

Guidance to the Asset Management Industry in Japan

Practical guidance for global asset managers to successfully enter the market



- Summary Version -

Invest
Tokyo

®



Financial Services Agency



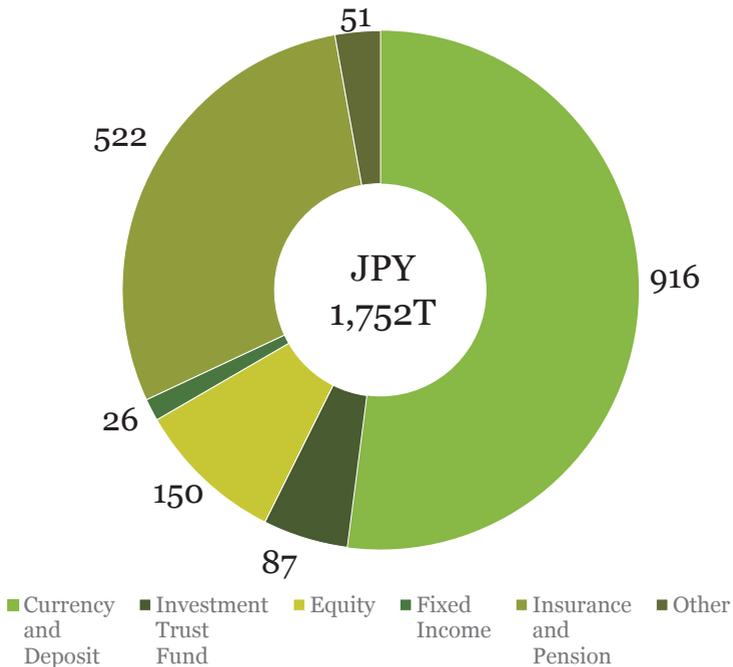
Table of Contents

1. Opportunities for Asset Manager in Japan
2. Capturing the Growth
3. How to Get Invited to the Party? - Entry Strategies
4. Main Requirements, Organized by Business Type
5. Process Up to Commencement of Operations



1. Opportunities for Asset Manager in Japan

Japanese Household Financial Assets
as of December 2016



(Source: Bank of Japan, Flow of Funds as of 4Q 2016, the figures are preliminary and in JPY trillion)

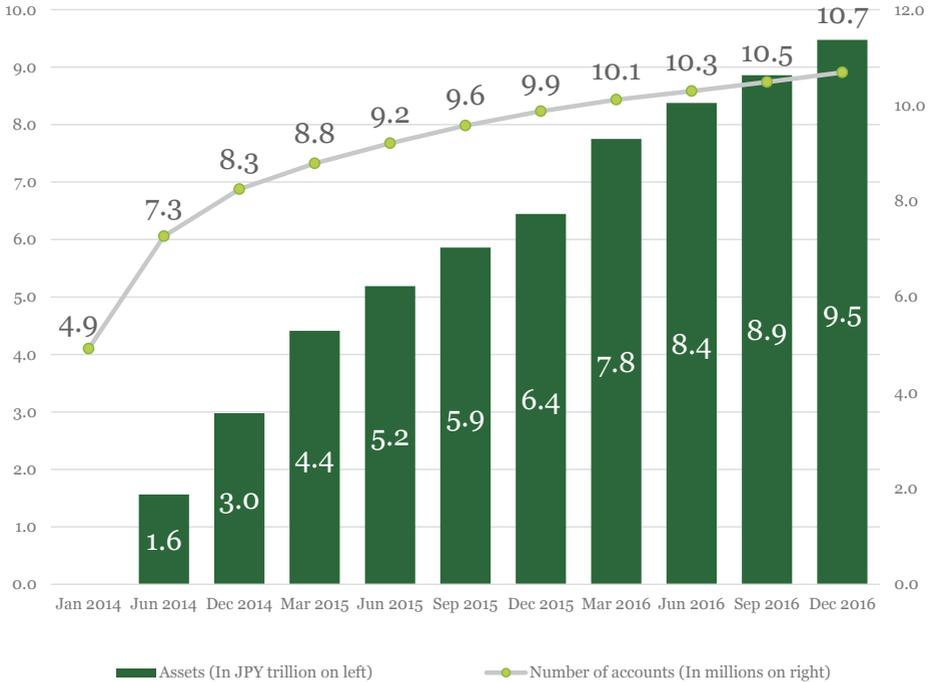
Japanese household assets

The Japanese asset management market is poised for significant growth. Financial assets held by Japanese households are worth over JPY 1,752 trillion.

Demographic transition and a need for high-yield investments to fund future pension requirements are likely to result in a shift away from conservative asset classes, such as bank deposits, towards higher yielding investments such as investment trust funds – creating growth opportunities for asset managers.

2. Capturing the Growth

NISA Assets and Number of Accounts



(Source: Financial Services Agency, the Dec 2016 figures are preliminary.)

Shifting Savings to Investments

Japanese households are progressively increasing their investments in investment trust funds. The retail investors are further encouraged to gain sophistication over their retirement planning through various renewed investment opportunities such as NISA (Nippon Individual Savings Account) started in January 2014. Jr. NISA, iDeCo, and installment investing NISA are being introduced.

3. How to Get Invited to the Party? - Entry Strategies

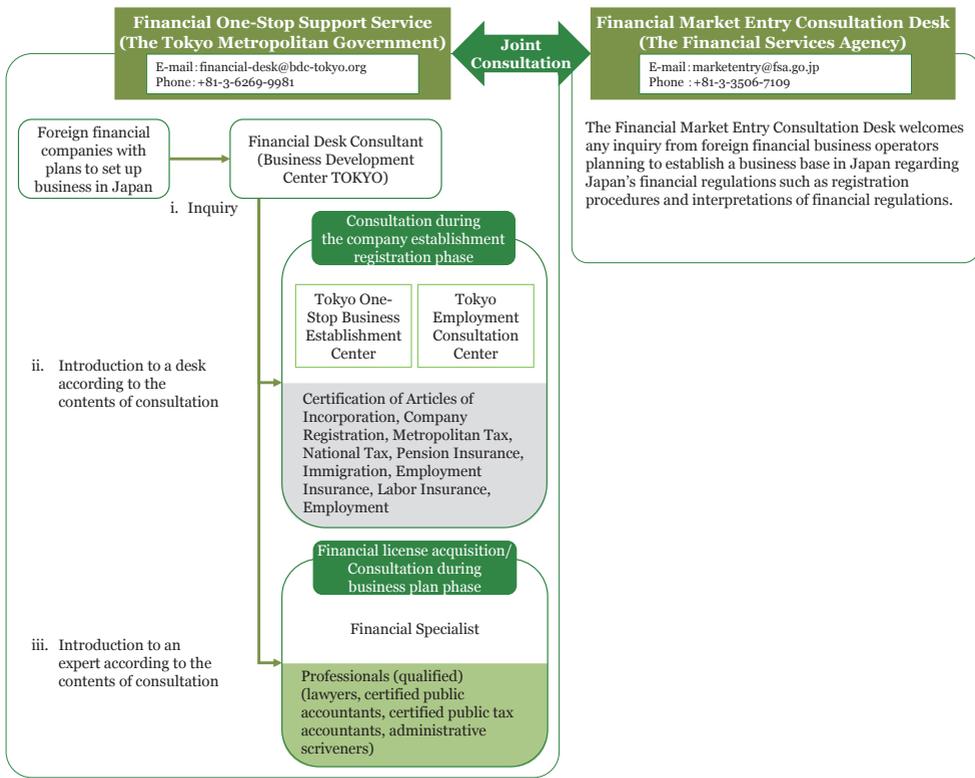
Launching full scale investment management operations

Cooperation with domestic asset managers

Foreign fund distribution

Financial One-Stop Support Service

The Tokyo Metropolitan Government provides “Financial One-Stop Support Service” within the Business Development Center TOKYO which comprehensively supports foreign financial companies and entrepreneurs to set up or expand their business in Tokyo.



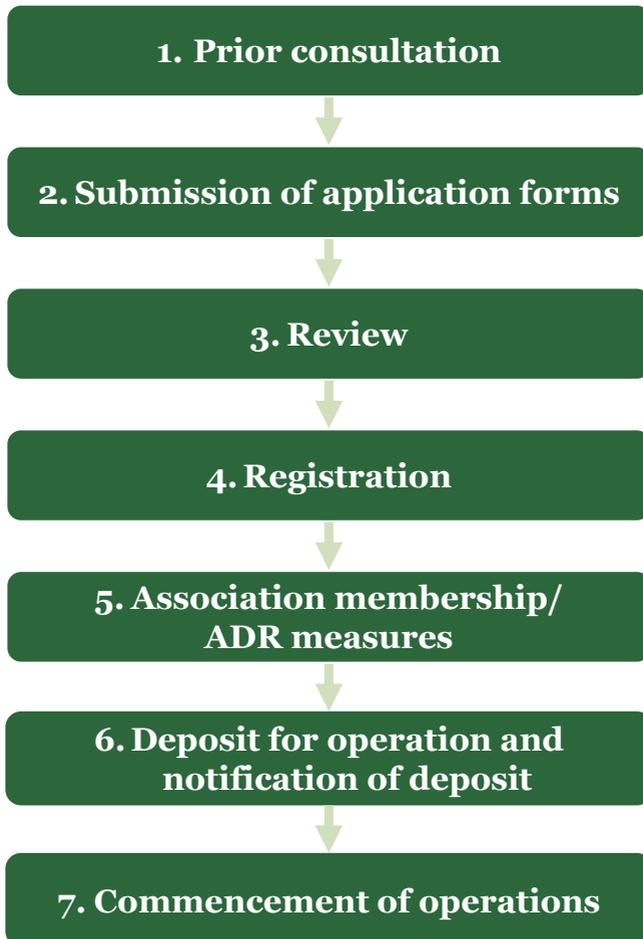
4. Main Requirements, Organized by Business Type

Type of business	Investment Management Business	Type II Financial Instruments Business	Investment Advisory Business
(1) Discretionary investment management	✓	N/A	N/A
(2) Self Offering / Private Placement	N/A	✓	N/A
(2) Dealing in Offering and Private Placement	N/A	✓ (for foreign collective investment scheme interests)	N/A
(2) Investment Management	✓	N/A	N/A
(3) Investment advisory business	N/A	N/A	✓
(4) Comprehensive investment management business	✓	✓	✓

Type of business	Investment Management Business	Type II Financial Instruments Business	Investment Advisory Business
Legal form	A stock company (K.K.) (limited to those with a board of directors and either a company auditor/auditors, an audit or supervisory committee, or a nominating committee, etc.) OR, A juridical person of the same kind as a company with a board of directors established in compliance with laws and regulations of a foreign state	No requirement A foreign juridical person can be registered.	No requirement A foreign juridical person can be registered.
Requirement for domestic office	Required NOTE: In the case of a foreign juridical person, a domestic representative needs to be specified.	Required NOTE: In the case of a foreign juridical person, a domestic representative needs to be specified.	No requirement
Capital requirements, etc.	50,000,000 yen	10,000,000 yen	None (5,000,000 yen business security deposit)
Personnel	Required	Required	Required
Operational control system	Internal rules regarding the business should be established and compliance structure including training system for employees arranged.	Internal rules regarding the business should be established and compliance structure including training system for employees arranged.	Internal rules regarding the business should be established and compliance structure including training system for employees arranged.

5. Process Up to Commencement of Operations

The following process is generally common to all types of businesses, except that a deposit for operation and a notification of deposit are only required in the case of registration of an Investment Advisory Business and an individual Type II Financial Instruments Business. Applications for registration of more than one business type may be filed simultaneously.



About This Report

The report in relation to Guidance to the Asset Management Industry in Japan, which is issued by Tokyo Metropolitan Government with the cooperation of the Financial Services Agency, is based on industry data obtained from publicly available sources and industry publications. Based on the analysis of this data, industry trends were identified and their potential implications on the investment management industry assessed. We draft the sections of the report relating to as to necessary legal procedures before commencement of business in light view of the professional practice and regulatory requirements. All information regarding applicable laws and regulations are as of September 2017, and the statistics are the latest figures available as of March 2017.

Nevertheless, the trends and industry implications identified in this report represent subjective opinions of the authors and no representation or warranty is given as to the accuracy or completeness of the information. Additionally, any information contained in this report including content as to necessary legal procedures and regulatory matters shall not be construed as constituting any legal, tax, accounting, financial, investment or other advice. The parties specifically deny liability for loss arising from reliance on any information contained in the report and any use is at the reader's sole discretion.

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