



The Consortium for Japan International Asset Management Center Promotion

Voice of Overseas and Independent Asset Managers on Japan Market

Tokyo International Financial Center Development Initiative

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Social imperatives in Japan

Japan is confronting a number of factors which require a strengthening of its asset management capabilities.

See appendix

Underutilized household assets

- USD ~17 trillion of Japanese household assets
- ~52% of Japanese household assets (i.e., USD ~9 trillion) allocated to currency and deposits vis-à-vis ~14% in the US and ~24% in the UK
- Slow pace of private asset accumulation compared to other nations due to insufficient investment (value) chain development in Japan

Aging population

- 25% of its people are aged 65 or over
- By 2040, this ratio is estimated to rise to 36%
- Public pension benefits comprise 68.5% of elderly household income

Large public pension funds starting to diversify allocations

- Japan has world's largest public pension funds recently started allocating to foreign asset classes and alternative investments to boost returns
- Other asset owners are also seeking to diversify their investments in search of higher rates of return

Source: Bank of Japan flow of funds account report on October 7, 2016; Japan Ministry of Health, Labor and Welfare

JIAM's mission

JIAM will provide support to independent foreign and domestic asset managers to achieve healthy and diversified portfolios of household assets in Japan.

JIAM Service Offerings

- 1** Provide **information and business development** guidance
 - Provide guidance on industry requirements and market entry
 - Support development of business relationships and opportunities
- 2** Support **business establishment**
 - Support in establishing a legal entity in Tokyo and acquiring appropriate licenses
 - Introduce candidate service providers
- 3** Support **operational outsourcing**
 - Provide support for external outsourcing of middle and back-office operations
- 4** Identify needs from **independent asset managers**
 - Propose policy adjustments for the development of an internationally competitive business environment based on “voices” of asset managers

Asset Management Community:
Investment chain alignment with foreign independent asset managers

JIAM's ultimate beneficiaries

The Japanese Nation:
Healthy and diversified portfolio of household assets

JIAM integrates key industry stakeholders

JIAM is maintaining close communications with government agencies, industry associations, asset owners and leading service providers to support the development of an internationally competitive and vibrant asset management community.

Current JIAM Membership/ Sponsorship



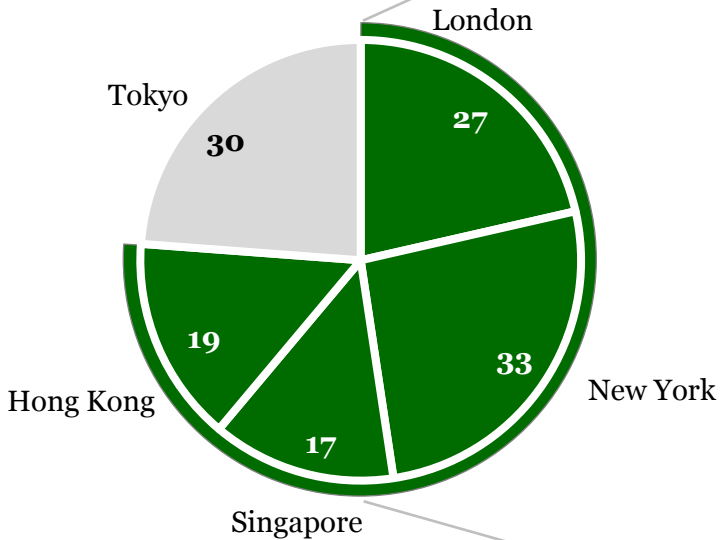
**Independent Asset Management Community
as part of Investment Chain in Japan**

Asset Managers JIAM has interviewed with

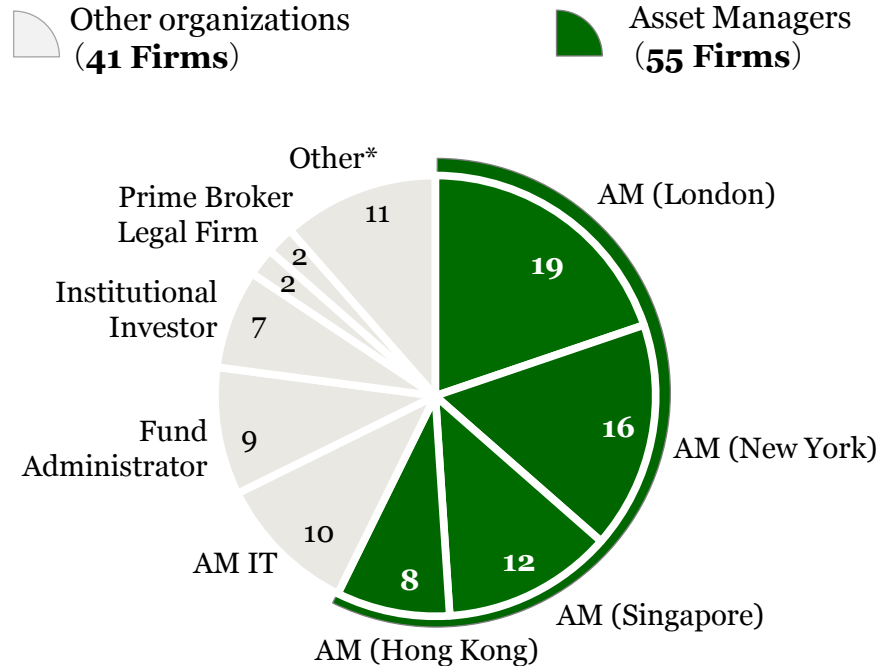
JIAM surveyed and interviewed 126 asset management firms and AM related FinTech start-ups in February, March, and November 2016.

Survey Participants by City

Total 126 Firms



Offshore Firms - Breakdown by Business Type

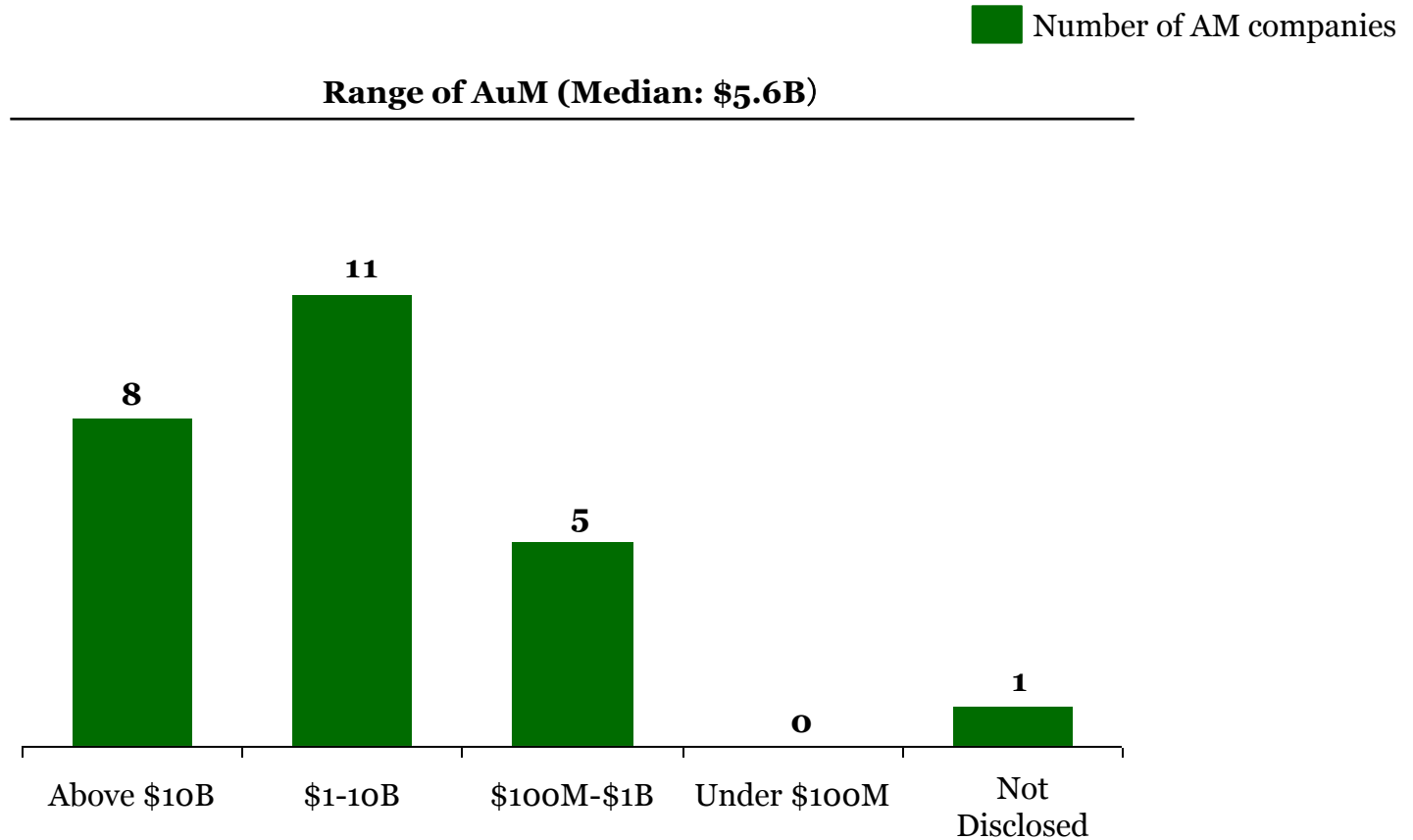


* Industry associations, government agencies, etc.

Source : JIAM Overseas AM Needs Survey

AuM breakdown of the asset management firms showing interest in Japan

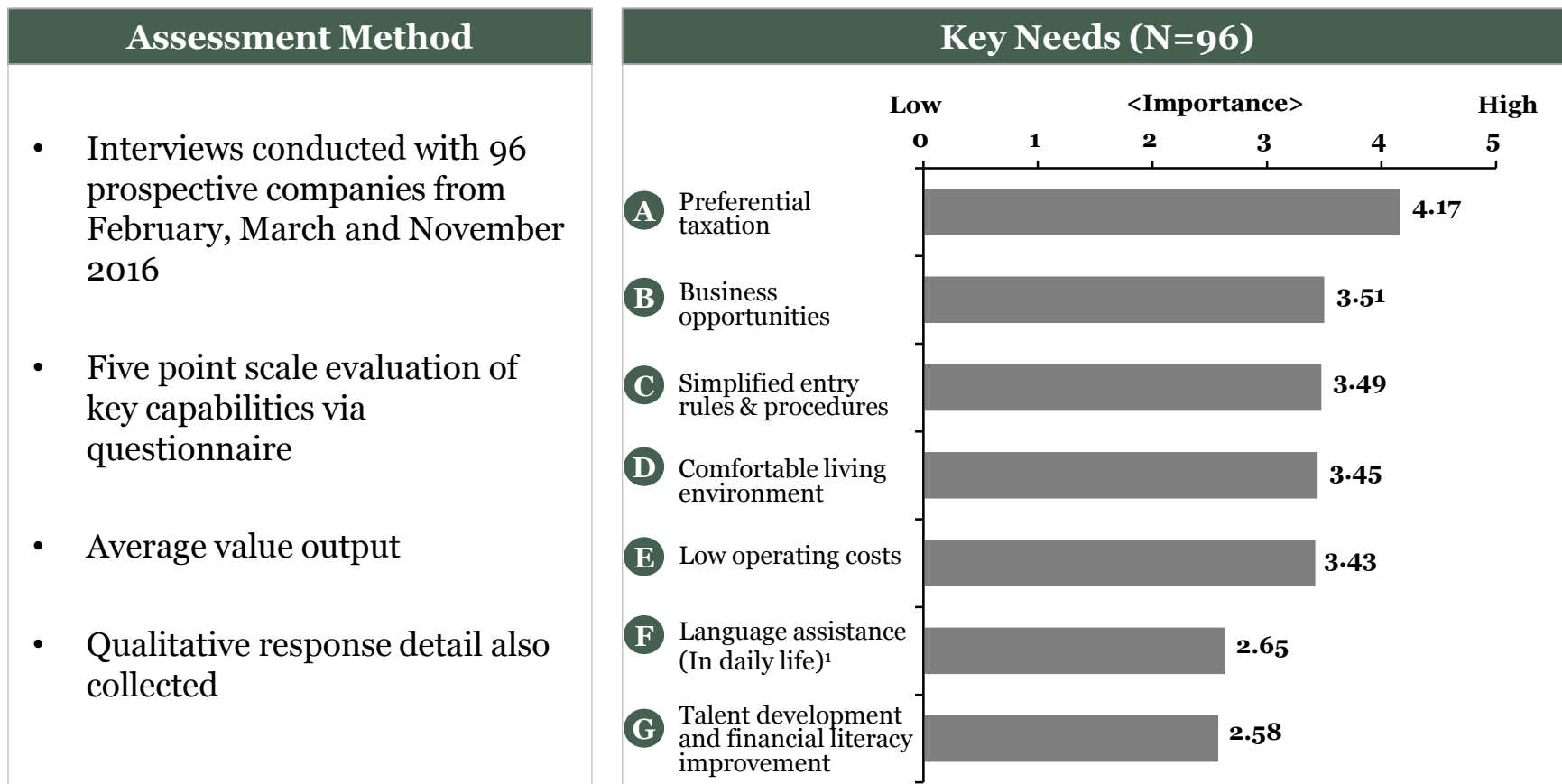
25 out of 55 asset managers (45%) are showing interest in tapping into Japan. The majority of the companies hold more than \$1B in AuM, i.e., small asset managers are still hesitant to tap into Japan.



Source :JIAM Overseas AM Needs Survey

Key needs in Japan for foreign asset managers

Although many asset management firms expressed strong interest in Japan market, they are concerned about challenges in launching and conducting AM businesses in Japan.



¹ Language assistance on market entry are included in “Simplified entry procedures” item

Source : JIAM Overseas AM Needs Survey

Feedback from overseas asset managers (1/5)

A

Preferential Taxation

“If the corporate tax rate could be reduced to around 20% in the Special Economic Zone, Tokyo could be very competitive to Hong Kong and Singapore.”

“Personal income tax is a critical concern. I calculate the number of working days for transactions with Japan on a daily basis to avoid taxation.”

“Inheritance tax is a big issue for foreigners. I can’t die in Japan.”

“I have heard a lot about Tokyo Special Economic Zone (SEZ), but no one has made me understand SEZ from a tax perspective.”

Feedback from overseas asset managers (2/5)

B

Business Opportunities

“It is hard to meet with asset owners such as pension funds if we visit for a short stay to decide on market entry to Japan. We are recommended to meet with Japanese trust banks first instead of asset owners. What exactly are roles of trust banks in Japan asset management industry?”

“More events to enable one to meet with a lot of investors at a time should be hosted – these are commonly held abroad.”

“The fact that asset managers need a license to simply enquire about the possibility of obtaining a discretionary mandate with a pension fund represents a high hurdle.”

“Even though manager entry programs offered by public pension funds exist, track record and outstanding AuM requirements are very high, so small and medium asset managers cannot easily access these.”

“Realistically, it is hard to gain a discretionary mandate without a professional recommendation from pension fund consultants or fund rating agencies.”

Source :JIAM Overseas AM Needs Survey

Feedback from overseas asset managers (3/5)

C

Simplified Entry Rules & Procedures

“Understanding licensing requirements that differ from those at home consumes time, compounded by the fact that all rules are in Japanese.”

“Ambiguous requirements and differing interpretations of regulations are problematic and time-consuming.”

“A promotion desk should be set up in Tokyo similar to those provided by UK, Singapore and Hong Kong governmental authorities.”

“Information cannot be acquired via web and licenses cannot be applied from abroad, necessitating expensive travel to Japan”

“The process is too slow - whereas it takes only 2~3 months for license application in Hong Kong, in Japan it is 1~2 years.”

Source :JIAM Overseas AM Needs Survey

Feedback from overseas asset managers (4/5)

D

Comfortable Living Environment

“I want to bring my children, but I am not sure what kind of financial assistance for education such as international school will be provided by the Japanese government.”

“I want to bring our maid and nanny with my family, but I am not sure if the Japanese government would issue visas for them.”

F

Language assistance (In daily life)

“At least within the Special Economic Zone, English should be commonly used with no stress.”

“I am not sure what kind of English based medical support I can receive.”

Feedback from overseas asset managers (5/5)

E

Low Operating Costs

“Like business rules concerning Net Asset Value (NAV) calculations, many Japan specific rules exist; therefore, it is not possible to adopt our globally standardized systems or to use staff members in other countries.”

“Outsourcing for the compliance function is not permissible in Japan, but the cost of hiring is not affordable for small asset managers.”

“Requirements for minimum outsourcing arrangements are unclear.”

“In order to operate efficiently we want the authorities to construct a framework that allows outsourcing of middle and back office functions.”

G

Human Resources

“Very few bilingual staff familiar with the asset management business are available, and even if they are, it is too costly to hire them.”

“An educational program to develop future compliance officers would be a good focus for JIAM – there are not enough of them in Japan.”

“Showing Japanese asset managers how to improve their governance practices will have a positive impact on their people and performance.”

“There is a stigma against hedge funds in Japan as hedge funds have been negatively publicized”

“Although Japanese people are well-educated, life-time employment and withholding taxation have created Japanese financial illiteracy”

Source :JIAM Overseas AM Needs Survey

JIAM Roadshows Schedule

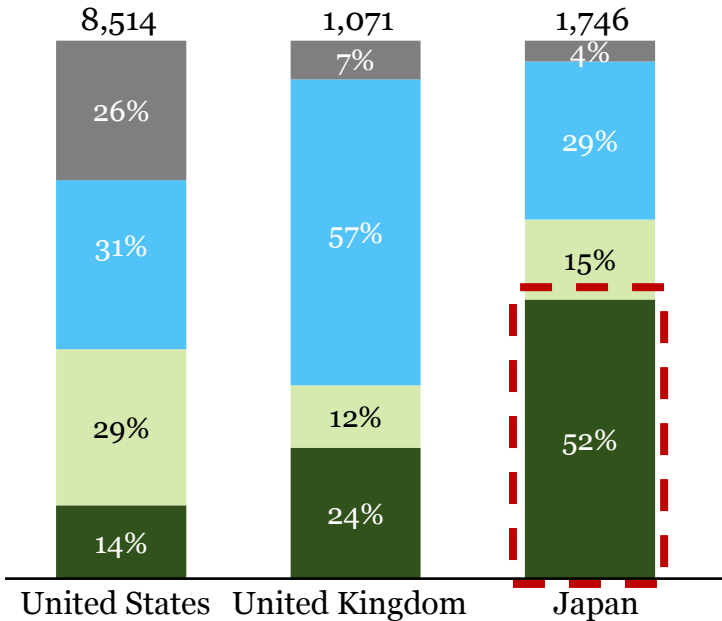
Through the upcoming roadshows, JIAM will continue promoting Tokyo's attractiveness as Asia's leading international financial center and collect feedback from independent asset managers

Timing	Location
November 8-11, 2016 (Completed)	London
December 5-9, 2016	New York
Mid-February, 2017 (TBC)	Hong Kong
Mid-February, 2017 (TBC)	Singapore
March – April, 2017 (TBC)	London
March – April, 2017 (TBC)	New York

Appendix - Household assets and asset accumulation

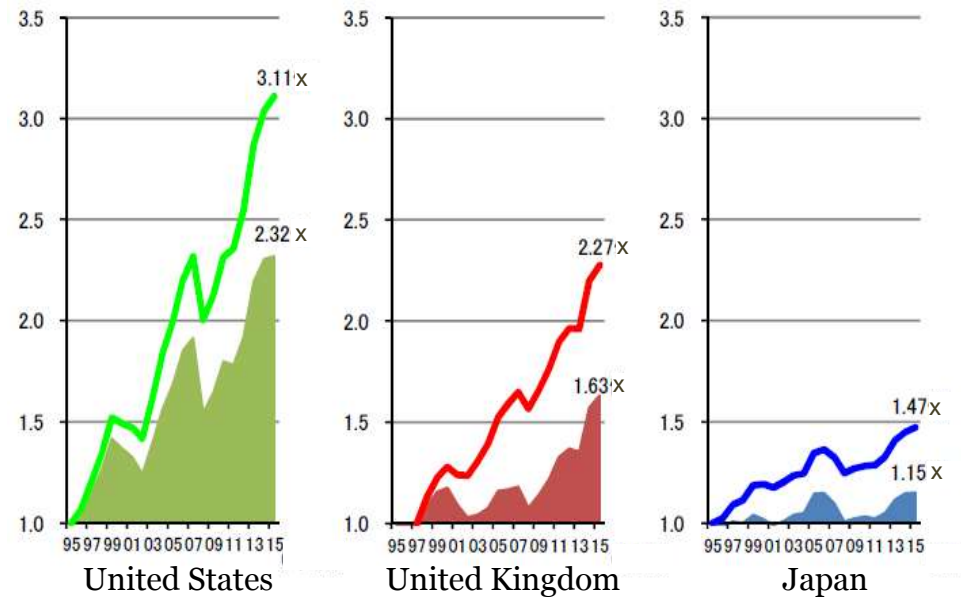
Japan lags far behind other advanced nations in levels of personal investment, and the majority of household assets linger in bank deposits. Over the last 20 years household assets have grown at a slow pace.

Household Asset Composition (JPY Trillion)



■ Bank Deposits ■ Securities
■ Insurance & Pension ■ Other

Household Asset Accumulation Trend



■ ■ ■ Growth of household assets due to investment returns
— — — Total household asset growth

Source : Financial Industry Report, September 2016, Japan Financial Services Agency

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