

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

19:00-19:40, August 30, 2024
Large Meeting Room. 4th floor,
Prime Minister's Office

Hideki Murai, Deputy Chief Cabinet Secretary

Good evening and good morning. Thank you very much for joining the meeting for Promoting Japan as a Leading Asset Management Center and for Appealing Japanese Financial Market. I'm Hideki Murai, Deputy Chief Cabinet Secretary of Japan. It's my honor to facilitate today's special meeting. To begin with, I would like to call upon Minister of State for Financial Services Shunichi Suzuki to deliver the opening remarks.

Shunichi Suzuki, Minister of State for Financial Services

Thank you for joining us for this special gathering today. I am glad to have the opportunity to hold a discussion with the global leaders in asset management. Particularly, I would like to thank those from the U.S. who are participating online despite an early starting time.

Under Prime Minister Kishida's leadership, the Japanese government is focused on achieving structural wage increases, increasing investment in growth through public-private partnerships, and enhancing corporate profitability. Our goal is to overcome a quarter-century of deflation and shift toward a growth-oriented economy.

To ensure the sustainability of the virtuous economic cycle from the finance side, we will continue to strongly advance our Policy Plan for Promoting Japan as a Leading Asset Management Center.

Today, we will share with you our progress and achievement on our Policy Plan. We would greatly appreciate hearing your candid and constructive feedback. Thank you.

Hideki Murai, Deputy Chief Cabinet Secretary

Thank you very much. Next, I would like to ask Parliamentary Secretary Junichi Kanda for the presentation on the progress in Promoting Japan as a Leading Asset Management Center.

Junichi Kanda, Parliamentary Vice-Minister

I'm Junichi Kanda, Parliamentary Vice-Minister. Let me walk you through the progress in promoting Japan as a leading asset management center.

Next page. As Minister Suzuki mentioned earlier, our primary goal is to overcome deflationary economy and transition to a new growth economy.

Next page. In this context, Wage growth exceeded 5% for the first time in 33 years. Nominal private capital investment and corporate profits both surpassed 100 trillion yen, setting new records. Nominal GDP also exceeded 600 trillion yen. These indicators suggest that Japan is actually on the path to a new growth economy.

Next slide, please. To sustain this virtuous economic cycle, we are actively advancing initiatives to promote Japan as a leading asset management center. These initiatives

were also laid out fully in “the JFSA Strategic Priorities July 2024-June 2025” published this evening.

Specifically, we are supporting stable asset formation of households by completely revamping NISA, and promoting financial literacy and economic education through J-FLEC.

Slide 6. On corporate governance reform, the TSE has requested listed companies to realize management that is conscious of cost of capital and stock price. Also, “Action Program for Corporate Governance Reform 2024” was published on last June.

Next slide. To reform the asset management sector and asset ownership, we introduced the Emerging Manager Program and developed the Asset Owner Principles.

We recognize positive results thanks to these combined efforts.

Next one. The Nikkei 225 and the TOPIX reached record highs for the first time in 34 years.

The TSE's market capitalization exceeded 1,000 trillion yen, roughly about 6.3 trillion dollars, for the first time in this March.

Gross assets under management are also on the rise, reaching around 1,000 trillion yen.

Next, household financial assets have steadily increased to almost 2,000 trillion yen, roughly about 14 trillion dollars, with 22% held in stocks and investment trusts. This indicates a shift from savings to investment.

Regarding NISA, the number of NISA accounts and the total amount of NISA purchases have significantly increased, particularly from the start of 2024, reflecting strong household interest.

As for corporate governance initiatives, 86% of the Prime Market listed companies had disclosed their plans in response to the TSE's request.

Thanks to accelerated corporate governance reforms, cross-shareholdings are on the decline.

Moreover, sustainability investment is crucial for addressing social challenges and driving market growth. In Japan, sustainability investments have been rapidly expanding, reaching 4.3 trillion dollars.

Through these asset management initiatives, we aim to create a “virtuous cycle of growth and distribution,” fostering the growth of the Japanese economy and increasing the asset income of the Japanese people.

Additionally, for example, reform of iDeCo is referred to in the request for tax revision 2024, which will further support stable asset formation of households.

Finally, to showcase these achievements, we will hold Japan Weeks 2024, with the core week from September 30th to October 4th. Over 40 events, including the Asset Management Forum on October 3rd, will highlight the immense potential of Japan's financial markets to the world.

Thank you for your kind attention.

Hideki Murai, Deputy Chief Cabinet Secretary

Thank you, Mr. Kanda. Now I'd like to invite comments from the participants, especially on the expectations for Japan's initiatives on promoting Japan as a leading asset management center and challenges in enhancing the appeal of its financial market. Please keep your comments to 3 minutes each. Let's start with Ms. Yuri Okina, Chairperson of the Japan Research Institute. Ms. Okina, would you like to go first?

Yuri Okina, Chairperson of the Japan Research Institute

Thank you very much for giving me the opportunity to share my thoughts today. In early August, stock prices saw a sharp decline but quickly rebounded. This volatility was driven by signs of US economic slowdown which raised the likelihood of a September rate cut. Consequently, the yen's correction from excessive depreciation affected stock prices. However, the fundamental attractiveness of Japanese market remains intact. The Japanese economy has undergone significant changes in recent years. Labor shortages are more evident, job mobility is increasing, and companies are investing more in human capital and digital transformation.

Recent inflation has led to rising wages, prompting more households to invest rather than keeping money in deposits. It is crucial that enhanced corporate value translates into higher household incomes through increased wages and financial asset income, creating a virtuous cycle of growth and distribution.

Over the past three years, the Japanese Government has promoted a new form of capitalism, focusing on a dual-purpose policy that leverages the resolution of social issues such as environmental and inequality challenges as opportunities for growth. This strategy prioritizes investment in people, startups, science and technology, and digital and green transformations.

The plan to establish Japan as a leading asset management nation is key to create a virtuous cycle of growth and distribution by driving reforms across all stakeholders in the investment chain, including households, asset owners, asset managers, and companies. This comprehensive strategy, including attracting foreign asset managers, is unique to Japan and should be steadily pursued.

Recent TSE initiatives have also positively impacted Japanese companies and investors. Listed companies are more aware of stock prices, capital efficiency, and profitability and are increasingly taking proactive actions to enhance their corporate value while investor engagement has intensified, helping to boost corporate value.

For Japan's long-term growth in the face of a declining population, it is crucial to invest in human capital to increase productivity while enhancing value added. The development of the asset management industry is crucial to sustainably enhancing corporate value. I expect continued progress in corporate governance and stewardship activities of asset owners which should make the Japanese market more attractive, further driving sustainable economic growth. Thank you.

Hideki Murai, Deputy Chief Cabinet Secretary

Thank you, Ms. Okina. Next, Mr. Ken Shibusawa, CEO of Shibusawa and Company. Mr. Shibusawa, would you like to share your thoughts?

Ken Shibusawa, CEO of Shibusawa and Company

Thank you very much. It has been a great honor and privilege to be a member of the Council for the New Form of Capitalism under the leadership of Prime Minister Kishida. Capitalism has been a target of much criticism and sometimes anger. Capitalism is being blamed for destruction of the environment, inequities in society, and even conflict and warfare. I applaud Prime Minister Kishida's vision of capitalism in our new era, one that incorporates externalities that were being left behind.

Like my great, great grandfather Eiichi Shibusawa, who is known as the Father of Japanese Capitalism, and now appears on the new ¥10,000 bill, the significant achievement of the origins of capitalism in Japan and the New Form of Capitalism was the focus on the human capital, which brings about a new era for our country.

Investing in the people led to the policy concept of Promoting Japan as a Leading Asset Management Center, a mouthful, which in turn led to the reform of NISA. The significance of this policy implementation is not to give tax breaks to those that are already wealthy, but to those still in the workforce, and the younger generations who are building their careers in conjunction with building their personal assets for the long term.

There has been criticism that the new NISA only led to capital flow outside of Japan in the form of index funds. But individual investors searching for growth is very rational. That is how one builds personal assets in the long term.

There's an issue, however, that in index funds, people often only see the price and do not actually care or see the value creation of individual companies. If you only see the price and the market collapses, it makes you nervous. On the other hand, if you see the value in prices go down, things become very, very interesting since you can buy more value at a lower price. Therefore, the role of the newly formed J-FLEC, Japan Financial Literacy and Education Corporation I believe is very, very important. It must entail the understanding of the creation of sustainable value and not just the price.

Another issue in the NISA accounts is that it's only allowed in one institution. A problem that it brings about is that it gives an advantage to the large institutions, especially with online capabilities, and it squeezes out the other financial institutions like the retail regional banks who have face-to-face interactions with their customers.

Now, ESG has become a dirty word in many in the United States and even in Europe. But in Japan, there's no political divide regarding sustainability. The New Form of Capitalism highlighted impact investing as well as impact accounting, and this has sparked strong interest to learn and to implement, from startups to large corporations, to financial institutions in Japan. In addition to risk and return, the traditional two-dimensional expression of value, adding a third dimension of the intent to provide solution to issues in the environment and society is a more robust expression of sustainable value creation.

It is of utmost importance, I believe, for the next political leadership in Japan not to drop this important baton of sustainable finance and to race forward. Thank you so much.

Hideki Murai, Deputy Chief Cabinet Secretary

Thank you, Mr. Shibusawa. Next, Ms. Stefanie Drews, President of Nikko Asset Management. Please.

Stefanie Drews, President of Nikko Asset Management

Thank you very much for the opportunity to be here. I am very honored. While I now lead a Japanese asset management firm, and I've been here for the last ten years, I spent the first 15 plus years of my career in asset management in London, working for Morgan Stanley mainly, also Barclays. So, I have the luxury of looking at everything from two lenses: domestic and international, and my comments will be made from that perspective.

First, a comment on the policy of making Japan a leading asset management center. I have never seen such collaboration between public policy makers and industry participants. Quite unique. I've also never seen such speed of implementation. The policy was announced eight months ago, and it's already embedded in the industry in a way that I don't think can be changed again. I find that extraordinary.

So, what has Japan done differently? I think this government has done many things, but it includes a holistic approach to this policy. First, they looked at the existing initiatives that were in place. Corporate governance code (twice revised), stewardship code (twice revised), the overhaul of the Tokyo Stock Exchange, and so on.

Then they added to that the amazing doubling of asset-based income plan, including the launch of new NISA. And only then was a comprehensive policy launched, taking all of that into consideration. It was a very holistic, staged approach, which I think was quite extraordinary. Normally, such policy measures are quite incremental. It wasn't incremental. Everything about it was a quantum leap, including, of course, new NISA, which was just talked about, which went from its previous state to something that was flexible, permanent, and three times its size in one go. I think many other countries can learn from that. In fact, I have many conversations with foreign officials who ask, how did they do it?

How have foreign companies responded to this initiative? Well, I'll maybe say it via a JSDA conference that I attended with Ariizumi-san, actually, in London in March, where we talked about this policy.

When I got off the stage, I literally could not leave the venue for a long time because there were so many people around me just trying to understand "how can I get into asset management market in Japan". Specifically in the UK, which has own ISA programme, which is so similar anyway. I think the response is amazing.

How have we responded as a firm? Of course, we are part of a bigger group that's committed itself deeply to asset management. At Nikko Asset Management itself, actually, we've always wanted to ensure that we are at the highest global standard, and we believe the best way to help the industry move forward is through joint ventures. We have very close joint ventures with foreign partners. They can come in and they can ride on our entire end-to-end setup, and we benefit because they transfer knowledge into Japan and into us, and they benefit because they can create a very viable business. And so, these partnerships, I think, are very, very powerful to advance Japan.

A final comment about Japan. I know that everybody is interested in Japan. Everyone is talking about Japan, and of course, people know that Japan is structurally so interesting. The way it uses its demographics as a first mover advantage in the field of innovation, like robotics. It's green credentials, especially power semiconductors and hydrogen. And actually, its stable geopolitical situation, which is a way into Asian growth via Japan. This is all quite understood.

And now what we have is a changed asset management industry that is globalized, that has been uplifted. And the people in the industry are still Japanese, so they have a very hard work ethic that no one else has! So that's a really powerful combination. I think it is a pivotal moment for Japan to show its true value. Thank you.

Hideki Murai, Deputy Chief Cabinet Secretary

Thank you very much. Next, Mr. Yoshio Hishida, President of Sumitomo Mitsui Trust Asset Management. Please.

Yoshio Hishida, President of Sumitomo Mitsui Trust Asset Management

Thank you very much, and I am very honored to have this opportunity to speak to you today. As all of you know very well, the global asset management industry has seen some dramatic changes over the years. But at the same time, the world expects more from our industry. This has been true for Japan as well. Over the last ten years, with the support of various government initiatives such as the Corporate Governance Code, asset management companies in Japan have been working hard to broaden their capabilities as well as improve their skills and performance. This includes engagement with companies, the result of which has led to higher return on equity. It has also aroused investor interest and given them strong motivation to invest.

In short, Japanese markets still provide a very attractive investment opportunity to investors worldwide. There are many talented fund managers in the world today, and Japan is no exception. We have many fund managers capable of generating outstanding and sustainable returns. This includes emerging managers as well. As a representative of Japanese asset management industry, we would like to explore the possibility of further developing the asset management industry by supporting these talented managers.

We are also grateful to the Japanese Government for its efforts to promote Japan as a leading asset management center. We would like to reciprocate and continue to fully support the government efforts. One of the most critical issues our nation faces today is the need for the Japanese people to invest for the long-term and to build the asset base. While we truly appreciate what the Japanese government has done for our country as well as the Japanese asset management industry, it is important that these policies are carried over and are sustainable. We would thus be grateful for the government to acknowledge this and continue to provide us with their full support and cooperation.

Finally, as for myself, the asset management industry is where I began my career more than 35 years ago. It has given me a strong sense of pride as an industry professional. Nothing can replace this industry, and this is where I wish to continue making my contribution. One of the big challenges today is promoting diversity in our industry, which unfortunately lacks independent and emerging managers, unique investment strategies and women's participation. I believe in working together with a diverse and large number of excellent investment professionals to further promote and expand this industry, which is of paramount importance to the future of Japan. Thank you.

Hideki Murai, Deputy Chief Cabinet Secretary

Thank you very much. Now I would like to turn to the online participants from the United States. Mr. Larry Fink, Chairman and CEO of BlackRock. Could you share your insight with us?

Larry Fink, Chairman and CEO of BlackRock

Hello, everyone, and hello, Prime Minister Kishida. I appreciate the chance to share a few thoughts about investing in Japan, especially investing for retirement. BlackRock has been helping Japanese investors grow their money for a very long time. The first dollars BlackRock was trusted to invest by our clients was from a Japanese firm. That was 36 years ago. We've been fortunate to work with great leaders in Japan's public and private sector in the years since. One of BlackRock's core goals is helping people afford retirement, and it's a timely goal.

Japan is at the forefront of a global trend. Many of the world's biggest economies are aging, with more people leaving the workforce than entering it, means more retirees all over the planet, and we need to help them to retire with dignity. I truly believe the best way is to build robust capital markets in every country, including Japan, where the end of deflation and corporate reforms are helping to drive the market rebound, because over the long run markets generally grow someone's retirement nest egg much better than savings do. Today, many Japanese keep the bulk of their retirement in savings, earning a very low interest rate.

That wasn't such a bad strategy when Japan was suffering from deflation. But now the market has shifted, and I was glad to see Japan's government expand the Nippon Individual Savings Account, NISA, to help more people become investors, not just savers. I know that the government's goal is to double NISA's enrollment to 34 million NISA accounts before the end of 2027. That is a very smart goal. It helps people retire with dignity. They can build a long-term nest egg, and of course, it will also help build the Japanese economy and, importantly, help Japanese corporations to compete globally on the world stage. Because when people invest their money for 30 or 40 years, that money can be put back into critical infrastructure projects, data centers for AI, the green transformation.

The Japanese Government deserves credit for driving these advances, and BlackRock looks forward to working with partners in Japan in both the public and private sectors to achieve the aims of the country's Asset Management Nation Initiative. Thank you very much.

Hideki Murai, Deputy Chief Cabinet Secretary

Thank you very much. Next, Mr. Jonathan Gray, President and COO of Blackstone. Could we hear from you?

Jonathan Gray, President and COO of Blackstone

Yes, thank you. It's an honor to be here with this esteemed group. I want to thank the prime minister on a personal note. I was fortunate to attend the White House state dinner where he spoke beautifully about the US-Japan relationship. But he also mentioned his hometown of Hiroshima, and I ended up taking a vacation with my family to Japan a couple of months ago, and we went to Hiroshima as a result. It is a beautiful city. It was quite moving to go to the Peace Memorial as well, so thank you for that.

On behalf of my firm, Blackstone, I really want to thank you and your administration for restarting the engine of Japanese dynamism. It has been remarkable, the change over the last three years. Our firm has a very long history in Japan. Our co-founders, Peter Peterson and Stephen Schwarzman, found our first clients in Japan. Our first outside investor in the firm was Nikko Securities, and we have had a long-time office and presence there, both investing and raising money.

But what we've seen in the last three years has been a remarkable acceleration of our business. Just to give you a sense, this year we privatized two public companies in Japan, something that before was very uncommon is now changing because you have emphasized to corporate boards the importance of returns for shareholders.

We bought a healthcare business. We also bought an online Manga comic business, and shareholders ended up benefiting in a significant way. We also bought this year a division of a large Japanese public company, a non-core division. And again, your focus on companies pushing for return on equity has made a difference. and it's one of the reasons why we saw that chart about the sharp increase in the Japanese stock market.

We've really focused on areas like healthcare, like hospitality. Japan is a preferred destination for so many around the world today. Green energy, digital infrastructure, and our teams are quite busy in Japan, which is a good sign.

The other area where we've seen a real change directly as a result of your reforms has been raising money from individual investors. We are now raising money in partnership with Nikko Securities, Daiwa, Nomura, and others, to invest in real estate, in private equity, in private credit, and it's directly as a result of your reforms. This push, as has been noted, to move from a savings economy to an investment economy is so important. These reforms have made an enormous difference. And so, what we see happening in our business in Japan is a huge pickup in activity, both on the investment side, but also in raising capital and delivering great returns for investors, and in investing capital also accelerating growth in the process in Japan.

And so, what we just want to say on behalf of my colleagues and partners is thank you for what you've done, and our hope is that these policies will continue.

Hideki Murai, Deputy Chief Cabinet Secretary

Thank you very much. Next, Mr. Joseph Bae, Co-CEO of KKR. Mr. Bae, would you like to contribute your thoughts?

Joseph Bae, Co-CEO of KKR

Thank you. Good evening, Prime Minister Kishida, Minister Suzuki, Vice Minister Kanda and Deputy Chief Cabinet Secretary, Murai. It's a privilege to be here today for this important conversation, and we are honored to contribute to the deepening of US-Japan economic relations and enhancing Japan's asset management industry. As many of my colleagues have said, first, it's imperative to highlight the vital role Prime Minister Kishida and the Japanese Government have played in driving Japan's impressive economic renaissance.

Under the leadership of the prime minister, we've seen a pro-growth economic agenda that has allowed Japan to exit more than two decades of inflation and an extended era of negative interest rates.

We've seen and witnessed a sea change in attitudes towards corporate governance, more calculated risk-taking by businesses, and an appreciation of what foreign capital can do to drive growth. The Prime Minister's New Form of Capitalism initiative has helped to reinvigorate economic competitiveness, drive long-term productivity gains, and improve the livelihoods of the Japanese people through structural wage growth and transitioning to a digital society.

On monetary policy, Japan's approach has been well considered, stable, and communicated transparently, which has helped investors plan for the mid- to long-term. This has aided the inflow of foreign capital as demonstrated by the strong year-on-year growth in FDI. And as long-term investors, we welcome a continuation of this thoughtful approach.

With these building blocks in place, Japan today is a must own country for many global investors, including KKR. But our interest in Japan is not new. We were among the first private equity firms to enter Japan in 2006 and have been investing in the country for nearly two decades now.

Our conviction in Japan is stronger than ever. Today, Japan makes up nearly 40% of our Asia portfolio and is KKR's largest exposure in the region. We are invested across all of our main asset classes, from private equity, real estate, infrastructure and credit, and have made serious inroads into areas such as insurance and private wealth.

Today, we are deploying capital in Japan at five times the pace relative to the last decade. And in fact, outside of the United States, Japan is today the largest destination of our investment capital, larger than any other country. As Japan continues its path of economic revitalization, we see several ways for foreign asset management firms and KKR to work closely with the Japanese Government to accelerate economic progress and the domestic asset management industry.

Let me mention a few of these. First, as the focus on corporate governance reform continues to grow, private equity, KKR, and other firms are ideally positioned to partner with leading Japanese companies to provide solutions to their non-core businesses and to help improve their global competitiveness and returns on equity. Since entering Japan, we have supported Japanese conglomerates on some 15 carveout transactions across different sectors. For example, we've partnered with forward-looking companies like Panasonic and Hitachi to carve out non-core businesses and build them into strong independent companies. PHC and Kokusai Electric are excellent examples.

The second area, in addition to partnering with Japanese corporates, we believe there's a tremendous opportunity to help Japanese individual investors and households grow their financial assets and retirement savings, which today are mostly held in very low yielding deposits. This is a huge national priority as Japan's aging population continues to grow and the country shifts towards more sustainable inflation.

We have looked to support this effort in a couple of different ways. In the insurance space, we are working closely with storied institutions like Japan Post Insurance and Manulife Japan to provide reinsurance and advanced asset management solutions. We've also formed local partnerships with Resona Bank and SBI Holdings to provide multi-strategy offerings to corporate pensions, investment trusts, and individual investors.

A third area which we think could be interesting is the development of a domestic private credit market. While Japanese companies have traditionally been dependent on banks for funding, for Japan's economy to become truly resilient, it needs to have access to alternative sources of funding and different types of capital solutions.

A fourth idea we believe that could be of significant value to Japanese investors and the overall economy is the promotion of the local circulation of capital within Japan, a concept we have coined, ChiSan-ChiTo, where Japanese investors can invest in attractive local yen-based investment product. A good example of that is KKR's

acquisition of KJRM, a leading domestic Japanese Real Estate Asset Manager that was previously owned by Mitsubishi Corp and UBS.

Finally, while still a new concept in Japan, we believe that it's hugely important to support Japanese workers by building a stronger shareholder and equity culture. Earlier this year, for the first time ever in Japan, we launched a broad-based ownership program at Bushu Pharma, where all 1300 employees were granted equity ownership in the business. Our goal is to implement broad-based equity ownership programs in all of our new private equity investments in Japan going forward, providing a greater path to economic security for all the employees of our portfolio companies.

In closing, thank you again for having me. The impressive potential of Japan's future is clear to many investors, but to achieve this potential, it is vital that the clarity and transparency of today's monetary and fiscal policy and the stability of the regulatory environment continue. Thank you very much.

Hideki Murai, Deputy Chief Cabinet Secretary

Thank you very much. Next, Mr. George Gatch, CEO of J.P. Morgan Asset Management. Mr. Gatch, would you like to offer your perspective?

George Gatch, CEO of J. P. Morgan Asset Management

Yes. Thank you very much. It is an honor to participate in this very important discussion on the role that asset management can play in the growth and capabilities for Japan. The asset management business has experienced remarkable shifts across the globe. Individual investors and institutions have seen dramatic improvements in the quality and depth of investment options available to them. Fees have continued to come down significantly. Investors now almost exclusively rely on asset management products for retirement savings in the US and increasingly in Europe.

Many of these shifts were driven by market events, regulation, macro environment, and I think there are some important lessons from other markets around the world. In the US, the development of the 401(k) and individual retirement accounts, the shift from commission-based products to holistic fee-based advice programs. Investment options have improved. At the same time, fees have come down dramatically. Over 100 million individuals now own mutual funds or ETF's, about half the total population in the United States. Fees for equity mutual funds have declined 55% over the last 20 years. Today, the retirement market in the US is \$35 trillion. Over 70% of households have access to tax advantage retirement savings.

In Europe, the UK introduced the Individual Savings Account, or ISA, in 1999. There was improved opportunity for individuals to save and invest in a tax-free way. There have been changes in the way the UK and Netherlands regulates missions which were implemented in 2013.

I think it is great to see the renewed excitement and focus on the asset management industry in Japan. Near and dear to my heart, I spent two years running a joint venture with Dai-ichi Kangyo, now Mizuho, now called DKB Morgan. At that time, more than 50% of household wealth was invested in deposits. Not has much changed today relative to that, so there is a lot of work to do. And while the inflationary environment comes with its own challenges, it has hopefully focused investors to rethink opportunities to preserve the value of their savings and to get invested. The main purchasing power investors will need to invest in assets other than deposits. The good news is there's a wide range of initiatives. I think it's very impressive what Japan has

done and what's underway. The expansion of NISA, the focus on the fiduciary culture for distributors and asset managers, the enhancement of stewardship and corporate governance codes, the Japan Stock Exchange reform, and the advocates for growth of listed companies.

To broaden investor participation, there are three things for Japan to consider. First, policies that should empower individuals to invest, smart and simple policy designed to improve education and financial literacy so that investors are well equipped to make investment decisions. I think it's encouraging to see the steps that you've taken with industry groups, educational institutions to create access to quality content on personal finance and investing. But there's more to do.

Second, it's important to promote business models that better align the incentive of advisors and investors, policy that enhance the fiduciary obligations of distributors. I encourage you to further evaluate opportunities to shift away from product-centric commission-based models to more comprehensive fee-based portfolio and advice programs where financial institutions and individual investors can sit on the same side of the table. We can better create alignment between investors and financial advisors. We also need to provide a robust or disclosure-based regulatory environment to improve information and transparency.

Third, we believe end investors should have access to a suite of investment products that provide diversification opportunities across regions, asset classes, and investment strategy. It's important as it creates healthier and more robust portfolios to meet long-term objectives such as retirement, saving for your daughter or son's wedding, and education.

Ultimately, we believe client uptake will be driven by a good client experience, which means both competitive and good investment performance, as well as education and insights, and of course the hallmark of Japan's strong service. I think asset managers can play a key role in providing deep, actionable insights, and delivering strong long-term investment performance. JPMorgan has been in Japan for many, many, many decades. We were one of the first institutions to invest US Pension Funds into Japan. I think there's an important role for all of us to play and we're really excited about the momentum and look forward to working with you as you continue the journey to strengthen savings and investing in Japan. Thank you.

Hideki Murai, Deputy Chief Cabinet Secretary

Thank you very much. Lastly, Ms. Yie-Hsin Hung, CEO of State Street Global Advisors. Would you like to share your comments?

Yie-Hsin Hung, CEO of State Street Global Advisors

Thank you. Prime Minister Kishida, distinguished guests, it's an honor to be here today to share our enthusiasm and support for the government's continued efforts to promote Japan as a global leading asset management and financial center. Our firm, State Street, first established its business in Japan more than three decades ago. But I can confidently say with the government's new structural reforms and strategic investments to bolster growth, there has never been a more exciting time to do business in Japan. From the significant expansion of NISA to the enhancements of the DC program, including increased contribution limits, and the establishment of an organization focused on financial literacy and education, these initiatives are attracting a new generation of Japanese investors while also helping residents to build wealth and meet their financial objectives.

At the same time, the corporate reforms in the asset management sector are breaking down barriers to entry and attracting new domestic and foreign entrants. Simply put, these initiatives and reforms are helping to reshape Japan's investment landscape, creating new opportunities for growth and innovation, and fostering an even more dynamic and vibrant Japanese market. At State Street, we believe these measures will help unlock even greater value and drive meaningful positive change.

As a result, our commitment to the Japanese market has never been stronger. Just last month, we expanded our presence in Fukuoka with a new office building. We now have 150 staff members from more than 20 countries there, deepening our relationships with local communities and leaders, and leveraging the city's exceptional talent to enhance our operational capabilities and support the growth of the banking and asset management industry.

Within State Street Global Advisors, our asset management business, we have combined our local market expertise and global perspective to create a comprehensive suite of products and services tailor-made to the Japanese market. This includes a recent filing of eleven ETFs, the largest group of products that we're offering in Japan in five years. In January, we also launched seven index funds in Japan. Our two local listed ETFs, the SPDR S&P 500 ETF Trust and SPDR Gold Shares, are now registered in the Nippon Individual Savings Account Scheme.

Additionally, we are focused on promoting financing for diversified investment opportunities and engaging with companies on effective stewardship activities like board independence and gender diversity, because ultimately, the reason why we are all here is that we care. We care about helping people meet their financial goals. We care about making our communities a better place to live and work. And above all else, we care about making tomorrow better than today.

I believe these initiatives and reforms will help do just that and we look forward to helping even more investors achieve better outcomes working with the Government of Japan and the JFSA to further enhance the investments ecosystem to promote long-term sustainable growth. Thank you for your leadership and thank you for your time.

Hideki Murai, Deputy Chief Cabinet Secretary

Thank you very much. We have covered plenty of topics today, and it's been a very productive discussion. As we approach the end of our time, I'd like to call upon the closing remarks from Prime Minister Fumio Kishida.

Fumio Kishida, Prime Minister

Thank you, Mr. Murai. Today, I am very pleased to hear valuable insights from global asset management leaders like you all. Particularly, I would like to thank those participating from the U.S., despite the early start time in their time zone. The time difference between Japan and the East Coast is always a headache. I know how you are feeling because I myself have suffered from it for the past three years. I hope you feel that we are on the same boat even more now.

Your acknowledgement of Japan's market potential and our economic policies is encouraging. With corporate earnings at record highs, wage increases at their highest levels in 33 years, growth in nominal and real GDP, and the expansion of capital markets, it is evident that the Japanese economy is steadily moving out of 30 years of deflation and into a new phase of growth.

Our initiative to promote Japan as a leading asset management center represents our effort to bolster these positive trends on the finance side, and I have expressed my commitment to global and domestic investors and financial institutions. As you mentioned, the initiative is beginning to yield tangible results in terms of shifting savings toward investments and creating a virtuous cycle of economic growth and distribution.

It is crucial that the government continues to engage with the financial partners and advance the initiatives in order to embed these reforms firmly into the Japanese economy and build trust in the initiative both nationally and internationally. I am confident that this initiative to promote Japan as a leading asset management center, including corporate governance reforms, will be advanced further ahead.

Going forward, Japan Weeks 2024 will start on September 30th. As of today, 42 events are planned this year during the weeks, far exceeding 25 events last year where more than 10,000 financial sector stakeholders participated. One of these notable events will be the "Asset Management Forum," where I anticipate lively exchange of views with global asset management companies on how to improve asset management businesses in Japan. Through these efforts, we will further enhance the attractiveness of Japan's financial markets.

I extend my deepest gratitude for your cooperation for the initiatives to promote Japan as a leading asset management center. I look forward to seeing you in New York next month. Thank you so much.

Hideki Murai, Deputy Chief Cabinet Secretary

Thank you all once again. Now, I declare the meeting closed. I very much appreciate your cooperation today. Thank you.

END