

# Japan's Asset Management Business

## 2025<sup>26</sup>

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# Foreword

The asset management industry in Japan is at a historic inflection point. Two flagship government initiatives, aimed at doubling households' asset-based income and transforming Japan into a leading asset management center, are driving tangible shifts in household money flows via (1) the expansion and permanent extension of the Nippon Individual Savings Account (NISA) program and (2) changes to the Individual-type Defined Contribution (iDeCo) pension plan. There has also been a steady rise in adoption of the Asset Owner Principles, which are actively reshaping the behavior of pension funds and other asset owners managing long-term capital. Adding to these developments is the ongoing inflationary cycle—the first in three decades—which serves as a powerful undercurrent that is spurring demand for asset management solutions.

Despite these tailwinds for the industry, the outlook among senior executives remains far from optimistic. This apparent paradox likely stems from uncertainty over how best to navigate the evolving business landscape coupled with a lack of conviction in their own firms' capabilities.

To mark the publication of the 20th edition of *Japan's Asset Management Business*, we have completely revamped the report format. The first half, titled "Recommendations," features in-depth analyses by researchers addressing the questions of what lies ahead and what should be done about it; the second half, "Annual snapshot," provides a chronicle of recent developments.

The "Recommendations" section covers five topics chosen because of their implications for the Japanese asset management business five years from now:

- The potential for Defined Contribution (DC) pension system reforms to create a massive market, and the products and services required by this market (Hisashi Kaneko)
- How asset managers should confront—or align with—the need for increasing investment sophistication driven by asset owner reforms in Japan (Atsuo Urakabe)
- Receptivity to private assets in the DC market and associated business opportunities (Kazushi Kunimi)
- Implications of the European Savings and Investments Union (SIU) initiative and asset manager reorganization (Tetsuharu Minowa)
- Cryptocurrency ETFs today and discussions aimed at bringing them to Japan (Yutaka Fukui)

In the "Annual snapshot" section, we provide a concise, chart-driven summary of asset managers' revenue trends and fund flows. While the data inherently reflect historical performance, they may offer early signals of structural changes.

It is our hope that *Japan's Asset Management Business 2025/2026* proves helpful to readers in their professional endeavors.

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# How will DC pension reforms alter the asset management business?

Japan's defined contribution (DC) pension system is poised to grow to ¥60trn over the next decade in the wake of recent reforms. With substantially greater headroom for individual contributions and competition heating up among plan administrators, asset managers will need to overhaul their product strategies to support the full asset lifecycle—from wealth formation through drawdowns—while restructuring B2B solutions that enhance plan administrators' ability to propose solutions with specialized expertise.

## 1 Role of DC pensions is steadily growing

The defined contribution (DC) pension system was introduced in Japan 24 years ago, in October 2001. While it has not experienced explosive growth in the number of active participants or asset size, it has expanded steadily and progressively extended its presence in both the corporate and individual (private) pension frameworks. Assets under management grew from a mere ¥1.2trn in March 2005 to more than ¥30trn by March 2025. Even more striking has been the trajectory of participant enrollment: corporate DC plans, with 8.62mn participants as of March 2025, are now approaching parity with defined benefit (DB) plans, which have 8.99mn participants. Individual-type DC plans (iDeCo, with 3.63mn participants) have also experienced rapid growth in recent years.

Against this backdrop, the pension system reforms enacted by the government in June 2025 aim to further accelerate the growth in DC plans. These reforms are more than a fine-tuning of the current system—they represent a fundamental reconfiguration of the private pension framework, centered on workplace pension programs, with the potential to drive a structural transformation of DC-related businesses. This section will discuss the specifics of the newly enacted DC pension reforms and examine

their implications for the asset management industry.

## 2 Key points of DC pension reforms

The changes to DC pensions incorporated in the recent pension reform legislation and the FY2025 tax reform blueprint are designed to address the diversification of workstyles and the challenges of an aging society, while strongly encouraging voluntary wealth creation in Japan. The reforms rest on three pillars: (1) expanding contribution limits, (2) raising the maximum age for iDeCo enrollment, and (3) enhancing the transparency of investments (Exhibit 1).

### Contribution limit overhaul stimulates fund inflows

First, fundamental changes have been made to contribution limits to eliminate disparities arising from employment status and to ensure equitable contribution opportunities across the private pension ecosystem. For Category 2 insured persons (salaried employees and public servants), a unified monthly limit of ¥62,000 will apply collectively to corporate DC and iDeCo pension contributions (compared with current limits of ¥55,000 for corporate DC and ¥20,000 or ¥23,000 for iDeCo). Within this unified ceiling, the actual iDeCo contribution cap will be

Exhibit 1. Key reforms to DC pension system

Item		Specific changes
Higher contribution limit	iDeCo	- Contributions by Category 1 insured persons, including contributions to National Pension Fund, will be capped at ¥75,000/month <sup>1)</sup> - iDeCo-specific contribution limits for Category 2 insured persons will be scrapped, with new combined limit of ¥62,000/month for iDeCo and corporate pension plans <sup>1)</sup>
	Corporate DC	- Contributions (including DB plans) will be capped at ¥62,000/month <sup>1)</sup> - Rule capping employee contributions at level of employer contributions will be scrapped <sup>2)</sup>
Higher maximum age for iDeCo participation		- Maximum age for continued DC plan participation will be raised to under 70 <sup>1)</sup>
More transparent corporate pension fund management		- For DC plans, information contained in employer reports (including newly added items) will be made publicly available, and an online submission system will be introduced

Notes 1: Contribution limits for iDeCo and corporate DC pension plans are scheduled to be raised starting with contributions in January 2027, along with an increase in the maximum eligible age for iDeCo enrollment.

Notes 2: Rule capping employee contributions at employer contribution levels will be scrapped in April 2026.

Source: NRI, based on a report by the Pension Subcommittee of the Social Security Council on official announcements regarding the Pension System Reform Act.

the residual after deducting DB corporate pension contributions and employer contributions to corporate DC plans. Additionally, the restriction under the corporate DC contribution mechanism that prohibits employee contributions from exceeding employer contributions will be removed, affording participants greater flexibility in determining contribution levels. At the same time, the combined limit for Category 1 insured persons (self-employed individuals, etc.) under iDeCo and the National Pension Fund will be raised to ¥75,000 per month from the current ¥68,000. This adjustment allows DC plans to tap into personal savings (contribution capacity) that was previously out of reach.

### Raising maximum iDeCo age to under 70 will enhance lifetime value of customers

Next, the maximum eligible age for enrolling in iDeCo will be raised to under 70 from under 65 at present, reflecting the social reality of extended workforce participation by senior citizens. This provision applies to individuals who (1) are not yet receiving the basic old-age pension or iDeCo benefits and (2) are either former iDeCo participants or are transferring assets from corporate DC plans into iDeCo. The contribution limit for these participants will be set at ¥62,000 per month. For financial institutions, this reform enables the formation of sustained client relationships beyond retirement, creating new business opportunities for addressing wealth formation and drawdown

needs later in life. This will not only extend the duration of iDeCo account management but will also position iDeCo as a gateway for delivering a more comprehensive range of financial services—encompassing post-retirement lifestyle planning and wealth succession. It will thus serve as a strategic foundation for deepening and extending relationships with individual clients and maximize the lifetime value (LTV) of each customer.

### Greater investment transparency will accelerate competition among service providers

The push for greater transparency—i.e., enhanced visibility in the investment process—is another critical pillar of reform. This initiative seeks to strengthen governance in system administration while empowering plan participants to make informed decisions. Mandating public disclosure of corporate DC plan performance metrics on an employer-by-employer and plan-by-plan basis will enable cross-company benchmarking and incentivize plan sponsors to raise their standards. Plan administrators will also be required to update their websites to facilitate side-by-side comparisons of key product metrics such as trust fees and historical performance, thus enabling a more sensible product selection process. As a result of these changes, the quality of product lineups and information disclosure will become increasingly important differentiating factors

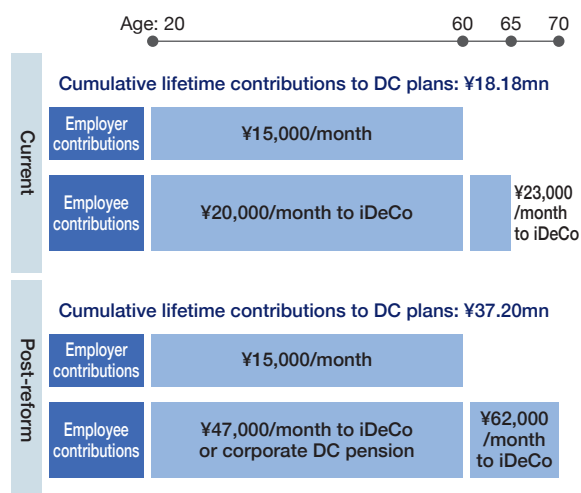
for plan administrators, fueling greater competition in service quality.

### 3 DC pension market seen growing to ¥60trn in 10 years

The following section considers three upcoming changes to the DC pension market from the perspective of their strategic importance to related businesses. The first is the increase in participants' cumulative lifetime contributions.

DC contribution limits are currently capped at modest

**Exhibit 2. Cumulative lifetime contributions to DC plans will rise sharply**

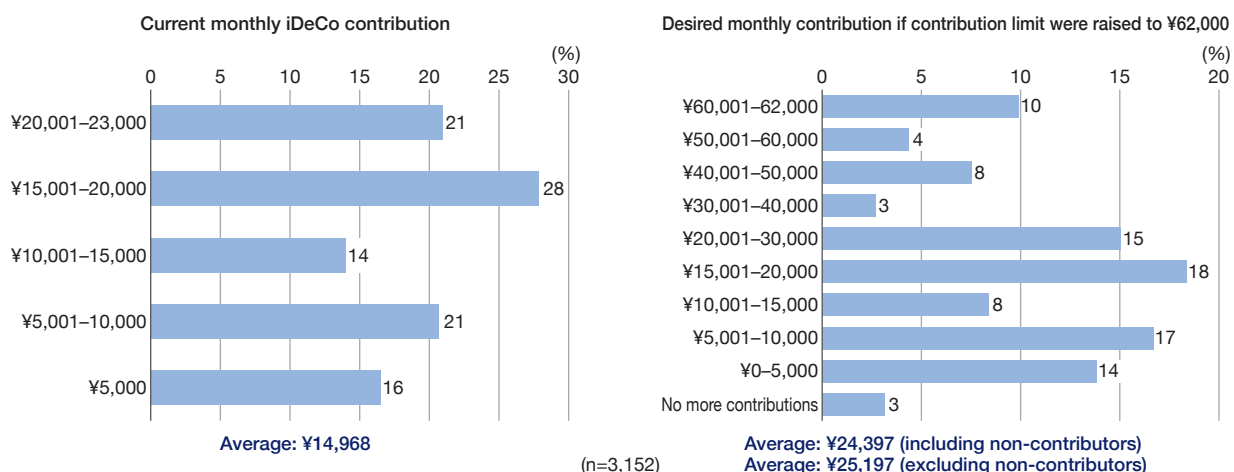


Note: Assumes a salaried employee working at a company offering only a corporate DC pension (no DB plan) who is rehired by the firm after retiring at age 60 and who makes monthly contributions of ¥15,000 (current national average).  
Source: NRI

levels regardless of the participant's wishes. Consider a salaried employee who at age 20 joins a company offering only a corporate DC pension plan with typical employer contributions (¥15,000/month) and who is rehired by the firm after retiring at age 60. Under the current regime, their cumulative lifetime contribution would be capped at ¥18.18mn (Exhibit 2). The reforms will significantly increase the limit on voluntary contributions. Up to age 60, participants will be able to contribute up to ¥47,000 per month via iDeCo or employee contributions to corporate DC plans (in this example, assuming employer contributions of ¥15,000, the individual would be allowed to contribute the difference up to the new unified limit of ¥62,000, or ¥47,000). During the ten years from age 60 to 70, contributions of up to ¥62,000 per month will be allowed, resulting in cumulative lifetime contributions of ¥37.20mn (including employer contributions)—more than double the current maximum.

In practice, few salaried employees possess the financial resources to make the sorts of contributions assumed in Exhibit 2. Even so, the average monthly contribution for iDeCo participants is projected to rise from ¥15,000 to approximately ¥25,000 after the reforms—an increase of ¥10,000 per month (Exhibit 3). Consequently, overall annual inflows to the DC pension system are expected to grow to ¥2.4trn from ¥2.0trn, representing a 20% increase. Even after

**Exhibit 3. Impact of change in iDeCo contribution limit**



Note: Sample consisted of full-time employees aged 25–64 and enrolled in iDeCo.  
Source: NRI, "Corporate DC Questionnaire, March 2025," conducted online in March 2025

accounting for benefit outflows, net annual inflows are projected to rise to ¥1.7trn, up from ¥1.3trn at present. Assuming the historical average investment return since the inception of the DC pension system (2.7% annualized<sup>1)</sup>) continues, this implies that total assets under management will approach ¥60trn by 2035, nearly double the current level. For the asset management industry, this represents the emergence of a massive pool of capital.

## 4 || Investor education seen driving growth in investment trust AUM

The DC pension system reforms may have a structural impact on the revenues of plan administrators, which play a critical role in the management of corporate DC pension plans. Currently, plan management fees charged to corporate clients are the mainstay of administrator revenues. When administrators also provide the products, they earn a portion of the trust fees from investment trusts, with revenue scaling in proportion to AUM at the funds provided.

Historically, administrators seeking to increase holdings of investment trusts in clients' DC pension plans have focused on encouraging participants to put their money in investment trusts. While it was possible to urge participants to boost their contributions, the employee contribution cap (which meant employees could contribute no more than their employers) necessarily limited the impact of such initiatives. The new reforms remove this constraint and significantly raise the amounts that participants are able to contribute. As such, administrators can now actively guide participants toward appropriate contribution levels. This transforms investor education—which in the past had only a limited direct linkage to revenues—into a key driver of growth in investment trust holdings.

In the US 401(k) system—which was the model for Japan's DC pension system—participant contributions have always been the primary mechanism. Plan

administrators have historically used investor education to encourage appropriate contribution levels, promote higher contribution rates, and foster long-term investment discipline, with these efforts widely credited for driving AUM growth and stability. In Japan as well, the provision of high-quality services—including educational content and simulation tools—to elevate participants' appetite for contributions and enhance their financial literacy is likely to lead directly to the growth of plan administrators.

## 5 || Race among plan administrators to offer preferred DC plans

The Act on Provision of Financial Services and Development of an Environment for Their Utilization, which took effect in November 2024, explicitly imposes on corporate pension administrators the same duty of good faith and fairness toward plan participants as that owed by financial firms to their clients. The fiduciary duty of maximizing participant benefit will require heightened scrutiny of pension plan quality. Consequently, plan administrators and sponsors alike will be compelled to replace existing products with alternatives that are in the best interest of participants.

Beyond regulatory mandates to enhance plan governance, greater competition with iDeCo administrators creates a need for corporate DC pension plan administrators to make their plans more attractive. Under the current DC pension framework, Category 2 insured persons (salaried employees) wishing to make personal contributions must choose either iDeCo or employee contributions within their corporate DC plan—but not both. Historically, these two options had different caps. Employee contributions to corporate DC pension plans could not exceed the employer's contribution, while contributions to iDeCo were capped at ¥20,000/month when an employer-sponsored pension plan was available. This forced participants to weigh employer contribution size and their own contribution

goals to determine the more advantageous route. From the administrator's perspective, contribution capacity was dictated by employer contributions—a factor beyond their control—which dampened the incentive to compete for fund inflows on the quality of service between corporate DC and iDeCo administrators. The new reforms eliminate both caps and equalize maximum contribution levels across all platforms. This levels the playing field and is likely to spark intense competition between (1) large financial institutions focused on the administration of corporate DC pension plans and (2) online brokerages with proven iDeCo expertise.

This will provide a major incentive for corporate DC plan administrators to proactively engage with plan sponsors to improve their DC pension plans.

## 6 || Three strategic perspectives needed at AMCs

As noted above, the current DC pension reforms represent a structural shift with profound implications for the asset management industry. The projected increase in annual inflows to ¥2.4trn has the potential to create a massive ¥60trn market within a decade. To capitalize on this opportunity, asset management companies (AMCs) will need to adopt three strategic perspectives in their operations.

The first is an overhaul of their product strategy. In response to growing contributions and an aging participant base, firms must develop products and services that seamlessly span the full lifecycle from long-term asset accumulation to asset utilization (drawdowns). A core theme will be preserving the real value of assets against inflation risk as lifespan increases. Demand will grow for risk-controlled funds incorporating inflation-hedging assets and solution-oriented products supporting systematic drawdowns.

The second perspective is a deepening of engagement strategies. In an era where investor

education directly drives AUM growth, it is increasingly important that asset managers leverage their specialized expertise to become strategic partners for plan administrators by providing and curating investment information and educational content, thereby stimulating participant contributions and investments. While this may not always result in the selection of a firm's own funds, it is critical to building long-term trust with administrators and plan participants. Among the tools effective in this regard are contribution optimization simulators linked to life plans and video content focused on post-retirement asset utilization.

A third perspective involves developing better B2B solutions. As competition among pension plans intensifies, the ability to empower plan administrators with data-driven insights and specialized information—thus enabling them to provide plan sponsors with value-enhancing proposals, including optimized product lineups and enhanced governance—will determine preferred partner status. Key offerings may include (1) collaborative behavioral analysis with administrators to recommend optimal fund menus to plan sponsors and (2) benchmarking reports comparing plans with those of peers.

There is no longer any doubt that the DC pension system reforms will have a considerable impact on the asset management business. The critical challenge is how to respond to—and capitalize on—this transformation. Individual firms' strategic preparations and execution will ultimately determine their ability to remain competitive in the DC pension business going forward.

1) We estimated the system-wide investment return (CAGR) over 20 years using AUM in the DC pension system (principal-protected products and investment trusts), yields on leading principal-protected products, and investment returns on DC investment only (DCIO) investment trusts.



## CHAPTER 2

# Investment services for increasingly sophisticated asset owners

More organizations are choosing to adopt the Asset Owner Principles, and initiatives are under way to achieve the policy goal of “enhancing investment capabilities.” Asset managers need to review the services they provide and ask how they can help asset owners make investment decisions and fulfill their mandate for accountability (or replace those functions entirely).

### Understanding the Asset Owner Principles

A current catalyst for asset owner reform is the Asset Owner Principles.

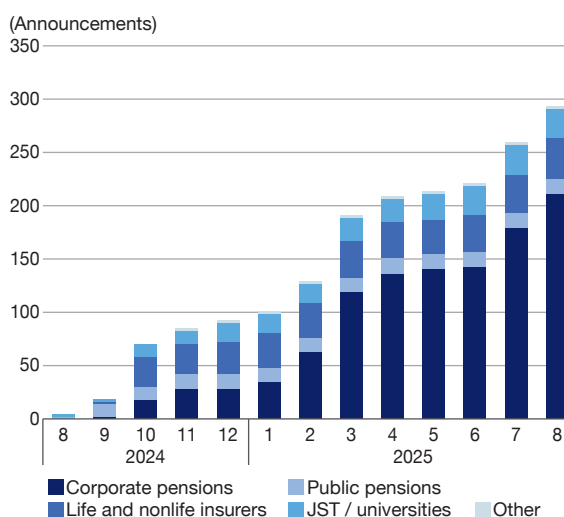
The “Plan for Promoting Japan as a Leading Asset Management Center,” formulated in December 2023, states that “Whereas the issues differ from one asset owner to another, asset owners have common roles to play from the standpoints of fulfilling their responsibilities to achieve their respective investment objectives and targets and bring about appropriate investment results for beneficiaries.” In response, the Cabinet Secretariat formulated the Asset Owner Principles (AOP) in August 2024.

The Asset Owner Principles are a globally unique set of principles for asset owners that are not constrained by the legal status of the organization, the legislation under which it was founded, or the relevant supervisory agency. They are also highly inclusive, designed to be equally acceptable to asset owners that already possess a certain degree of sophistication and to those that do not. Consisting of five principles and fifteen supplementary principles, they require the recognition and fulfillment of fiduciary duty, the setting of investment targets, the establishment of governance and expertise, the

selection of managers free from conflicts of interest, and the practice of risk management. Asset owners must also provide accountability to beneficiaries and fulfill stewardship responsibilities.

Since the Principles are not legally binding, attention has focused from the outset on how high their adoption rate will be among asset owners. Exhibit 4 shows the number of declarations to date. Public pensions (including mutual aid associations), leading life insurers, and Japan University Fund (the Japan Science and Technology Agency, or JST) announced their adoption during 2024, and 2025 has brought a growing number of declarations from corporate

Exhibit 4. Adoption of Asset Owner Principles



Source: NRI, based on data from Cabinet Secretariat



pension funds.

However, not all asset owners view the Principles in a positive light. Asset owners can be divided into the following three groups:

(A) Those who agree with the ideal image of asset owners articulated in the Principles;

(B) Those who view the Principles as a form of necessary regulatory compliance and passively adopt them; and

(C) Those who do not adopt the Principles due to reasons such as a lack of interest or a perceived lack of necessity.

Those in Group A will likely pursue the necessary reforms on their own for the time being, but from the authorities' perspective it is Groups B and C that are truly in need of reform. If efforts to "enhance investment capabilities" are seen to be lagging behind in practice, a more concrete, rules-based "AOP 2.0" might be formulated for Group B, which has already adopted the Principles. For Group C, which has yet to adopt them, alternative approaches could be taken. These might include providing incentives to join Group B or amending the legislation under which they were founded or the relevant ministerial ordinances to demand bigger changes to actual practices.

For example, the Cabinet Secretariat's "Grand Design and Action Plan for a New Form of Capitalism, 2025 Revised Edition," approved by the Cabinet on June 13, stated with respect to both public universities and private educational corporations that "the acceptance of the Asset Owner Principles will be included in the requirements for the approval of international universities of excellence." In other words, unless an institution joins Group B and declares its adoption of the Principles, it cannot be recognized as an Internationally Outstanding Research University and will not be eligible for JST grants.

At present, the authorities are almost certainly hoping that asset owners will join Group A, examining their own organizations and implementing voluntary reforms. However, it is also conceivable that changes will be made compulsory. The authorities appear to be advancing asset owner reforms from both directions as a macro-level policy aimed at creating a functioning investment chain at the national level.

Of the asset owners targeted by the Principles, the section below will examine the current situation at corporate pensions (defined benefit or DB pensions) and public pensions and consider the implications for the asset management business.

### DB pensions: AOPs provide opportunity for sponsors to reassess value of DB plans

The concept of fiduciary duty itself was originally discussed, refined, and put into practice in the context of DB corporate pensions. Since liberalizing the investment process for Employees' Pension Funds in the 1990s, Japan has continued to formulate laws and guidelines to strengthen governance at pension plans and resolve issues in their operation, along with other improvements to the environment. As long as pension funds comply with these rules, it would seem relatively easy for DB pension plans to adopt the Principles.

However, much of the "enhancement of investment capabilities" demanded by the Principles has thus far relied on the voluntary efforts of those in charge of investments, and this state of affairs is unlikely to change. These individuals typically obtain information from Pension Fund Association training and materials, communications with asset managers, participation in various seminars, and interactions with other DB plan administrators. DB executives striving to better fulfill their fiduciary duties have acquired understanding and expertise through their own information-gathering efforts and trial and error.

Particularly in recent years, the use of investment consultants has grown more common at small- and medium-sized DB pension plans. Exhibit 5 compares the use of investment consulting firms in 2016 (the first year for which comparable data are available) and 2023, broken down by asset size. While larger plans are still more likely to use such services, rates have risen by about 10ppt for DB pension plans in the ¥5–30bn range. Amid an increasingly uncertain investment environment and the greater availability of investment options such as alternative assets, even small- and medium-sized pension plans now seek external expertise to complement and enhance governance or to implement and monitor investment decisions based on expert recommendations.

In this context, what types of DB plans have adopted the Asset Owner Principles, and how much penetration have the Principles achieved? Among the asset owners that have adopted the Principles, a few are closed plans that no longer accept new participants, but the majority are DB plans that are still open, with the total number of plans in both groups exceeding 200. In contrast, it is estimated that there are around 600 DB plans in Japan with assets exceeding ¥10bn (and which are therefore required to have an asset management committee), including both fund-type and contract-type plans. Although not all DB plans that have adopted the Principles necessarily have assets of more than ¥10bn, it appears that approximately one-third of the major DB plans have adopted them. It is unclear whether

these entities fall into Group A or B, but the Principles do appear to have secured a certain level of support from larger plans. Whether this will spread to small- and medium-sized DB plans will hinge on whether the pension community can achieve a greater awareness of the problem and create an atmosphere conducive to resolving it.

The critical point is that, in most cases, adoption of the Asset Owner Principles is believed to be done with the consent of the plan sponsor<sup>2)</sup>. Sponsors' circumstances vary widely, but many bear responsibility for establishing an HR strategy—including attracting and retaining highly skilled personnel and enhancing employee engagement through improved financial wellness—with DB plans often serving as a central component of these efforts. Adoption of the Principles may have prompted sponsors to reexamine the role of their DB plans.

Particularly in single-employer and federated DB plans, there are reports that adoption of the Principles has made it easier to make various demands of sponsors. Sponsors that view their DB plans as being strategically important are expected to allocate appropriate human and financial resources to ensure robust plan operation.

There are also plans to enhance the transparency of individual DB plans—through greater disclosure—within the next five years<sup>3)</sup>. This will enable sponsors to benchmark their DB plans against those of peers, potentially spurring a broader move to review and refine plan design and management.

**Exhibit 5. Percentage of corporate DB plans contracting with investment consulting firms**

Asset size	2016	2023	Change
¥100bn or more	61.3%	66.3%	+5.0%
¥50–100bn	62.7%	60.6%	–2.1%
¥30–50bn	39.4%	43.2%	+3.8%
¥20–30bn	25.7%	39.0%	+13.3%
¥10–20bn	19.2%	28.7%	+9.5%
¥5–10bn	8.8%	18.1%	+9.3%
¥3–5bn	2.4%	5.6%	+3.2%
Less than ¥3bn	0.0%	5.7%	+5.7%

Source: NRI, based on Pension Fund Association data

### Public pensions: Three cooperative associations seeking more sophisticated investment processes

The Government Pension Investment Fund (GPIF) and the mutual aid pension associations all adopted the Asset Owner Principles by the end of 2024. In the series of discussions leading up to this—including

Exhibit 6. Recent GPIF initiatives to establish more sophisticated investment process

Area	Details of efforts
<b>Asset allocation</b>	- Initiated precise and agile rebalancing using domestic and international equity futures; established dedicated rebalancing unit and began monitoring at weekly or higher frequency
<b>Equities</b>	- Introduced Applied Academics' quantitative assessment methodology to enhance accuracy and reproducibility of manager selection, rating manager skill based on high-frequency investment behavior data - Introduced "Beta Balancer" to curb style risk in equity portfolios
<b>Bonds</b>	- Launched passive, in-house domestic bond investments tracking Nomura BPI index - For passive foreign bond strategies, subdivided manager benchmarks and initiated top-down allocation across currency, duration, and sector; shifted active mandates from comprehensive to credit-focused, thereby clarifying distinct roles for in-house and external managers
<b>Alternative assets</b>	- Added domestic private equity strategy - Began in-house investments using limited partnership structures (LPS)
<b>Management fee structure</b>	- Introduced performance-linked fee structure for active mandates (where failure to generate alpha results in same fees as passive managers)

Source: NRI, based on GPIF data

talks regarding the plan to transform Japan into a leading asset management center—these mutual aid associations were singled out as entities in need of more sophisticated investment management.

A variety of GPIF reforms have been implemented since the 2013 Expert Panel on Achieving More Sophisticated Management and Risk Control at Public and Quasi-Public Funds. Exhibit 6 summarizes select initiatives undertaken primarily during the GPIF's fourth medium-term plan, which commenced in FY2020.

In their efforts to develop more sophisticated operations, the three leading cooperative associations have often sought to learn from the GPIF. All three have now established Chief Investment Officer (CIO) positions—which they previously lacked—and appointed experienced personnel from inside the organization. They have also strengthened internal governance by separating risk management functions from investment operations to ensure more effective checks and balances.

Going forward, more staff, greater expertise, and corresponding budget increases will be essential. A considerable number of personnel have been seconded by external asset managers to serve in the investment divisions of the mutual aid associations. Over the long term, the associations are expected to step up the recruitment of expert talent from

outside the organization and to accumulate and institutionalize expertise within the organization so as to foster the development of personnel.

### Implications for asset management business

In recent years, DB pension plans have paid management fees of some ¥200bn annually to asset managers. Fees at public pension funds fluctuate due to performance-linked structures but generally fall in the range of ¥70–90bn. Even compared to the roughly ¥600bn in fees generated by public investment trusts, these numbers are significant.

As asset owners inevitably adopt more sophisticated investment practices, what changes will be demanded of asset managers? The standards for product performance and cost efficiency will naturally increase. Beyond that, service offerings will have to address asset owners' need for greater sophistication. Asset managers will need to rethink the value creation process from the perspective of how to help asset owners make investment decisions and fulfill their duty of accountability to stakeholders, or even how to replace those roles.

The first thing the Asset Owner Principles seek from DB plans—even before the five principles—is self-assessment<sup>4)</sup>. In other words, the asset owners themselves need to evaluate governance and the

adequacy of their expertise. If deficiencies are identified, they are expected to consider methods to address them (Principle 2).

The solution highlighted here is outsourced CIO (OCIO) services. This originally developed in the US as a multi-asset management service capable of fully replacing the CIO function for closed or frozen DB plans<sup>5)</sup>. But at Japanese DB plans that are still accepting new participants, many fiduciaries are likely to resist delegating authority that includes execution decisions like adjusting asset allocations or replacing managers. When making higher-level investment decisions—such as determining the policy asset mix—having multiple options presented for comparative evaluation may be both more conducive to knowledge transfer and more acceptable from the perspective of accountability to stakeholders.

A more acceptable approach for such defined benefit (DB) plans may involve allocating a portion of the assets under management to an OCIO for investment (referred to as a partial mandate, in contrast to a full mandate that delegates all assets) and using the performance of that segment as a benchmark for the remaining assets or referencing OCIO investment decisions when managing other portions. It would also be feasible to combine multiple partial OCIO mandates and have them compete against each other.

A clear demarcation is required between the various functions of a DB pension plan: in those areas where the plan itself intends to continue making improvements, asset managers should leverage their expertise as investment institutions to offer support; while for functions that would be inefficient or impossible for the DB plan to provide internally, asset managers should be given the authority needed to replace those roles. They must look for ways to provide customized solutions tailored to the specific needs of each client while at the same time ensuring profitability and scalability.

Asset owners facing pressure to become more sophisticated investors expect asset managers to serve as strategic partners who will support those efforts. Asset managers need to offer services precisely tailored to asset owners' need for a more sophisticated investment process.

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- 2) The sharp increase in announcements by corporate pension plans in February, March, July, and August is probably due to fund-type DB plans requiring motions to be approved at a meeting of delegates, half of whom are appointed by the sponsor. Agreement-type plans are also presumed to have gone through the necessary internal approval processes before adopting the Principles.
  - 3) This is based on the "Act to Partially Amend the National Pension Act to Strengthen Pension System Functions in Response to Socioeconomic Changes," promulgated on June 20, 2025, and set to take effect on "a day to be specified by Cabinet Order within five years of the date of promulgation." Discussions on specific disclosure items have begun at the Ministry of Health, Labour and Welfare's "Meetings on Investment Transparency for Corporate Pension Plan Participants."
  - 4) In paragraph 3, the Principles state that "all asset owners are expected to use the Principles to check their own preparedness for pursuing the interest of beneficiaries, and enhance understanding, dialogue, and collaboration by demonstrating the preparedness to their respective stakeholders or externally, which will lead to improvement in their investment capabilities."
  - 5) For this reason, the management of the entire asset portfolio is often outsourced, with delegated authority stretching from investment decisions to execution. Once outsourced, assets are generally not expected to revert back to in-house management by the asset owner. In Japan, demand for OCIO services arises more from the need to complement existing structures than to replace them.

## CHAPTER 3

# Outlook for private asset investment funds in DC market

In the UK and the US, both the public and the private sectors are stepping up their efforts to provide defined contribution (DC) pension plans with investment funds incorporating private assets. While such funds have certain advantages for pension participants, their high associated costs may delay their broader acceptance in Japan's DC market. AMCs will need to take a far-sighted approach and emphasize long-term value.

### 1 Why do DC plans invest in private assets?

In recent years, funds investing in private assets (referred to below as private asset investment funds—or investment trusts in the Japanese context; includes those incorporating a certain portion of private assets in their portfolios) have begun to be offered to retail investors worldwide, and particularly high-net-worth individuals. Against this backdrop, public- and private-sector initiatives in the UK and the US to provide private assets to DC pension plans have garnered significant attention. This section examines the outlook for the provision of private asset investment funds (investment trusts) to DC plans in Japan in view of discussions in the UK and the US.

### Global democratization of private assets

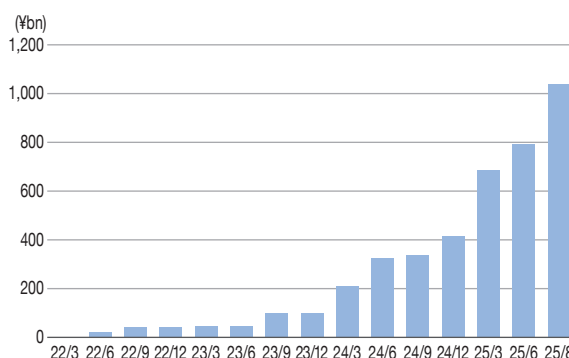
Private assets include private equity or PE (essentially unlisted stocks), private debt (corporate financing provided by non-bank entities), real estate, and infrastructure. These assets are typically provided to institutional investors or family offices in the form of limited partnerships (LPs) with large minimum investments and virtually no liquidity. Traditionally, investment opportunities for retail investors were limited to listed funds (such as UK investment trusts),

where prices tend to deviate from net asset value (NAV), or crossover funds that include some unlisted stocks as part of a portfolio of listed equities.

In recent years, however, “semi-liquid” public funds targeting high-net-worth individuals (redemption is not possible on a daily basis, as with ordinary funds, but may be allowed, for example, on a quarterly basis) have experienced substantial global growth. As of end-2024, AUM in semi-liquid funds in Europe and the United States stood at \$349bn, representing an 80% increase over the previous three years (90% of that amount was in the US)<sup>6)</sup>.

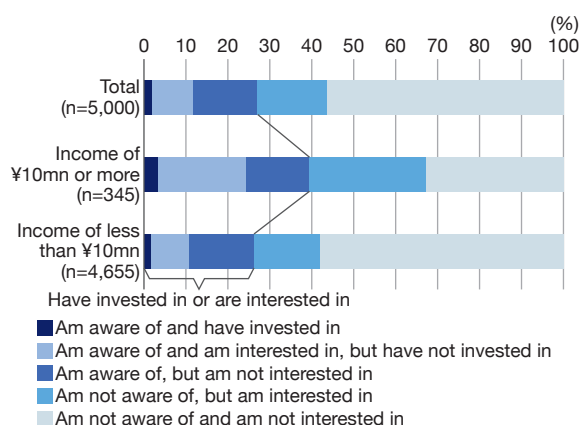
Private asset investment trusts are also drawing more attention in Japan. As of end-August 2025, the net asset value of semi-liquid investment trusts exceeded

Exhibit 7. AUM in semi-liquid private asset investment trusts in Japan



Note: Total of foreign and domestically domiciled funds.  
Source: NRI, based on data provided by R&I and JSDA

**Exhibit 8. Retail investor interest in investment trusts holding private assets**



Note: Results of online survey conducted in April 2025 targeting 5,000 securities holders aged 18 and above.

Source: NRI, based on July 2025 JSDA survey ("Retail investor views on securities investments: overview of results")

¥1trn (total of foreign- and domestic-domiciled funds; see Exhibit 7), while crossover funds had an aggregate NAV of ¥82bn. A survey of retail investors showed that 40% of those with annual incomes of ¥10mn or more, and one in four of those with incomes below ¥10mn, have either invested in such funds already or were interested in doing so (Exhibit 8). If funds incorporating private assets were offered through DC plans, even those without particularly high incomes might be interested.

## Pros and cons of private asset investment funds

What are the advantages and disadvantages of investment funds incorporating private assets for DC plan participants?

Benefits include access to investments offering higher returns (due to the illiquidity premium on private assets) and asset diversification.

An August report published by the US Council of Economic Advisers (CEA)<sup>7)</sup> notes that academic research has shown that returns on unlisted stocks tend to exceed those on listed stocks. It also presents simulations showing that replacing a certain proportion of listed stocks with private equity in

a portfolio consisting of bonds and listed stocks enhances the Sharpe ratio of that portfolio. Another report clearly demonstrates benefits to participants, concluding that the inclusion of private assets in a target-date strategy can increase annual returns by 50bp and boost retirement assets after 40 years by 15%<sup>8)</sup>.

Meanwhile, potential disadvantages include the risk that redemptions will be restricted depending on how the product is structured, since private assets are characterized by low liquidity. The absence of market prices means asset valuations tend to be opaque. Additionally, private asset funds charge higher fees than those investing in listed assets and also feature performance fees not typically found in standard funds, making it harder to ascertain total expenses.

DC pension plan participants are generally long-term investors who are saving for their retirements. The benefits of investing in products with high anticipated returns can be substantial despite their low liquidity. Conversely, since DC plans provide participants with the opportunity to switch funds on a daily basis, it is difficult to introduce products that do not allow such frequent transactions.

Balanced funds and target-date funds (TDFs) incorporating a portion of private assets (e.g., around 10%) are therefore likely to become the primary vehicles for offering private assets in DC plans. Semi-liquid products with restricted redemptions might not be well received in the Japanese market.

## 2 Key developments in UK and US

In the UK and the US, there are some prominent initiatives in the public and private sectors seeking to promote the incorporation of private asset investment funds by DC plans. The section below highlights three key developments or challenges in each country.



## UK: Government pinning hopes on long-term investment in local growth companies

In the UK, the first point is that the government has actively pursued extensive reforms since the late 2010s to encourage DC plans to invest in private assets.

It has published guidance on private asset investments for trustees operating DC plans, excluded performance fees from the default fund fee cap (0.75%), and introduced the Long-Term Asset Fund (LTAF) system for semi-liquid funds investing in low-liquidity assets, with their incorporation into DC default funds in mind.

As a backdrop to these developments, the UK government hopes DC plans will be able to serve as providers of long-term capital to domestic startups and infrastructure. From 2016 to 2017, the Treasury studied the question of how to enhance national competitiveness by giving innovative growth companies access to long-term capital ("Patient Capital Review"). This report noted that DC participants are younger on average than those in defined benefit (DB) schemes, making long-term investments in such growth companies an attractive proposition. The review also identified factors hindering DC investments and outlined a path for subsequent reforms.

The second point is that the UK government has been actively implementing the structural DC market reforms needed to promote investment in private assets through DC plans.

One such reform was the introduction of a framework to enable DC plans to prioritize comprehensive long-term value over an excessive focus on costs. Since funds incorporating private assets incur higher costs, plan providers need to take into account their comprehensive value, including long-

term fund performance, in order to select such products. Another reform involved the consolidation of DC plans that failed to provide sufficient value to plan participants. It is hoped that this will facilitate investments in private assets by consolidating smaller funds and thus increasing AUM. The pension reform bill submitted to Parliament this June includes provisions to further advance these initiatives<sup>9)</sup>.

The third point is that leading DC providers have voluntarily signed agreements setting private asset allocation targets, demonstrating that the industry is on board with the government reforms.

In 2023, 11 major providers signed a statement called the Mansion House Compact targeting a minimum 5% investment in unlisted equities for default funds by 2030. In May of this year, 17 providers signed the Mansion House Accord, which targets a minimum 10% investment in private assets for default funds (with 5% allocated to domestic assets)<sup>10)</sup>. The latter agreement states that achieving the target will require the government to facilitate "a pipeline of UK investment opportunities."

In summary, the situation in the UK is characterized by a combination of bold government initiatives and industry collaboration.

## US: Executive order clarifies government stance

In the US, the first key point to note is that the presidential executive order issued this August clearly demonstrates the government's active support for incorporating private assets in DC plans along with its commitment to establishing the necessary regulatory framework. The order requires the Department of Labor to clarify within 180 days the appropriate fiduciary procedures for offering "asset allocation funds" that contain alternative assets (such as private assets and crypto assets). It also calls for proposals for rules or guidance to establish safe harbors as



needed.

In the past, the US stance has tended to change with each new administration, making it difficult for plan sponsors to confidently offer private asset funds. In 2020, under the first Trump administration, the Department of Labor issued an information letter explaining points that fiduciaries should consider when offering asset allocation funds incorporating private equity in 401(k) plans, which was interpreted as a positive message. But in 2021, the Biden administration issued a supplemental document stating that the previous year's letter did not support or recommend the offering of funds incorporating PE in 401(k) plans, and that it would be a misconception to view PE as being a generally appropriate asset for inclusion in typical 401(k) plans, thus urging fiduciaries to exercise caution (this document was withdrawn following the publication of the current executive order).

The second point is that litigation risk has acted as a strong deterrent to the provision of private asset funds in DC plans in the US.

There are on average more than 50 lawsuits a year concerning DC plan fees and performance<sup>11)</sup>. In one case, where a sponsor was sued by employees for breach of fiduciary duty after offering a TDF incorporating private assets, the sponsor prevailed (appellate decision in the Intel Corporation 401(k) plan litigation, May 2025). Nevertheless, there are substantial concerns about litigation risk.

The third point worth noting is that pension service providers and AMCs developing products for DC plans have noticeably stepped up their activity under the Trump administration. These firms have announced a string of new products, including TDFs incorporating private assets and products designed for individual discretionary accounts.

In summary, despite continued concerns about

litigation risk, the US government has clarified its stance, and initiatives in both the public and private sectors are gaining momentum.

### 3

## Private asset funds for DC in Japan and implications for asset management industry

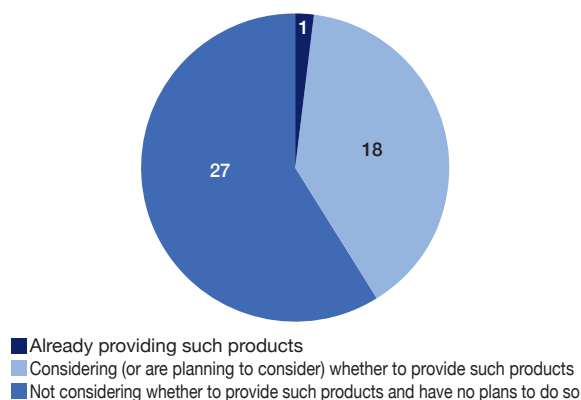
We now examine the current state of affairs in Japan and the outlook for the future. What takeaways can asset managers derive from the US and UK developments noted above?

### AMC efforts to offer private asset investment trusts currently in discussion phase

At present, AMC initiatives to provide private asset investment trusts to DC plans are still thought to be in the discussion phase<sup>12)</sup>.

In a survey of asset managers conducted by Nomura Research Institute this August, only one company responded that it is “already providing” such funds to DC plans, and none responded that it was “developing products.” However, 18 firms (40% of the total) replied that they are “considering or are planning to consider” offering such products (Exhibit 9). Approximately 60% of asset managers with AUM of ¥5trn or more gave this reply.

Exhibit 9. Asset managers' consideration of private asset products for DC plans (number of firms)



Note: There were 46 valid responses. No manager responded that it was planning to provide such products and was currently developing them or that it had “considered whether to provide such products but decided not to.”

Source: NRI

## Establishing foothold in DC market likely to take time

Looking ahead, private asset investment trusts—especially TDFs and balanced funds—are expected to offer significant benefits to DC participants. However, time will probably be needed for them to establish a foothold in Japan.

The first reason is that building the necessary infrastructure for originating and offering private asset investment trusts will take time. When AMC thinking about providing such trusts were asked in the survey above about the hurdles to offering these products, approximately half answered, “establishing internal systems for private asset valuation and liquidity management” and “educating plan participants on private asset products” (Exhibit 10).

The second reason is that while DC plan participants have been migrating in recent years from principal-protected products to investment trusts, low-cost and easy-to-understand passive investment trusts are the mainstream, and active products tend to be avoided. A shift in perspectives will be necessary for plan participants to recognize the value of private

asset products with their high costs and complex design, and that is unlikely to happen overnight.

## AMCs must approach DC market with long-term perspective

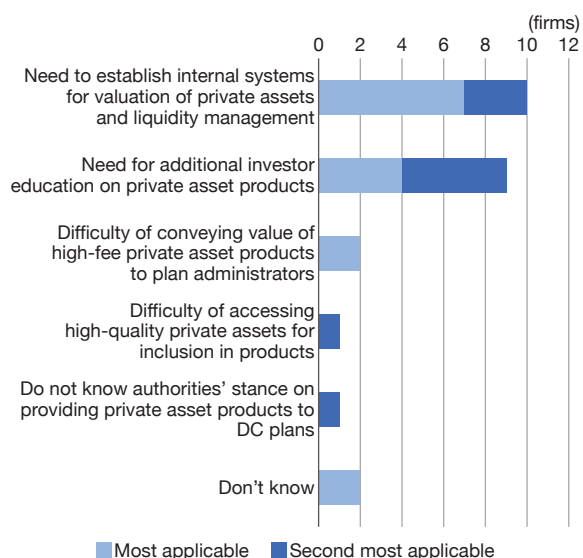
Two potential implications of the US and UK experiences for Japan’s asset management industry are highlighted below.

First, since private asset investment trusts are expected to need time to establish themselves in the DC market in Japan, asset managers need to adopt a long-term perspective when developing products. The allocation to private assets in TDFs incorporating such assets is not particularly large, but its impact on the retirement assets of long-term DC investors is by no means insignificant. It is essential to emphasize the long-term value provided by these funds via rigorous product governance.

Second, gaining a foothold in the DC market will require efforts from industry and government as well as from individual asset managers. Balanced funds and TDFs incorporating private assets are especially important since they are considered leading candidates for default products. Clarification of the government’s stance on providing private asset funds to DC plans, including a summary of the advantages and potential pitfalls of such products, could serve as a catalyst. Litigation risk is not as big an issue in Japan as in the US, but providing guidance on areas sponsors need to watch out for when offering such products could also prove beneficial.

In the UK, the government has pinned its hopes on DC pension plans as a source of long-term funding for domestic enterprises. If similar expectations emerged among the Japanese authorities, it would offer a good opportunity for AMCs to promote the adoption of private asset investment trusts in the DC market.

Exhibit 10. Hurdles in providing private asset products to DC plans



Note: Responses from 19 firms that said they currently provide private asset products to DC plans or are considering (or are planning to consider) doing so.

Source: NRI

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- 6) Fox et al., "Semi-liquid funds: A US\$4 trillion opportunity for traditional and alternative investment managers" (Deloitte Center for Financial Services, September 11, 2025).
  - 7) Council of Economic Advisers, 2025, "Retail access to alternative investments via defined contribution plans."
  - 8) Crothers et al., 2025, "Unlocking the benefits of private assets in defined contribution plans" (BlackRock).
  - 9) The first reform mentioned here requires DC plans to assess the value of funds based on comparisons with other funds using common metrics such as costs, performance, and services and disclose the results ("Value for Money Framework"). The second mandates that multi-employer schemes have at least one default fund with assets of £25bn or more by 2030.
  - 10) However, the industry has expressed its concerns about and opposition to a provision in the Pension Schemes Bill that allows the government to set minimum allocations for default fund investments in private assets (and decide whether they must be domestic assets).
  - 11) Aronowitz, "2025 Excessive Fee Litigation Webinar" (Encore Fiduciary, January 28, 2025).
  - 12) There have been cases of asset managers offering funds investing in shares of listed PE firms.

## CHAPTER 4

# Transformation of Europe's asset management industry and implications for Japan

In Europe, bolstering competitiveness has become a key challenge for asset management companies as profit margins decline. Policy initiatives such as the Savings and Investments Union have been proposed in response, and moves toward industry reorganization and consolidation are gaining momentum. European developments—such as increased scale through consolidation—may offer some insight for Japan's asset management sector, which also struggles with stagnant competitiveness.

### 1 European Savings and Investments Union promotes intra-EU investment

#### European Savings and Investments Union

In the European Union (EU), the European Commission (EC) has proposed a new policy initiative called the Savings and Investments Union (SIU). The SIU is a strategic package aimed at encouraging the shift “from savings to investment,” grounded in the analysis and strategies outlined in the so-called Draghi report published in September 2024. That document highlighted how EU economic growth and productivity has stagnated compared to the United States and also noted the increasing geopolitical instability threatening the region, including Russia's invasion of Ukraine. The SIU aims to redirect household savings into investments within the EU, thereby enhancing corporate competitiveness and addressing the need for increased defense spending while simultaneously providing households with higher returns.

As in Japan, personal financial assets in the EU are disproportionately concentrated in bank deposits (relative to the US), making the redirection of these assets into investment a key challenge. The EU estimates that by 2030, additional annual investments of €750bn to €800bn will be required to (1) promote

innovation, (2) decarbonize the economy and boost competitiveness, and (3) strengthen security and reduce external dependence. It is further estimated that if EU households invested at levels comparable to those in the US, an additional €350bn or so would be channeled into investments each year.

In March 2025 the EC published four work strands and a roadmap for realizing the SIU (Exhibit 11). This is expected to have a major impact on the asset management industry. Increased household investment in risk assets translates directly to greater business opportunities. Additionally, the simplification and centralization of regulation and supervision are

Exhibit 11. Four work strands for SIU

<b>Citizens and Savings:</b> 1 Move more retail savings into investment	Create a European version of savings and investment accounts, improve financial literacy, and expand supplementary pension system
<b>Investment and Financing:</b> 2 Stimulate investment in critical sectors	Promote investments in equities and alternative assets by institutional investors, remove barriers to cross-border investments, including tax code; and revitalize securitization market
<b>Integration and Scale:</b> 3 Reduce inefficiencies stemming from market fragmentation and promote scaling of businesses	Remove regulatory and supervisory barriers to cross-border market infrastructures, asset management and fund flows
<b>Efficient Supervision in the Single Market:</b> 4 Promote market integration through harmonized supervision	Reallocate supervisory responsibilities between national and EU levels, including shift to direct supervision at EU level

Source: NRI, based on European Commission, “Savings and investments union strategy to enhance financial opportunities for EU citizens and businesses” (March 2025)

expected to lead to greater operational efficiency, thereby enhancing industry competitiveness.

With respect to the “citizens and savings” measures targeting individuals, the EC published specific proposals for a financial literacy strategy and Savings and Investment Accounts (SIAs) in September 2025. The financial literacy strategy points out that insufficient financial knowledge can lead to a bias toward bank deposits. The strategy also outlines policies to promote the sharing of best practices among member states and the implementation of awareness campaigns. The SIAs are defined as a comprehensive policy framework to encourage the participation of retail investors, with recommendations for member states to introduce them. Specifically, they draw on best practices from inside and outside Europe—including Japan’s NISA program—and identify a number of key characteristics required of SIAs such as simplicity (e.g., streamlined tax processes), flexibility (e.g., the ability to use numerous financial institutions and invest in a wide range of assets), and tax incentives. The decision of whether to introduce SIAs will be left up to each country, and the EC plans to continuously monitor member states’ initiatives in this area going forward.

## UK move to prioritize domestic investment

In the UK, there are efforts underway that go beyond encouraging intra-regional investment to directly mandate domestic investment.

In the May 2025 Mansion House Accord, 17 major UK pension funds declared that they would allocate at least 10% of assets in default defined contribution (DC) products to private (unlisted) assets, with 5% or more allocated to UK assets. The Accord itself represents a voluntary declaration of intent by private-sector entities. On the other hand, the Pension Schemes Bill submitted by the UK government to Parliament in June 2025 grants the government

authority to set mandatory investment targets as a “last resort” in the event of insufficient growth in investments in private assets and domestic assets. In effect, the bill can be seen as an attempt to ensure the effectiveness of the Accord.

Industry associations and others have expressed concerns about policies mandating investment in specific assets and domestic assets, citing issues such as consistency with the fiduciary duty of maximizing participant benefits, distortions to appropriate asset allocation in the market, high risks associated with private assets (low liquidity and transparency issues), and problems with pension funds’ investment capabilities.

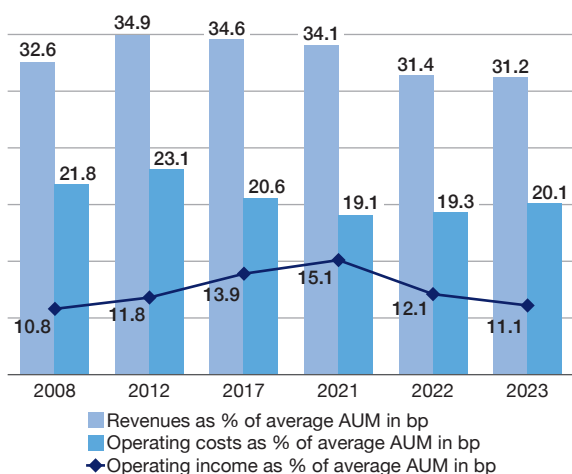
The EU’s SIU aims to promote intra-regional investment without mandating it by employing tax incentives and simplifying cross-border regulation and supervision, among other measures. However, in view of the ongoing concentration of global investment flows in the United States, some in Europe and other advanced economies are arguing that extra-regional investments should be limited to encourage funding for domestic growth opportunities. It’s worth paying attention to whether similar movements will gain momentum beyond the UK.

## 2 European asset managers facing shrinking profit margins

While SIU-related developments have the potential to strengthen the European asset management business going forward, European asset managers are facing ongoing declines in profit margins. The industry-wide operating margin for 2023 (relative to AUM) fell to its lowest level since the 2008 financial crisis because of persistent downward pressure on fund fee revenues, the increased investment in technology required to stay competitive, and rising regulatory compliance costs (Exhibit 12).

The cost structure shows that greater spending on

Exhibit 12. Revenues and expenses at European AMCs



Source: NRI, based on EFAMA, Asset Management Report 2024 (December 2024)

operations and technology has been a major driver of rising costs (Exhibit 13, upper graph). In particular, investments in technology deemed essential for remaining competitive are squeezing profits, with asset managers actively increasing spending on application development, market data access fees,

new hardware and software, and data (Exhibit 13, lower graph). Profit margins for European asset managers are expected to continue declining, with IT-related investment expected to remain at elevated levels, along with continued demands from the authorities for greater fee transparency and downward pressure on fees income from the rise of passive management.

US-based asset managers are also taking a growing share of the European asset management market, with European firms tending to lag behind US rivals in terms of both scale and profitability. Structural reforms are needed to enhance their competitiveness, including the expansion of business scale through consolidation.

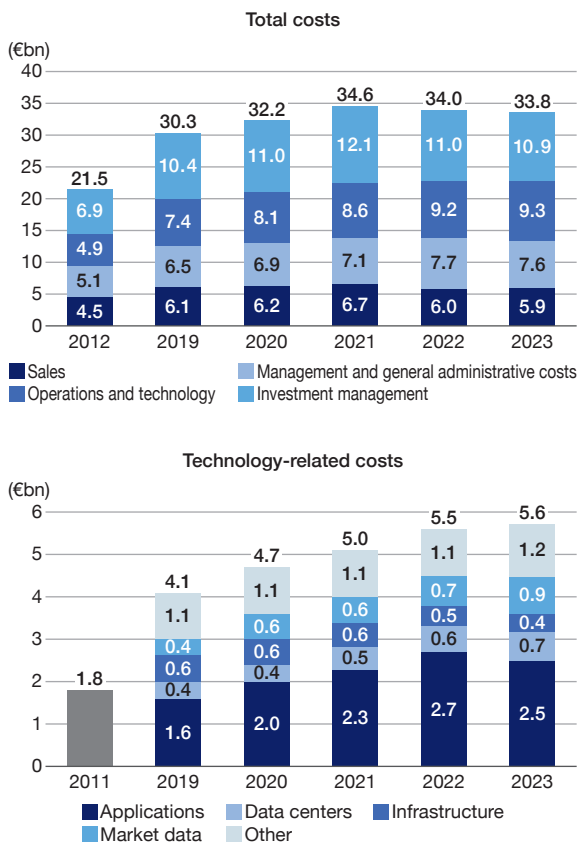
### 3 Large-scale industry reorganization in Europe

In this operating environment, European asset managers are scaling the business through reorganization and consolidation. They seek to enhance efficiency, secure funds for investment, develop a more diverse, sophisticated range of investment products, and expand distribution channels (Exhibit 14).

The SIU initiative may further accelerate industry reorganization. If households begin investing more in risk assets, asset managers will need to diversify their products and service offerings, enhance their investment capabilities, and upgrade their systems. These changes will necessitate considerable scale and investment. Additionally, progress in simplifying and centralizing EU regulation and supervision is expected to lower barriers to reorganization and consolidation within the EU.

One example of reorganization was French financial firm BNP Paribas Group's acquisition of AXA Investment Managers (AXA IM), the asset manager owned by French insurer AXA. In August 2024, BNP

Exhibit 13. Costs at European AMCs



Source: NRI, based on EFAMA, Asset Management Report 2024 (December 2024)

Exhibit 14. Mergers and acquisitions in European asset management industry

	Date	Post-consolidation AUM
French banking group BNP Paribas acquires AXA IM, the asset management unit of French insurance group AXA	Acquisition completed in July 2025	€1.5trn
Merger of asset management units of Italian insurance group Generali and French banking group BPCE	Announced in January 2025 (consultations with shareholders and government agencies are ongoing)	€1.8trn
UBS acquires asset management unit of Credit Suisse	Acquisition of parent firm was completed in June 2023; asset management businesses in individual countries were integrated over time	€1.5trn

Source: NRI, based on company releases

Paribas Group announced that it had begun exclusive negotiations to acquire AXA IM, and the deal was completed in July 2025 following a regulatory review.

As a result of the purchase, AUM at BNP Paribas Group grew to approximately €1.5trn (pre-acquisition AUM was €850bn at AXA IM and €650bn at BNP Paribas Group).

BNP Paribas cited the following objectives for the acquisition: to bolster its private asset investment capabilities by bringing in AXA IM, which has a strong focus on private assets as well as insurance and pension funds; to expand its product lineup by scaling the business; and to broaden its global distribution

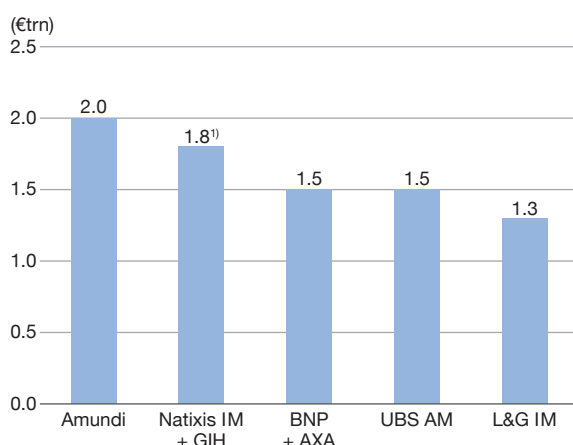
network.

For its part, AXA was concerned that AXA IM was not large enough to survive as an independent firm given the rapid consolidation and intensifying competition in the asset management industry. AXA announced that it would sell AXA IM, withdraw from the asset management business, and utilize the proceeds from the sale to strengthen its core insurance business. It is expected that investments previously handled by AXA's insurance entity will be outsourced to BNP Paribas following the merger.

Next, leading Italian insurer Generali and the French financial group BPCE announced in January 2025 their intention to consolidate their respective asset management units—Generali Investments Holding (GIH) and Natixis Investment Managers (Natixis IM)—in the form of a joint venture.

Consultations with stakeholders are underway following the announcement by the two firms. If the deal goes through, AUM at the combined entity will total some €1.9trn, making it the second-largest European asset manager after Amundi (pre-integration AUM was €1.3trn at Natixis IM and €600bn at GIH) (Exhibit 15). There are plans to operate the joint venture under a co-governance structure, with each company holding a 50% stake.

Exhibit 15. AUM at top five European asset managers (end-2023)



Note 1: €1.9trn as of September 2024.

Source: NRI, based on materials released by Generali

Current reports indicate that negotiations have stalled due to opposition from some shareholders and the Italian government, making it unclear whether the deal will go through<sup>13)</sup>. Mindful of these objections, Generali has provided a detailed discussion of its objectives on a dedicated website. It argues that European asset managers are smaller than their US counterparts and must consolidate to secure the capacity for investments in innovation and other areas. It further claims that smaller asset managers are destined either to play a local role or to be acquired.

As another example of consolidation, the UBS



rescue/acquisition of Credit Suisse in 2023 resulted in the consolidation of the two firms' asset management units, creating a business with a combined €1.5trn in AUM.

These cases of industry reorganization indicate a widespread recognition that greater scale is essential to enhance competitiveness, while specific strategies have differed depending on the parent company. Some firms (such as BNP Paribas, BPCE, and Generali) are trying to accelerate the growth of their asset management businesses through acquisitions and mergers. In contrast, others (such as AXA) have opted to withdraw from the asset management business altogether and focus on their core operations.

## 4 Implications for Japan's asset management business

First, the Savings and Investments Union (SIU) overlaps significantly with Japanese policies in that it seeks to promote the transition “from savings to investment” and thereby fuel growth in both household assets and the broader economy. In particular, the measures targeting retail investors that are to be fleshed out in EU member states going forward, along with analyses of their effectiveness, are likely to provide valuable context for future policy formulation in Japan. Adherence to the key principles required for a successful framework—simplicity, flexibility, tax incentives, and so on—along with initiatives to enhance financial literacy, also represent important perspectives for Japan.

On the other hand, policies mandating investment in domestic assets, as seen in the UK pension scheme bill, should be approached cautiously from the standpoints of fiduciary duty and market functioning. The EC's analysis also suggests that the most successful investment account schemes, including the Japanese version, are attractive in part because they impose no geographical restrictions on

investments. In order to foster sustained corporate and economic growth while securing investment returns for individuals, initiatives that address the entire investment chain—including government efforts to enhance the availability of funding for promising local enterprises alongside business endeavors to make themselves more attractive—are indispensable.

Second, with respect to asset manager reorganization and consolidation, leading Japanese asset management firms—much like their European counterparts—have experienced stagnant profit margins despite growth in AUM. Moreover, the scale gap with US-based asset managers is even wider than in Europe.

Japanese government policy seeks to foster players capable of competing with global rivals in both qualitative and quantitative terms. Major financial groups have positioned asset management as a growth sector and are bolstering their operations in this area. One option for firms seeking to achieve discontinuous, unconventional growth is to scale up through consolidation to secure the resources needed for personnel development and investments in innovation.

The most common pattern of reorganization and consolidation for major financial groups in Japan's asset management business has been M&A activity involving overseas asset managers. Objectives include expanding global networks and bolstering investment capabilities in specific areas like alternative investments. This is likely attributable to the limited synergies available from the consolidation of large domestic asset managers in a complementary relationship.

On the other hand, pursuing greater scale to secure the investment capacity needed for growth and enhance efficiency remains a viable approach even at domestic firms. Strategically focusing resources—e.g., withdrawing from asset management businesses

that are not necessarily top-tier and focusing instead on a group's core operations—could also be considered. In that case, European examples, where asset managers affiliated with financial groups play a greater role than independent firms, are likely to serve as useful reference points for Japan given their similarities.

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<sup>13)</sup> As of October 2025. Generali's official statement notes that negotiations will continue until December 31, 2025.

## CHAPTER 5

# Domestic crypto ETF feasibility and challenges

Cryptocurrency ETFs have expanded rapidly in the US, driven by offerings from traditional AMCs. In Japan as well, discussions on a regulatory framework for crypto assets have gathered momentum, bringing the nation closer to the introduction of crypto ETFs. But numerous challenges remain, including measures to address the risk of cryptocurrency leaks, and asset managers need to respond carefully, taking into account changes in the regulatory framework.

### 1 Rapid growth of spot crypto ETFs in US

In January 2024, the US Securities and Exchange Commission (SEC) approved an application from Grayscale Investments, a firm specializing in cryptocurrency investments, to convert the closed-end fund Grayscale Bitcoin Trust (GBTC), which invests in spot Bitcoin, into a spot ETF. The SEC simultaneously approved a total of 11 spot Bitcoin ETFs, including BlackRock's iShares Bitcoin Trust (IBIT).

Spot cryptocurrency ETFs that invest primarily in Bitcoin have grown rapidly amid competition among numerous asset managers. A big reason has been the development of products by traditional asset managers such as BlackRock and Fidelity. Previously, the only way for US investors to invest in Bitcoin was to purchase it through crypto exchanges, futures, or futures ETFs. For example, ProShares launched the ProShares Bitcoin ETF (BITO), a Bitcoin futures ETF, in October 2021. But ProShares is an asset manager focused on providing ETFs for short-term investors, including leveraged and inverse funds, and therefore did not attract significant attention. In contrast, the offering of spot Bitcoin ETFs by traditional asset management firms like BlackRock and Fidelity likely made cryptocurrency an acceptable asset class for a

wide range of investors.

According to SEC 13F filings submitted by institutional investors with AUM in excess of \$100mn, a number of investment funds—such as the State of Michigan Retirement System and the Harvard University endowment—are investing in spot cryptocurrency ETFs, albeit in modest amounts and limited portfolio allocations.

### 2 Spot crypto ETFs required 10 years for approval

It took more than 10 years for spot cryptocurrency ETFs to become a reality in the US. The first application to the SEC for such an ETF is said to have been submitted in 2013 by the Winklevoss brothers, founders of leading US cryptocurrency exchange Gemini. Subsequently, asset managers including Bitwise and VanEck also applied but were repeatedly rejected by the SEC, which cited the risk of fraud or price manipulation and insufficient oversight.

The turning point was the August 2023 court ruling in Grayscale's lawsuit over the Bitcoin ETF conversion. Grayscale had been offering GBTC to certain qualified investors since 2013. However, it was trading at a discount of more than 30% to its net asset value because the listing of a rival futures ETF had been

approved and GBTC could not be freely redeemed<sup>14)</sup>. To resolve this, Grayscale applied in October 2021 to convert GBTC into an ETF, but the SEC rejected it for the same reasons as before. Dissatisfied with this result, Grayscale sued the regulator. In August 2023, the court ruled that the SEC had acted “arbitrarily and capriciously” in rejecting Grayscale’s application for a spot Bitcoin ETF given the similarities with a Bitcoin futures ETF that the SEC had approved in October 2021 (ProShares’ BITO)<sup>15)</sup>. This led to the listing of the first spot Bitcoin ETF in January 2024.

Then-SEC Chairman Gary Gensler, in his statement approving spot Bitcoin ETFs, emphasized that “we did not approve or endorse Bitcoin. Investors should remain cautious about the myriad risks associated with bitcoin and products whose value is tied to crypto.”<sup>16)</sup> Nevertheless, various cryptocurrency projects have made rapid progress under the Trump administration, and in September 2025 the approval process for crypto ETFs was streamlined, opening up the potential for the proliferation of such ETFs in the future.

### 3

## Discussions on crypto regulatory framework gaining momentum in Japan

In Japan as well, discussions aimed at the introduction of cryptocurrency (cryptoassets) ETFs are progressing. The first mention of such ETFs was in the “Web3 White Paper 2024: Toward an Era of New Technologies as Social Infrastructure,” published by the Liberal Democratic Party (LDP) in May 2024. It recommended outlining key issues related to the appropriateness and merits of treating cryptoassets as investment assets—not only for cryptoasset exchange service providers but also for securities companies, asset management firms, trust banks, and other related businesses—along with necessary changes to the legal infrastructure, with an eye to enabling the creation of cryptoasset ETFs in Japan.

Building on this, the Domestic Cryptoasset ETF

Study Group—consisting of securities companies, asset management firms, trust banks, cryptoasset exchange service providers, and others—in October 2024 published a document titled “Proposals for the Creation of Domestic Cryptoasset ETFs.” The group advocated for the development of legal frameworks to allow the creation of cryptoasset ETFs, with relevant legislation including the Act on Investment Trusts and Investment Corporations (“Investment Trusts Act”), the Act on Engagement in Trust Business by a Financial Institution (“Concurrent Business Act”), and the tax code. In April 2025, the Crypto Asset Benchmark Study Group—similarly consisting of securities companies, asset management firms, and cryptoasset exchange service providers—released a document titled “Ecosystem Construction and Ripple Effects Brought About by a Domestic Cryptoasset Benchmark,” in which it highlighted the necessity of developing yen-denominated cryptocurrency benchmarks in Japan.

Additionally, the Financial Services Agency in April 2025 published a discussion paper titled “Examination of the Regulatory Systems Related to Cryptoassets.” In a world where cryptoassets, traditionally regulated under the Payment Services Act, are increasingly treated as investment assets in Japan and elsewhere, the paper proposed regulating them under the Financial Instruments and Exchange Act (FIEA), noting the close affinities with issues historically addressed by the FIEA, and solicited public comments.

In June 2025, it was decided at a plenary session of the Financial System Council to establish the Working Group on a Regulatory Framework for Cryptoasset (“Regulatory Framework Working Group” below), and discussions are currently underway. Many members of this group have expressed support for regulating cryptoassets under the FIEA, and work to achieve this goal is proceeding. However, some members have cited past cases of cryptoasset theft and the increased frequency of investment fraud in arguing that regulation under the FIEA should not

be considered an official endorsement<sup>17)</sup>, and it is expected that in-depth discussions will continue.

With respect to taxation, the Financial Services Agency included as a key request in its August 2025 report titled “Regarding the Requests for FY2026 Tax Code Reforms” a review of taxation of cryptoasset and related transactions, including the introduction of separate taxation for cryptoassets. This goes a step further than the proposal made last year.

## 4 Non-spot cryptoasset ETF projects also exist

Discussions by the Regulatory Framework Working Group have thus far focused on cryptoassets themselves and have yet to consider crypto ETFs. However, regulation of cryptoassets under the FIEA would bring the creation of cryptoasset ETFs a step closer. Moreover, the “Proposals for the Creation of Domestic Cryptoasset ETFs” noted above presuppose the establishment of spot crypto ETFs for industrial policy reasons. Furthermore, as shown in Exhibit 16, there are thought to be multiple paths for the creation of cryptoasset ETFs: (1) Investment trusts that invest in spot cryptoasset under the

Investment Trust Act; (2) investment trusts that invest in cryptoasset futures under the Investment Trust Act; and (3) investment trusts that are structured under the Investment Trust Act as funds-of-funds incorporating foreign cryptoasset ETFs. ETFs can also be formed under the Trust Act, in which case they would become listed trusts rather than listed investment trusts. Possible avenues in that case include (4) trusts issuing beneficiary certificates under the Trust Act, an approach typically used for gold and other precious metal ETFs or for real estate security tokens, but with spot cryptoasset as the investment asset; (5) the same approach, but with cryptoasset futures as the investment asset; (6) the sale of foreign crypto ETFs such as IBIT or BITO to investors by Japanese securities companies; and (7) offerings of foreign crypto ETFs (such as IBIT or BITO) to Japanese investors by securities companies via cross-listings on the Tokyo Stock Exchange.

However, each of these approaches faces constraints under current law. For investment trusts offered under the Investment Trust Act (Cases 1–3), cryptoassets and cryptoasset derivative transactions are not defined as specified assets. Furthermore, when the investment asset in question is a foreign cryptoasset

Exhibit 16. Avenues for origination and sale of crypto ETFs in Japan

#	Relevant law	Approach	Investment asset	Summary	Main constraints
1	Investment Trusts Act (ITA)	Origination of investment trusts (including ETFs)	Spot cryptoasset	Investment in Bitcoin and other spot cryptoassets and management of private keys for cryptoassets	Cryptoasset not defined as specified asset under ITA
2			Cryptoasset futures	Investment in cryptoasset futures traded on CME, etc.	Cryptoasset derivatives not defined as specified asset under ITA
3			Foreign cryptocurrency ETFs	Investment in foreign cryptoasset ETFs such as IBIT and BITO, with private keys managed by ETFs	Supervisory guidelines do not permit domestic origination or sale of specified assets that are “effectively equivalent to non-specified assets”
4	Trust Act	Origination of ETFs (listed trusts) via trusts issuing beneficiary certificates	Spot cryptoasset	Investment in Bitcoin and other spot cryptoassets and management of private keys for cryptoassets	Concurrent Business Act allows trust banks to hold spot cryptoassets as trust assets if they are management-type trust businesses
5			Cryptocurrency futures	Investment in cryptoasset futures traded on CME, etc.	Concurrent Business Act does not allow trust banks to hold spot cryptoasset derivatives as trust assets
6	Financial Instruments and Exchange Act (FIEA), ITA	Foreign crypto ETFs sold through securities firms	Spot cryptoasset and cryptoasset futures	Japanese investors allowed to purchase foreign cryptoasset ETFs such as IBIT and BITO via Japanese securities firms	Supervisory guidelines do not permit domestic origination or sale of specified assets that are “effectively equivalent to non-specified assets”
7		Cross-listing of foreign crypto ETFs on TSE	Spot cryptocurrency and cryptocurrency futures	Cross-listing of foreign cryptoasset ETFs such as IBIT and BITO on TSE	

Source: NRI, based on various data

ETF, the Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, Etc. classify such ETFs as “specified assets that are substantially equivalent to non-specified assets” and thereby prohibit their origination or sale in Japan<sup>18)</sup>. For trusts issuing beneficiary certificates under the Trust Act (Cases 4 and 5), the Concurrent Business Act limits banks’ ability to hold cryptoassets as trust property to management-type trust businesses only, and cryptoasset derivatives are not acceptable as trust property<sup>19)</sup>. Additionally, the aforementioned supervisory guidelines do not permit the origination or sale of cryptoasset ETFs in Japan under any of the seven approaches listed above.

In Cases 6 and 7, however, there are numerous examples of foreign ETFs other than cryptoasset ETFs, which suggests the handling of foreign crypto ETFs such as IBIT or their cross-listing on the Tokyo Stock Exchange could be realized promptly in the event of amendments to the FIEA or related guidelines. In that case, domestic crypto ETFs would likely lag behind, raising concerns for Japan’s asset management industry.

## 5 Realization of crypto ETFs will hinge on response to risk of cryptocurrency leaks

There have been numerous instances of cryptocurrency leaks via attacks on cryptocurrency exchanges, both in Japan and elsewhere. Among these was the Mt. Gox incident, which occurred in February 2014 and involved the theft of some ¥47bn worth of Bitcoin (market value at time of theft); the Coincheck incident, which took place in January 2018 and resulted in the loss of ¥59bn worth of NEM; the DMM Bitcoin incident in May 2024, when roughly ¥48.2bn worth of Bitcoin was stolen; and the Bybit incident<sup>20)</sup> in February 2025, which involved the theft of some ¥230bn worth of Ethereum. The realization of spot cryptoasset ETFs in Japan will hinge on companies’ ability to address the risk of such theft.

IBIT has a flexible structure that combines the 1933 Securities Act, which mandates disclosure to investors, with Delaware statutory trusts, rather than being based on the 1940 Investment Company Act, which strictly regulates the conduct of investment companies—including fiduciary duties and segregated asset management—to protect investors and which is commonly used for US mutual funds and ETFs. Regarding the risk of theft, the IBIT prospectus states that the sponsor shall not be liable for any loss of Bitcoin unless it is the result of “gross negligence” or “willful misconduct,” effectively forcing investors to bear all the risk.

In Japan, on the other hand, cryptoasset exchange service providers and their parent companies have fully compensated investors for damages incurred in the Coincheck and DMM Bitcoin incidents. Given these precedents, Japanese investors are highly unlikely to agree to being responsible for (at least a portion of) losses in the event of theft, as in the US example. Moreover, the Financial Services Agency, which emphasizes investor protection with its “Principles for Customer-Oriented Business Conduct,” will probably be reluctant to approve structures that expose investors to such risks.

## 6 Cautious approach needed to realize cryptoasset ETFs

In a survey of AMCs conducted by NRI in August 2025, ten of the 12 firms affiliated with financial groups<sup>21)</sup> said they are “considering” or “planning to consider” whether to introduce cryptoasset ETFs or similar products<sup>22)</sup>, suggesting a positive stance on such products. Additionally, 16 of the 47 responding companies said they “strongly agree” or “somewhat agree” with the view that “cryptoasset has become a potential investment asset,” indicating that asset managers are starting to view cryptoassets as investment assets. On the other hand, concerns about cryptoassets remain, and many AMCs feel the need for the creation of regulatory and legal

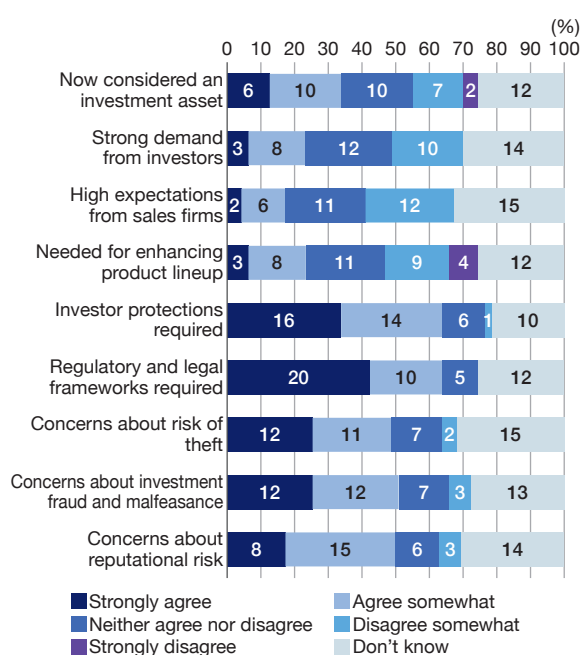
frameworks as well as investor protections.

Addressing the risk of theft is a key factor when considering the introduction of spot cryptoasset ETFs. Such an incident could not only impact individual asset managers but also potentially hinder the government's goal of transforming Japan into a leading asset management center. Therefore, in parallel with the regulatory developments being discussed by the Regulatory Framework Working Group, asset managers, trust banks, and other entities need to establish robust systems for cryptoasset custody and management. Considering the timeline of conventional institutional reforms, the origination and sale of cryptoassets ETFs could become possible as soon as April 2027, which leaves relatively little time to prepare. BlackRock<sup>23)</sup> and Fidelity<sup>24)</sup> have spent a considerable amount of time acquiring the technologies necessary to create spot cryptoasset ETFs.

Inasmuch as cryptoasset futures ETFs—which carry no risk of theft—were commercialized before spot

ETFs in the US, it might be a more realistic and practical option for Japan to start with cryptoasset futures ETFs as well.

**Exhibit 17. Views on cryptoasset ETF requirements and risks**



Note: Figures indicate number of responding companies. Total replies vary depending on question, with n=46 or n=47.  
Source: NRI, *Survey of Asset Management Companies' Management Priorities 2025*

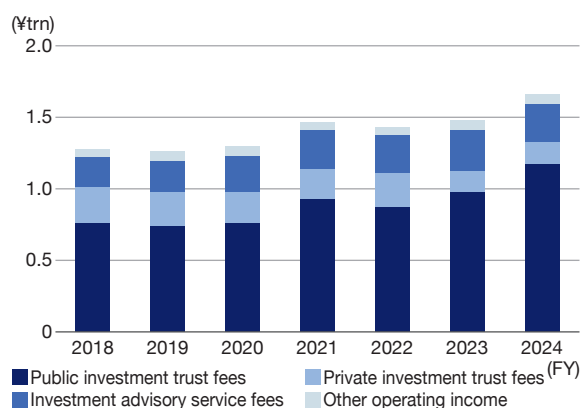
- 14) "Q&A: What Converting GBTC to an ETF Would Mean," Grayscale, April 22, 2022.
- 15) "Grayscale Investments, LLC v. Securities and Exchange Commission," United States Court of Appeals for the District of Columbia Circuit, August 29, 2023.
- 16) "Statement on the Approval of Spot Bitcoin Exchange-Traded Products," SEC, January 10, 2024.
- 17) Financial System Council, 3rd meeting of Working Group on a Regulatory Framework for Cryptoassets, "Document 4, Secretariat Reference Materials" (Financial Services Agency, September 29, 2025).
- 18) "Summary of Comments and FSA Responses," Financial Services Agency, December 27, 2019.
- 19) "Summary of Comments and FSA Responses Regarding Proposed Cabinet Directive Partially Amending Ordinance for Enforcement of the Act on Engagement in Trust Business by a Financial Institution," Financial Services Agency, October 19, 2022.
- 20) Bybit was founded in Singapore in 2018 and is currently a major overseas cryptocurrency exchange headquartered in Dubai.
- 21) Excluding AMCs affiliated with regional financial institutions.
- 22) The same answers were given by three out of the 20 foreign companies and none of the seven independent companies.
- 23) Blackrock formed a cryptocurrency working group in 2018 and is focusing on digital assets, offering products such as IBIT and the tokenized fund BUIDL (BlackRock USD Institutional Digital Liquidity Fund).
- 24) Fidelity began studying blockchain technology in 2014, established Fidelity Digital Assets in 2018, and currently serves as the cryptocurrency custodian for its own ETFs.



# Data-centric view of Japan's asset management business

## Asset manager revenues and assets

Exhibit 18. Operating income at AMCs



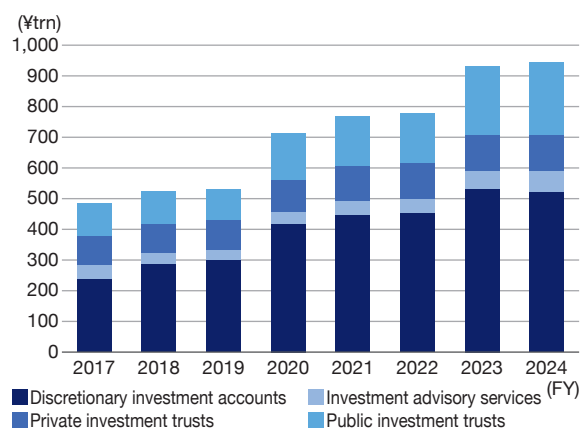
Note: Data collected exclusively from public investment trust managers. Data for companies whose accounting years do not end in March are from most recent preceding fiscal year.

Source: NRI, based on financial statements of public investment trusts and data from NRI Fundmark

The operating income of managers administering public investment trusts in FY2024 (including sales agency fee attributable to distributors) grew 12.3% YoY to more than ¥1.65trn, marking a record high. Nearly all of the growth was attributable to public investment trust management fees, which were up ¥190bn, while fees from private investment trusts and investment advisory services were flat.

Note that the data in Exhibit 18 exclude companies exclusively managing private investment trusts or those engaged solely in providing investment advisory services.

Exhibit 19. AUM at asset managers



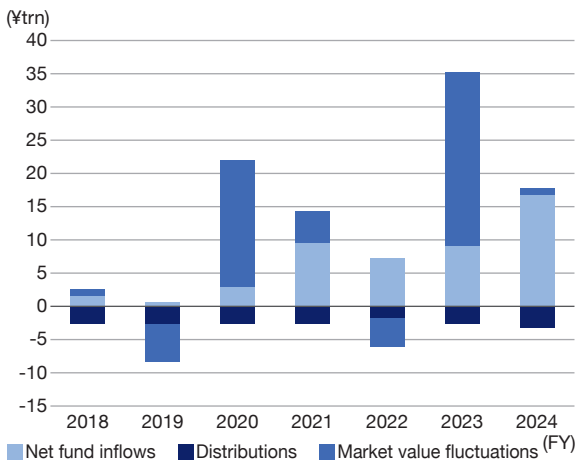
Note: Data for companies whose accounting years do not end in March are from most recent preceding fiscal year.

Source: NRI, based on financial statements of public investment trusts and data from NRI Fundmark

AUM at AMCs (the sum of investment trust NAV, outstanding discretionary investment contracts, and outstanding investment advisory contracts) increased 1.3% YoY to ¥949trn at the end of FY2024, also a new high. Public investment trusts were the largest contributor, with AUM growing ¥9.3trn YoY.

Note that AUM grew less than operating income in FY2024 (Exhibit 18). This discrepancy arises because income is determined primarily by changes in average outstanding balances, whereas the AUM data in Exhibit 19 reflect end-of-period values.

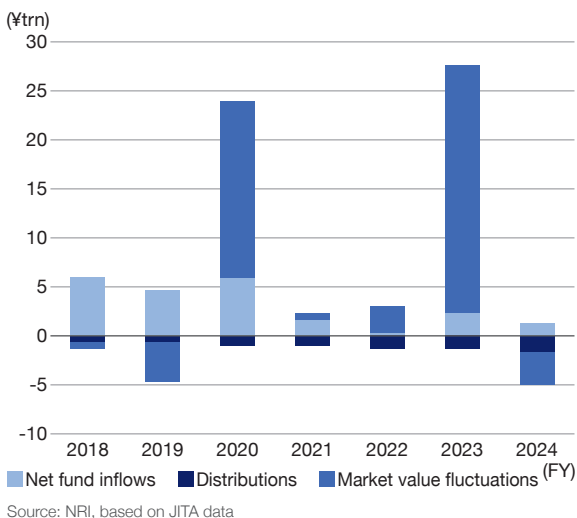
Exhibit 20. Factors driving changes in AUM at open-ended equity investment trusts (ex ETFs)



AUM at open-ended equity investment trusts (excluding ETFs) was up ¥14.2trn YoY to ¥135.0trn at the end of FY2024. The growth was attributable to ¥16.7trn in net fund inflows and a ¥0.8trn increase in market value less ¥3.3trn in distributions.

Fund inflows have been robust in recent years and received a further boost from the new NISA system launched in January 2024. Net inflows climbed to a new high in FY2024, surpassing the ¥13.5trn recorded in FY2006. Distributions peaked at ¥6.0trn in FY2015 and subsequently bottomed out at ¥1.8trn in FY2022, although they have since started rising again.

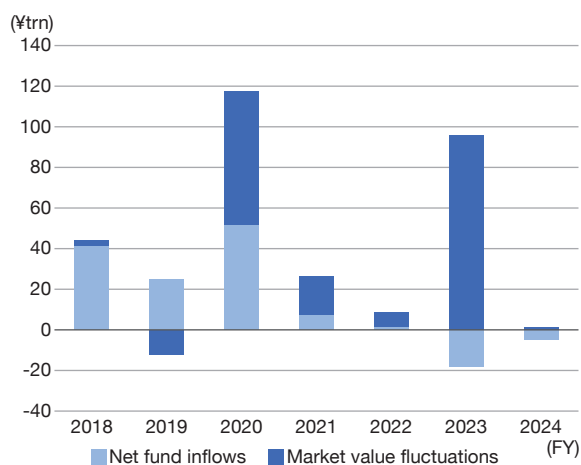
Exhibit 21. Factors driving changes in ETF balances



Net assets outstanding in ETFs totaled ¥85.8trn at end-FY2024. Due to the Bank of Japan's ongoing purchases of TOPIX-linked ETFs and similar securities, net annual inflows hovered around ¥5trn until FY2020, and the central bank now holds the majority of ETF assets.

BOJ purchases began to slow in FY2021, and new acquisitions were terminated in March 2024. At the Monetary Policy Meeting in September 2025, the Bank announced a policy for gradually disposing of its ¥37.1trn in ETF holdings (book value) at a rate of approximately ¥330bn per year.

Exhibit 22. Factors driving changes in outstanding discretionary investment contracts



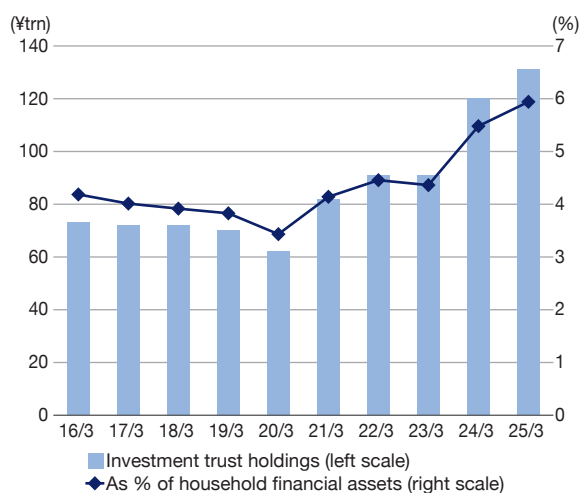
Source: NRI, based on data from Japan Investment Advisers Association (JIAA)

Assets in discretionary investment contracts amounted to ¥528.1trn at end-FY2024.

Fund inflows and outflows to discretionary investment contracts are driven by various factors. In recent years, inflows have resulted from changes in contractual relationships within financial groups (such as discretionary contracts with affiliated asset managers for the re-entrustment of trust bank assets under pension trust contracts) and the decisions by leading trust banks and global (foreign) asset management companies to join the Japan Investment Advisers Association (JIAA). In contrast, outflows have been prompted by a rebalancing into domestic bonds by public pension funds managing funds in-house. Fund flows in FY2024 were relatively modest.

## Public investment trust market (including NISA and DC plans)

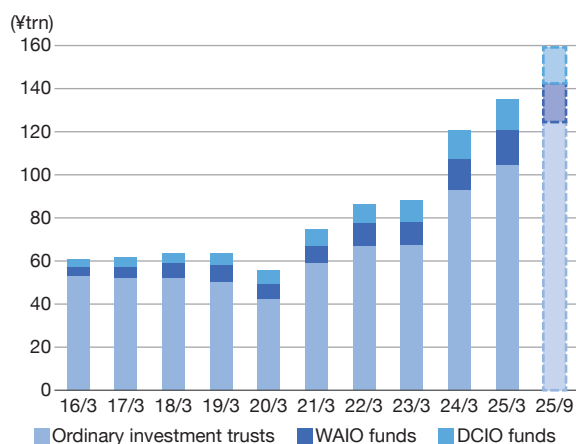
Exhibit 23. Households' investment trust holdings



Source: NRI, based on Bank of Japan, Flow of Funds Accounts

Household (individual) holdings of investment trusts are growing rapidly. As of end-March 2025, holdings stood at an all-time high of ¥130.7trn, which also represented a record 5.9% of all household financial assets. The amount had more than doubled from ¥62.7trn at end-March 2020, just five years earlier. The growth was particularly pronounced in the year through end-March 2024, with holdings increasing by some ¥30trn. Along with rising global stock prices, the widespread adoption of investment trusts as a means of individual wealth creation—driven by changes to the tax-exempt Nippon Individual Savings Account (NISA) program—has spurred the growth in holdings. These data reflect a steady household shift “from savings to investment.”

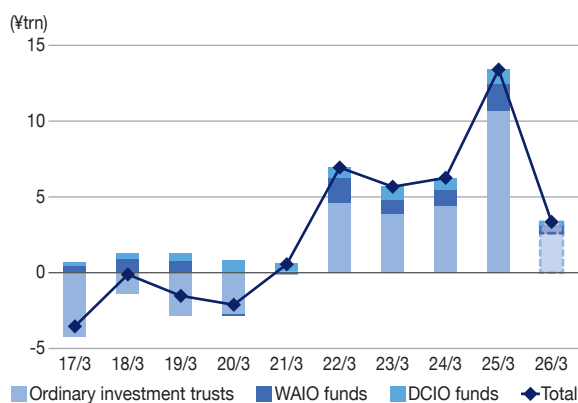
Exhibit 24. Assets in open-ended equity investment trusts (ex ETFs)



Note: WAIO = wrap account investment only; DCIO = DC investment only.  
Source: NRI

Assets in open-ended equity investment trusts have clearly grown across all distribution channels. “Ordinary investment trusts” are fueling overall market growth, with balances reaching ¥124.5trn at the end of September 2025, a roughly threefold increase from ¥42.7trn at the end of March 2020. Furthermore, assets in “DC investment only” (DCIO) investment trusts expanded from ¥5.7trn to ¥16.7trn over the same period, while assets in “wrap account investment only” (WAIO) investment trusts, primarily utilized in services for high-net-worth clients, rose from ¥7.1trn to ¥18.0trn. Amid heightened individual awareness of the need for wealth creation, the use of investment trusts is broadening across a wide range of channels, including ordinary investments via NISA as well as pension funds and discretionary investment services.

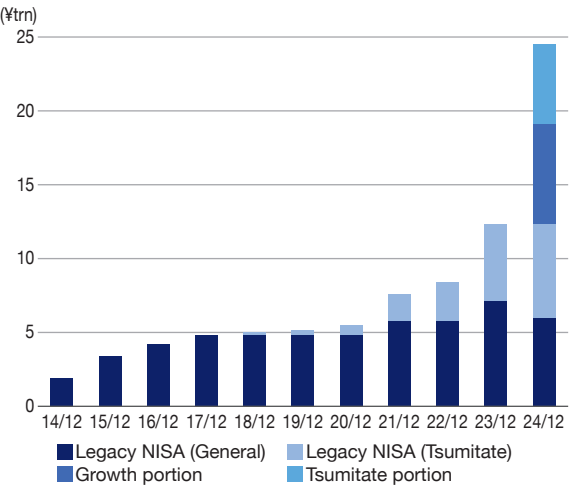
Exhibit 25. Net fund inflows to open-ended equity investment trusts (ex ETFs)



Note: Net fund inflows are defined as purchases less redemptions and distributions. Figures for FY3/2026 are for first six months of the year and are not annualized.  
Source: NRI

Fund flows into open-ended equity investment trusts picked up markedly starting in FY2020 and established a pattern of sustained inflows. “Ordinary investment trusts,” which had experienced prolonged outflows, began seeing net inflows in FY2020, with inflows growing further since then. FY2024 brought record annual inflows of ¥10.7trn, reflecting substantially stronger appetite among retail investors due to the new NISA system launched in 2024. DCIO and WAIO funds also continue to experience stable inflows, with the broader market benefiting from sustained inflows of funds from investors. In FY2025, net inflows stood at ¥3.3trn as of end-September, indicating a slight moderation of the earlier pace, but they remain positive.

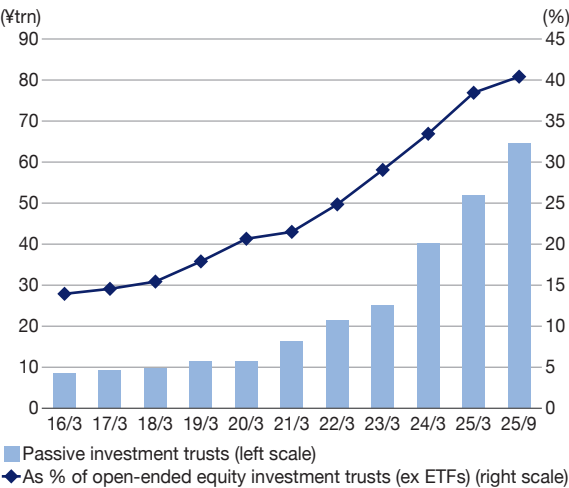
Exhibit 26. Investment trusts outstanding in NISA accounts



Source: NRI, from FSA data

Investment trusts held under the NISA framework are assuming an increasingly central role in individual wealth formation. The new NISA program launched in January 2024 has been pivotal in solidifying this trend. As of December 31, 2024, investment trust holdings under the new NISA program had grown to ¥12.3trn in the one year since inception, including ¥6.8trn in Growth holdings and ¥5.4trn in Tsumitate (i.e. regular investment) holdings. Including legacy holdings, NISA accounts now represent 17.5% of total open-ended equity investment trusts in Japan (ex ETFs). Utilization had been steadily expanding under the earlier NISA program, primarily via the Tsumitate accounts, but the recent changes to this program have taken individual ownership of investment trusts to the next stage.

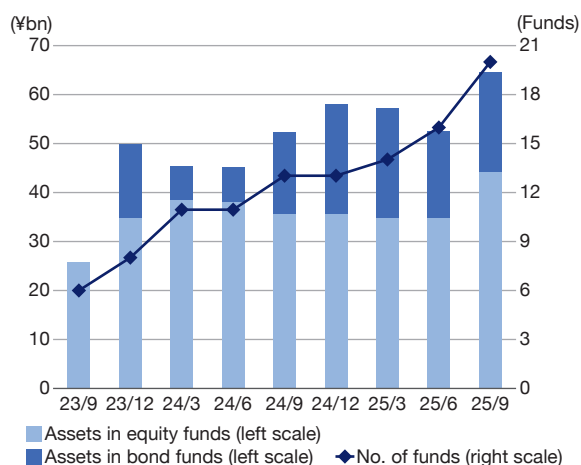
Exhibit 27. Assets in passive investment trusts



Source: NRI

Within the investment trust market, passive funds—designed to track specific indices—have rapidly increased their presence. As of September 30, 2025, net assets in passively managed funds stood at ¥64.3trn, or 40.4% of all open-ended equity investment trusts (ex ETFs), surpassing 40% for the first time ever. The share was just 13.9% at the end of March 2016, underscoring the broad shift of investors into low-cost index strategies. Since 2021, growth in both assets and market share has accelerated amid the robust performance of equity markets worldwide. The widespread adoption of NISA is considered a powerful driver of inflows into passively managed funds, which are well-suited for long-term tsumitate investing.

Exhibit 28. Assets in actively managed ETFs and number of funds

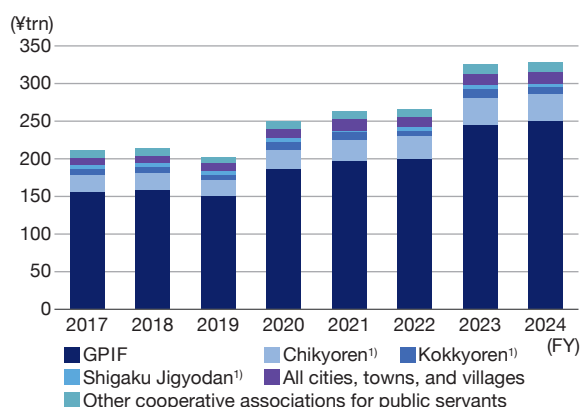


Source: NRI

Attention has focused on actively managed ETFs, which were prohibited until September 2023, as a promising new product category, but growth in AUM has been modest. The product lineup has steadily expanded to 20 funds at the end of September 2025, roughly two years since the lifting of the ban. However, combined net assets in both equity and bond ETFs amount to just ¥64.8bn, indicating they have yet to embark on a stable growth trajectory. This falls short of high initial expectations among market participants and suggests investor penetration will remain a challenge going forward. More time will probably be needed before the actively managed ETF market embarks on a full-fledged growth trajectory.

## Pension (advisory) and private investment trust markets

Exhibit 29. Assets in public pension funds



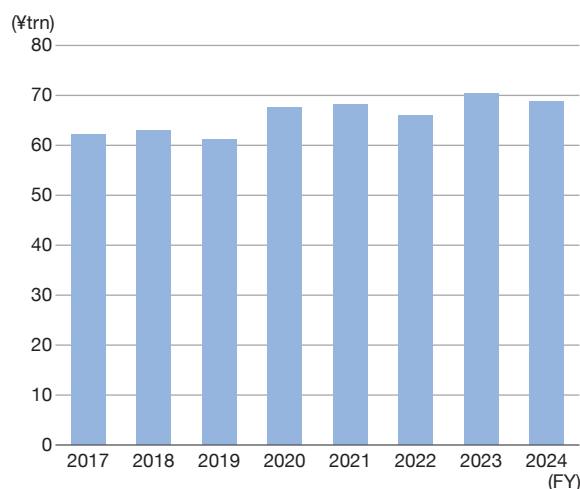
Note 1: Chikyoren is the Pension Fund Association for Local Government Officials; Kokkyoren, the Federation of National Public Service Personnel Mutual Aid Associations; and Shigaku Jigyodan, the Promotion and Mutual Aid Corporation for Private Schools of Japan.

Source: NRI, based on data provided by entities managing public pension funds

Japan's public pension reserves climbed ¥3.4trn (+1.1%) to a record ¥328trn at the end of FY2024.

The entities responsible for managing and operating these reserves—the Government Pension Investment Fund (GPIF), the Pension Fund Association for Local Government Officials, the Federation of National Public Service Personnel Mutual Aid Associations, and the Promotion and Mutual Aid Corporation for Private Schools of Japan—each formulate their own basic portfolios, although these portfolios are constructed around a common model. The allocation during the five-year period from FY2025 to FY2029 will be the same as in the preceding five-year period and will consist of equal 25% weightings for domestic equities, foreign equities, domestic bonds, and foreign bonds. Investment operations have already commenced in accordance with this policy.

Exhibit 30. Assets in DB corporate pension funds

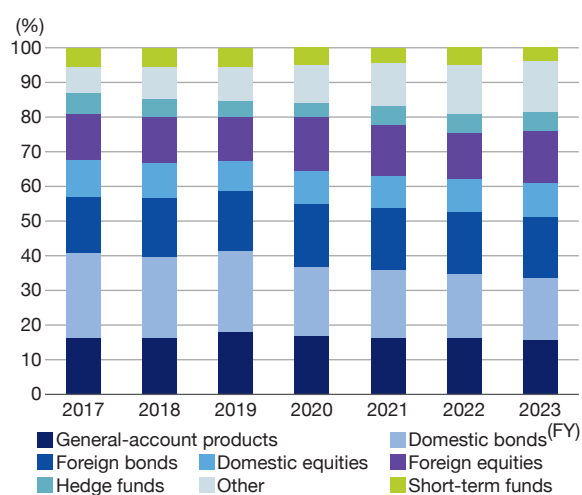


Source: NRI, based on Trust Companies Association of Japan data

Assets in Japan's DB corporate pension plans slipped ¥1.5trn (-2.2%) YoY to ¥68.8trn at end-FY2024.

Benefit payments have been rising steadily as DB plans continue to mature, resulting in negative net cash flows for the system as a whole. A growing number of corporate sponsors are also reviewing their retirement benefit arrangements, leading to declines in both the number of plans and the number of active participants.

Exhibit 31. Asset allocation in DB corporate pension plans



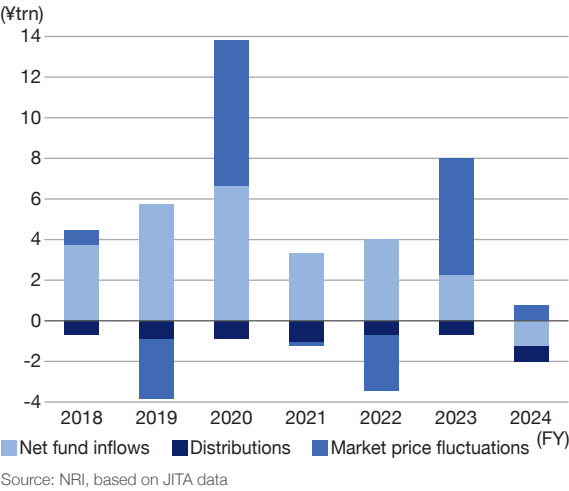
Source: NRI, based on Pension Fund Association data

For more than 20 years, DB pension plans have steadily lowered their assumed rates of return while simultaneously reducing investment risk (de-risking). The transition from equities to an asset allocation centered on bonds and general-account insurance products is largely complete.

In recent years, the weighting assigned to domestic bonds has fallen against the backdrop of the Bank of Japan's negative-interest-rate policy. There has been a corresponding increase in "other" assets, which are believed to include a significant proportion of less-liquid alternative investments. While the details vary from plan to plan, common examples of such investments include real estate, infrastructure, private debt, and other illiquid assets.



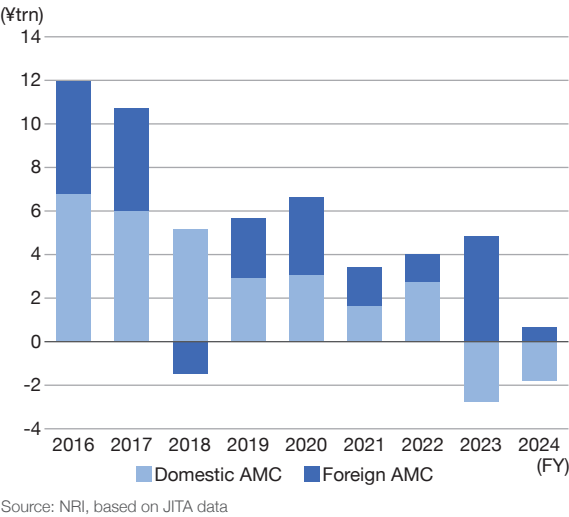
Exhibit 32. Factors driving changes in assets in private investment trusts



The total net asset value of private investment trusts stood at ¥115.4trn at the end of FY2024.

After the Bank of Japan introduced its negative interest rate policy in 2016, financial firms continuously increased their outsourcing of asset management through private investment trusts until FY2023. However, redemptions have been rising since FY2021, when long-term interest rates began to move higher, and net fund inflows turned negative in FY2024. The number of new fund launches fell from around 1,000 in FY2019 to some 700 five years later in FY2024, confirming a clear downward trend.

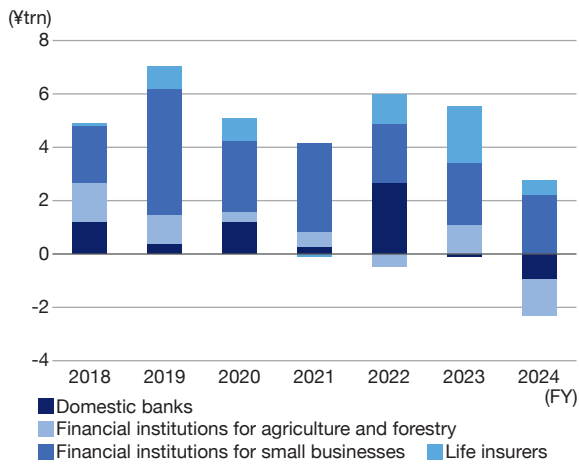
Exhibit 33. Net fund inflows to private investment trusts



When private investment trusts are broken down by domestic or foreign AMCs, domestic AMCs began experiencing net fund outflows in FY2023, while foreign AMCs have continued to attract net inflows.

Excluding funds designed for variable annuities and fund-of-funds structures, domestic AMCs invest primarily in foreign sovereign bonds and similar instruments. In contrast, foreign AMCs tend to focus on foreign credit products, including US and European investment-grade bonds, high-yield bonds, leveraged loans, and municipal bonds.

Exhibit 34. Flows of investment trust beneficiary rights held by financial institutions



Source: NRI, based on Bank of Japan, Flow of Funds Accounts

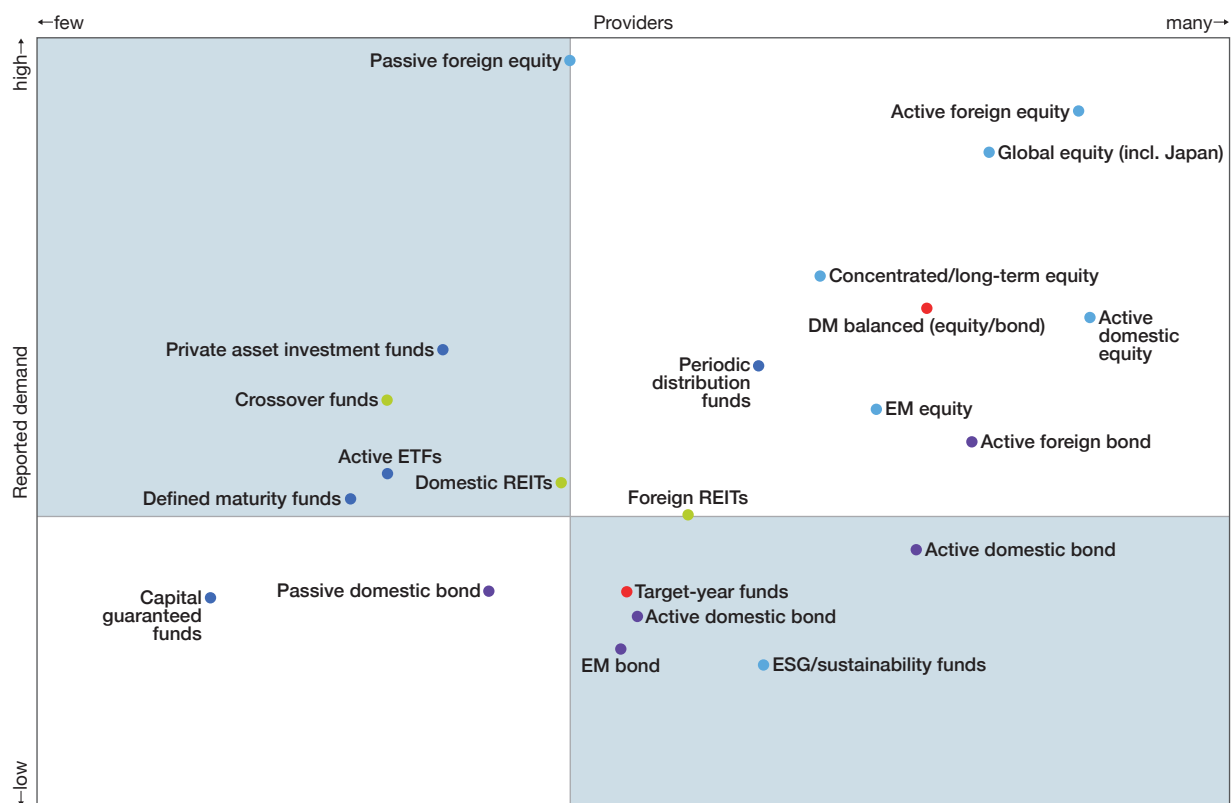
According to the Bank of Japan's Flow of Funds Accounts, flows of investment trust beneficiary rights held by banks and life insurance companies remained sluggish in FY2024. Domestic banks recorded net outflows of ¥0.9trn, while agricultural, forestry, and fishery financial institutions (including Norinchukin Bank and agricultural and fishery cooperatives) experienced net outflows of ¥1.4trn.

In contrast, financial institutions for small businesses (including shinkin banks, credit cooperatives, labor credit unions, and Japan Post Bank) continued to see steady inflows, posting positive flows of ¥2.2trn in FY2024.

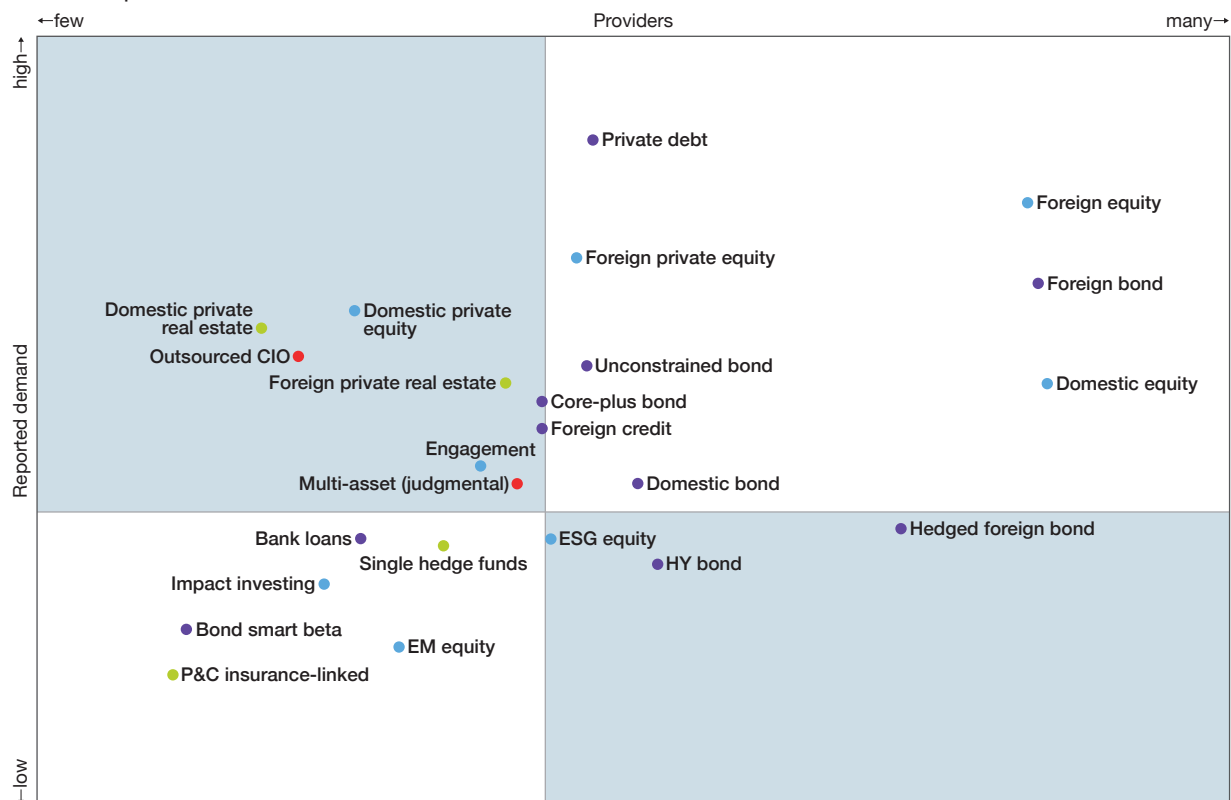
## Investment product market trends by investor segment

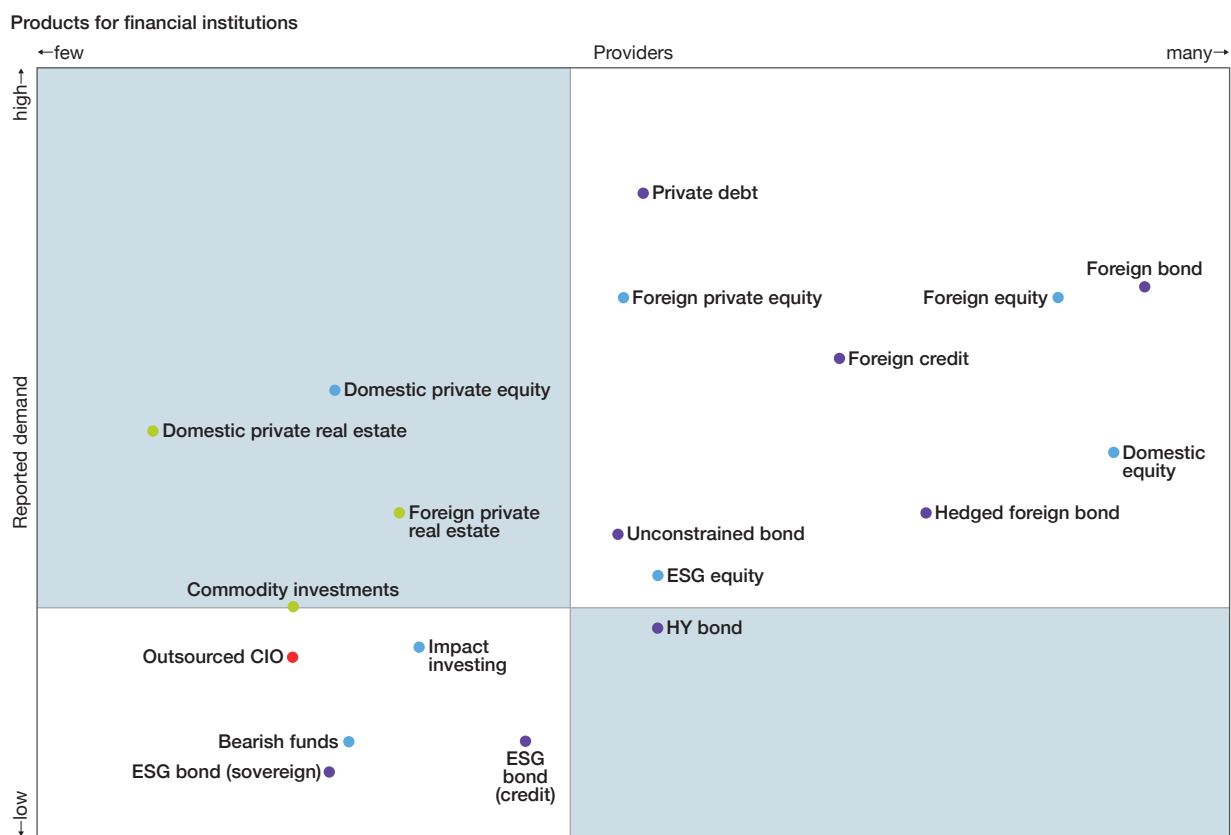
Exhibit 35. Product opportunity map

### Products for retail investors



### Products for pension funds





Note: Vertical axis is an indexed aggregate of customer demand (based on asset managers' assessment of demand). Horizontal axis is an indexed aggregate of the number of providers (not the amount of assets).  
Source: NRI, based on *Survey of Asset Management Companies' Management Priorities*

The product opportunity maps in this section are based on data from NRI’s annual *Survey of Asset Management Companies’ Management Priorities* and show the strength of demand for various investment products in three separate investor segments—retail, pension funds, and financial firms—with perceived demand (as assessed by asset managers) on the vertical axis and the number of companies providing these products on the horizontal axis. The graphs make it easy to distinguish between promising products with robust demand and limited supply (upper left quadrant) and products facing a challenging competitive environment due to weaker demand and greater supply (lower right quadrant).

Trends common to the three maps include: (1) increased demand for equities versus bonds over last

year, (2) reduced demand for ESG-related products, and (3) persistently strong demand and limited supply for alternative investments. The rise in demand for equities probably reflects changing investor needs amid global inflation and the normalization of the interest rate environment.

The retail investor map shows continued robust demand for foreign equities and global equities (including Japan). However, perceived demand for ESG/sustainable funds has fallen sharply compared to last year.

After equities, other categories in high demand include alternative asset funds (including crossover funds combining listed and unlisted equities and private asset funds investing in infrastructure and

other unlisted assets) and regular distribution products such as funds with monthly payouts.

Turning to bonds, perceived demand for domestic bonds rose over the previous year, perhaps due to rising domestic interest rate risk, with appetite for these products now on a par with hedged foreign bond funds.

Perceived demand for traditional balanced funds was also strong, possibly because of the need for tsumitate investment. In contrast, demand for target-year funds remains weak.

Moving on to pension funds, demand for foreign bond funds—including hedged foreign bonds—has declined in recent years, while demand for domestic equities has risen. Perceived demand for foreign equities remains elevated, with demand for domestic bonds still sluggish. The persistently weak demand for domestic bond funds may suggest that a reversal of the diversification process that took place under the Bank of Japan's negative-interest-rate policy (from a focus on traditional assets to multi-asset strategies incorporating alternative assets) is unlikely.

In terms of alternative investments, there was strong demand for private debt, private equity (both domestic and foreign), and domestic real estate. Private equity has been divided into domestic and foreign categories this time, with domestic private equity standing out as a promising area with high demand and a limited number of providers.

The rapid increase in demand for outsourced CIO (OCIO) services also warrants attention. While OCIO can be viewed as a multi-asset product when the focus is placed solely on the investment function, perceived demand exceeds that of traditional multi-asset (judgmental) products, and the number of providers is limited.

The map for financial firms shows strong demand for bond-related strategies—centering on foreign credit and private debt. Meanwhile, demand for ESG and impact investments in equities and bonds, along with bearish equity funds, has fallen sharply.

Conversely, perceived demand for traditional foreign equities, commodities, and high-yield bonds has picked up. Interest in domestic and international real estate and private equity also remains robust.

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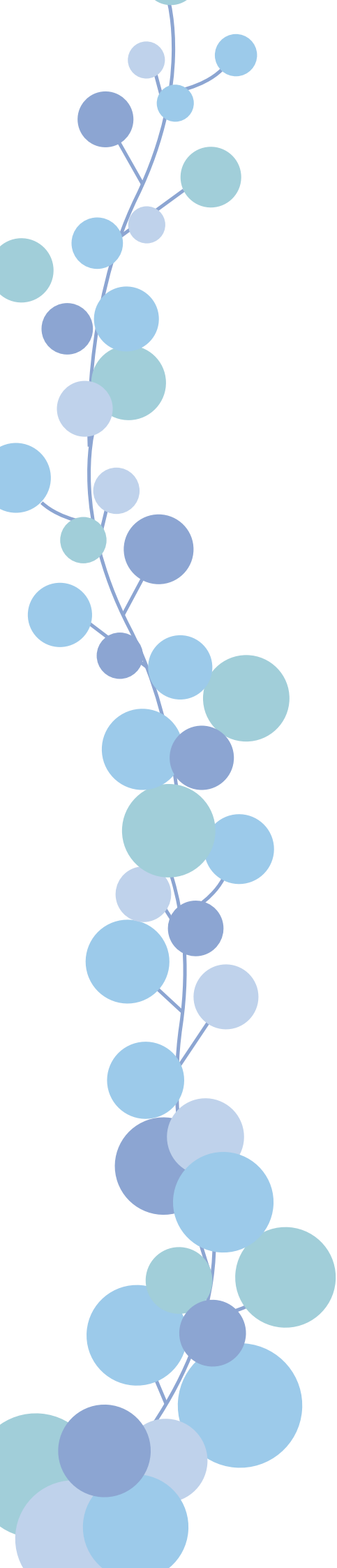
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