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Press release

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Kishida's administration is tackling a long-standing challenge — converting trillions of dollars in cash and bank deposits held by Japanese households into productive investments that generate financial returns. Commencing in January, the government introduced substantial tax exemption program for retail investors. It will also work to deregulate the nation's asset management businesses, inviting both domestic and foreign participants into the industry.

The goal is to establish a virtuous cycle where household finances shift toward productive investment, leading to increased corporate value, higher household income, and subsequently driving further investment and consumption. Kishida emphasized these objectives during his address to the Diet on January 30. He outlined plans for substantive corporate governance reforms and enhancements to the operational capacity of the asset management industry to strengthen Japan's investment chain.

Experiencing economic renaissance

The total financial assets of individuals in Japan hit a record 2,121 trillion yen in September, up 5.0 percent from a year ago, according to the Bank of Japan. Cash and deposits increased 1.2 percent year-on-year to 1,113 trillion yen, accounting for 52.5 percent of all financial assets.

This huge amount of cash and bank deposits is due to the tendency of Japanese household to rely on cash, tendency increased by near-zero and sometimes, negative interest and inflation rates in Japan for more than three decades.

But the trend appears to be reversing: Japan's average core consumer prices rose 3.1 percent in 2023 from the previous year, marking the fastest increase in 41 years, according to the Ministry of Internal Affairs and Communications.

“We aim to bring about a virtuous cycle in which household finances are reoriented towards investment and the increase in corporate value leads to greater household income, giving rise to further investment and consumption,” Kishida told the Diet on January 30.

“In addition to making substantive corporate governance reforms, we will work to improve the operational capacity of the asset management industry and asset owners, and strengthen Japan’s investment chain,” he said in his policy speech.

Signs of momentum toward investment in financial markets have already been seen in the country. Tokyo’s benchmark Nikkei 225 on February 22, 2024, broke through a record high set just before the country's asset bubble burst in 1989.

Making business landscape accessible for foreign firms

As part of Prime Minister Kishida's "New Form of Capitalism", the government has released its "Policy Plan for Promoting Japan as a Leading Asset Management Center" to achieve a "virtuous cycle of growth and distribution".

"We will push hard to encourage sophisticated asset management and to solicit new entrants," Kishida said in a speech at the Economic Club of New York in September 2023. "To start with, we will rectify Japan's unique business practices and resolve barriers to entry and will also introduce a program to assist new entrants."

One key measure to resolve barriers to entry and encourage domestic and foreign financial service providers to expand in the Japanese market, is the establishment of Special Zones for Financial and Asset Management Businesses, administrative procedures can be completed solely in English. The "special zone" system is already in use in various parts of Japan, allowing for

deregulation of certain industries like start-ups, agriculture, and medical care, as a means of stimulating economic growth.

The government also successfully hosted Japan Fintech Week 2024 in March, which was an inaugural event taking place in various locations around Japan, illuminating the dynamic Japanese fintech landscape for a global audience. The event, in conjunction with FIN/SUM 2024 organized by the government and Nikkei Inc., aimed to catalyze investment opportunities and foster continued growth in fintech innovation. Japan Fintech Week 2025 will take place from March 3rd to 7th next year.

Multi-trillion dollar opportunity

In an interview conducted by the Washington Post Creative Group for a sponsored content article for the Government of Japan, Global investment firm KKR co-CEOs Scott Nuttall and Joseph Bae, and OKINA Yuri, an expert in financial markets and growth strategy and a

chairperson at private think tank The Japan Research Institute, were optimistic about the future of Japan's economy.

"We believe the country is experiencing an economic renaissance of sorts," Nuttall said.

"Japan represents a multi-trillion-dollar opportunity," Bae said.

"Asset management companies that intimately understand the market, culture and mindset of investors are poised to play an important role as Japan becomes an increasingly prominent asset management destination on the global stage."

For Okina, it's an occasion for optimism: "I think the Japanese economy will see a trend of growth in the near future, according to this growth strategy," she said.

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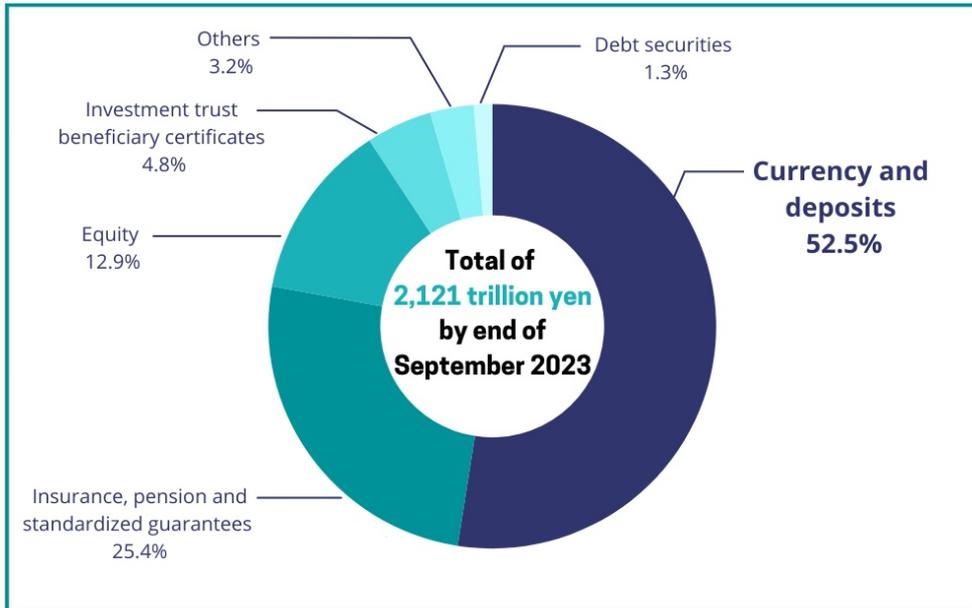
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Financial assets held by households (Data Source- Bank of Japan) .jpg