

Overview of “Promoting Japan as a Leading Asset Management Center”

- Under PM Kishida’s initiative toward a “new form of capitalism”, the government has been taking various measures to achieve a “**virtuous cycle of growth and distribution**” through an increased flow of Japan's household savings flow into productive investment.
- The government has been reaching out to **various entities in the investment chain** to encourage this move, including through:
 - I. Doubling Asset-based Income Plan**; and
 - II. Corporate governance reforms.**
- **III. Reform of Asset Management Sector and Asset Ownership** is the remaining piece for the growth of Japan’s economy and Japanese people’s asset income.

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

Ensuring customer-oriented business conduct by distributors (banks and securities companies) and advisors

I. Doubling Asset-based Income Plan (November 2022)

- Stable household-based asset formation**
- ✓ Expanded and permanent NISA
 - ✓ Improved financial literacy

III. Reform of Asset Management Sector and Asset Ownership

- ✓ **Asset management sector reform**
- ✓ **Improved capabilities of asset owners**

II. Action Program for Accelerating Corporate Governance Reform (April 2023)

- ✓ Sustainable corporate growth
- ✓ Improved market functioning

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**
 - **Publish a policy package for the special zones by summer 2024**
- 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 process of 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 summer 2024
 - Include common principles of investment policy, governance, and risk management.
- **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**, 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 principles for venture capital funds
 - Deregulate for investment crowdfunding
 - Promote issuance and 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 by the end of 2023

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 a review of the large shareholding reporting rule.**

V. Strengthening Public Relations and Communications

- **Launch an "Asset Management Forum"** in collaboration with domestic and overseas investment companies and investors. **Establish a preparatory committee for the forum by the end of 2023.**
- **Exchange opinions** with local governments and investors on the Policy Plan, and **consider further policy and measures.**

*The Cabinet Secretariat will conduct a review of progress around June 2024.