CLOSE UP: Finance

Redirecting Households From Asset Building Toward Strategic Growth Investment: Japan's New Growth Finance Strategy

Key Takeaways

- Japan is shifting from "savings to investment" toward investment driven growth, creating a broader capital cycle to support strategic industries and growth companies.
- Financial institutions and companies will play a greater role in funding long term growth, with reforms aimed at strengthening financial markets, corporate governance and public private investment.
- The second half of FY2026 will be a key window for corporate government relations engagement, as the government develops detailed policies and new investment frameworks.

The government of Japan is seeking to strengthen financial markets and institutions so they can play a greater role in supporting long term investment and corporate growth.

Overview

On 21 July, the Japanese government (Cabinet Secretariat: Secretariat of the Headquarters for Japan's Growth Strategy) announced a "Financial Services Strategy to Promote Growth Investment – Upgrading 'Promoting Japan as a Leading Asset Management Center'". This was unveiled alongside Japan's Growth Strategy[2] and a roadmap[3] outlining the major products and technologies for public-private investment in 17 strategic fields. The new Financial Services Strategy positions financial and capital market policies as a key foundation supporting Japan's Growth Strategy. Key points relating to the revamped policy can be summarized as follows.

Aims to go beyond the current policy framework of "shifting from savings to investment"

A key point of the Financial Services Strategy is to build on the current policy of promoting stable asset building for households, by widening its scope to establish a virtuous cycle of capital that funnels private funds, via financial institutions, markets and asset owners, into corporate growth investments and the 17 strategic fields.

Financial institutions and asset owners are anticipated to play key role in supporting growth investment

Banks, asset management firms, pension funds, insurance companies, venture capitalists and regional financial institutions are expected to play a more prominent role than heretofore in providing productive long-term funding.

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Policy transition provides new opportunities for corporate GR and public affairs engagement

Rather than a dedicated Financial Services Agency (FSA) initiative, this is a cross-sector policy led by the Prime Minister's Office and involving multiple government agencies. As we move into the latter half of FY2026, a window of opportunity will open for stakeholders to engage with various aspects of policy formulation, including system design, budget compilation and public-private partnerships.

What Happened

The existing Japanese government policy of shifting household assets from savings to investment has mainly focused on supporting financial asset building by households. Prime examples are initiatives to expand and firmly establish the NISA system, promote customer-oriented business operations and increase the sophistication of asset management services. Over half of Japanese household assets are held in cash and bank deposits and the conundrum of how to channel these assets towards investment has been a long-running policy concern.

The newly announced Financial Services Strategy aims to dramatically expand this existing policy objective. The scope of the policy has been widened from the original goal of household asset formation to encompass building a virtuous cycle of capital that will lead to long-term investment of household, pension and financial institution funds in strategic industries and growth companies.

In a speech given on 2 June, FSA Commissioner Hideki Ito explained that Japan was currently transitioning from an economic model rooted in deflation and cost-cutting towards a focus on the growth economy, and stated that the key to financial robustness was promoting investment in the 17 strategic fields. In an earlier speech on 21 May, Minister of State for Financial Services Satsuki Katayama stressed that financial services would be a key sector forming the foundation for Japan's Growth Strategy and that Japan would be able to form a virtuous cycle of capital by expanding its existing initiative to promote the country as a leading asset management center.

The government has set two numerical objectives as the goal of the Financial Services Strategy: achieving domestic investment of 250 trillion yen by FY2040 and increasing the proportion of household assets occupied by shares, investment trusts and bonds from 23% at the end of March 2025 to 40% by FY2040.

The policy direction outlined by Katayama and Ito in their respective speeches can be summed up by the four main points outlined below.

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1. Strengthening function of financial institutions and markets
One key plank of the policy is strengthening financial capacity to support growth investment in the 17 strategic fields outlined in Japan's Growth Strategy, as well as ballooning M&A deals, business restructuring and new projects.

The government is anticipating that banks and other financial institutions will not confine themselves to the provision of funds, but will play a central role in supporting corporate growth through cooperation with other specialist players in the sector. To fuel this transition, they intend to conduct regulatory revisions to facilitate loans and investments in large-scale projects, as well as promoting revitalization of the corporate bond market and the secondary loan market; healthy development of public-private cooperation in private equity (PE) and venture capital (VE); and strengthening regional financial capability.

The authorities also intend to enhance public-private cooperation, establishing a Public-Private Strategic Investment Partnership Forum (tentative name) for public and private stakeholders to discuss investment and financing for the 17 strategic fields, as well as drafting and streamlining guidelines for investment and financing in these sectors by the Development Bank of Japan (DBJ) and the Japan Investment Corporation (JIC) and investigating promotion of joint investment by banks or similar and government-affiliated financial institutions. This will include clarifying special exemptions to regulations on large exposure limits for mega M&A financing, and reviewing regulations on investment by banking subsidiaries.

2. Governance reforms encouraging corporate growth investment
A second key element is implementing governance reforms that will encourage companies to undertake growth investment leading to mid- to long-term improvement in corporate value, rather than focusing purely on short-term goals such as capital efficiency and shareholder returns.

On 21 July, the FSA announced the revised 2026 edition of the Corporate Governance Code. Under the revised guidelines, companies are required to clarify in more detail how they will allocate management resources to growth investments and business portfolio reviews, based on their individual corporate growth path. Katayama explained that the purpose of these revisions was to focus business efforts on developing core initiatives aimed at improving mid- and long-term value and to encourage growth investment.

In a further development, on that same day, the Ministry of Economy, Trade and Industry (METI) announced the Growth Investment Guidance. This Guidance is based on the philosophy set forth in the Corporate Governance Code and sets out a common framework for companies to develop and implement growth investments that will lead to sustainable growth and mid- to long-term improvement in corporate value. In particular, the document outlines the official approach to fostering dialogue between companies and investors regarding the balance between growth investment and shareholder returns, reviewing business portfolios and investment time horizons and evaluation criteria.

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3. Creating an environment where Japanese citizens obtain maximum benefits from economic growth
A third aspect is strengthening asset management functions to ensure that the fruits of corporate and economic growth are passed on to pension contributors and households.

The Japanese government is urging public asset owners, such as the Government Pension Investment Fund (GPIF), corporate pension funds and universities, to improve management capabilities while implementing appropriate risk management. The intention is to strengthen the capability of entities managing long-term capital via initiatives such as encouraging adoption of Japan's Asset Owner Principles (voluntary guidelines introduced in August 2024) and reviews of their operational status; encouraging more sophisticated asset management companies, and improving the corporate pension system.

The new strategy aims to create a virtuous cycle of capital, channeling household and institutional funds toward growth companies, strategic projects and productive investment..

As for policies targeting individual households, the authorities will continue to promote the spread and establishment in Japan of the Nippon Individual Savings Account (NISA), improve the defined contribution (DC) and individual defined contribution (iDeCo) pension systems and promote financial and economic education. However, it is important to note that household asset formation is not the ultimate policy objective of the new Financial Services Strategy, and is rather positioned as one aspect of a broader capital cycle that includes corporate growth investment and the return of benefits.

4. Investment in financial system infrastructure
A fourth key point is investment in financial infrastructure that supports the digitalization of economic activity.

In addition to pushing forward with creation of an environment to promote the implementation and normalization of accounting methods using blockchains, such as stablecoins and tokenized deposits, the Japanese government intends to strengthen cyber resilience in the financial sector, including responses to increasingly sophisticated cyber attacks stemming from developments in AI. Commissioner Ito has clearly positioned on-chain finance and cyber security as the fourth crucial element making up the new Financial Services Strategy.

Note that the final version of the Financial Services Strategy includes, in addition to the aforementioned policy areas, a fifth item, which is entitled "Strengthening external dissemination of information and communication" but this is not directly relevant and therefore not discussed in detail in this Report.

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Why It Matters

The significance of the new Financial Services Strategy is that it signals government willingness to tackle more structural issues, such as how best to link the nation's abundant financial assets to productive growth investment, rather than simply aiming to increase the amount of household investment.

In many of the industries designated as strategic fields in Japan's Growth Strategy, such as AI and semi-conductors, biotechnology, advanced healthcare, energy, cyber security and defense, massive long-term capital investment is required across the developmental process, from R&D to commercialization. Mega M&A deals, business restructuring and infrastructure development are also creating demand for funding of a size and type that cannot easily be provided by conventional bank loans alone.

Consequently, the government intends to create deep financial markets supported by growth investment, which do not rely on bank loans, but instead are underpinned by a combination of multiple capital suppliers and financing methods, including bond markets, PE and VC, asset owners, asset management companies and government affiliated financial institutions.

Although Japan possesses abundant financial assets, this is insufficient in itself to expand the scope of financing injected into growth investment. Therefore, the success of the policy will be determined not by whether the government succeeds in shifting funds from savings to investment, but by whether they are able to create financial products, markets and intermediary functions that channel funding into growth investment and strategic projects while providing appropriate returns to investors.

Therefore, the new Financial Services Strategy aims to change the behavior not simply of capital suppliers, but of the companies who are the recipients of such capital. The 2026 edition of the Corporate Governance Code and the Growth Investment Guidance require companies to demonstrate more clearly how they will distribute management resources to such areas as capital investment, R&D, human resource investment and M&A in order to achieve improvement in mid- to long-term corporate value.

Moreover, as Japan transitions to a positive interest rate environment, investors are receiving mounting gains from stable assets such as savings deposits and government bonds. If the government is to encourage investors to hold illiquid and high-risk assets, it must ensure that they will be rewarded with commensurate returns. However, while such an initiative will improve market self-reliance, it could also potentially raise the hurdles faced by startups and those with projects requiring long-term investment when seeking funding.

Therefore, as already mentioned, the effectiveness of the Financial Services Strategy will not be determined simply by accelerating the speed of Japan's transition from savings to investment. The central policy issue is whether the government can improve the functions of financial institutions, markets, asset owners, and companies and realize a virtuous cycle of capital that leads to the flow of Japan's accumulated funds toward sustained growth investment.

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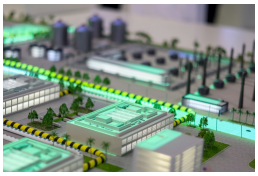
Implications for Government Relations

The new Financial Services Strategy is expected to have three practical implications for corporate government relations and public affairs activities.

The scope of government relations engagement will widen from a focus on the FSA to encompass multiple government agencies, including the Prime Minister's Office.

The Financial Services Strategy is a cross-sector policy initiative under the oversight of the Prime Minister's Office. The Cabinet Secretariat, specifically the secretariat of the Headquarters for Japan's Growth Strategy, is responsible for overall management of the policy, but multiple public stakeholders are also involved, including government ministries with jurisdiction over the 17 strategic fields, the FSA and the Tokyo Stock Exchange, which oversee regulation of the Corporate Governance Code, the DBJ and JIC, which provide risk capital, and the Ministry of Finance, which controls budgeting and tax regulations. Therefore, GR Japan believes it is crucial for our clients to consistently deliver a cohesive message targeted at the growth strategy level via multiple official contact points.

Greater access to long term capital will support investment across the 17 strategic fields, including AI, semiconductors, healthcare, energy and cybersecurity.



Multiple clear windows for engagement with policy formation will arise.

The Financial Services Strategy states that, for measures needing further elucidation, conclusions will be reached by around the end of FY2026, followed by speedy implementation. Therefore, we believe the second half of FY2026 is likely to represent a key phase of policy formulation and engagement for companies. In addition, the FY2027 budget and tax system revisions, responses to the revised 2026 edition of the Corporate Governance Code (the deadline for updating the Corporate Governance Report to reflect the revised content of the Code is the end of July 2027), and the establishment of the Public-Private Strategic Investment Partnership Forum as a venue for discussions between relevant government agencies and public/private financial institutions could all provide specific engagement opportunities for corporate clients. In particular, we would like to highlight the significance of the Forum as a formal avenue for the private sector to raise practical issues and concerns relating to injections of investment and financing in the 17 strategic fields and the future shape of public-private cooperation.

It is important to frame policy requests as a means of realizing government growth investment objectives.

The Financial Services Strategy is, at its heart, a proactive policy aimed at encouraging investment by financial institutions and companies.

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Therefore, when companies advocate for regulatory reforms and new systems, policy messaging would be more effective if it focused on how such changes can contribute to the government's objectives of ¥250 trillion in domestic investment and the mobilization of private capital into the 17 strategic fields, rather than emphasizing how measures would contribute to reducing a particular company's burden or to increasing business convenience.

For example, a financial institution might point out specific practical issues, such as institutional constraints hindering mega M&A and investments or financing in strategic fields; the development of an environment necessary for the growth the corporate bond and secondary loan markets; and risk-sharing in joint public-private investments.

The impact of the Financial Services Strategy is not be limited to the financial services sector; it may also impact non-finance companies engaged in the 17 strategic fields. For such companies, there is room to consider engaging in dialogue with the relevant ministries, financial authorities and government-affiliated financial institutions to discuss how the necessary funding for R&D, capital investment, new business ventures, large-scale projects and the like can be linked to private-sector financing and government support.

Initiating public-private dialogue during the second half of FY2026 and into FY2027, when the Financial Services Strategy is taking concrete form, will be a crucial factor in shaping how it is executed in practice.

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