

Citigroup Japan Senior Leadership Forum 2024

Distinguished guests, I am KISHIDA Fumio, Prime Minister of Japan.

It is a great pleasure to deliver this message to “Citigroup Japan Senior Leadership Forum 2024” today.

The Japanese economy is showing positive signs across the board, with wage increases, capital investment, and stock prices at levels not seen for 30 years. We now have an opportunity to emerge from prolonged deflation amid a cost-cutting economy and into a vibrant growth economy.

To seize this opportunity, we will realise structural wage increases and promote strategic investment to bolster companies’ capacity to profit, which is a key driver of wage growth. On the financial side, we will work to propel a virtuous cycle in which cash and deposits, which account for more than half of Japan’s household financial assets of 2,100 trillion yen (14 trillion USD), are directed toward investment and the benefits of increased corporate value are returned to households, leading to further investment and consumption.

To this end, the new “NISA” was launched this January. The NISA, the Japanese version of ISA, Investment Savings Account, is a tax-exemption scheme for small investments. The tax-free ceiling has now been drastically expanded and made permanent. Over last year, the number of NISA accounts has increased by around 20%, with around 5.4 trillion yen (36 billion USD) of household financial assets invested through NISA accounts.

These changes in the composition of Japan’s financial assets have helped revitalize its financial markets. The market capitalization of stocks listed on the Tokyo Stock Exchange has actually surpassed that of the Shanghai Stock Exchange to become the largest in Asia. To ensure the success of this ongoing evolution, we need to advance our corporate governance reforms and enhance the appeal of Japanese companies. In January, the Tokyo Stock Exchange started to publish a list of companies taking steps toward corporate management that is conscious of market valuations such as PBR (Price to Book Value Ratio) and cost of capital.

Furthermore, starting April next year, it will become mandatory for companies listed on

the Prime Market of the Tokyo Stock Exchange to disclose financial results and other important information in English. The government endorses these initiatives and will continue to strengthen corporate governance reforms.

We will also continue to promote the entry of new and excellent business operators from both Japan and abroad into Japan's asset management industry. We will work with aspiring local governments to create Special Zones for Financial and Asset Management Businesses and focus on improving the business and living environment. To this end, we solicited highly motivated proposals from the governments of major cities aiming to become eligible areas and received proposals from Tokyo, Osaka, Fukuoka, and Sapporo.

Going forward, we will consider regulatory reforms, explore other support measures, and publish a detailed package of the special zones this June. In addition, public-private partnership efforts to promote the Japanese version of the Emerging Managers Program (EMP) will foster emerging asset managers. Recently, the government requested that financial institutions such as banks and insurance companies take full advantage of what emerging fund managers offer. New developments have gained traction in response, with several financial groups announcing plans to expand the supply of funds to emerging fund managers. Other initiatives include working to bolster the functionality of pension, insurance, and other asset owners.

By this summer, we aim to develop a set of "Asset Owner Principles," which will define the roles expected of asset owners to ensure that they provide their beneficiaries—namely, the people of Japan—with proper investment results. In order to pursue these reforms through dialogue with investors around the world, we will hold a second round of "Japan Weeks" this autumn and convene the first meeting of the Asset Management Forum as part of the event.

We look forward to seeing all of you again this autumn in Tokyo.

Last but not least, I would like to express our determination to mobilise all our policies, including the reforms I have described, to show how Japan is moving into a new economic stage.

Thank you for your attention.