

TWO-WAY STRATEGY OF THE NEW FORM OF CAPITALISM:

PM KISHIDA'S MESSAGE AT THE NYSE

SEPTEMBER 22, 2022

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On September 22, 2022, Prime Minister Kishida delivered a speech in English at the New York Stock Exchange (NYSE) on Wall Street in New York City of the United States, the center of the global economy. Explaining that his New Form of Capitalism is characterized by the two-way growth and sustainability strategy, he introduced Japan's five priorities: 1) to invest in people; 2) to invest in innovation; 3) to invest in green transformation (GX); 4) to implement the Asset-Income Doubling Plan; and 5) to build a nation that grows together with the rest of the world. He then appealed for active investment in the Japanese economy.

Thank you for this opportunity to address you today.

I also want to thank you for your heartfelt condolences on the death of my friend and great predecessor, former Prime Minister Abe. We Japanese will never forget your kindness.

Almost 60 years ago, because of my father's job, I lived in Queens. Maybe you can tell that I have a hint of a New York accent.

1960s America was a generous, diverse, colorful and vibrant place to me. As a kid, I was greatly influenced by that vision of America and its reverence for freedom and energy.

It was also here in New York that I encountered baseball, a sport that I love from the bottom of my heart. Today, Shohei Ohtani and Aaron Judge are in dead heat for the MVP under a nationwide spotlight, but when I came to the US, there was no Japanese in Major League Baseball.

Later, while I was still in Queens, Mashi Murakami of the SF Giants became the first Japanese to play in MLB, here at a Mets game at Shea Stadium. He became my hero.

After I returned to Japan, I played baseball on my high school team. I think baseball taught me values that I respect as a politician, such as "teamwork," "perseverance" and that "the game isn't over until it's over."

One other thing I want to mention since I am here in the citadel of capitalism. I am the only post-World War Two Japanese prime minister with a financial background. I worked as a banker in foreign exchange and corporate restructuring. That is why I feel about free enterprise the way Mark Twain felt about good whiskey—"too much is barely enough."

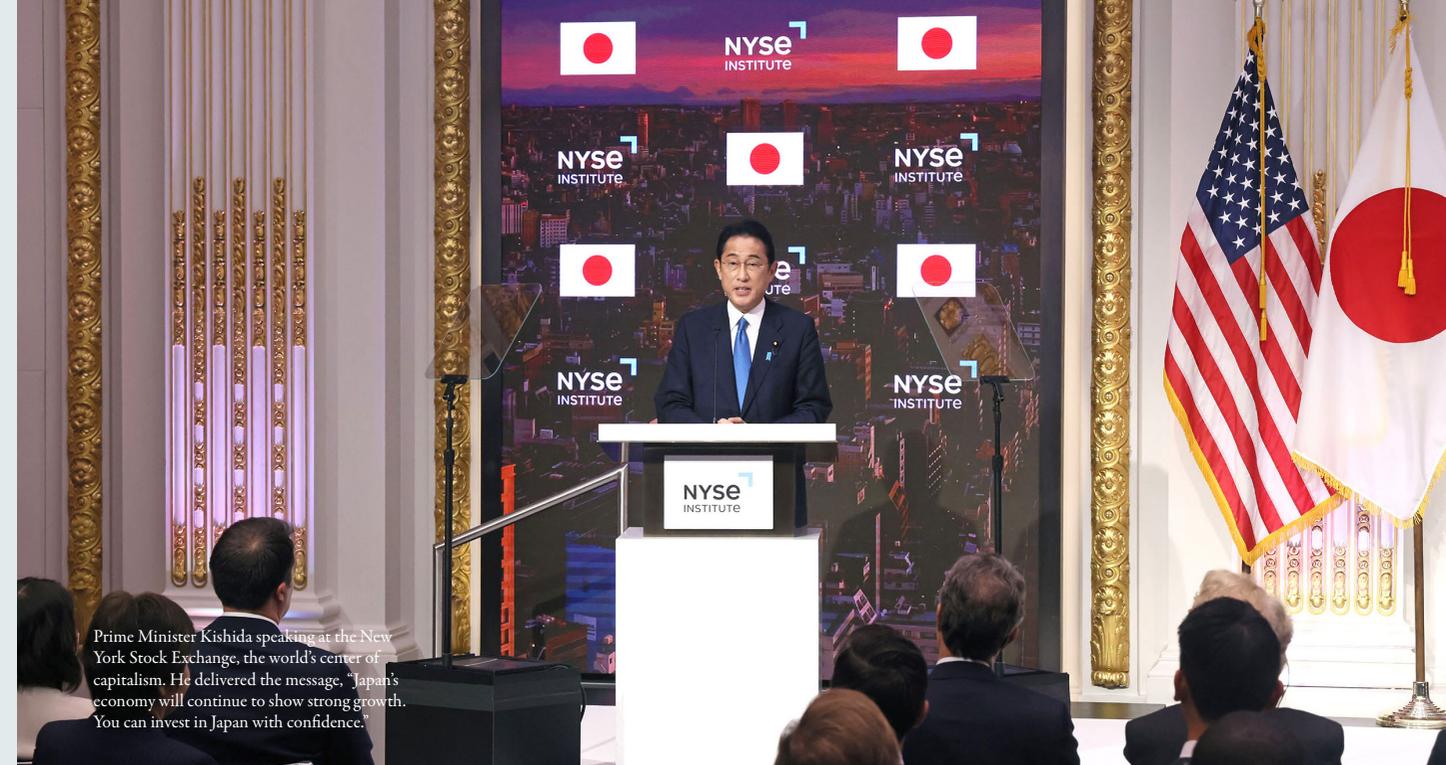
So, I have come here today to Wall Street, the center of the global economy, with this message: "Japan's economy will continue to show strong growth. You can invest in Japan with confidence."

I advocate an economic policy of a "New Form of Capitalism," which is a comprehensive package to renew the growth of the Japanese economy.

If I use my favorite player Shohei Ohtani as a metaphor, the defining feature of a "New Form of Capitalism" is that it is a two-way strategy. Of course, it is not to hit and pitch, but to promote growth and sustainability.

I firmly believe that the creative energy of the private sector is crucial for prosperity and a strong economy. Growth will only be achieved if we harness this energy.

At the same time, we must uphold sustainability by responding to the various risks that constrain our economy, such as global inflation, an unstable energy supply, climate change, a declining birthrate and an aging population, as



Prime Minister Kishida speaking at the New York Stock Exchange, the world's center of capitalism. He delivered the message, "Japan's economy will continue to show strong growth. You can invest in Japan with confidence."

well as an increasingly severe security environment.

Can Japan really accomplish great change? I am here to say we can. History shows that we can. The Meiji Restoration and the postwar economic miracle are reminders of that ability.

And now, once again, we can see changes happening in Japan.

What I am proposing is to transform the various social challenges we face into engines of growth, and to share the fruit of growth for even further growth.

To meet these challenges, I intend to mobilize every possible policy instrument, including the budget, taxation, and regulatory reform.

One very important policy is corporate governance reform.

As a result of numerous reforms Japan has made in the last decade, the behavior of Japanese companies has significantly changed.

ROE ratios have soared, and almost all companies now have independent outside directors. We also expect more companies to appoint women and foreign talent to their boards.

We have witnessed more companies undertaking vast corporate reforms not seen in the past, such as divesting non-core businesses and pivoting to new fields.

We will accelerate and further strengthen corporate

governance reforms in Japan, such as establishing a forum in the near future to hear from investors from around the world.

I would also like to note that today marks the signing of the Memorandum of Understanding between the NYSE and the Tokyo Stock Exchange. We will continue on with our TSE reforms which started this year, and revive Japan as an international financial market.

It has been three decades since the burst of the "bubble" economy in Japan. Since then, Japan has cut costs by tackling excessive debt, excessive investments and excessive capital. We have achieved a slim, cost-sensitive economy as a result. But clearly more is required.

We face the challenge of investing in the future and developing an economy that consistently creates new value.

Let me share Japan's five priorities.

First is to invest in people.

Digitalization and greening have drastically changed the economy. We know that a source of a great deal of added value will be intangible, not tangible, assets. And in particular, it will be human capital.

So, we will advance a society where human capital is central.



After his speech, Prime Minister Kishida rang the NYSE Closing Bell and observed the signing of a memorandum of understanding between the Tokyo Stock Exchange (TSE) and the NYSE to support cross-border investment between Japan and the U.S.

Labor market reform is my priority. Japanese labor management will be updated, from a seniority-based, lifelong employment system into a new Japanese system where job-based pay is located at its core, through the cooperation between the government and business community.

This will facilitate labor mobility and give birth to a cycle in which paying higher wages attracts highly skilled personnel, thereby increasing labor productivity and level of salaries.

We will further bolster our support for the reskilling of workers in digital and other fields, while encouraging labor mobility.

Japan's future depends upon the vitality that women bring to our economy. "Women empowerment" is crucial. There has been a clear shift in the attitudes of the younger generation. Over the past 10 years, the percentage of full-time female employees under the age of 35 has increased by 10% or by 0.6 million -even though the population of this generation decreased by 1.2 million over the same period.

We are determined to clear the obstacles that hinder women's advancement because women must be at the core of the Japanese economy.

We need women to pursue their careers and have families. There is no reason we cannot pursue both and help the declining birthrate. In April of next year, we will establish the Child and Family Affairs Agency to consolidate child-rearing policies. This is a landmark policy that aims to meet the structural challenges of our population decline.

Reforming the wage system, investing in people, and women empowerment. All of these efforts will be promoted in a transparent manner as we establish disclosure protocols for human capital, and we will lead the international rule-making process as well.

The second is to invest in innovation. We have formulated national strategies and targets in the areas of AI, quantum, biotechnology, digital, and decarbonization.

I place particular emphasis on startups. Diverse challengers to the status quo are already emerging in Japan. A graduate student founded a unicorn startup that developed a uniquely Japanese bio-manufacturing technology and is now expanding into the United States. A female CEO, who launched a novel networking service in the consulting field, acquired a U.S. company last year and now the business has expanded to 190 countries across the globe. The energy brought by women and young people is the Japanese economy's hope for prosperity.

Next TOYOTAs and SONYs will spring from the drive and determination of these challengers. The important thing is to create an ecosystem in Japan where startups will flourish. We need to expand tax incentive measures on startup investments based on profit from selling stocks and incentive stock option system. We will also try to bring in US universities with high reputations on startup education.

The startup market is currently in a difficult situation, but because we are in such a situation we will further boost support.

Third is to invest in green transformation or GX. Japan is undertaking a major economic, social, and industrial reform to achieve carbon neutrality by 2050. This is a huge chance and can provide a booster rocket to Japan's economy. By the end of the year, I will present a roadmap for the next ten years.

Through the combination of "growth-oriented carbon pricing" and investment support, we will achieve over 150 trillion yen of GX investment in Japan over the next decade. We will also contribute to the advancement of Asia's GX investment. To achieve zero emission by 2050, it is estimated Asia will require approximately 40 trillion

Among various investments in innovation, Prime Minister Kishida places particular emphasis on startups. Born of a science park among the rice paddies in Tsuruoka City, Yamagata Prefecture, the remarkable unicorn company mentioned in his speech develops and manufactures artificial protein materials, the next generation of biomaterials.



dollars. To attract transition financing from around the world, we envision working on large-scale projects in Asia, such as power generation, hydrogen, and grids, as well as creating common standards within the region.

In light of the energy crisis triggered by Russia's outrageous war, we will also tackle head-on the issue of nuclear power generation. I have ordered an intensive expert analysis of restarting more than a dozen nuclear power plants, as well as developing the next-generation of reactors that incorporate new safety mechanisms. Building upon the discussion of experts, we will accelerate considerations, to make a decision by the end of the year.

My fourth point is our Asset-Income Doubling Plan. We now have 2,000 trillion yen in personal financial assets. Only around 10% of this is invested in stocks. In order to double asset income and enable long-term asset building for retirement, it is essential to make our small investment tax exemption system for individuals permanent.

My fifth point is to build a nation that grows together with the rest of the world.

Japan will continue to be a trading and investment nation open to the world.

We are a nation that has flourished through the free flow of people, goods and capital.

We have multilayered trade and investment relations with countries around the globe and actively promote economic partnerships including CPTPP and IPEF. This will not change.

COVID-19, of course, interrupted all of these benefits. But from October 11, Japan will relax border control measures to be on par with the U.S., as well as resume visa-free travel and individual travel.

Let me add that next year, Japan will host the G7 Hiroshima Summit. It is the mission of the G7 to protect the prosperous global economy. As the G7's president, I take that mission very seriously.

Finally, let me say a few words about Japan-U.S. cooperation. As allies, Japan and the U.S. are good partners not only in the field of security but also in economics. Japan is the largest investor in the U.S., and the U.S. is the largest investor in Japan. The number of American jobs created by Japanese companies is second out of all foreign



In a new major waste-to-energy power project in the province of Bac Ninh, Viet Nam, a Japanese company is supporting the construction and operation of a plant, thereby helping to promote proper waste disposal and recycling in the region. (Conceptual illustration of the plant)

companies. When Japanese companies prosper, so too does the U.S. economy.

We intend to further deepen this strategic relationship. When I met with President Biden in May, we agreed to strengthen cooperation on semiconductor manufacturing, which is key to our economic growth and security. Projects, such as joint Japan-U.S. investment in semiconductor plants and research into next-generation semiconductors, are already underway.

Such supply-side investment under international coordination is globally crucial in addressing current inflation levels. It might be one of the important issues to be discussed at next year's G7.

Ladies and gentlemen, let me start bringing this to a close by saying that I am resolute in my ambition to make Japan as prosperous and energetic as the New York of my childhood and as the NYSE itself.

There is nothing more thrilling in baseball than a comeback win. I am here today to tell you that, with the help of the Japanese people, we will revive and revitalize the Japanese economy.

And for inspiration, we need look no further than to the dynamism of the NYSE, which remains ever-vibrant, ever-renewing and ever-changing. Its market energy is so unrelenting it can remake not just economies but societies. I thank you for letting me share my vision of capitalism with you today, at this very heart of capitalism, the New York Stock Exchange.

Thank you for inviting me and thank you for your hospitality.

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