

# Promoting Japan as a Leading Asset Management Center

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*※ The content of the actual presentation may not necessarily reflect the official view of the FSA of Japan.*

## Key Messages

- ✓ 'Promoting Japan as a Leading Asset Management Center' is one of the top priority policy agenda under the Kishida administration.
- ✓ It is a key driver of our efforts to move out of deflation which has hampered the Japanese economy for the past decades.
- ✓ Our Policy Plan is developed and implemented under the strong leadership of Prime Minister Kishida. It is a government-wide effort, comprising of bold, decisive and well-structured policy initiatives across the whole investment value chain.

# Key Items of Today's Presentation

## 1. Japan as a “Leading Asset Management Center” - Why ?

## 2. Our Policy Plan – Achievements and the Way Forward

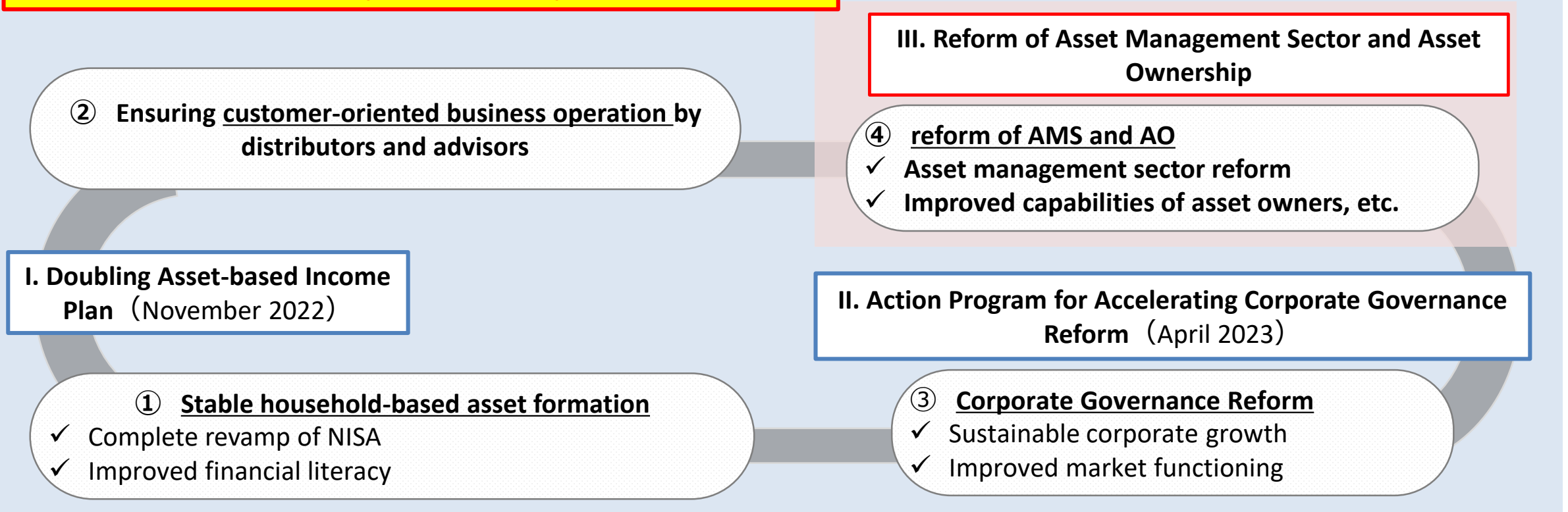
## 3. Key Initiatives

1. Encouraging Foreign Financial Institutions to Enter the Japanese Market
  - (1) Special Zones for Financial and Asset Management Businesses
  - (2) Government-wide Policy Package for Financial Institutions entering Japan
  - (3) The Financial Market Entry Office of the FSA
2. Developing Asset Owner Principle
3. TSE's Request for Action to Encourage Effective Management of listed Companies
4. Hosting “Japan Weeks” and “Asset Management Forum” – Sep. 30 ~ Oct. 4, 2024

# 1 – 1. Japan as a “Leading Asset Management Center” - Why ?

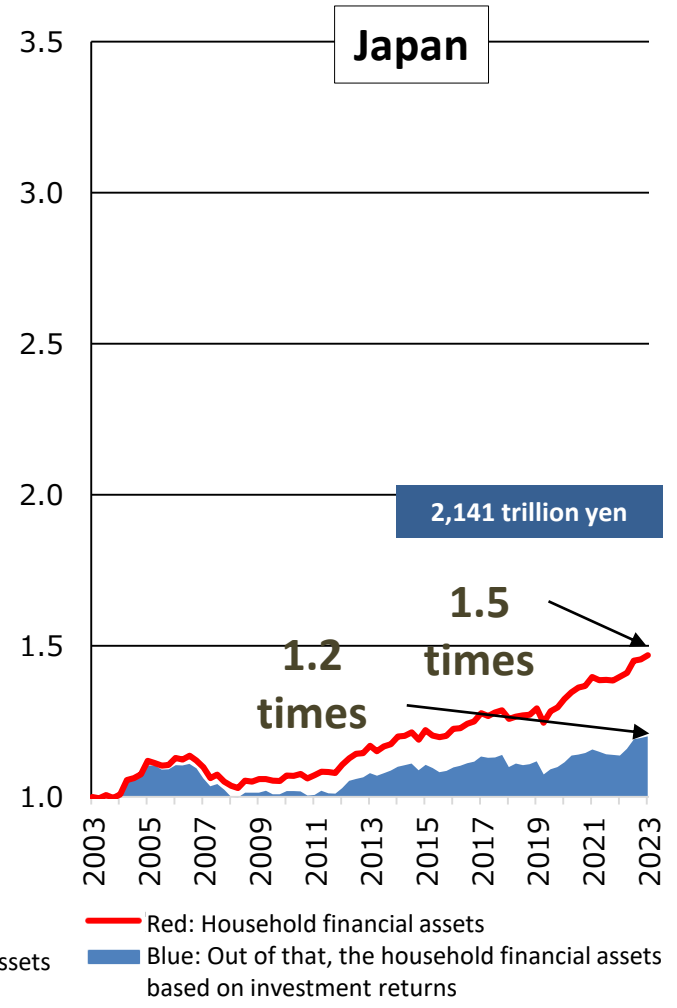
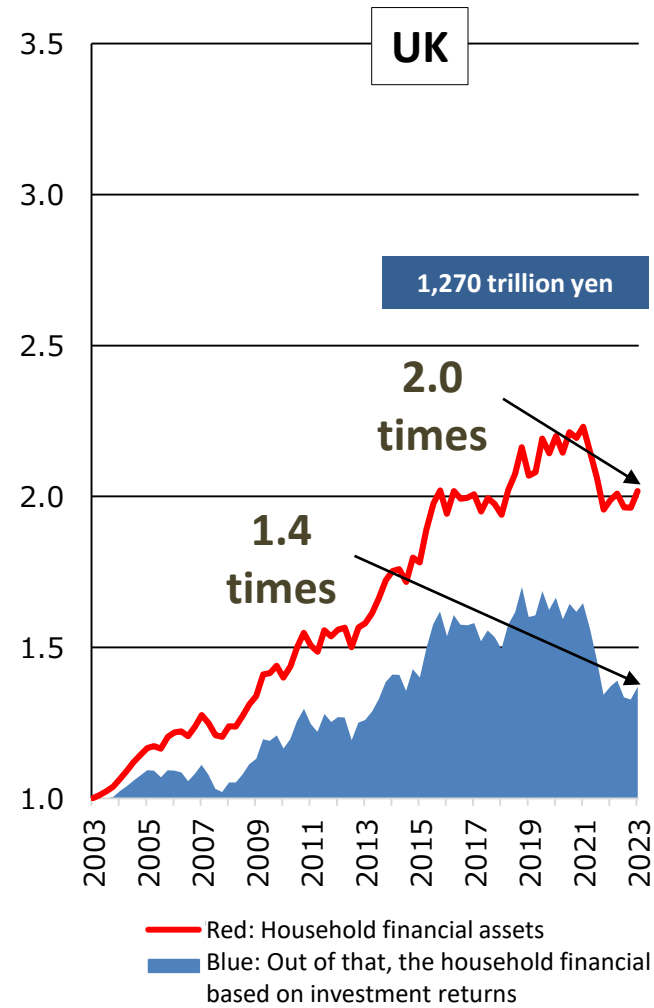
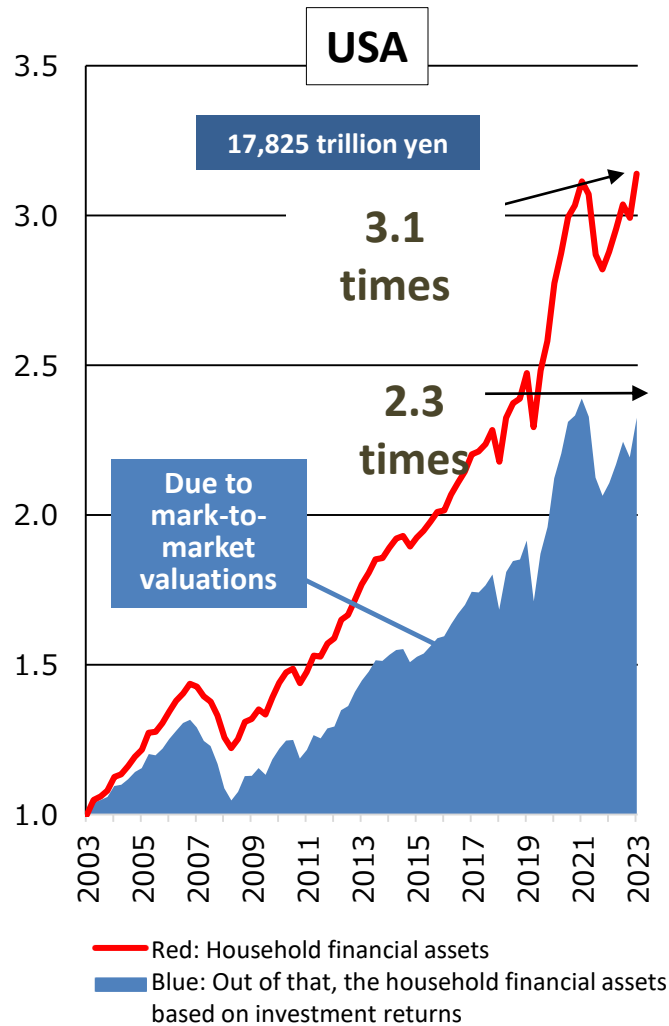
- ❑ PM Kishida’s Vision
  - New Form of Capitalism
  - Virtuous Cycle of Growth and Distribution
- ❑ Government Initiatives – Across the investment value chain
  - I. Doubling Asset-based Income Plan,
  - II. Corporate Governance Reforms, and
  - III. **Reform of Asset Management Sector and Asset Ownership** - the remaining piece of the reform

## Policy Plan for Promoting Japan as a Leading Asset Management Center (December 2023)



# 1 – 2. Comparing Growth of Household Financial Assets

During the past 20 years, US and UK saw strong growth in their household financial assets at 3.1 times and 2.0 times respectively. Japan only saw a growth of 1.5 times.



(Source ) Compiled by FSA based on statistical data from BOJ, FRB, and ONS

(Note) The growth in assets due to investment evaluation is calculated based on the growth due to change in asset price and doesn't include interest received and dividends.

Note: Value as of end of 2023. For USA and UK, based on the exchange rate at the end of Dec 2023. (1 US dollar = 150 yen, 1 pound = 183

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## 2 – 1. Policy Plan for Promoting Japan as a Leading Asset Management Center (1/4)

### I. Reforming the Asset Management Sector

- Call for major financial groups to develop their **plans to describe their asset management business strategy, enhance their investment management capabilities and improve governance**
- Develop **principles for product governance** of asset management companies
  - Clarify the intended customers for individual financial products
  - Verify the balance between expected returns and costs/risks
- Rectify **Japan's unique business practices** and resolve **barriers to entry**
  - Encourage single-check calculation of net asset values of investment trusts
- Establish **special zones**
  - **Published a policy package for the special zones** in June      (--> See Part 3 in detail)
- Introduce a new **program to assist new entrants (Emerging Manager Program)**
  - Request **financial institutions to use emerging asset managers and not to exclude them simply because their business history is short. Figure out and publish good examples of initiatives** in financial groups
  - In “Asset Owner Principles”, include a provision on the treatment of emerging asset managers in the fund manager selection
  - Provide **a list of emerging asset managers (Entry List)**
  - **Deregulate** to allow asset managers to **outsource middle- and back- office operations**

### II. Reforming Asset Ownership

- **Develop “Asset Owner Principles”** by this summer (Draft version was published in June)
  - Include common principles of investment policy, governance, and risk management  
(--> See Part 3 in detail)
  
- **Reform Occupational pension funds**
  - For defined benefit pensions (DBs), promote **reviews of the selection of the investment companies entrusted** for the best interest of beneficiaries
  - Encourage the Pension Fund Association to **improve its joint management scheme**, including **enriching service lineup** for more small-scale DBs
  - For defined contribution pensions (DCs), **promote disclosure of information such as on investment policy and investment portfolio so that pension beneficiaries can select appropriate products**
  - Regarding DBs and DCs, **promote disclosure of investment information in a comparable manner** (to be conducted by Ministry of Health, Labour and Welfare)



### III. Promoting Financing for Growth and Diversifying Investment Opportunities

- **Promote investment in start-up companies with growth potentials**
  - Develop recommendations on conduct of venture capital funds
  - Deregulate to enhance investment crowdfunding
  - Promote circulation of unlisted securities
  
- **Diversify investment opportunities, including alternative investments and sustainable investments**
  - Allow partial inclusion of non-listed equities in investment trusts
  - Hold Dialogue on Enhancing Sustainability Investment Products (has been kicked-off)

### IV. Effective Implementation of Stewardship Activities

- Work with Tokyo Stock Exchange (TSE) to follow up on **the initiatives of planning, disclosure, and implementation by listed companies** corresponding to TSE's request "Action to Implement Management that is Conscious of Cost of Capital and Stock Price"
- Promote effective engagement efforts between institutional investors and companies, **including through the review of the large shareholding reporting rule**

### V. Strengthening Public Relations and Communications

- Will hold the **2nd round of "Japan Weeks" in fall 2024**, inviting global investors and financial institutions. **Its core week is from September 30 to October 4**, and a variety of events will be held including the weeks before and after that. **A launch event of the "Asset Management Forum" will be held on October 3** (→ See Part 3 in detail)
- **Exchange views** with local governments and investors on the Policy Plan, and **consider additional policy measures**

## 2 – 2. Progress in Policy Plan

| I. Asset Management Sector  |  |
|---|--|
| ✓ A policy package for the special zones                            | Published in June  |
| ✓ Principles for product governance                                 | Draft version published in July (to be finalized <b>by the end of this year</b> after public consultation) |
| II. Asset Ownership   |  |
| ✓ Asset Owner Principle   | Draft version published in June (to be finalized <b>in summer</b> )  |
| III. Financing for Growth and Diversifying Investment Opportunities |  |
| ✓ Recommendations on conduct of venture capital funds               | Draft version published in July (to be finalized <b>by the end of this year</b> after public consultation) |
| Enhance investment crowdfunding                                     | Cabinet Order / Cabinet Office Ordinance to be amended around <b>the end of this year</b>                  |
| ✓ Promote circulation of unlisted securities                        | Amended Act enacted in May (to be effective <b>by May 2025</b> )   |
| IV. Stewardship Activities  |  |
| ✓ List of companies that disclose based on TSE's request            | Published monthly since this January   |
| ✓ Review of the large shareholding reporting rule                   | Amended Act enacted in May (to be effective <b>by May 2026</b> )   |
| V. Public Relations and Communications                              |  |
| "Japan Weeks" and "Asset Management Forum"                          | "Japan Weeks" : <b>9/30 – 10/6 (Core Week)</b><br>"Asset Management Forum" : <b>10/3</b>                   |

## **Key Items of Today's Presentation**

1. Japan as a “Leading Asset Management Center” - Why ?

2. Our Policy Plan – Achievements and the Way Forward

### **3. Key Initiatives**

- 1. Encouraging Foreign Financial Institutions to Enter the Japanese Market**
  - (1) Special Zones for Financial and Asset Management Businesses**
  - (2) Government-wide Policy Package for Financial Institutions entering Japan**
  - (3) The Financial Market Entry Office of the FSA**
- 2. Developing Asset Owner Principle**
- 3. TSE's Request for Action to Encourage Effective Management of listed Companies**
- 4. Hosting “Japan Weeks” and “Asset Management Forum” – Sep. 30 ~ Oct. 4, 2024**

## 3 – 1. Encouraging Foreign Financial Institutions to Enter the Japanese Market

### (1) Special Zones for Financial and Asset Management Businesses

- ❑ The Government established "[Special Zones for Financial and Asset Management Businesses](#)", which aims to encourage financial institutions including asset management firms, both domestic and abroad, to start or to expand their business in such zones.
- ❑ [The Government and like-minded cities](#) will work together, to provide incentives and assistance, with particular focus on the items seen below;
- ❑ [Tokyo, Osaka, Fukuoka and Hokkaido](#) are included in this Zones.

#### Action

- "[Policy Package of Special Zones for Financial and Asset Management Businesses](#)" has published in June 4.

#### Policy Measures in Special Zones

- |   |  |
|---|--|
| 1. <a href="#">Hokkaido &amp; Sapporo</a> | : Cluster <b>GX</b> (Green Transformation) industries and financial functions, to realize a special business zone for GX, financial and AM businesses                |
| 2. <a href="#">Tokyo</a>                  | : Promote sustainable finance and facilitate growth of startups in Japan and Asia, through creating a better environment as <b>an international financial center</b> |
| 3. <a href="#">Osaka</a>                  | : Promote realization of <b>innovation</b> by startups, through attracting investment from overseas  |
| 4. <a href="#">Fukuoka</a>                | : Strengthen financial services as a gateway to Asia, and foster <b>startups</b> in Fukuoka and Kyushu   |

### 3 – 1. Encouraging Foreign Financial Institutions to Enter the Japanese Market

#### (2) Government-wide Policy Package for Financial Institutions entering Japan

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##### 1) Tax

- ✓ **Business-friendly tax reforms** regarding corporate income, inheritance, and personal income
- ✓ **Inheritance tax NO longer applies** to overseas assets held by non-Japanese workers regardless of the period of residence

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##### 2) Financial Regulation

- ✓ **Financial Market Entry Office (FMEO)** established in 2021 provides **one-stop English administrative services** for pre-application consultation, registration and supervision for newly entering overseas asset managers
- ✓ Simplified market entry procedures for overseas asset managers

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##### 3) Immigration

- ✓ **Favorable treatment for asset managers** as “Highly-Skilled Professionals”
- ✓ Easier to hire domestic helpers and allow spouse to work without his/her own working visa

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##### 4) Company Setup & Livelihood Support

- ✓ **Financial Start-up Support Program : Free-of-charge one-stop company setup support which reimburses initial set-up costs** up to JPY 20 million (70% of total approved invoices) per company
- ✓ Livelihood support for finding international schools, medical facilities and housing

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##### 5) External Communication

- ✓ **Proactive information dissemination** through a dedicated website, an official LinkedIn Page and webinars/roundtable discussions

### 3 – 1. Encouraging Foreign Financial Institutions to Enter the Japanese Market

#### (3) The Financial Market Entry Office of the FSA has completed 39 cases since 2021

|    | Name                                    | Date      | Licenses | From |    | Name                                    | Date       | Licenses | From |
|----|---|-----------|----------|------|----|---|------------|----------|------|
| 1  | Affirmative Investment Management       | Apr. 2021 | IAA      | GBR  | 21 | Macquarie Asset Management              | Apr. 2023  | Type II  | AUS  |
| 2  | Schonfeld Strategic Advisors            | May 2021  | IM & IAA | USA  | 22 | EG Japan                                | Apr. 2023  | IAA      | AUS  |
| 3  | Columbia Threadneedle Investments       | Aug. 2021 | IAA      | USA  | 23 | Sanford C. Bernstein Japan              | Jun.2023   | IAA      | USA  |
| 4  | Dymon Asia Capital Japan                | Aug. 2021 | Pro-IM   | SGP  | 24 | PE Investments Japan                    | Jul.2023   | IAA      | USA  |
| 5  | EQT Partners                            | Dec. 2021 | IAA      | SWE  | 25 | EQT Exeter Japan                        | Aug.2023   | IAA      | SWE  |
| 6  | Minerva Growth Partners                 | Feb. 2022 | IAA      | HKG  | 26 | MABE Japan                              | Sep.2023   | Pro-IM   | USA  |
| 7  | Federated Hermes                        | Apr. 2022 | IAA      | USA  | 27 | New Mountain Capital Japan              | Sep.2023   | Type II  | USA  |
| 8  | BMO Japan Securities                    | Jun. 2022 | Type I   | CAN  | 28 | Tishman Speyer Japan                    | Oct.2023   | Type II  | USA  |
| 9  | Pantheum Partners                       | Jul. 2022 | IAA      | HKG  | 29 | Impax Asset Management Japan Ltd.       | Dec.2023   | IAA      | GBR  |
| 10 | Columbia Threadneedle Investments       | Aug. 2022 | Type II  | USA  | 30 | Carlyle Japan, LLC                      | Dec.2023   | IAA      | USA  |
| 11 | Citadel Securities                      | Aug. 2022 | Type I   | USA  | 31 | Muzinich & Co. Japan Pte. Limited       | Jan.2024   | IAA      | GBR  |
| 12 | EQT Partners                            | Sep. 2022 | Type II  | SWE  | 32 | Newton Investment Management Japan Ltd. | Jan.2024   | IAA      | USA  |
| 13 | HS Group Japan Cayman                   | Nov. 2022 | IAA      | HKG  | 33 | HOKU Inc.                               | Jan.2024   | IM       | JPN  |
| 14 | Newton Investment Management Japan Ltd. | Dec. 2022 | IM       | USA  | 34 | StepStone Group LP                      | Jan. 2024  | Type II  | USA  |
| 15 | Allspring Global Investments Japan Ltd. | Jan. 2023 | IAA      | USA  | 35 | Hines Real Estate Investment Management | Feb. 2024  | IAA      | USA  |
| 16 | Tishman Speyer Japan GK                 | Mar. 2023 | IAA      | USA  | 36 | Alpha Financial Advisors, LLC           | Mar. 2024  | IAA      | USA  |
| 17 | Yawara Capital Co., Ltd.                | Mar. 2023 | IAA      | JPN  | 37 | Brookfield Japan                        | Apr. 2024  | Type II  | CAN  |
| 18 | 18 Salisbury Capital Japan              | Mar. 2023 | IAA      | HKG  | 38 | Gaw Capital Advisors Japan              | May. 2024  | IAA      | HKG  |
| 19 | Frontier Advisors Japan                 | Mar. 2023 | IAA      | AUS  | 39 | Ares Management Asia Japan              | July. 2024 | Type II  | HKG  |
| 20 | PINECONE                                | Mar. 2023 | SPBQII   | AUS  |    |   |            |          |      |

Cf. IAA (Investment Advisory and Agency Business); IM (Investment Management Business); Pro-IM (Investment Management Business for Qualified Investors); SPBQII (Specially Permitted Business for Qualified Institutional Investors [Notification])

## 3 – 2. Developing an Asset Owner Principle (1)

- ❑ Given the important role of asset owners in fostering a more sophisticated asset management, [Japanese Government plans to develop an Asset Owner Principle by this summer](#) (Draft version published in June 3).
- ❑ While asset owners are diverse, including public pensions, mutual funds, corporate pensions, insurance companies, and university funds, [there are common responsibilities and roles](#) that they can play regarding asset management.
- ❑ For example, asset owners need to set goals based on investment objectives, and to monitor closely the performance of investment managers, to pursue the best interests of beneficiaries.
- ❑ Items on [investment policy, governance, and risk management](#) will be included in the Principle.

| Asset Owner   | type       | Competent ministries | Asset size (billion \$) | No. of entities |
|---|------------|----------------------|-------------------------|-----------------|
| Life Insurance Companies  | Insurance  | FSA                  | 2722                    | 42              |
| Government Pension Investment Fund (GPIF)                                     | pension    | MHLW                 | 1340                    | —               |
| Corporate Pension (DB)  | pension    | MHLW                 | 441                     | 11,545          |
| Non-Life Insurance Companies  | Insurance  | FSA                  | 197                     | 33              |
| Pension Fund Association for Local Government Office                          | pension    | MIC                  | 191                     | —               |
| Pension Fund Association (PFA)  | pension    | MHLW                 | 81                      | —               |
| Organization for Small & Medium Enterprises and Regional Innovation           | pension    | METI                 | 74                      | —               |
| Japan Science and Technology Agency (JST)                                     | University | MEXT                 | 67                      | —               |
| Federation of National Public Service Personnel Mutual Aid Associations (KKR) | pension    | MOF                  | 61                      | —               |



## 3 – 2. Overview of Draft Version Asset Owner Principles (2)

- ❑ While the scope of asset owners is wide and the size of asset owners and the type of funds managed vary, the Government of Japan proposed **a set of common principles that is useful for asset owners to fulfill the responsibility to manage their assets (fiduciary duties)**.
- ❑ The Principles adopt a **"comply or explain" approach**. **The Government will publish a unified list of the asset owners who accept the Principles**.
- ❑ The asset owners who accept the Principles are expected to report their status to their corresponding Ministries.

**Principle 1.** **Determining the purpose of investment, investment target and management policy**, which should be reviewed as appropriate

**Principle 2.** **Securing talents with sufficient knowledge and experiences**, in order to realize the investment purpose and policies

**Principle 3.** Choosing investment methods **for the best interest of beneficiaries**, with **appropriate risk management** and selection of the optimal investment trustee **while managing conflicts of interest**.

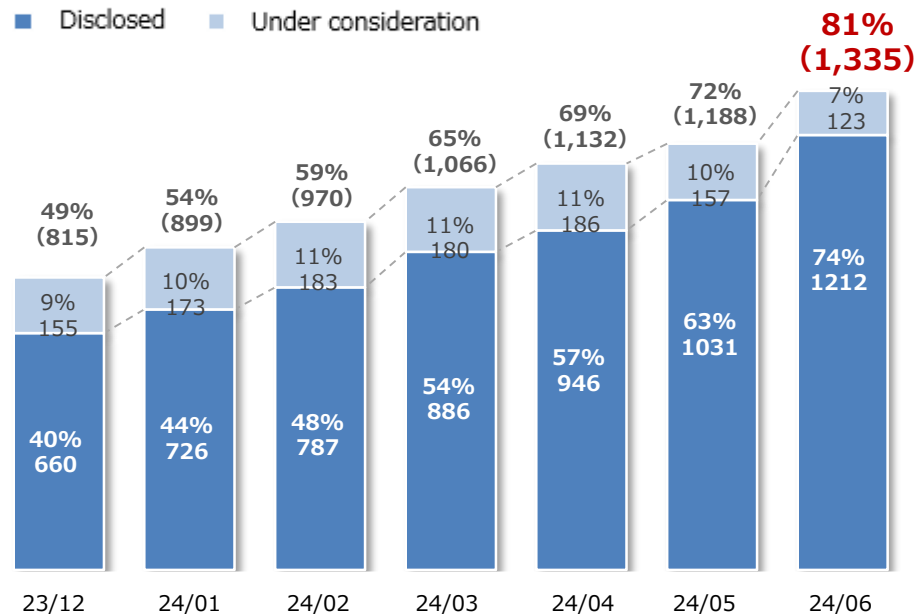
**Principle 4.** **Providing information of asset under management** and engaging in **dialogue with stakeholders**, in order **to fulfill accountability to stakeholders**.

**Principle 5.** Encouraging **the sustainable growth of investee companies by conducting stewardship activities**, in order to **achieve the investment targets for beneficiaries**.

### 3 – 3. TSE’s Request and Listed Companies’ Response (1)

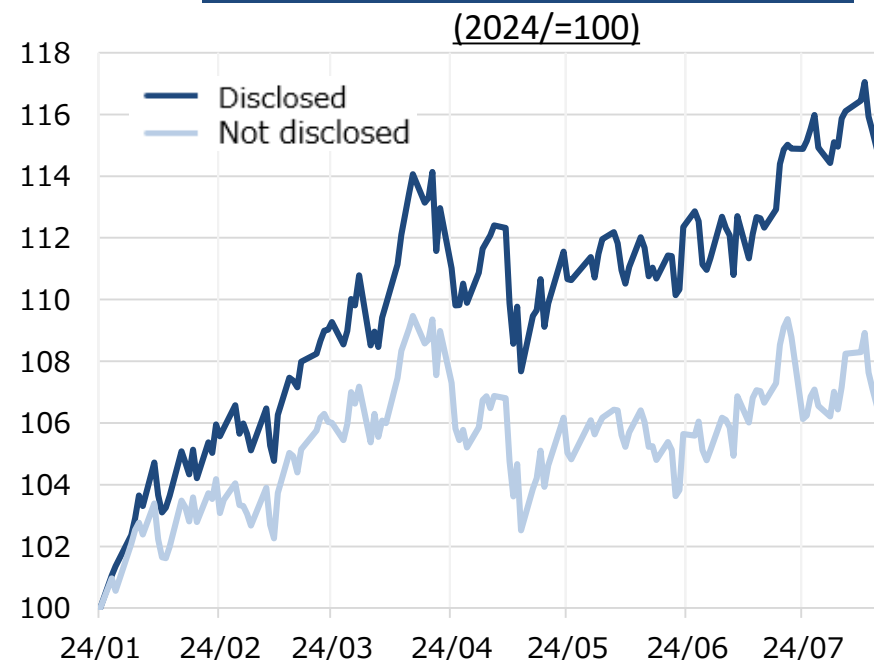
- ❑ In March 2023, the TSE requested listed companies to formulate and disclose plans to realize **“Management that is Conscious of Cost of Capital and Stock Price.”**
- ❑ As of the end of June 2024, **81% of the Prime- Market listed companies had disclosed their plans (including those under consideration).**
- ❑ So far, those who responded to TSE’s request have outperformed those who have not in the equity market.

**Number of Prime- Market listed companies responded to TSE’s request**



(source) TSE

**Average equity prices of listed companies responded/not responded to TSE’s request**

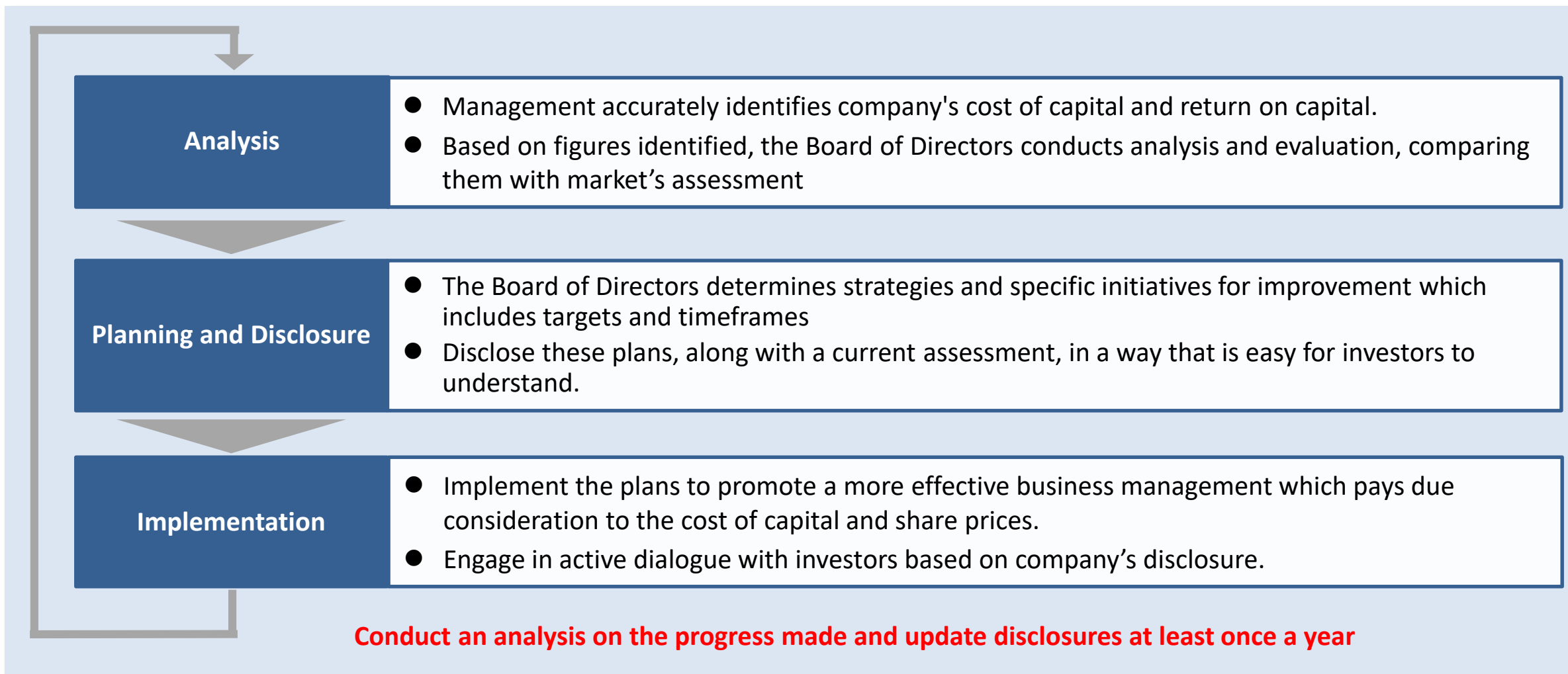


\*\*“Disclosed” includes those who declared “under consideration”

(source) QUICK, TSE

### 3 – 3. TSE’s Request for Action to Encourage Effective Management of Listed Companies (2)

- ❑ In March 2023, the Tokyo Stock Exchange (TSE) requested Prime- and Standard- Market listed companies to take the following actions:



## 3 – 4. Hosting “Japan Weeks” and “Asset Management Forum”

- ❑ The inaugural “Japan Weeks” was held in fall 2023 to promote Japan as a leading asset management center with over 10,000 participants.
- ❑ We will hold the **2nd round of “Japan Weeks” this fall** (Core Week: 9/30 – 10/4). There will also be many events held before and after the Core Week.
- ❑ During JWs, the Japanese government will have constructive discussions with global investors and financial institutions on how to promote Japan as a leading asset management center.
- ❑ **We will also launch the “Asset Management Forum” as JWs’ signature event on October 3rd.**



Scan to visit the official website!

[https://www.fsa.go.jp/internationalfinancialcenter/lp/japanweeks2024/index\\_en.html](https://www.fsa.go.jp/internationalfinancialcenter/lp/japanweeks2024/index_en.html)

In order to reform Japanese asset management through dialogue with investors around the world, **we will hold the second round of “Japan Weeks” and “Asset Management Forum” this fall.** We look forward to seeing all of you again this fall in Tokyo.



Japan Securities Summit 2024  
(March 6, 2024)

# Thank you for your attention

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