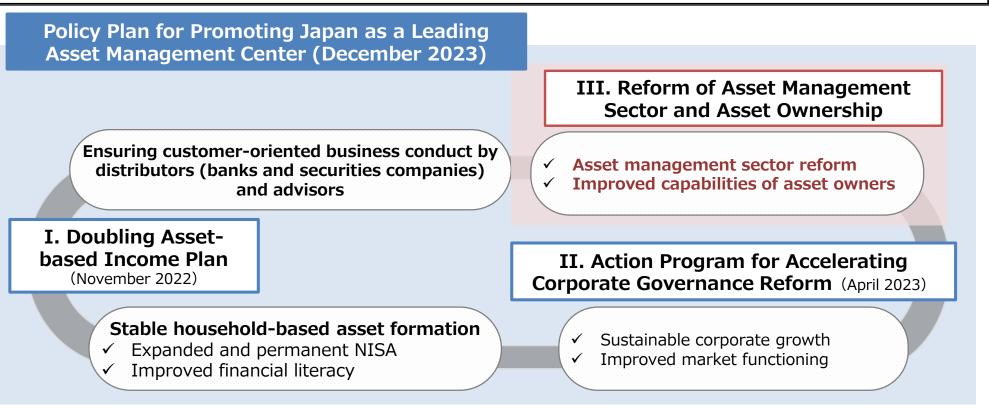
Overview of "Promoting Japan as a Leading Asset Management Center"

- 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 (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
 - 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 possess 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.

Policy Plan for Promoting Japan as a Leading Asset Management Center (3/4)

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

Policy Plan for Promoting Japan as a Leading Asset Management Center (4/4)

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.