

Impact Investing Ecosystem in Japan

SOCIAL VALUE
JAPAN

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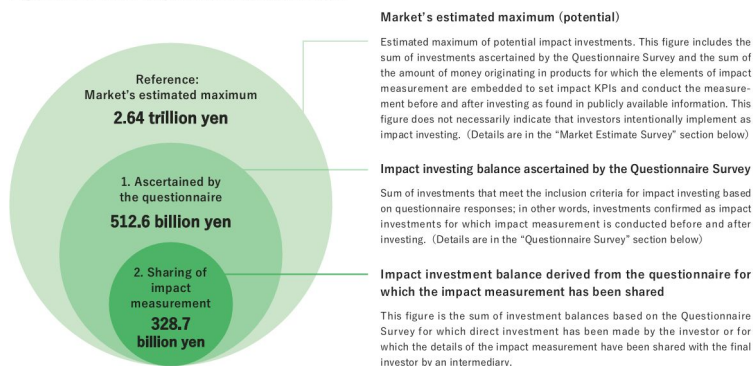
Market Overview

(Summary from The Current State and Challenges 2020 of Impact Investing in Japan FY2020 Survey, SIIF, 2021)

- Japan's impact investing market has grown to **Yen 512.6 billion (\$4.65 billion)** and **182 impact investment was conducted** as of Dec 2020. (AUM basis) **It was 161% growth** from 2019 survey which took same methodology.
- The **most common motivation of the investor is “to respond to client demand”** and it show the investors and asset owners require impact over their investment, which means a level of maturity of Japanese investor's interest in sustainable investment

Market Size of Impact Investment in Japan

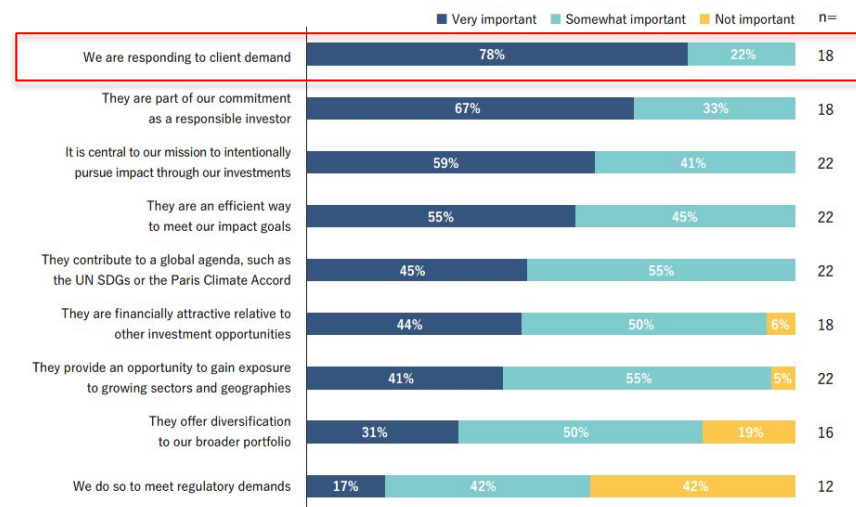
Figure 2. Scale of Impact Investment Balance



Source : SIIF(2021), P11

Motivation of Impact Investors in Japan

Figure 5. Motivation for engaging in impact investing⁴



Source : SIIF(2021), P13

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Materialized Impact Norms in Principles and Guidelines

- One of the driving factors is international frameworks such as Principles of Responsible Banking or Positive Finance Principles by UNEP FI, OPIM by IFC which was signed by major Japanese financial institutions as well as Japanese government initiatives to set the impact norms explicitly
- These principles and guidelines demonstrated a trickle-down effect to develop market ecosystems

Principles and Guidelines on Impact Investment and IMM



PRINCIPLES FOR RESPONSIBLE BANKING



Operating Principles for Impact Management



SDG Impact



IMPACT MANAGEMENT PROJECT

Japanese Government's Initiatives on Impact Investment

Figure 18. Trends in the establishment of new governmental study groups related to impact investing since 2020

Month/Year	Ministry of Economy, Trade and Industry	Financial Services Agency	Ministry of the Environment
February 2020	Study Group on Environmental Innovation Finance		
April 2020			Positive Impact Finance Task Force
June 2020	Green Innovation Strategy Meeting	Study Group on Impact Investment	
January 2021	Study Group on Improving the Environment for Transition Finance	Expert Panel on Sustainable Finance	

Source: Created by SIF from information released by government ministries and agencies

Source : SIF(2021), P13

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Impact Investors by Industry

- Japanese impact investors are active across industries, they are **VCs, Insurance Companies, Banks, Securities Companies, Foundations** and other finance intermediaries
- **Asset managers** involve in impact investing in process of formulating products, which includes Asset Management One, Kamakura Investment Management, Nomura Asset Management, Sumitomo Mitsu Trust Asset Management and Mitsubishi Corp – UBS Realty inc.
- Other organizations, **including crowdfunding platforms** such as Crowd Credit or **educational institutions** such as Sophia University also involves in impact investing

Industry	Organizational name	Example of impact investing
Venture capitals	Energy & Environment Investment, Inc.	EI Fund 4 Innovation and Impact Investing Limited Partnership (private equity impact investing fund)
	Shinsei Corporate Investment Limited	Japan Impact Investment I Limited Partnership "Child-care Support Fund," Japan Impact Investment II Limited Partnership "HATARAKU FUND" (private equity impact investment fund)
	Future Venture Capital Co., Ltd.	Osaka Social Issue Solving Fund in collaboration with Osaka Shinkin Bank (private equity impact investment fund)
Insurance companies	The Dai-ichi Life Insurance Company, Limited	Impact investing/private equity, listed stocks, PE funds, SIB projects
Government-run development agencies and financial institutions	Japan International Cooperation Agency	Overseas loans and investments
Banks and trust banks	Mizuho Bank, Ltd.	Japan Impact Investment II Limited Partnership "HATARAKU FUND" (private equity impact investment fund), SIB projects ¹²
	Sumitomo Mitsui Banking Corporation	SDGs loans, SIB projects
	Sumitomo Mitsui Trust Bank, Limited	Positive Impact Finance
Credit associations, credit unions	Dai-ichi Kangyo Credit Cooperative	Social business support loans
Securities companies	Daiwa Securities Group Inc.	World Impact Investment Fund "Better World" (investment in listed stocks through public investment trusts)
Foundations	KIBOW Foundation	KIBOW Impact Investment Fund (private equity impact investment fund)
	Kyoeiki Investment Fund Japan	Investment in common benefit projects related to disaster recovery support (private equity investment, private placement bonds)
	The Sasakawa Peace Foundation	Blue Orchard Micro Finance Fund (BOMF), Japan ASEAN Women Empowerment Fund (JAWEF) (loans, government and corporate bonds)
	The Social Innovation and Investment Foundation	Various SIB (Kobe City, Hachioji City, Okayama City, Toyonaka City, Hiroshima Prefecture, etc.), Japan Impact Investment III Limited Partnership "HATARAKU FUND" (private equity impact investment fund), direct investment in Plus Social Investment Co., Ltd. and ADDRESS
Other organizations	Crowd Credit, Inc.	Microfinancing, financing, solar power generation, and social lending to projects by female entrepreneurs, etc. in Central and South America, Africa, Asia, and Middle East, etc.
	Digisearch & Advertising Inc.	Angel investment, silent partnerships, share funds, SIB projects
	Plus Social Investment Co., Ltd.	SIB projects (Saijo City, Higashimori City, Okayama City, etc.), Komatagawa Hydroelectric Power Plant upgrade project (silent partnership)
	Sophia School Corporation	Japan International Cooperation Agency bonds, African Development Bank bonds, bonds issued by the University of Tokyo (social bonds), Latin American microfinancing funds, Impact Investment Funds in India, Global Green Bond Fund, Private Global Stock Impact Investment Funds, U.K. offshore wind power project, Low-carbon index-linked funds

Source : SIIF(2021), p47

Effort for Impact Investment Ecosystem Building

Network Organizations and Initiatives to liaise global and local movement

- Different market builders playing different roles in standard setting, networking and dissemination, impact standard setting as well as deal formulation.



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SIMI

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