

# A Revitalized Japan: A New Era of Opportunities

July 2, 2024

Japan's investment management market is undergoing a significant transformation characterized by the renewed vigor of Japanese equities and a burgeoning interest in private markets. This dual trend is reshaping the Japanese investment landscape, offering exciting opportunities for local and international investors alike. This resurgence can be attributed to changes in monetary policy, governance reforms and the proactive search for higher yields and diversification.

## The Resurgence of Japanese Equities

For decades, Japan's equity market languished due to the economic stagnation that followed the asset price bubble bursting in the early 1990s. However, several recent developments have rekindled interest in Japanese equities among global investors as the return on Japanese equities only slightly lagged U.S. equities in 2023. The trend for strong returns is continuing this year, with the [S&P Japan 500](#) delivering returns over 19% up to June 2024.<sup>1</sup>

In an effort to improve corporate efficiency and shareholder value, Japan has introduced significant corporate governance reforms. Introduced in 2015, The Corporate Governance Code and its subsequent updates have enhanced transparency, accountability and capital efficiency. These reforms have driven Japanese companies to adopt more shareholder-friendly practices, such as higher dividend payouts and share buybacks. This shift has caught the attention of global investors looking for value and accountability in their investments.

The Bank of Japan's (BoJ) prolonged accommodative monetary policy, characterized by negative interest rates and massive asset purchasing programs, played a crucial role in stabilizing the economy. But over the longer term, it has left Japan caught in a deflationary trend with an undervalued currency. But in March 2024, the BoJ made a major policy shift, raising interest rates for the first time in 17 years, with many economists forecasting further rate rises later this year.

Despite gradual improvements in corporate profitability, Japanese stocks have historically traded at a discount compared to their global peers. This discrepancy has provided an appealing opportunity for value-oriented investors who recognize the underlying strength of Japanese companies, especially those benefiting from global economic trends and improved domestic performance.

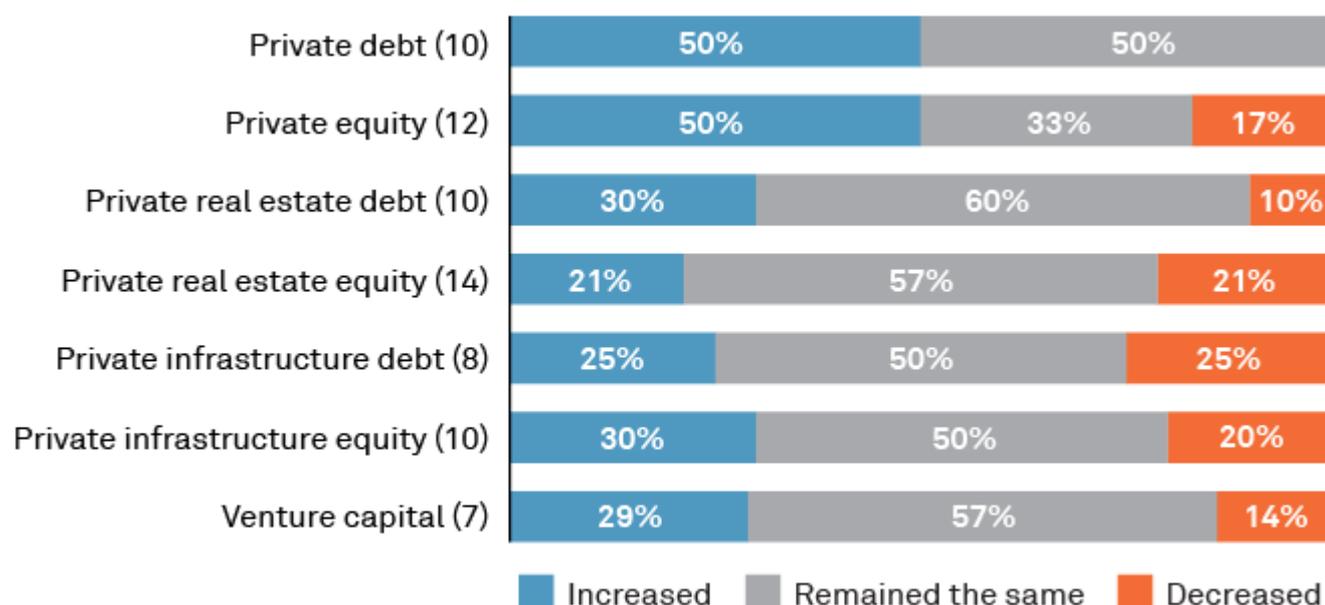
## An Appetite for Private Markets

Domestically, Japanese institutional investors—primarily large pension funds and insurance companies—are increasingly turning their attention to private markets to enhance returns and diversify their portfolios.

The persistent low-interest-rate environment has diminished the yield on traditional fixed-income

investments. In response, institutional investors are seeking alternative investments that offer higher returns. Private markets, including private equity, real estate and infrastructure, provide these higher yields, attracting significant interest from institutions looking to fulfil their long-term obligations.

## Change in Target Allocations—Japanese Investors Past 3 Years



Note: Numbers in parentheses represent number of respondents. Based on 16 total respondents. Totals may not equal 100 due to rounding.

Source: Coalition Greenwich 2023 Asia Private Market Study

With institutional portfolios having to cater to Japan’s “super-aged” society—in fact, the oldest population in the world—the long-term nature of private market investments aligns well with the investment horizons of domestic pension funds and insurance companies aiming for stable and attractive returns over an extended period.

### Implications for Global and Local Investors

The Japanese investment management market is witnessing a rejuvenation, driven by shifting central bank strategies, robust corporate governance developments and the strategic moves of investors toward more diversified asset classes. These trends are creating a vibrant investment environment brimming with opportunities for both global and local investors. As these dynamics continue to evolve, they are poised to redefine the contours of Japan’s financial markets, fostering a more dynamic, robust and rewarding investment landscape.

Managers who can adeptly navigate this changing terrain stand to benefit from the wealth of opportunities that lie ahead, capitalizing on the renewed strength and potential of Japan’s evolving market.

*Sophie Emler is the author of this publication.*

<sup>1</sup><https://www.spglobal.com/spdji/en/indices/equity/sp-japan-500/>

---

[www.greenwich.com](http://www.greenwich.com) | [ContactUs@greenwich.com](mailto:ContactUs@greenwich.com)

Coalition Greenwich, a division of CRISIL, an S&P Global Company, is a leading global provider of strategic benchmarking, analytics and insights to the financial services industry.

We specialize in providing unique, high-value and actionable information to help our clients improve their business performance.

Our suite of analytics and insights encompass all key performance metrics and drivers: market share, revenue performance, client relationship share and quality, operational excellence, return on equity, behavioral drivers, and industry evolution.

## About CRISIL

CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better. It is majority owned by S&P Global Inc., a leading provider of transparent and independent ratings, benchmarks, analytics, and data to the capital and commodity markets worldwide.

CRISIL is India's foremost provider of ratings, data, research, analytics, and solutions with a strong record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights and efficient solutions to over 100,000 customers through businesses that operate from India, the U.S., the U.K., Argentina, Poland, China, Hong Kong, and Singapore.

For more information, visit [www.crisil.com](http://www.crisil.com)

## Disclaimer and Copyright

This Document is prepared by Crisil Coalition Greenwich, which is a part of Crisil Ltd, a company of S&P Global. All rights reserved. This Document may contain analysis of commercial data relating to revenues, productivity and headcount of financial services organisations (together with any other commercial information set out in the Document). The Document may also include statements, estimates and projections with respect to the anticipated future performance of certain companies and as to the market for those companies' products and services.

The Document does not constitute (or purport to constitute) an accurate or complete representation of past or future activities of the businesses or companies considered in it but rather is designed to only highlight the trends. This Document is not (and does not purport to be) a comprehensive Document on the financial state of any business or company. The Document represents the views of Crisil Coalition Greenwich as on the date of the Document and Crisil Coalition Greenwich has no obligation to update or change it in the light of new or additional information or changed circumstances after submission of the Document.

This Document is not (and does not purport to be) a credit assessment or investment advice and should not

form basis of any lending, investment or credit decision. This Document does not constitute nor form part of an offer or invitation to subscribe for, underwrite or purchase securities in any company. Nor should this Document, or any part of it, form the basis to be relied upon in any way in connection with any contract relating to any securities. The Document is not an investment analysis or research and is not subject to regulatory or legal obligations on the production of, or content of, investment analysis or research.

The data contained in the Document is based upon a particular bank's scope, which reflects a bank's data submission, business structure, and sales revenue Reporting methodology. As a result, any data contained in the Document may not be directly comparable to data presented to another bank. For franchise benchmarking, Crisil Coalition Greenwich has implemented equal ranking logic on aggregate results i.e., when sales revenues are within 5% of at least one competitor ahead, a tie is shown and designated by = (where actual ranks are shown). Entity level data has no equal ranking logic implemented and therefore, on occasion, the differences between rank bands can be very close mathematically.

The data in this Document may reflect the views reported to Crisil Coalition Greenwich by the research participants. Interviewees may be asked about their use of and demand for financial products and services and about investment practices in relevant financial markets. Crisil Coalition Greenwich compiles the data received, conducts statistical analysis and reviews for presentation purposes to produce the final results.

THE DOCUMENT IS COMPILED FROM SOURCES CRISIL COALITION GREENWICH BELIEVES TO BE RELIABLE. CRISIL COALITION GREENWICH DISCLAIMS ALL REPRESENTATIONS OR WARRANTIES, EXPRESSED OR IMPLIED, WITH RESPECT TO THIS DOCUMENT, INCLUDING AS TO THE VALIDITY, ACCURACY, REASONABLENESS OR COMPLETENESS OF THE INFORMATION, STATEMENTS, ASSESSMENTS, ESTIMATES AND PROJECTIONS, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE ARISING OUT OF THE USE OF ALL OR ANY OF THIS DOCUMENT. CRISIL COALITION GREENWICH ACCEPTS NO LIABILITY WHATSOEVER FOR ANY DIRECT, INDIRECT OR CONSEQUENTIAL LOSS OR DAMAGE OF ANY KIND ARISING OUT OF THE USE OF ALL OR ANY OF THIS DOCUMENT.

Crisil Coalition Greenwich is a part of Crisil Ltd., an S&P Global company. ©2026 Crisil Ltd. All rights reserved.