



SMDAM Japan Investment Seminar 2025

Event Insights - October 2025

Japan Equity Research Team SMDAM

We are one of the largest investment management companies in Japan, offering discretionary investment management, investment trusts and advisory services to a range of institutional investors, pension funds, government agencies and retail investors worldwide.

The timing of this year's Japan Weeks season of conferences and events hosted by Japanese financial institutions could hardly have been more fortuitous. With the confirmation of Sanae Takaichi as Japan's first female Prime Minister on Tuesday, the country has been gripped by an outbreak of optimism which has swept domestic and international investors along in its wake. This euphoria quickly found its way into the markets, with the main Japanese indices hitting new all-time highs as the news broke.

An outspoken supporter of fiscal activism and targeted supply-side interventions to support strategic industries, Takaichi's incoming administration is seen as the next stage in Japan's journey back to sustainable growth after the decades of deflation and negative interest rates.

In short, the now well-known story about corporate reform which has seen the Tokyo Stock Exchange both reduce the number of companies listed at the same time as launching various initiatives to improve the average financial quality of listed companies, has now been complemented by the arrival of a political leader who seems to be serious about returning Japan to a growth path similar to that enjoyed in the 1980s.

Whether or not she can succeed in this illustrious goal is yet to be determined, but the project itself has been met with widespread enthusiasm from market participants, and today the wind is firmly back in corporate Japan's sails.

Takaichi's Japan

Whilst the discussions were far-ranging in their content, the three key themes interwoven throughout:

1. The implication of Takaichi's radical agenda on markets
2. The current macroeconomic realities which will inform the government's starting position
3. Continued momentum from the Tokyo Stock Exchange's corporate governance reforms

Beginning with the broad outlook for the new regime under Takaichi, several speakers drew attention to the fact that the global political and economic backdrop is changing today more dramatically than we have seen for several decades. With the advent of what analysts have termed a multipolar world where several individual countries, or loose groupings of countries, wield influence over international affairs. Some feel that the absence of a clear leader to give the global system direction, purpose, and a sense of what is and isn't allowed, creates in the short-term an expanding sense of anarchy.

Political theorist Ian Bremmer has coined the term 'G-zero' world to capture this trend, in that while the G7, G20, and other nominal policy forums may continue to exist, in the absence of a hegemon willing to bear the costs of maintain this system and to show leadership within these forums, we are effectively entering a leaderless and therefore less predictable and less stable world order.

However, this move towards a multipolar world isn't necessarily a headwind for Japan in the way it could be for other developed nations for several Japan-specific reasons. Firstly, the initial and therefore most painful monetary adjustments are already in the rearview mirror, and the path is now clear for a new phase of nationally-driven growth without the distortions of the negative rates of previous years.

The heavy lifting is already done

The last few decades were essentially about Japanese companies and households cleaning up their balance sheets after a long period of deflation. The cash-hoarding is now being replaced by more constructive corporate and individual behaviours that support aggregate demand. That national project of re-learning how to spend sensibly today because the time-value of money declines is now completed. This means the corporate mindset is shifting from thinking first and foremost of defence and survival towards a more flexible outlook which could involve offensive and growth-oriented steps being taken.

As we have covered previously in other articles, this theme is in strong alignment with a generational transfer of corporate leadership which has been underway for some time. The old guard of extremely conservative managers who lived through – and essentially remained shell-shocked by – the crash of the late 1980s and the long depression that followed it have been increasingly replaced by a younger, more entrepreneurial generation more receptive to the message that shareholder returns should be focused on.

Today, the average Japanese corporate of any size is financially healthy, as well as being willing and economically incentivised to invest for expansion. This trend provides a cushioning factor meaning the adjustment for Japan – a classically low tariff trading nation – to the new environment of trade barriers and heightened national economic competition is far less severe than could have been the case.





Likewise, attendees heard from two leading experts Hiroshi Okada, Vice Commissioner for Strategy Development and Evidence-based Policy-making at the Financial Service Authority, and Chad Cecere, Senior Manager at the Tokyo Stock Exchange on the progress made by the exchange in encouraging listed companies to provide better value to their shareholders. Many readers will already be familiar with the broad outline of this story from our previous articles, but the good news that this program has progressed steadily and is even gathering pace was well-received by all participants. With the trend already established for improving corporate governance across the market-cap spectrum, the message from both regulators and the exchange was that investors and listed companies should expect more of the same in 2026.

The paradoxical benefits of moving slowly

Despite generally being regarded as a negative factor, sometimes there can be unintended positive consequences from moving slower than your competitors. The famously cautious approach that characterised corporate Japan over the past decades meant much slower rates of technological or organisational change than were common elsewhere, especially in the US. One major consequence of this is that, unlike Europe and the US, Japan's industrial base has remained intact.

The fact that deindustrialisation never moved as quickly in Japan as in other developed markets represented a drag on growth in the deflationary years, as land, labour and capital remained trapped in low profitability sectors rather than flowing to the service sector where the returns would be better.

However, today this lack of deindustrialisation is a massive strategic asset in a world that is placing increasing emphasis on where things are made and who makes them. Importantly, this broad industrial capability is a strength for the Japanese economy even relative to the US, where the Trump administration's efforts to bring back manufacturing are exponentially harder given the need to recreate whole industrial supply-chains from scratch.

In contrast, Takaichi has the relatively less onerous problem of how to design policies to further support and ramp-up existing, world-class manufacturing capabilities in strategic areas like semiconductors and quantum computing. The speakers concurred that Japan's positioning in these strategic areas is arguably more credible than similar efforts elsewhere where the industrial base has to be rebuilt, with the US being one example of this.

Importantly, the virtues of this industrial base are not merely confined to advanced areas such as semiconductor manufacturing. The recent announcement that the Australian government has ordered ships from Japan as it is unable to produce them internally further underlines the advantages that Japan can now reap from having previously abstained from deindustrialisation.

Although no one would predict with a high degree of certainty where the decentralising trends now unleashed in the world economy will ultimately lead, Japan seems to be starting from a better place than virtually any other developed nation. If the forecasts are correct that we are entering an era of so-called ‘embodied’ or ‘physical’ AI, in which advanced and increasingly autonomous processing capabilities are integrated into advanced capital goods leading to a productivity boom, Japan may well prove uniquely well suited to this environment.

These future corporate champions would be in addition to the current ‘picks and shovels’ beneficiaries of the data centre build out we are seeing around the world today.

Risk of government failure is significantly reduced now

Due to the above reasons, several speakers commented that the room for government policy to be additive is now unusually wide for Takaichi. Another way of saying this is that the risk of government failure – when government intervention in the economy leads to a misallocation of resources and less economic efficiency as a result – is dramatically reduced because the starting point is so favourable.

Our view at SMDAM is that what we know so far about Takaichi’s policies suggests they are clearly focused on trying to marry the country’s unique strengths with currently topical and thematic areas of structural growth. The global consensus that Japan appears well-positioned to capitalise on is that the next set of opportunities for structural growth will be characterised by the interaction of technology, energy, economic security, upgraded infrastructure, and defence.

Japan’s relatively high levels of social cohesion and less divisive politics are also a factor in favour of this. Getting the most out of the current set of opportunities for further development will be about creating and maintaining alignment between the government and the private sector to achieve discrete national goals. Precisely because Japan has a sophisticated and broad industrial corporate sector, the government can use targeted incentives and institutional reforms to guide investment, safe in the knowledge that companies will respond effectively.

All of these factors taken in unison, and with the victory of Takaichi as a clear catalyst, makes it substantially harder to ignore Japan for equity investors today. The era of Takaichi is about to begin; expectations about where it could lead are heightened, but crucially as we have explained above, this great expectations are ultimately anchored in reality.





Contact Details

Sumitomo Mitsui DS Asset Management (UK) Ltd.
100 Liverpool St., London EC2M 2AT, United Kingdom

www.smd-am.co.uk - uksales@smd-am.co.jp



Richard HAXE

*Managing Director, Head of
Business Development*

+44 20 7507 6431
richard_haxe@smd-am.co.jp



Alex BARRY

*Executive Director, Head of
Sales, UK and Ireland*

+44 20 7507 6419
alex_barry@smd-am.co.jp



Chloé CHOQUIN

*Director, Business
Development*

+44 20 7507 6424
chloe_choquin@smd-am.co.jp



Thomas CARTWRIGHT

*Director, Business
Development*

+44 20 7507 6440
thomas_cartwright@smd-am.co.jp

General disclosure:

The material is intended for professional and institutional investors only.

This material is intended for information purposes only without regard to any particular user's investment objectives or financial situation and should not be construed as an offer, solicitation, recommendation, or advice to buy or sell securities or pursue any investment strategy in any jurisdiction. Any examples used, charts, and graphs are generic, hypothetical, and for illustration purposes only. Any forecasts, figures, opinions, or investment techniques and strategies contained are for information purposes only, and are based on certain assumptions and current market conditions that are subject to change without prior notice. This material does not contain sufficient information to support an investment decision and it should not be relied upon by you in evaluating the merits of investing in any securities or products. Nothing in this material constitutes accounting, legal, regulatory, tax or other advice.

No representation or warranty is made as to the accuracy, completeness, fairness or timeliness of the statements or any information contained herein. This material is not legally binding and no party shall have any right of action against Sumitomo Mitsui DS Asset Management (UK) Limited, including our affiliates, in relation to the accuracy or completeness of the information contained in it or any other written or oral information made available in connection with it. The views expressed are those of the author at the time of the writing. The material is correct to the best of our knowledge at the date of issue and subject to change without notice.

The intellectual property and all rights of the benchmarks/indices belong to the publisher and the authorised entities and individuals. All right, title, and interest in this material and any information contained herein are the exclusive property of Sumitomo Mitsui DS Asset Management (UK) Limited, except as otherwise stated.

This material is issued by Sumitomo Mitsui DS Asset Management (UK) Limited. Registered in England and Wales. Registered office: 100 Liverpool Street, London, EC2M 2AT, United Kingdom; registered number 01660184. Authorised and regulated by the Financial Conduct Authority.

This material and the information contained may not be copied, redistributed, or reproduced in whole or in part without the prior written approval of Sumitomo Mitsui DS Asset Management (UK) Limited.

Risk warning: Investment involves risk, including possible loss of the principal amount invested, and the value of your investment may rise or fall. Past performance is not a reliable indicator of future performance and may not be repeated. An investment's value and the income deriving from it may fall, as well as rise, due to market fluctuations. Investors may not get back the amount originally invested.