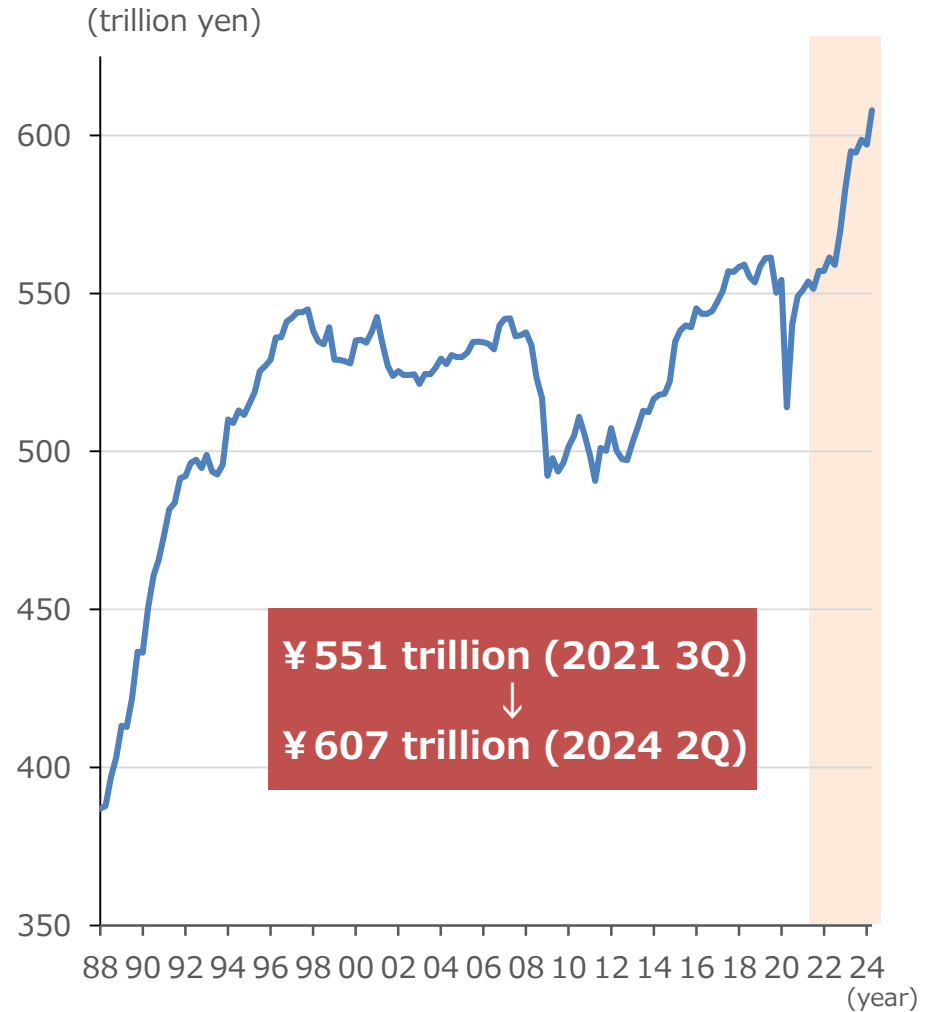
Source: Cabinet Office, "National accounts"; Bloomberg

## Corporate Profits



Source: Ministry of Finance, "Financial Statements Statistics of Corporations by Industry (FY2019)"  
 Note: Quarterly basis for fiscal 2023

## Nominal GDP



Source: Cabinet Office, "National accounts"; Bloomberg

## Stable Asset Formation of Household

✔ **Complete Revamp of NISA** (Jan. 2024)

→ **Reform of iDeCo** (to be decided by end 2024)

\* The individual-type Defined Contribution pension plan (iDeCo) is a private pension plan based on the Defined Contribution Pension Act.

✔ **Establishment of the Japan Financial Literacy and Education Corporation (J-FLEC)** (in full operation from Aug. 2024)

✔ **Introduction of the legal obligation of financial institutions to operate in the best interests of customers** (Nov. 2023)

## Corporate Governance Reform

- ✓ **Request by TSE to encourage effective management of listed companies** (Mar. 2023)
- ✓ **Reform of the Quarterly Securities Reporting system** (Apr. 2024)
- ✓ **Introduction of the obligation for listed companies to disclose key information in English** (Apr. 2025)
- ✓ **Publication of "Action Program for Corporate Governance Reform 2024: Principles into Practice"** (Jun. 2024)
- **Acceleration of Corporate Governance Reform**

## Reforming the Asset Management Sector and Asset Ownership

- ✔ **Announcements by major financial groups on initiatives to enhance their asset management businesses** (Jan. 2024-)
- ✔ **Publication of Policy Package to Achieve Special Zones for Financial and Asset Management Businesses** (Jun. 2024)
- ✔ **Introduction of a new program to assist new entrants (Emerging Manager Program)** (Jan. 2024)
- ✔ **Development of Asset Owner Principles** (Aug. 2024)
- **Reform of occupational pension funds, including promotion of more transparent and comparable disclosure** (to be decided by end 2024)



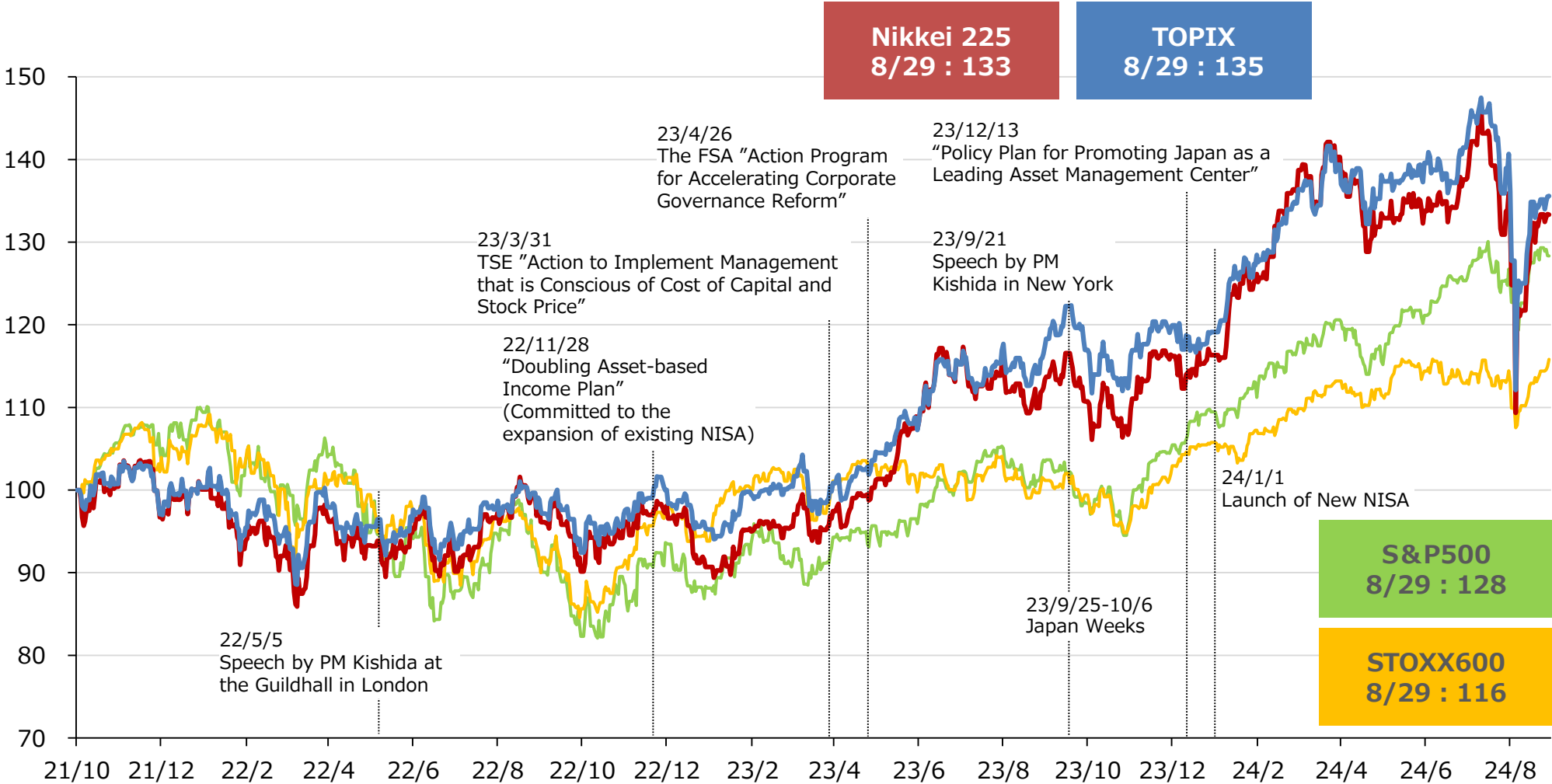
# Key Figures of the Policy Plan Progress

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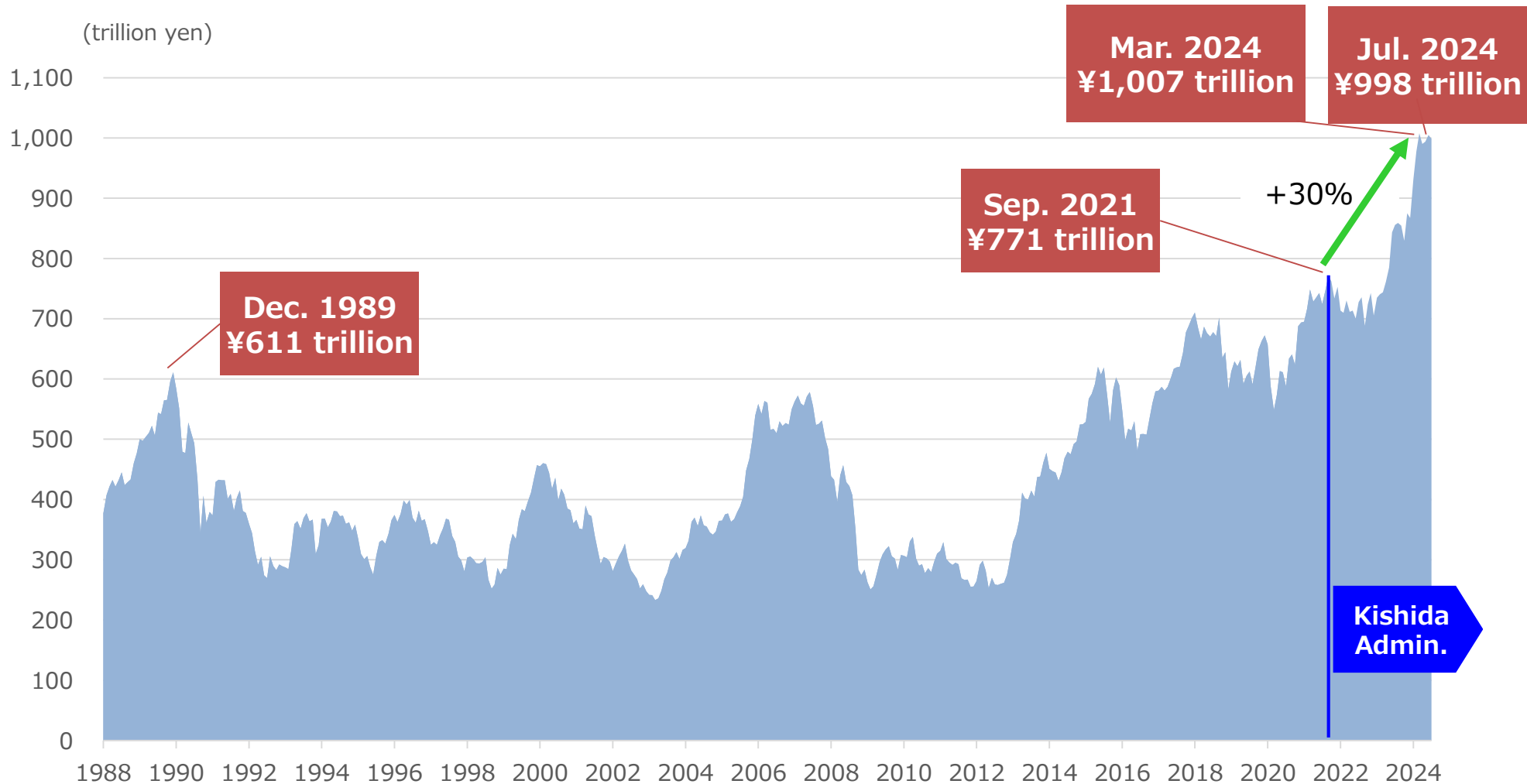
		As of the inauguration of the Kishida Admin.(Oct. 2021)	Latest Figure
Market	Nikkei 225 Index	¥ 28,771	¥ 38,362
	TSE Market capitalization (month-end price)	¥ 771 trillion (\$4.88 trillion)	¥ 998 trillion (\$6.32 trillion)
Asset Management	Asset under management of asset management companies (gross)	¥ 757 trillion (\$4.79 trillion)	¥ 995 trillion (\$6.30 trillion)
Household	Household financial assets (combined ratio of stocks and investment trusts)	¥ 2,036 trillion(18%) (\$12.89 trillion)	¥ 2,199 trillion(22%) (\$13.92 trillion)
	NISA accounts	17.65 million	23.23 million
	NISA account purchases	¥ 26 trillion (\$0.16 trillion)	¥ 41 trillion (\$0.26 trillion)
Corporate Governance	Number of companies that responded to the TSE's request (Prime)	-	1,406 (86%)
	Ratio of cross-shareholdings (fiscal year-end)	12.7%	11.7%
Resolution of Social issues	Sustainability Investment (Global Share)	\$2.8 trillion (8%)	\$ 4.3 trillion (14%)

Note: 1 USD = 158JPY

- ✓ The Nikkei 225 and the TOPIX hit **new record highs** for the first time in 34 years.
- ✓ The Nikkei 225 have risen by around 30% compared to Oct. 2021

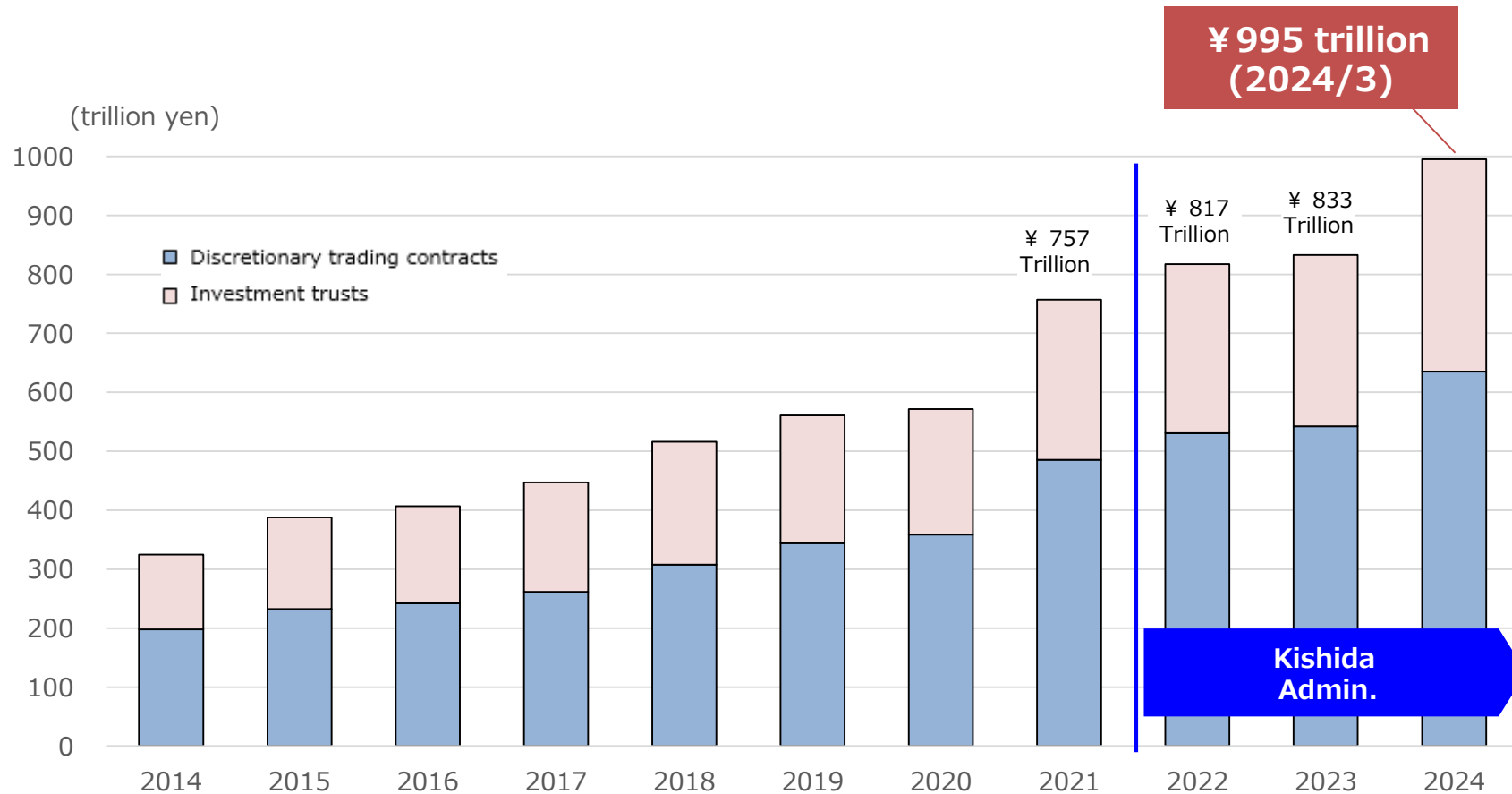


✓ The TSE's market capitalization **exceeded ¥1,000 trillion** for the first time this March



Source: TSE (as of the end of Month)

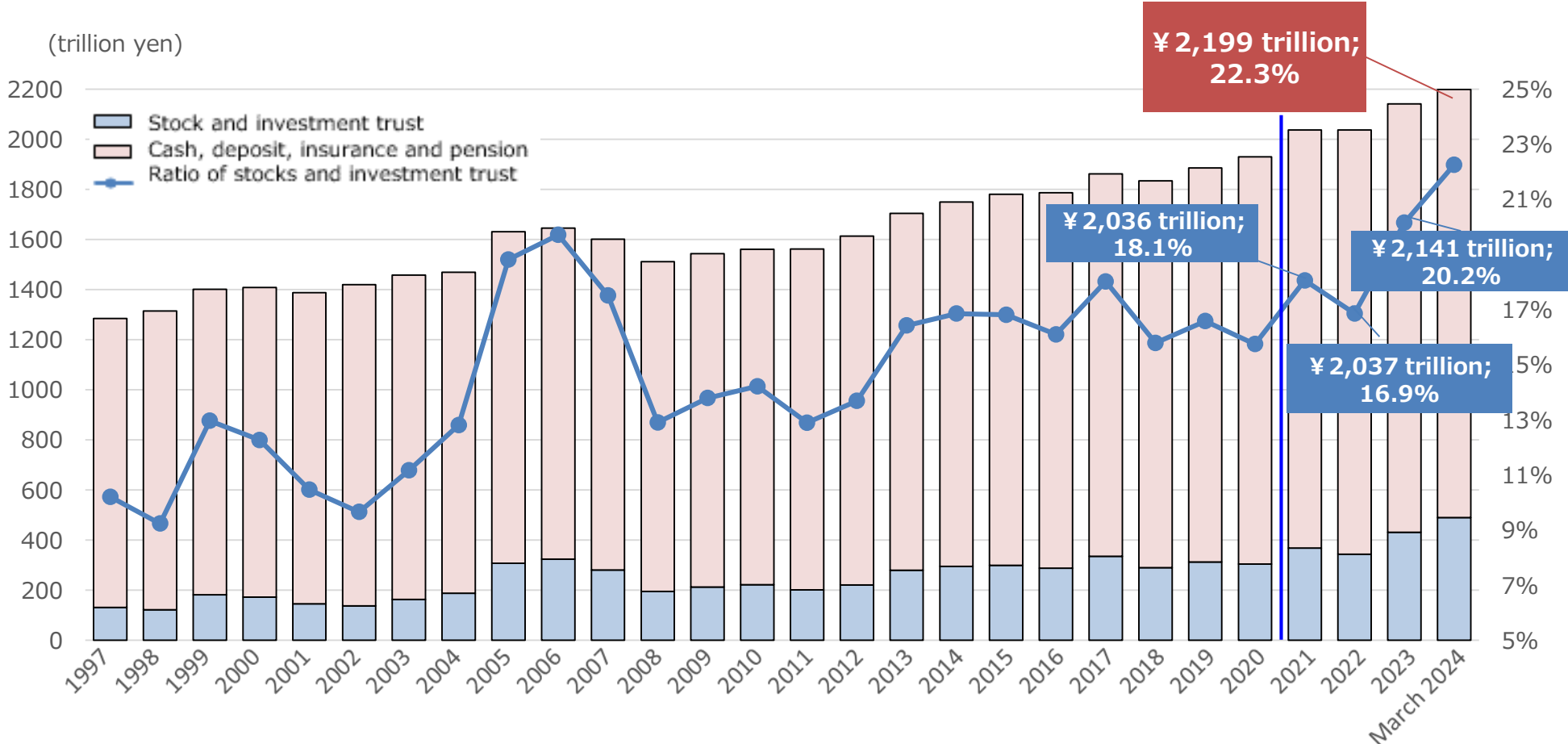
✓ Gross **assets under management** have sharply increased to **¥ 995 trillion**



Sources: Japan Investment Advisers Association, Investment Trusts Association  
 Note: The balance at the end of March of each year. Some figures are duplicated.

# Composition of Household Asset

- ✓ Household financial assets have steadily increased to **¥ 2,199 trillion**
- ✓ The combined ratio of stocks and investment trusts has **risen to 22%**

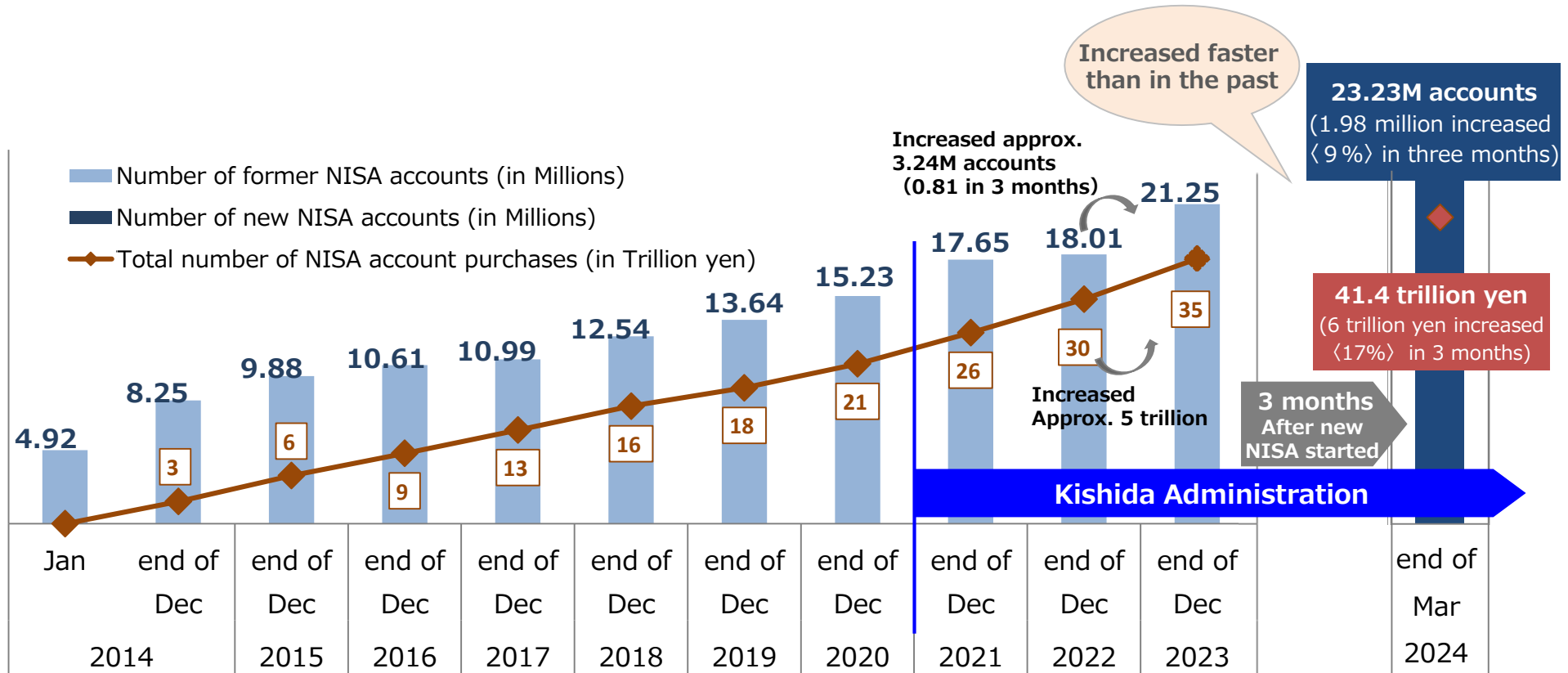


Source: Bank of Japan, "Flow of Funds"

Note: The ratio of stocks and investment trust, etc. is the total ratio of listed stocks, investment trusts, bonds, foreign securities investments, unlisted stocks, and other equities.

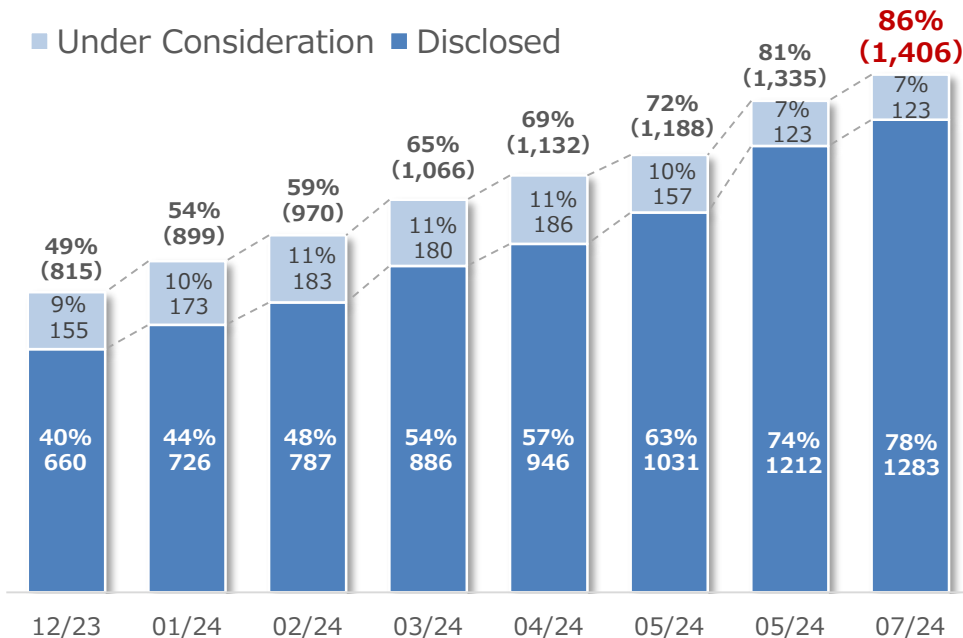
✓ **The number of NISA accounts and the total purchases have significantly increased**, particularly from the start of 2024, reflecting strong household interest

- ➔ NISA accounts have **increased by around 30%** from end of 2021
- ➔ NISA accounts purchase of **2024 Q1 exceeded the total purchase of 2023**



- ✓ In March 2023, the TSE **requested listed companies to formulate and disclose plans** to realize “Management that is Conscious of Cost of Capital and Stock Price”
- ✓ By the end of July 2024, **86% of the Prime Market listed companies, including those under consideration, had disclosed their plans**
- ✓ So far, those who responded to TSE’s request have outperformed those who have not in the equity market

Number of Prime Market listed companies that responded to the TSE’s request



Source: TSE

Average stock prices of listed companies that responded to the TSE’s request and those that did not



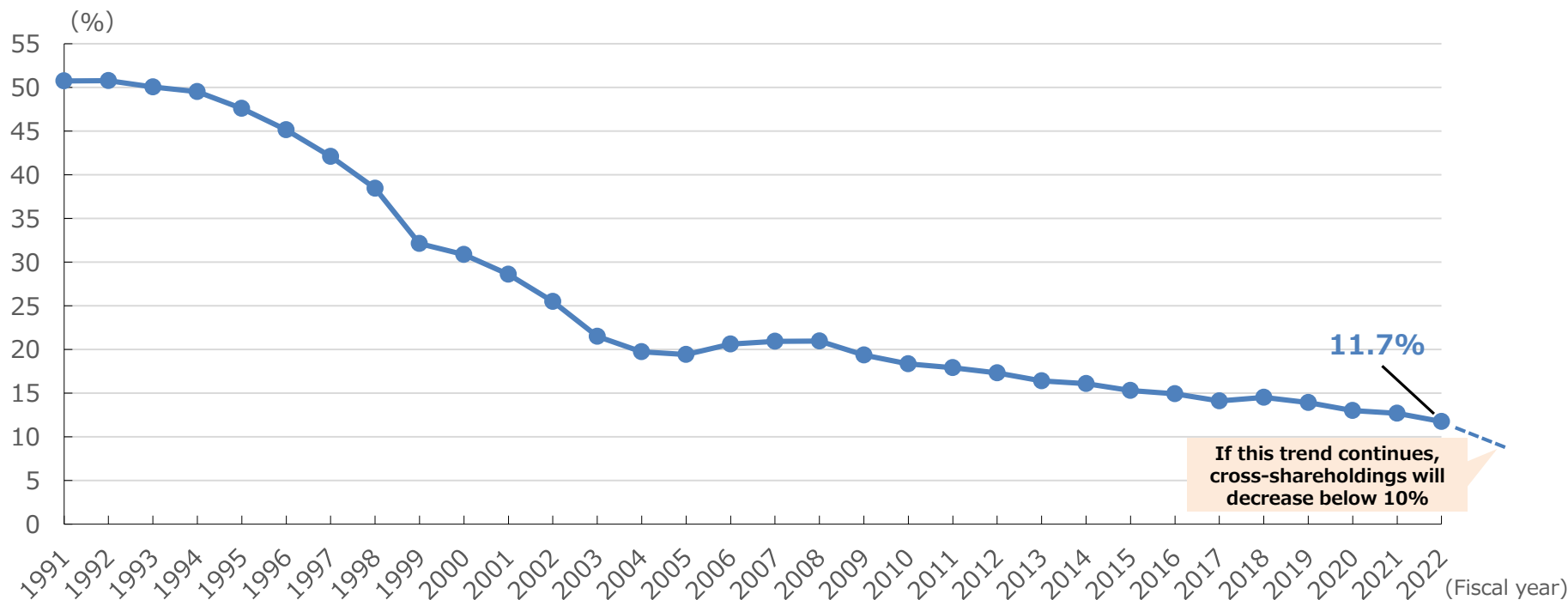
Source: QUICK, TSE

Note: “Disclosed” includes those who declared “under consideration”.

# Cross-Shareholdings

✓ Cross-shareholdings have **decreased** thanks to acceralated **corporate governance reforms**, through the Corporate Governance Code

cross-shareholdings of listed companies (market capitalization basis)



\***Three major non-life insurance companies** announced to **reduce their cross-shareholdings to zero** by the end of FY 2029 or FY 2030 (around ¥ 9 trillion in total) .

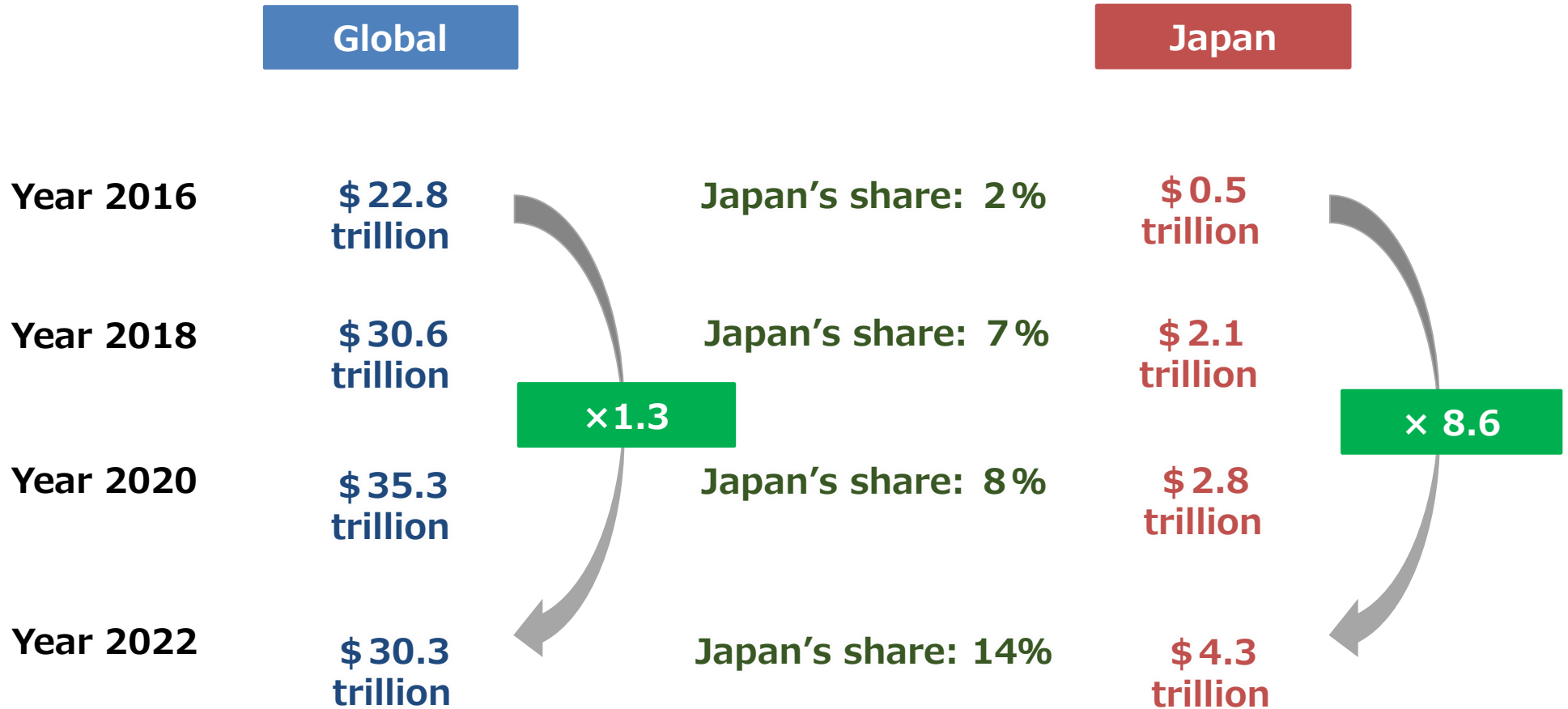
\*According to Nikkei, **the sales of cross-shareholdings** by listed companies (excluding financial companies) in FY 2023 was **around 3.6 trillion yen, a record high (up 86% yoy)**.

Source: Nomura Institute of Capital Markets Research

Note: The ratio of shares (market value) of listed companies held by other listed companies to the total market capitalization of the market. It only includes shareholdings for purposes other than investment.



✓ Japan's sustainability investments are on the rise, reaching \$ 4.3 trillion in 2022



- There is a growing need to reform corporate and individual pension systems
- According to “Basic Policies for Economic and Fiscal Management and Reform 2024” and the “Grand Design for a New Capitalism”, contribution limits and the upper limit of age eligibility of iDeCo will be decided within 2024

## Request for Tax Revisions 2024

- ✓ For households' further stable asset formation, necessary tax measures should be implemented in conjunction with the review of corporate and individual pension systems.



- ✓ **The inaugural “Japan Weeks”** was held in fall 2023 to promote Japan as a leading asset management center, which **10,000+ global investors and FIs** joined
- ✓ We will hold **“Japan Weeks 2024”** with its core week (**September 30th - October 4th**)
- ✓ This year, **more than 40 events** will be held, compared with 25 last year
- ✓ **On October 3rd**, as Japan Weeks’ signature events we will launch **Asset Management Forum**, a communication platform where leading asset management companies discuss ways to reform Japan’s asset management sector



Date	Event	Host
September 25 (Wed)	Seminar on Financial Literacy and Education Corporation and Asset Building	JFSA, J-FLEC, MHLW
September 30 (Mon)	“Japan Weeks 2024” Opening Reception	Bloomberg
October 1 (Tue)	Event on Start-up and Regional Revitalization “MUSUBU ! JAPAN DAY”	Japanese Bankers Association
October 2 (Wed)	High-Level Meeting of the Asia Green Transformation (GX) Consortium	JFSA
October 2 (Wed)	National Securities Conference	Japan Securities Dealers Association, etc.
October 3 (Thu)	Asset Management Forum	Bloomberg