

# 2022

## **The Current State and Challenges of Impact Investing in Japan**

**FY2022 Survey**

March 31, 2023

The Japan National Advisory Board, The Global Steering Group for Impact Investment  
(GSG-NAB Japan)

# About The Current State and Challenges of Impact Investing in Japan - FY2022 Survey

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## About GSG-NAB Japan

The Global Steering Group (GSG) is a global network, with 35 nations plus the EU as members, which aims at promoting impact investing in partnership with financial institutions, governments, international organizations, businesses, and other entities around the world. The Japan National Advisory Board, The Global Steering Group for Impact Investment (GSG-NAB Japan) was established in 2014 as GSG's national advisory board in Japan. It contributes to the development of the market and ecosystem for impact investing in collaboration with practitioners and experts in diverse fields, including financial, business, social, and academic institutions. GSG-NAB Japan's activities revolve around three pillars of research and publication, awareness-raising, and networking.

GSG-NAB Japan website: <https://impactinvestment.jp/index.html>

## Positioning of this report

This report summarizes the current state of impact investing in Japan for the purpose of promoting it in Japan. It has been published under the supervision of GSG-NAB Japan every year since 2016, reporting the current state of impact investing in Japan.

The main part of the report presents the impact investment balance in Japan based on the questionnaire survey results. It also provides examples of institutions engaged in impact investing, and trends in the field in Japan as derived from the questionnaire.

## Acknowledgements

We would like to express our appreciation to all the people who offered help in the questionnaire, interviews and the preparation of this report.

## Sponsor and copyrights

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## Consolidating Terms Related to Impact Investing

While “impact investing” itself is a relatively new term, we would like to consolidate terms related to impact investing before getting to the main text of this report.

“**Impact investing**” is defined in this report and Questionnaire Survey regarding Impact Investment (2022) as investing that meets the following three conditions. This term is synonymous with “Social Impact Investment,” which was used by GSG-NAB Japan until 2019.

- Impact investments are investments made with the intention to generate a positive, measurable social and environmental impact alongside a financial return<sup>1</sup>
- The responding organization conducts impact measurement and management (IMM) that spans the whole process from making an investment decision to making the investment and thereafter.
- The results of impact measurement and management (IMM) are shared with investors.

Definitions of other terms related to impact investing are, in this report, as follows:

### ■ Impact

“Impact” refers to social and/or environmental change or effect as a result of a business or activity, whether it is long- or short-term.

### ■ Impact Measurement and Management (IMM)

The term “impact measurement and management (IMM)” refers to the repetitive process that includes identification and examination of both positive and negative impacts of business activities on people and the earth, and on that basis, finds and practices ways to reduce negative impact and maximize positive impact while being consistent with your own objective.<sup>2</sup>

### ■ Impact Company

An “impact company” refers to a company oriented to creation of impact.

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1 Any financial transactions, including investments (stocks and bonds), loans, leases, among others, that seek monetary returns are collectively called “investments.” Donations, subsidies, and grants are excluded.

2 The impact measurement and management (IMM) as defined by the Global Impact Investing Network (GIIN) is used.

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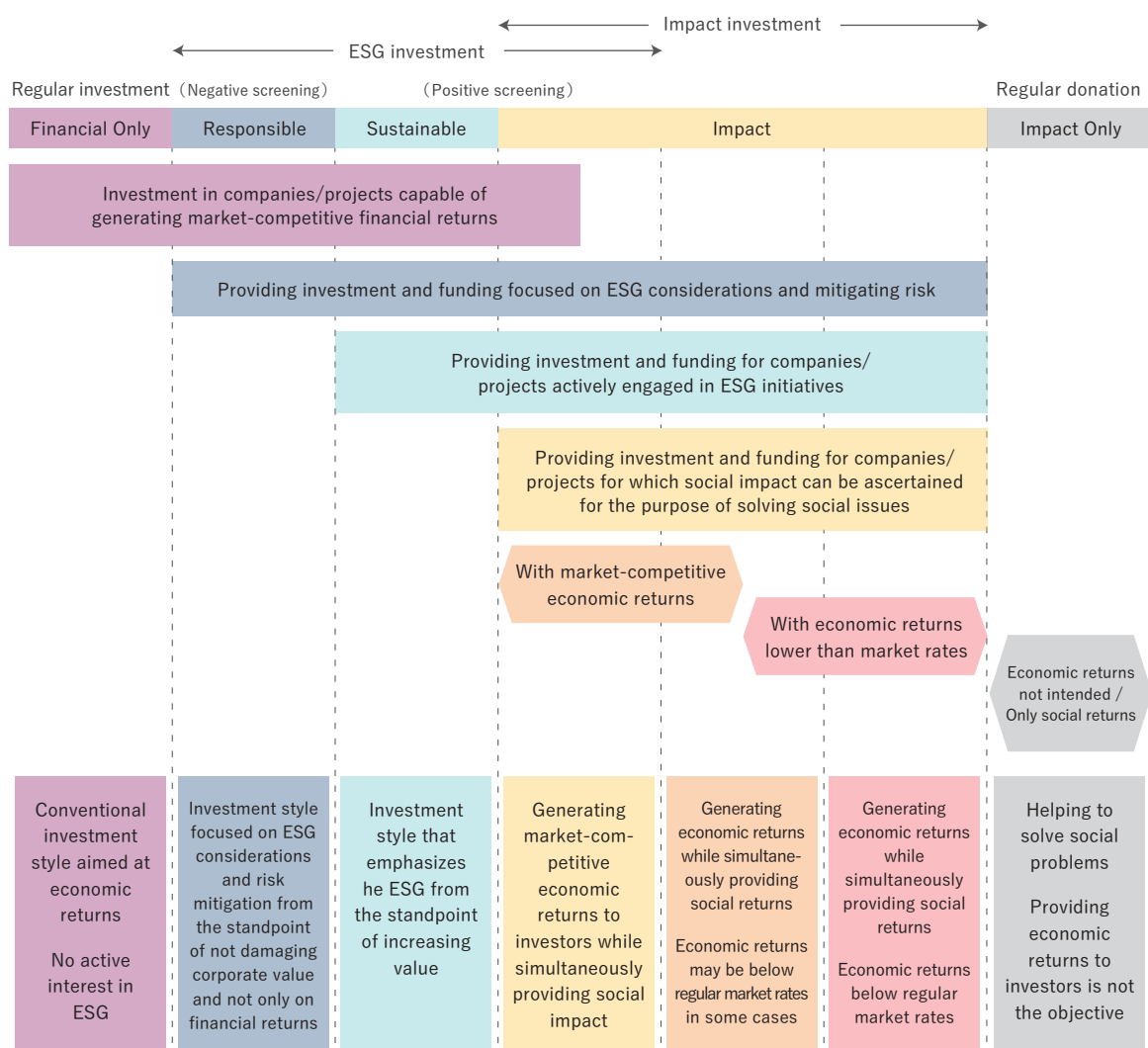
# Executive Summary

This annual report presents the current state of impact investing in Japan. It is for the purpose of sharing information for the promotion of impact investing in the country and has been published under the supervision of GSG-NAB Japan.

“Chapter 1: What Is Impact Investing” outlines the definition of impact investing, goes over its history globally, presents the background to its development in Japan, and summarizes topics from recent years.

In accordance with the definition of the Global Impact Investing Network (GIIN), impact investing refers to investing activity that is intended to generate a positive, measurable social and environmental impact alongside financial returns.

Figure 1. Depiction of the relationship of impact investing and ESG investing



Source: Position Paper on Expanding Impact Investing 2019 (GSG-NAB Japan)

The following are some of the notable developments in impact investing in Japan and overseas in 2022 and early 2023.

**Figure 2. Developments in impact investing from 2022 to the beginning of 2023**

|  |  |
|--|--|
| <b>Global movements</b>                  | Harvard Business School's Impact-Weighted Accounting Initiative (IWAI) created and published a tentative proposal for an impact weighted accounting framework (IWAF) (February 2022)   |
|  | The International Sustainability Standards Board (ISSB) published drafts of IFRS sustainability disclosure standards (IFRS S1 and S2) (March 2022)   |
|  | The Global Impact Investing Network (GIIN) Impact Lab was launched to start the development of impact analysis tools for investors that can be used in making investment decisions (October 2022)  |
|  | Impact AUM reached 160 trillion yen (1.2 trillion dollars) worldwide, according to a global survey by the GIIN <sup>3</sup>  |
|  | Big Society Capital (BSC), a financial institution in the United Kingdom, opened an impact venture capital community, ImpactVC, for those that engage in impact investing (February 2023)  |
|  | Russia's invasion of Ukraine caused an energy crisis, price hikes, demand for fossil fuels, and slow performance of ESG stocks, all working against impact investing   |
| <b>Actions by Japanese public bodies</b> | In the "Grand Design and Action Plan for a New Form of Capitalism" and "Basic Policies for Economic and Fiscal Management and Reform 2022," the Cabinet and Cabinet Secretariat clearly stated that the government will promote impact investing (June 2022) |
|  | The Cabinet Secretariat launched the Study Group on Impact Investment for Global Health (September 2022)   |
|  | The Tokyo Metropolitan Government established a social impact investment fund (September 2022)   |
|  | The Financial Services Agency established the Working Group on Impact Investment (October 2022)  |
| <b>Actions by Japan's private sector</b> | Keidanren (Japan Business Federation) published the report "Using Impact Metrics to Promote Dialogue with Purpose as Starting Point" (June 2022)   |
|  | The Impact Startup Association was established (October 2022)  |
|  | The Social Innovation and Investment Foundation (SIIF) published a report on practical implications and an outlook for impact IPO titled, "Basic research for practice and promotion of Impact IPO" (November 2022)  |
|  | A team in Keizai Doyukai (Japan Association of Corporate Executives) established a fund manager "&Capital Inc." (January 2023)   |
|  | The number of institutions that have signed the Japan Impact-driven Financing Initiative surpassed 47, signifying that it has doubled in one year since its launch in November 2021 (March 2023)   |

<sup>3</sup> "GIINsight: Sizing the Impact Investing Market 2022" <https://thegiin.org/research/publication/impact-investing-market-size-2022/>



“Chapter 2: Japan’s Impact Investing Market” analyzes the responses to the Questionnaire Survey regarding Impact Investment (2022); and it is the main part of the report. It first describes the survey methods and the inclusion criteria of impact investing in the survey. The chapter then presents the impact investment balance in Japan based on the questionnaire and the compiled results of the responses, and summarizes the impact investing market in Japan, and shares its current state and the issues.

### Summary of survey method

- Survey method: Questionnaire in Googles Forms or Microsoft Word
- Survey period: October 2022 — January 2023
- Number of organizations that provided valid responses: 46.  
The questionnaire was distributed mainly to institutional investors and financial institutions.

**Inclusion Criteria** ... The “impact investing” used in the Questionnaire Survey and presented to respondents includes all of the following.

**① Impact investments are investments made with the intention to generate a positive, measurable social and environmental impact alongside a financial return<sup>4</sup>**

Any financial transactions, including investments (stocks and bonds), loans, leases, among others, that seek monetary returns are collectively called “investments.” Donations, subsidies and grants are excluded.

**② The responding organization conducts impact measurement and management (IMM) that spans the whole process from making an investment decision to making the investment and thereafter.**

The term “impact measurement and management (IMM)” refers to the iterative process that includes identifying and considering the positive and negative effects one’s investment approaches have on people and the planet, and then figuring out ways to mitigate the negative and maximize the positive in alignment with one’s goals.<sup>5</sup>

**③ The results of impact measurement and management are shared with investors.**

- In case of a privately placed product (e.g., a syndicated loan, an investment trust or privately placed corporate bonds for institutional investors), the lead bank, investment manager, and issuer share the results of IMM with investors.
- In case of a publicly offered product (e.g., an investment trust for individual investors, publicly traded bonds), the results of impact measurement are available to the public.
- As for impact investing that an investor does on his/her own account, the criterion described in ③ does not apply because the investor obviously knows the results of the impact measurement.

<sup>4</sup> The description is based on the GIIN Annual Impact Investor Survey 2020. The GIIN questionnaire survey defines the term as “Impact investments are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return. They can be made across asset classes, in both emerging and developed markets, and target a range of returns from below market to market rate, depending on the investors’ strategic goals.” The underlined sentence is presented in the survey form, and the remaining portion in the letter sent with the survey form.

<sup>5</sup> The impact measurement and management (IMM) as defined by the (GIIN) is used.

Notes:

- **The Survey is not meant to make an accurate market estimate:** The Survey results are the accumulation of responses to the questionnaire returned by mail or in electronic form. They are not meant to provide an estimated size of the impact investing market in a strict sense.
- **In principle, responses are self-reported:** Like the GIIN Annual Impact Investor Survey, responses are self-reported by the responding organization, and incomplete responses are supplemented with an additional interview (by email or telephone).
- **Data cleaning and accuracy:** The survey team removed or corrected responses that contain inconsistency or misunderstanding to the full extent possible and took great care to prevent a double-counting of AUM. These efforts, however, do not guarantee complete accuracy of the survey results. Responding organizations provided their responses voluntarily as their cooperative effort. “No responses” and invalid responses (i.e., responses that failed to meet what is required as an answer) were not counted, which means that the “n” and AUM varies by question.
- **Respondents were corporations based in Japan:** This Survey is on impact investing in Japan. Hence, responding organizations must be corporations based in Japan. Note that the investee companies may be located outside of Japan. If a respondent is a multinational corporation, its responses must be about impact investing activities by its incorporated Japan office.

## Impact AUM

### Impact AUM, as ascertained by the Questionnaire Survey: 5.8480 trillion yen

The figure is the sum of the investment balances of the 46 organizations that responded to the “Questionnaire Survey regarding Impact Investment (2022)” and met the aforementioned inclusion criteria for impact investing based on self-reporting.

[Reference 1]

### The AUM as ascertained by this Questionnaire Survey and the Japan Impact-driven Financing Initiative: 6.4408 trillion yen

In addition to the above AUM, this figure is an aggregate of the AUM at organizations that did not respond to the Survey but do engage in impact investing as confirmed in the “Japan Impact-driven Financing Initiative Progress Report 2022.”<sup>6</sup>

[Reference 2]

### Impact AUM worldwide according to a global survey by the GIIN: 160 trillion yen (1.2 trillion dollars)

This figure is a market estimate published in “GIINsight: Sizing the Impact Investing Market 2022.”<sup>7</sup>

6 Link to the Report <https://www.impact-driven-finance-initiative.com/wp-content/uploads/2023/01/Progress-Report-2022.pdf>

7 Link to the Report <https://thegiin.org/research/publication/impact-investing-market-size-2022/>

## Observations about factors behind the growth of impact AUM

Last year's Survey ascertained that the impact AUM for FY2021 totaled **1.3204 trillion yen**. This year's Survey found that the impact AUM for FY2022 amounted to **5.8480 trillion yen**, **4.4 times more** than last year. This section explores factors behind this rapid growth.

The impact AUM in Japan that this report presents are figures that were ascertained based solely on the surveys of institutional investors and financial institutions. With this fact in mind, the following three factors—which are similar to those observed last year—may be behind this increase in AUM.

- 1) **Existing** impact investing institutions **increased** their investments.
- 2) **New** impact investing institutions **entered** the impact investing market.
- 3) Investments increased in **public equity and debt** as part of 1) and 2) above.

Regarding 1), 30 organizations engaged in impact investing (impact investing institutions) responded to both the FY2021 and FY2022 Surveys. These repeat respondents' impact AUM calculated from the FY2021 Survey totaled approx. 1.3204 trillion yen, and those from the FY2022 Survey approx. 4.9421 trillion yen. This means that the year-over-year growth rate of impact investing by these institutions alone doubled to reach 374% (3.7 times greater) (the Figure below).

Figure 3. Impact AUM, asset manager AUM, and growth rate of repeat responding institutions

(in millions of yen)

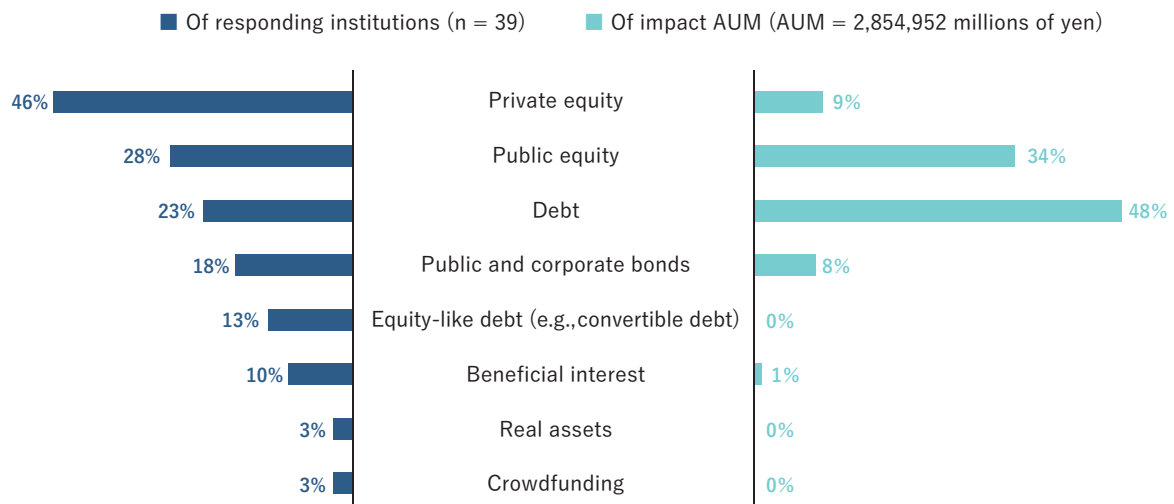
| Impact investing institutions that responded to the Surveys for two consecutive years (n=30) | FY2021 Survey | FY2022 Survey | Growth Rate (YoY) |
|--|---------------|---------------|-------------------|
| Impact AUM and Asset Manager AUM   | 1,320,380     | 4,942,083     | 374%              |

Source: Created based on the "Questionnaire Survey regarding Impact Investment (2021 and 2022)" (GSG National Advisory Board) – Question: "5. Please provide your organization's impact AUM at the end of March 2022. (Numerical Answer, hereafter "NA")"

As for 2), major insurance companies and banks have entered the impact investing market. In terms of the numbers of new respondents to the Questionnaire Survey, 31 impact investing institutions last year met the new criteria set for the FY2021 Survey, and the number grew about 1.5 times to be 46 institutions this year.

As for 3), the breakdown of asset classes shows that, when the total impact AUM is set as 100 %, public equity (34%) and debt (48%) make up 80%.

Figure 4. Asset classes of impact investing



Source: Created based on the “Questionnaire Survey regarding Impact Investment (2022)” (GSG National Advisory Board) – Question: “10. Please provide the breakdown of investment methods (asset classes), with the impact AUM provided in Question 5 being 100%. Please make sure the percentages add up to 100. (NA)”

We have discussed the factors behind an increase in impact investing. To sum up, the major factors are that both existing and new impact investing institutions have increased their investments, and that the expansion of asset classes that tend to receive large loans and investments (e.g., public equity and debt) has prompted these institutions to invest more.

## The Current State and Challenges of Impact Investing in Japan

A good many of respondents responded that Japan's impact investing market had progressed over the past one year in "the public's awareness of and interest in impact investing" and "top management's interest in and understanding of impact creation," along with "actions inspired by the Principles for Responsible Investment, SDG impact (UNDP), and the Operating Principles for Impact Management (IFC), etc." Their responses likely indicate that impact investing now has public recognition and corporate top management's interest and understanding in Japan, with its legitimacy corroborated by international frameworks, gathering the momentum it needs to grow as a market.

To the question that asked about the conditions that they believed would further facilitate impact investing for the future growth of the impact investing market in Japan, many respondents selected the answers "each company's stakeholders' interest and engagement (e.g., asset owners, shareholders, investors)" and "top management's interest in and understanding of impact creation." The past Surveys saw "establishment of impact measurement and management (IMM) as rules and common practice" among the most selected answers as a challenge or condition for advancement. Yet fewer respondents than expected chose this answer in this year's Survey. This result probably means that IMM is becoming common practice to a certain extent. It also indicates that impact investing needs more attention from top management and asset owners (customers'), in addition to the market growth it enjoyed over the last one year as mentioned above.

To gain a more detailed picture of IMM conducted in Japan, questions about the following were added to this year's Survey, and respondents provided their answers: "efforts to prevent or address negative impacts," "how the results of impact measurement are used," "investor contributions through impact investing," and "purposes of an impact report and the scope of disclosure." It turned out that many assess negative impacts solely by screening investees or conducting due diligence. To the question about how they use the results of impact measurement, many selected the answer "to ensure strategic consistency with the organization's mission." As for the question about investor contributions through impact investing, many answered, "we send the signal across the market that we believe the impact we make matters."

There is likely to be more discussion and practice of impact investing in Japan going forward, and we believe that this report, a kind of fixed-point observation of the current location of impact investing in Japan, can serve as a foundation for discussion while providing suggestions for practice.

We would like to again express our appreciation to all of the people and organizations that participated in the Questionnaire Survey regarding Impact Investment (2022).

It is our hope that this report contributes to solving social issues through impact investing.



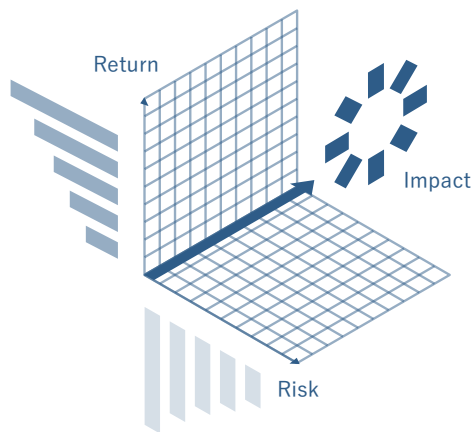
## Chapter 1: What Is Impact Investing

### Summary of Impact Investing

Impact investing refers to investing activity that is intended to generate a positive, measurable social and/or environmental change or effect alongside financial returns.

Conventional investing judges value on the two axes of risk and return. Impact investing refers to investments that add a third axis “impact,” which means social and/or environmental change or effect as a result of the investment.

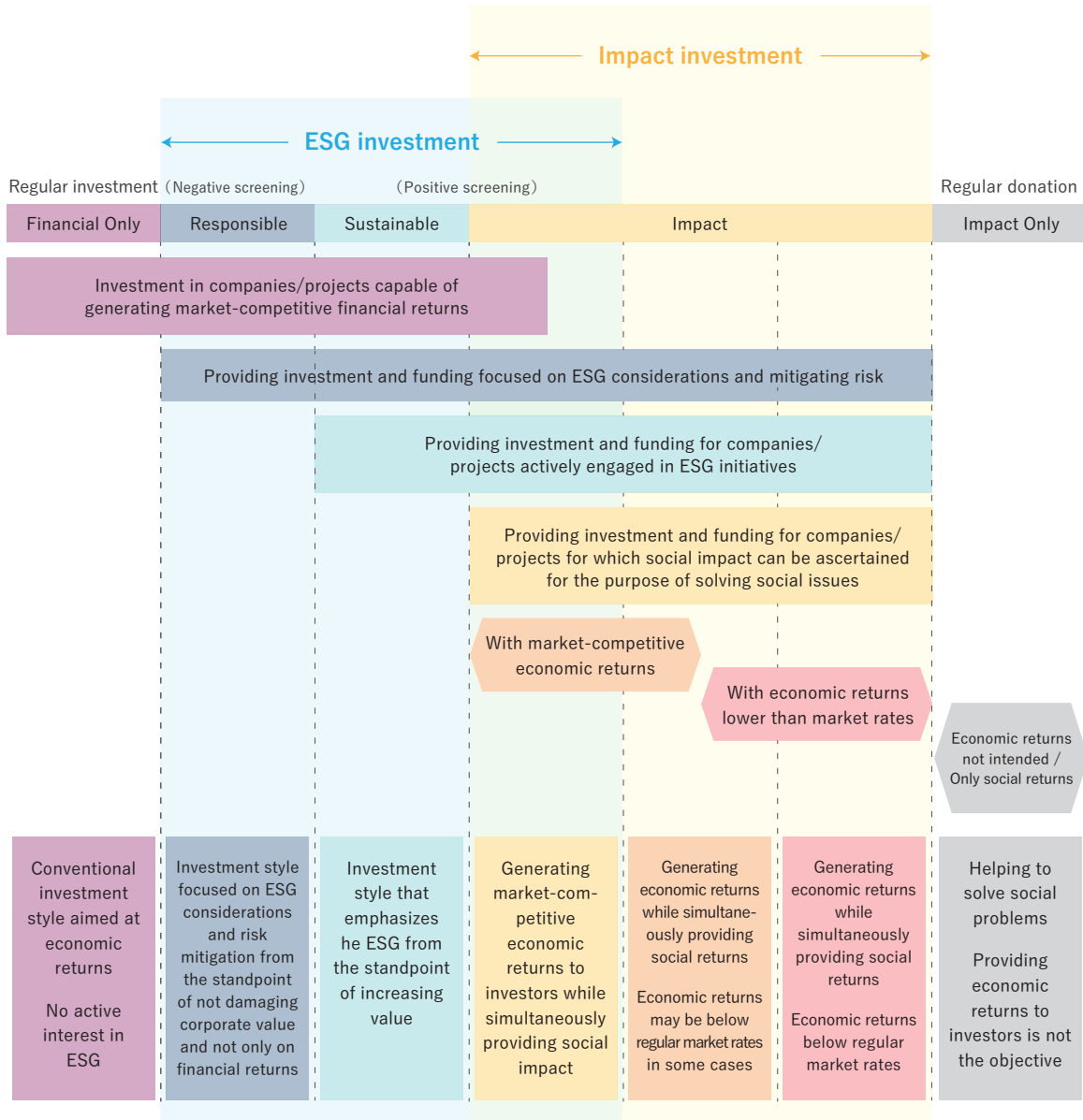
Figure 5. The third axis in investment



Source: *Position Paper on Expanding Impact Investing 2019*, The Japan National Advisory Board, The Global Steering Group for Impact Investment (GSG- NAB Japan), April 2020

The difference between impact investing and ESG investing can be simply expressed in terms of balance, that is, how much emphasis is to be placed on (1) financial returns and (2) non-financial impact, as shown in the figure below.

Figure 6. Depiction of the relationship of impact investing and ESG investing



Source: Position Paper on Expanding Impact Investing 2019 (GSG-NAB Japan)



## Elements of impact investing

The following four elements determine whether an investing activity can be considered an impact investing.

- (1) Intentionality
- (2) Financial Returns
- (3) Range of Asset Classes
- (4) Impact Measurement

(1) Intentionality refers to looking at whether the entity that performs the act of investing aims (intends) to generate a positive impact through its investing activity. (2) Financial Returns refer to looking at whether the entity that performs the act of investing aims not only to generate an impact, but also to receive financial returns through its investment. (3) The term “Range of Asset Classes” indicates that impact investing is not limited to investing in specific assets (all financial transactions that seek financial returns, including investments (stocks and bonds), loans, and leases, are collectively covered.) (4) Impact Measurement refers to looking at whether the entity that performs the act of investing carries out activities of identifying social and/or environmental change, among others, as a result of investing activities and adding a value judgment.

Any investment in which the entity that performs the act of investing has an intention, aims to generate financial returns, and carries out impact measurement and management can be classified as impact investing, regardless of who and which asset class receives the investment.

## Impact Measurement and Management (IMM)

It was stated that four elements of Intentionality, Financial Returns, Range of Asset Classes, and Impact Measurement are the requirements for impact investing. Impact Measurement and Management (“IMM”) is positioned as a means of achieving investors’ “intentionality” in impact investing. IMM adds a “management” element to “Impact Measurement,” one of four elements of impact investing, in which investors and business operators make business improvements or decisions based on the results of measurement and aim to improve impact.

IMM is the result of the sophistication and standardization of impact measurement and its management techniques in the global impact investing market over the past decade. In response to the development of IMM, GSG-NAB Japan released the guidelines for IMM practice, a practice guidebook, a discussion paper to create global standards for IMM, and other materials in July 2021, with the purpose of sharing with impact investing practitioners the points to be considered that GSG-NAB Japan believes are important for them to practice IMM as well as issues they may face and measures they can take to address them.<sup>8</sup> Please refer to these documents for details of IMM.

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<sup>8</sup> Press release “GSG-NAB Japan creates and releases the ‘IMM Practice Guidebook’ and other documents in impact investing (stocks),” GSG-NAB Japan, July 2021, <https://impactinvestment.jp/news/research/20210701.html>

## Recent Developments in Impact Investing

Figure 7. Developments in impact investing from 2022 to the beginning of 2023

|  |   |
|--|---|
| <b>Global movements</b>                  | Harvard Business School's Impact-Weighted Accounting Initiative (IWAI) created and published a tentative proposal for an impact weighted accounting framework (IWAF)(February 2022)   |
|  | The International Sustainability Standards Board (ISSB) published drafts of IFRS sustainability disclosure standards (IFRS S1 and S2)(March 2022)   |
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|  | The Social Innovation and Investment Foundation (SIIF) published a report on practical implications and an outlook for impact IPO titled, "Basic research for practice and promotion of Impact IPO" (November 2022)   |
|  | A team in Keizai Doyukai (Japan Association of Corporate Executives) established a fund manager "&Capital Inc." (January 2023)  |
|  | The number of institutions that have signed the Japan Impact-driven Financing Initiative surpassed 47, signifying that it has doubled in one year since its launch in November 2021 (March 2023)  |

<sup>9</sup> "GIINsight: Sizing the Impact Investing Market 2022" <https://thegiin.org/research/publication/impact-investing-market-size-2022/>

Figure 8. History of impact investing in the world and Japan

| Year | Global  | Japan   |
|------|---|---|
| 2007 | The Rockefeller Foundation used the term “impact investing” for the first time and started to promote impact investing  |   |
| 2008 | The Dormant Accounts Act was enacted in the UK  |   |
| 2009 | Global Impact Investing Network (GIIN), a global network of impact investors, was established<br><br>IRIS, a reporting standard for impact investing, began operating |   |
| 2011 | The U.S. gave legal recognition to Benefit Corporation, as a category for social enterprises (Maryland, as the first U.S. state)                                      | The 21st Century Financial Behavior Principles were adopted mainly by private financial institutions  |
| 2012 | Big Society Capital, a wholesale fund funded by dormant bank accounts, was established in the UK  |   |
| 2013 | Global Steering Group for Impact Investment (GSG) was established (at the time, it was called “G8 Impact Investment Task Force,” which was renamed “GSG” in 2015).    |   |
| 2014 |   | GSG National Advisory Board was established<br><br>GSG National Advisory Board issued a report on the current state of impact investing in Japan for the first time.  |
| 2015 |   | GSG National Advisory Board proposed 7 key recommendations towards promotion of impact investing<br><br>The promotion of impact investing is mentioned for the first time in the government’s growth strategies and in basic policies for regional revitalization<br><br>The Government Pension Investment Fund (GPIF) signed the UN Principles of Responsible Investment (PRI) |
| 2016 | Impact Management Project (IMP), an initiative for impact measurement and management, was established   | Social Impact Management Initiative (SIMI) was established (at the time, it was called the “Social Impact Measurement Initiative,” which was later renamed.)<br><br>The Dormant Deposits Utilization Act was promulgated  |

Figure 8. History of impact investing in the world and Japan (Continued)

| Year | Global   | Japan   |
|------|--|---|
| 2017 | TPG, a major private equity firm, established a JPY 200 billion Impact Investment fund   |   |
| 2018 | <p>“Impact investing” was included in the leaders’ declaration of G20 Buenos Aires Summit</p> <p>The United Nations Development Programme (UNDP) started the SDG Impact in the expectation that the flow of private funds will expand to achieve the goals of the SDGs</p>   | The Dormant Deposits Utilization Act came into effect   |
| 2019 | <p>Prime Minister Abe declared at the G20 Osaka Summit that Japan will lead in innovative financing schemes such as impact investing and dormant bank accounts</p> <p>IFC developed operation principles for impact investing</p>  | <p>The Cabinet Office designated Japan Network for Public Interest Activities (JANPIA) as the designated utilization organization based on the Dormant Deposits Utilization Act</p> <p>Japan International Cooperation Agency (JICA) signed up for operation principles for impact investing as the first organization in Japan</p>   |
| 2020 | UK’s Big Society Capital and a major private-sector asset management institution partner to establish an impact investment trust company   | Assistance for solving social issues using dormant bank accounts commenced  |
| 2021 | <p>The Impact Taskforce was set up, raised by the UK, the chair of 2021 G7 summit</p> <p>The Impact Management Platform was set up as the successor to the Impact Management Project</p>   | <p>Prime Minister Kishida mentioned impact investing in his first policy speech</p> <p>21 financial institutions signed the Japan Impact-driven Financing Initiative</p>  |
| 2022 | <p>Impact AUM reached 160 trillion yen (1.2 trillion dollars) worldwide, according to a global survey by the GIIN</p> <p>The IWAI created and published a tentative proposal for an impact weighted accounting framework (IWAF)</p> <p>Big Society Capital (BSC) opened an impact venture capital community, ImpactVC, for those that engage in impact investing</p> | <p>In the “Grand Design and Action Plan for a New Form of Capitalism” and “Basic Policies for Economic and Fiscal Management and Reform 2022,” the Cabinet and Cabinet Secretariat clearly stated that the government will promote impact investing</p> <p>The Financial Services Agency established the Working Group on Impact Investment</p> <p>The Impact Startup Association was established</p> <p>Keidanren (Japan Business Federation) published the report “Using Impact Metrics to Promote Dialogue with Purpose as Starting Point”</p> |

## Chapter 2: Impact Investing Market in Japan

Chapter 2 provides an overview of the impact investing market in Japan based on responses to the “Questionnaire Survey regarding Impact Investment (2022),” presenting the current situation and challenges surrounding the market. The Chapter first describes the survey method and the inclusion criteria of impact investing in the survey. It then presents the impact investment asset under management (“impact AUM”) in Japan that have been identified through the survey, along with the results of responses to the questionnaire survey.

### Survey Method

#### Summary of the method

- A questionnaire survey. The respondents selected a survey form either in Google Forms or Microsoft Word to provide their answers.
- Survey period: October 2022 — January 2023
- Number of organizations that provided valid responses: 46
  - To survey institutions that may be connected to impact investing, this Survey, just as in the FY2021 Survey, covered a wide range of institutions, including those that have declared compliance with the Principles for Responsible Investment and the Principles for Financial Action for the 21st Century, and those that have signed the Japan Impact-driven Financing Initiative, among others.
  - This Survey consulted the “GIIN Annual Impact Investor Survey,” which defines qualified respondents as those who “manage at least 10 million dollars in impact investing assets and/or have made at least five impact investments.” Given that Japan’s impact investing market is still in an early stage, this Survey does not specify any qualifications.
- Target period for the Survey: As of the end of March 2022 (Some institutions that have signed the Japan Impact-driven Financing Initiative responded to the Survey at the end of September 2022 due to the timing of the finalization of the Initiative’s text to be signed)

#### Design of the survey form

- To make the analysis comparable with trends in global impact investing markets, we used the survey form for the “GIIN Annual Impact Investor Survey” as guide in designing our survey form. Note that this report does not cite any part of the GIIN survey form for the purpose of comparison because the GIIN has not conducted the survey for the last few years<sup>10</sup>
- Structure of the survey form:
  - Attributes of the responding organizations (e.g., business category)
  - Results and plans of the impact investing (e.g., investee’s sectors, types of organizations, asset classes, regions)
  - Implementation status of impact measurement and management (IMM)
  - Present state of the impact investing market in Japan and perceived challenges

#### Notes:

- **The Survey is not meant to make an accurate market estimate ...** The Survey results are the accumulation of responses to the questionnaire. They are not meant to provide an estimated size of the impact investing market in a strict sense.
- **Responses are essentially self-reported ...** The results are based on self-reported answers from the responding organizations, just as the “GIIN Annual Impact Investor Survey.” That said, when any response about the state of impact investing was partial or incomplete, or when any inconsistent responses were found, a follow-up interview was conducted with the organization by email or phone to have a complete and accurate answer.

- **Data cleaning and accuracy** ... The survey team removed or corrected responses that contained an inconsistency or misunderstanding to the full extent possible and took great care to prevent double counting of balances. These efforts, however, do not guarantee complete accuracy. Responding organizations provided their responses voluntarily as their cooperative effort. “No responses” and invalid responses (i.e., responses that failed to meet what is required as an answer) were not counted, which means that the “n” and AUM varies by question.
- **Respondents were corporations based in Japan** ... This Survey is on impact investing in Japan. Hence, responding organizations must be corporations based in Japan. Note that the investee companies may be located outside of Japan. If a respondent is a multinational corporation, its responses must be about impact investing activities by its incorporated Japan office.

## Inclusion Criteria of “Impact Investing” in This Survey and Report

The “impact investing” used in the Questionnaire Survey and presented to respondents includes all of the following.

### ① Impact investments are investments made with the intention to generate a positive, measurable social and environmental impact alongside a financial return<sup>11</sup>

Any financial transactions, including investments (stocks and bonds), loans, leases, among others, that seek monetary returns are collectively called “investments.” Donations, subsidies and grants are excluded.

### ② The responding organization conducts impact measurement and management (IMM) that spans the whole process from making an investment decision to making the investment and thereafter.

The term “impact measurement and management (IMM)” refers to the iterative process that includes identifying and considering the positive and negative effects one’s investment approaches have on people and the planet, and then figuring out ways to mitigate the negative and maximize the positive in alignment with one’s goals.<sup>12</sup>

### ③ The results of impact measurement and management are shared with investors.

- In case of a privately placed product (e.g., a syndicated loan, an investment trust or privately placed corporate bonds for institutional investors), the lead bank, investment manager, and issuer share the results of IMM with investors.
- In case of a publicly offered product (e.g., an investment trust for individual investors, publicly traded bonds), the results of impact measurement are available to the public.
- As for impact investing that an investor does on his/her own account, the criterion described in ③ does not apply because the investor obviously knows the results of the impact measurement.

10 At the moment of writing this report, the 2020 Annual Impact Investor Survey is the latest one that may be used to make any comparison with the GIIN survey. The FY2021 edition of this report may also be consulted, as it cites data from the 2020 survey for comparison. <https://thegiin.org/research/publication/impinv-survey-2020/>

11 The description is based on the GIIN Annual Impact Investor Survey 2020. The GIIN questionnaire survey defines the term as “Impact investments are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return. They can be made across asset classes, in both emerging and developed markets, and target a range of returns from below market to market rate, depending on the investors’ strategic goals.” The underlined sentence is presented in the survey form, and the remaining portion in the letter sent with the survey form.

12 The impact measurement and management (IMM) as defined by the (GIIN) is used.

## Impact AUM

### Impact AUM, as ascertained by the Questionnaire Survey: 5.8480 trillion yen

The figure is the sum of the investment balances of the 46 organizations that responded to the “Questionnaire Survey regarding Impact Investment (2022)” and met the aforementioned inclusion criteria for impact investing based on self-reporting.

[Reference 1]

### The AUM as ascertained by this Questionnaire Survey and the Japan Impact-driven Financing Initiative: 6.4408 trillion yen

In addition to the above AUM, this figure is an aggregate of the AUM at organizations that did not respond to the Survey but do engage in impact investing as confirmed in the “Japan Impact-driven Financing Initiative Progress Report 2022.”<sup>13</sup>

[Reference 2]

### Impact AUM worldwide according to a global survey by the GIIN: 160 trillion yen (1.2 trillion dollars)

This figure is a market estimate published in “GIINsight: Sizing the Impact Investing Market 2022.”<sup>14</sup>

## Observations about factors behind the growth of impact AUM

Last year’s Survey ascertained that the impact AUM for FY2021 totaled **1.3204 trillion yen**. This year’s Survey found that the impact AUM for FY2022 amounted to **5.8480 trillion yen, 4.4 times more** than last year. This section explores factors behind this rapid growth.

The impact AUM in Japan that this report presents are figures that were ascertained based solely on the surveys of institutional investors and financial institutions. With this fact in mind, the following three factors—which are similar to those observed last year—may be behind this increase in AUM.

- 1) **Existing** impact investing institutions **increased** their investments.
- 2) **New** impact investing institutions **entered** the impact investing market.
- 3) Investments increased in **public equity and debt** as part of 1) and 2) above.

Regarding 1), 30 organizations engaged in impact investing (impact investing institutions) responded to both the FY2021 and FY2022 Surveys. These repeat respondents’ impact AUM calculated from the FY2021 Survey totaled approx. 1.3204 trillion yen, and those from the FY2022 Survey approx. 4.9421 trillion yen. This means that the year-over-year growth rate of impact investing by these institutions alone doubled to reach 374% (3.7 times greater) (the Figure below).

13 Link to the Report <https://www.impact-driven-finance-initiative.com/wp-content/uploads/2023/01/Progress-Report-2022.pdf>

14 Link to the Report <https://thegiin.org/research/publication/impact-investing-market-size-2022/>

Figure 9. Impact AUM, asset manager AUM, and growth rate of repeat responding institutions

(in millions of yen)

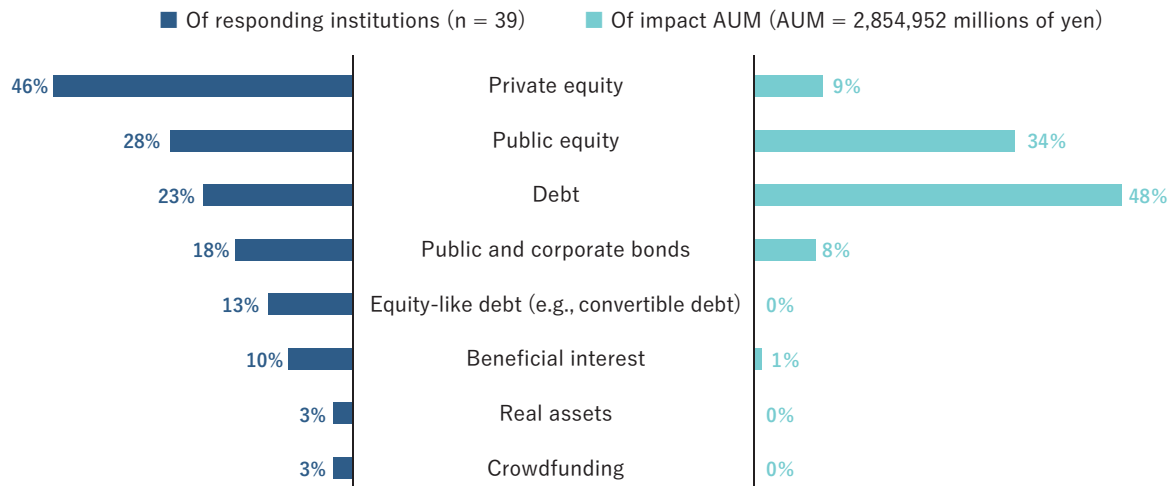
| Impact investing institutions that responded to the Surveys for two consecutive years (n=30) | FY2021 Survey | FY2022 Survey | Growth Rate (YoY) |
|--|---------------|---------------|-------------------|
| Impact AUM and Asset Manager AUM   | 1,320,380     | 4,942,083     | 374%              |

Source: Created based on the “Questionnaire Survey regarding Impact Investment (2021 and 2022)” (GSG National Advisory Board) – Question: “5. Please provide your organization’s impact AUM at the end of March 2022. (Numerical Answer, hereafter “NA”)”

As for 2), major insurance companies and banks have entered the impact investing market. In terms of the numbers of new respondents to the Questionnaire Survey, 31 impact investing institutions last year met the new criteria set for the FY2021 Survey, and the number grew about 1.5 times to be 46 institutions this year.

As for 3), the breakdown of asset classes shows that, when the total impact AUM is set as 100 %, public equity (34%) and debt (48%) make up 80%.

Figure 10. Asset classes of impact investing



Source: Created based on the “Questionnaire Survey regarding Impact Investment (2022)” (GSG National Advisory Board) – Question: “10. Please provide the breakdown of investment methods (asset classes), with the impact AUM provided in Question 5 being 100%. Please make sure the percentages add up to 100. (NA)”

We have discussed the factors behind an increase in impact investing. To sum up, the major factors are that both existing and new impact investing institutions have increased their investments, and that the expansion of asset classes that tend to receive large loans and investments (e.g., public equity and debt) has prompted these institutions to invest more.



## List of Institutions That Make Impact Investing and Investment Cases

Figure 11. List of institutions that make impact investing and investment cases (only the institutions and cases the report is allowed to publish)<sup>15</sup>

| Industry         | Organization Name                                | Example of Impact Investing  |
|------------------|--|--|
| Asset managers   | Asset Management One Co., Ltd.                   | Management of impact investment portfolio in public equity in Japan  |
|                  | Kamakura Investment Management Co., Ltd.         | “Yui 2101” (investment in listed and privately held companies through public investment trusts)  |
|                  | KJR Management                                   | Impact investing project related to specified real property (acquisition of equity in investment in a silent partnership)  |
|                  | Commons Asset Management, Inc.                   | Commons Impact Fund (public equity impact investment fund)   |
|                  | T. Rowe Price Japan, Inc.                        | Global Impact Equity Strategy, US equities for impact investing strategy, Global Impact Credit Strategy, multi-asset impact investing strategies (public equity investment and investment in publicly issued bonds)  |
|                  | Nissay Asset Management Corporation              | Impact fund for investment in Japanese/global equities (mainly public equity)  |
|                  | Nomura Asset Management Co., Ltd.                | Global Sustainable Equity Strategy, Japan Sustainable Equity Growth Strategy, Improve the World Corporate Fund (Nomura Japan equity ESG investment), Nomura ACI Advanced Medical Impact Fund, Global Food Related Equity Open “Smart Food,” etc. (public equity investment through a public mutual fund) |
|                  | Sumitomo Mitsui Trust Asset Management Co., Ltd. | Japan Equity Impact Investment Fund, Global Equity Impact Investment Fund (public equity impact investment fund)   |
|                  | Resona Asset Management Co., Ltd.                | Japan Equity Impact Investment Fund, Global Impact Investment Fund (Climate Change)  |
| Venture capitals | Energy & Environment Investment, Inc.            | EI Fund 4 Innovation and Impact Investment, EI 5 Innovation and Impact Investment (impact fund for investing in public equity)   |
|                  | 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)  |

<sup>15</sup> Upon preparation of the list, we extracted only those organizations (partial) that satisfy the aforementioned impact investing requirements and that agreed to be mentioned in this report. Therefore, the list does not cover all actions included in the impact AUM. We referred to the content of the responses to the relevant questions in the questionnaire upon classification of industry. Due to the timing of this Questionnaire Survey, responses from some of the organizations shown in this table were not treated as valid, and thus they were not counted, and neither were the AUM they provided toward the results of the Survey. These organizations are included in the table nevertheless because they have been confirmed as impact investing institutions.

Figure 11. List of institutions that make impact investing and investment cases (Continued)

| Industry   | Organization Name                            | Example of Impact Investing  |
|--|--|--|
| Venture capitals   | taliki, Inc.                                 | taliki investment limited partnership 1 “taliki Fund” (equity investment and revenue sharing)  |
|  | Dream Incubator Inc.                         | Next Rise Social Impact Fund Investment Limited Partnership (fund for investing in the company’s social impact bond (SIB) project)   |
|  | Future Venture Capital Co., Ltd.             | Osaka Social Issue Solving Fund in collaboration with Osaka Shinkin Bank (private equity impact investment fund)   |
| Private equity   | Whiz Partners Inc.                           | Investment in Healthcare New Platform Fund (impact private equity fund)  |
|  | PMI Partners Limited                         | Fund for Active Local Healthcare (private equity fund exclusively for healthcare)  |
| Insurance companies  | Japan Post Insurance Co., Ltd.               | Impact “K” Project (investment in real estate fund, externally managed equity funds, private equity funds, etc.)   |
|  | Sumitomo Life Insurance Company              | Impact investing (microfinance, public equity, infrastructure funds, private equity funds, etc.)   |
|  | The Dai-ichi Life Insurance Company, Limited | Impact investing (public equity, private equity, private equity funds, bonds, debt, real estate, etc.), SIB projects <sup>16</sup>   |
|  | Daido Life Insurance Company                 | BlueOrchard Impact Bond Fund – Blue I (impact bond fund)   |
|  | Nippon Life Insurance Company                | The Rise Fund II, L.P. and Life Science Impact Program, L.P. (impact private equity funds),<br>The Next Rise Social Impact Fund (SIB fund)                                 |
|  | Mitsui Sumitomo Insurance Co., Ltd.          | LGT Crown Impact and TPG Rise Climate (impact private equity funds), the Next Rise Social Impact Fund Investment Limited Partnership (fund for investment in SIB projects) |
|  | Meiji Yasuda Life Insurance Company          | Carbon Neutral Fund 1 (acquisition of equity in investment in a silent partnership), NextGen ESG Japan Fund (fund for investment in small to medium public equity)         |
| Government-run development agencies and financial institutions | Japan International Cooperation Agency       | Overseas loans and investments   |

16 SIB denotes social impact bonds and is one type of performance-linked private sector consignment contract. A private entity raises funds from financial institutions and investors to implement a project outsourced by a governing authority and the returns and repayment are paid by the governing authority administration depending on payments (consignment fees) linked to performance results.

Figure 11. List of institutions that make impact investing and investment cases (Continued)

| Industry                           | Organization Name                            | Example of Impact Investing  |
|------------------------------------|--|--|
| Banks and trust banks              | The Shizuoka Bank, Ltd.                      | Positive Impact Finance, Sustainability Linked Loans, ESG/SDGs Assessment Loans, Green Loans, Social Loans, Sustainability Loans (loans to businesses)   |
|                                    | SBI Shinsei Bank, Limited                    | Shinsei Green/Social Loans (loans to projects/businesses), SHINSEI Sustainability Linked Loan and Positive Impact Finance (loans to businesses), investment in impact investing funds  |
|                                    | The Chiba Bank, Ltd.                         | Chibagin SDGs Leaders Loan, Chibagin Positive Impact Finance, Chibagin Sustainability Linked Loan, Sustainability Linked Bonds (loans to and investments in bonds of businesses)   |
|                                    | Mizuho Bank, Ltd.                            | Positive Impact Finance and Sustainability Linked Loan (loans to businesses), Japan Impact Investment II Limited Partnership "HATARAKU FUND" (private equity impact investment fund)   |
|                                    | Sumitomo Mitsui Banking Corporation          | Green/Social/Sustainable Loans, Transition Loan, Positive Impact Finance, Sustainability Linked Loan (loans to businesses), Green Bonds (private placement bonds), financing of green projects such as renewable energy                                |
|                                    | Sumitomo Mitsui Trust Bank, Limited          | Positive Impact Finance (loans to businesses), Impact Equity Investment  |
|                                    | MUFG Bank, Ltd.                              | Positive Impact Finance and Sustainability Linked Loan (loans to businesses), BlackRock Global Renewable Power III Fund, Ares Climate Infrastructure Partners Fund (real assets investment fund), financing of green projects such as renewable energy |
|                                    | Mitsubishi UFJ Trust and Banking Corporation | Baillie Gifford Impact Investment Fund for institutional investors "Positive Change" (public equity impact investment fund), impact investment fund for public equity in Japan (the company makes these investments as an asset manager)               |
| Credit associations, credit unions | The Kyoto Shinkin Bank                       | Toyonaka City SIB Project  |
|                                    | Dai-ichi Kangyo Credit Cooperative           | Social business support loan (financing for private companies)   |
| Securities companies               | Daiwa Securities Group Inc.                  | World Impact Investment Fund "Better World" (public equity investment through public investment trusts)  |

Figure 11. List of institutions that make impact investing and investment cases (Continued)

| Industry   | Organization Name                                 | Example of Impact Investing  |
|--|---|--|
| <b>Type II Financial Instruments Business Operator</b> | Crowd Credit, Inc.                                | Microfinancing, financing, and social lending to projects by female entrepreneurs, etc. in regions such as Central and South America, Asia, and the Middle East  |
|  | Digisearch and Advertising, Inc.                  | Angel investment, investment in silent partnerships for revenue based-financing (RBF), share funds, SIB projects   |
|  | Plus Social Investment Co., Ltd.                  | Management of SIB Projects (cities of Saijo, Higashiomi, Okayama, etc.) and Ritsumeikan Social Impact Fund (impact investment fund for private equity/bonds), investment in silent partnerships  |
| <b>Foundations</b>                                     | KIBOW Foundation                                  | KIBOW Impact Investment Fund (private equity impact investment fund)   |
|  | The Sasakawa Peace Foundation                     | Microfinancing fund, gender impact fund for investment in private equity and bonds in Southeast Asia   |
|  | Japan Social Innovation and Investment Foundation | SIB Project (Okayama City, Toyonaka City), Japan Impact Investment II Limited Partnership "HATARAKU FUND" (private equity impact investment fund), Healthcare New Frontier Fund (private equity impact investment fund), private equity direct investment / J-KISS share option  |
|  | Mitsubishi Corporation Disaster Relief Foundation | Investments to support businesses in areas affected by disasters (silent partner investments)  |
| <b>Incorporated educational institutions</b>           | Sophia School Corporation                         | Japan International Cooperation Agency bonds, African Development Bank bonds, bonds issued by the University of Tokyo (social bonds), Social Investment Fund, Global Green Bond Fund, Aavishkaar Bharat Fund (impact investment fund in India), U.K. offshore wind power project, private global stock impact investment funds, renewable energy fund for emerging countries |
|  | The Ritsumeikan Trust                             | Ritsumeikan Social Impact Fund (impact investment fund for private equity/bonds)   |
| <b>Other organizations</b>                             | Gojo & Company, Inc.                              | Investments in microfinance institutions in India, Myanmar, Cambodia, Sri Lanka, and Tajikistan  |
|  | Zebras and Company Inc.                           | Loans and investments, including equity investments in private companies and revenue sharing   |
|  | ARUN Seed   | Crowdfunding, impact investing funded with donations from corporate and individual donors (private companies in Asia)  |

## Characteristics of Organizations that Make Impact Investing

This section confirms when the “institutions engaged in impact investing” (impact investing institutions) that meet the aforementioned inclusion criteria began working on impact investing, upon the responses to the “Questionnaire Survey regarding Impact Investment (2022).”

### Industries of institutions that make impact investing

- Of all institutions, those who answered “banks, trust banks, credit associations, credit unions” were the largest (22%) followed by “asset managers” (17%).

Figure 12. Industries of institutions that make impact investing

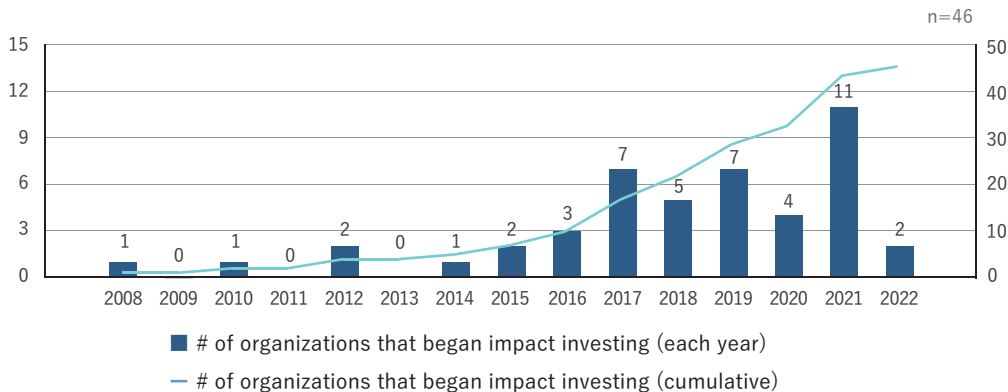


Source: Created based on the “Questionnaire Survey regarding Impact Investment (2022)” (GSG National Advisory Board) – Question: “2. Please select one answer that most accurately describes your industry (SA)”

### Year in which organizations began engaging in impact investing

- Year 2008 was the earliest when one of the organizations began engaging in impact investing, and many organizations started it in 2017, 2019, and 2021.
- The majority of the organizations began impact investing in 2021. When these new players, in addition to existing impact investing institutions, boost their investments, the market will likely keep growing.

Figure 13. Year in which organizations began engaging in impact investing



Source: Created based on the “Questionnaire Survey regarding Impact Investment (2022)” (GSG National Advisory Board) – Question: “4. Please answer the year in which you began engaging in impact investing. (NA)”

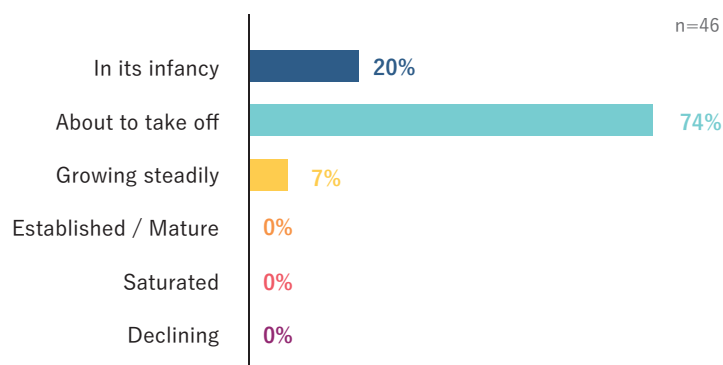
## Progress and Challenges of Impact Investing in Japan

This section provides an overview of the progress of Japan's impact investing market and measures for further advancement of the market based on responses to the "Questionnaire Survey regarding Impact Investment (2022)."

### Stages of Japan's impact investing market evolution

- Regarding the stages of Japan's impact investing market evolution, a clear majority of respondents considered that the market is "about to take off" (74%), and some considered the market is "in its infancy" (20%).
- These results confirmed that Japan's impact investing market is about to enter the growth phase.

Figure 14. Stages of Japan's impact investing market evolution

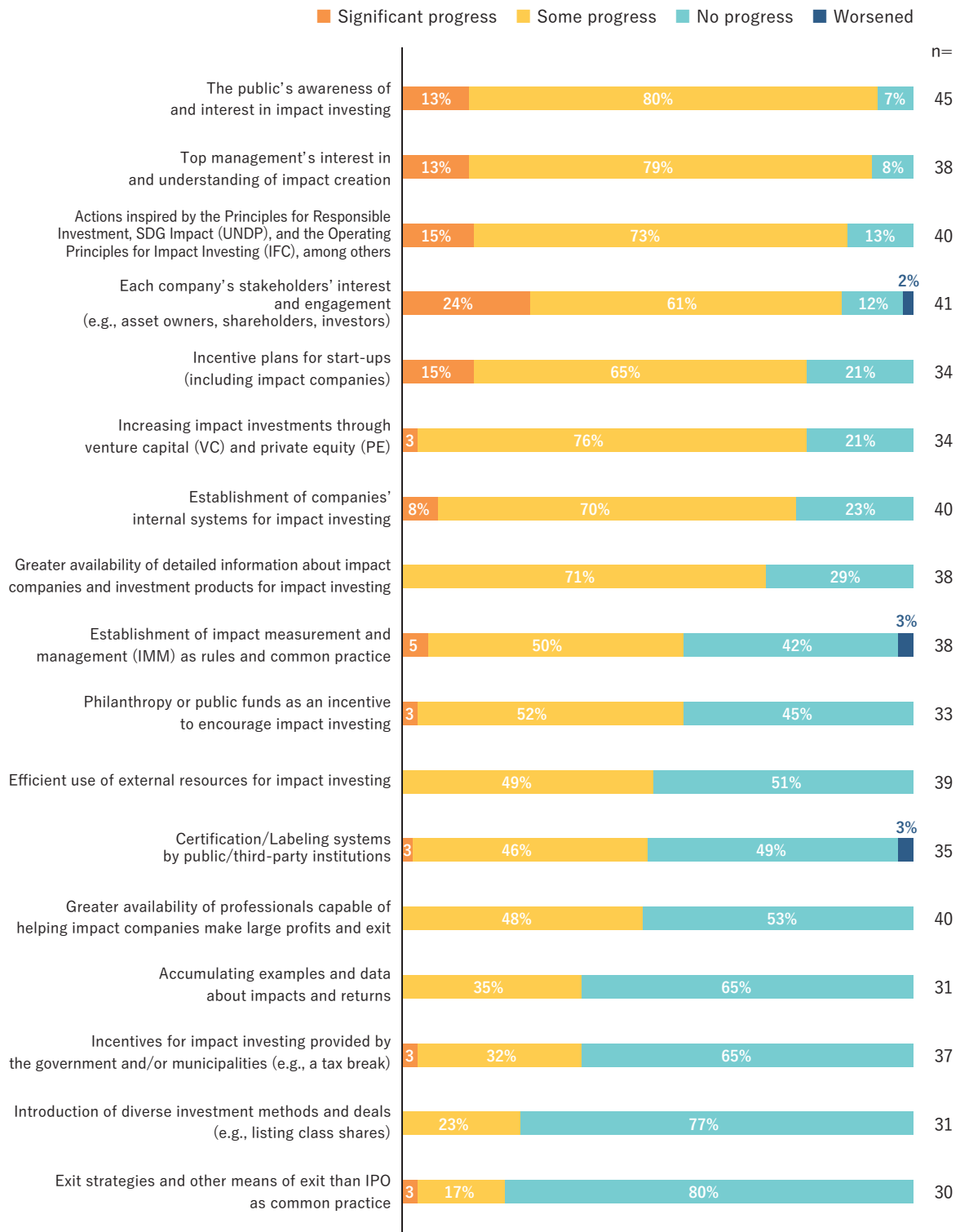


Source: Created based on the Questionnaire Survey regarding Impact Investment (2022) (GSG National Advisory Board). – Question: "23. How do you see the state of Japan's impact investing market? Please select one answer that most accurately describes your perception. (SA)"

### Progress of Japan's impact investing market over the past one year

- The largest proportion of respondents said that Japan's impact investing market had progressed over the past one year in "the public's awareness of and interest in impact investing" ("significant progress": 13%; "some progress": 80%), followed by those who said progress was made in "top management's interest in and understanding of impact creation" ("significant progress": 13%; "some progress": 79%), "actions inspired by the Principles for Responsible Investment, SDG impact (UNDP), and the Operating Principles for Impact Management (IFC), etc." (significant progress": 15%; some progress: 73%), and "each company's stakeholders' interest and engagement (e.g., asset owners, shareholders, investors)" ("significant progress": 24%; "some progress": 61%).
- Their responses likely indicate that impact investing now has public recognition and corporate top management's interest and understanding in Japan, with its legitimacy corroborated by international frameworks, gathering the momentum it needs to grow as a market.

Figure 15. Progress of Japan's impact investing market over the past one year

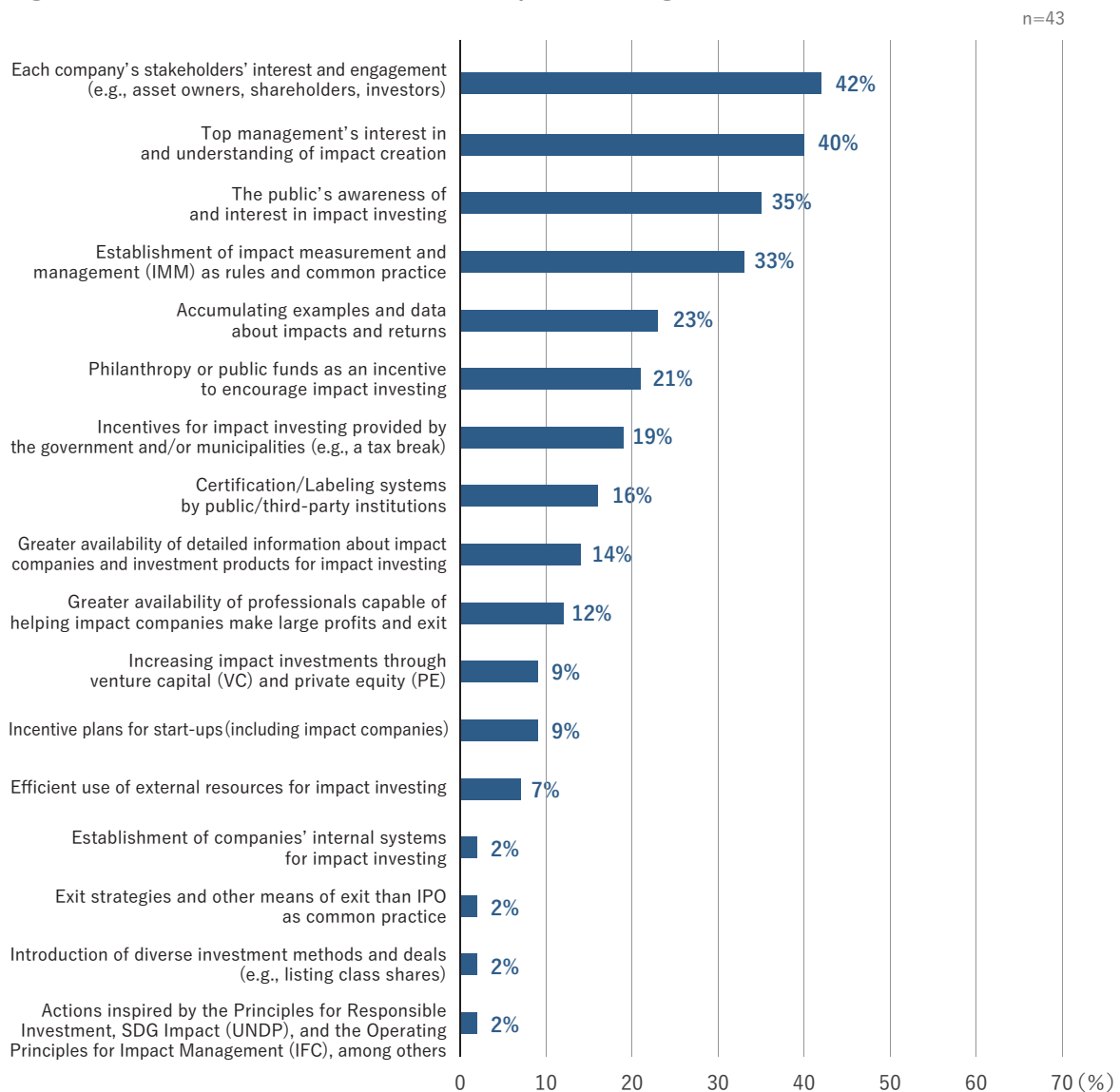


Source: Created based on the "Questionnaire Survey regarding Impact Investment (2022)" (GSG National Advisory Board) – Question: "24. How do you view the progress that Japan's impact investing market in general has made over the past one year? (SA for each statement)"

### Conditions that facilitate impact investing

- As a condition that facilitate impact investing, the majority of respondents selected the answer “each company’s stakeholders’ interest and engagement (e.g., asset owners, shareholders, investors)” (42%), followed by “top management’s interest in and understanding of impact creation”(40%).
- The past Surveys saw “establishment of impact measurement and management (IMM) as rules and common practice” among the most selected answers. This year, this was the fourth most selected answer. This result probably means that IMM is becoming common practice to a certain extent. It also indicates that impact investing needs more attention from top management and asset owners (customers’), in addition to the market growth it enjoyed over the last one year as mentioned above.

Figure 16. Conditions that further facilitate impact investing



Source: Created based on the “Questionnaire Survey regarding Impact Investment (2022)” (GSG National Advisory Board) – Question: “25. Which conditions do you think will further facilitate impact investing? Please select up to three of the following that are closest to your view. (MA, up to 3)”



## Japan's Impact Investing Activities

This section provides an overview of how “impact investing institutions” that meet the aforementioned inclusion criteria are doing in their impact investing based on the responses to the “Questionnaire Survey regarding Impact Investment (2022).”

### Impact AUM in Japan based on responses to the Questionnaire Survey

- The total of impact AUM and asset manager AUM in Japan was approximately 5.8480 trillion yen as of the end of March 2022 (some were as of the end of September of the same year) based on the respondents' answers to this Survey (FY2022). The median of the 46 institutions was about 7 billion yen, and the mean about 127.2 billion yen.
- 54% of the institutions had an AUM of less than 10 billion yen, and 24% 100 billion yen or more.

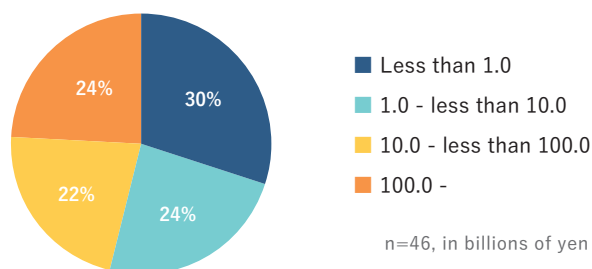
Figure 17. Median and mean of impact AUM and asset manager AUM

| Median | Average | Total     |
|--------|---------|-----------|
| 6,949  | 127,131 | 5,848,030 |

n=46, in millions of yen

Source: Created based on the “Questionnaire Survey regarding Impact Investment (2022)” (GSG National Advisory Board) – Question: “5. Please provide your organization’s impact AUM at the end of March 2022. (NA)”

Figure 18. Proportions of impact AUM and asset manager AUM



Source: Created based on the “Questionnaire Survey regarding Impact Investment (2022)” (GSG National Advisory Board) – Question: “5. Please provide your organization’s impact AUM at the end of March 2022. (NA)”

### Changes in impact AUM held by impact investing institutions that participated in both FY2021 and FY2022 Surveys

- 30 organizations engaged in impact investing (impact investing institutions) responded to both the FY2021 and FY2022 Surveys. These repeat respondents' impact AUM calculated from the FY2021 Survey totaled approx. 1.3204 trillion yen, and those from the FY2022 Survey approx. 4.9421 trillion yen.
- The year-on-year growth rate was 374%, and 26 out of the total 30 organizations had increased their impact AUM.
- These results confirmed that, generally speaking, the institutions that have long been making impact investing further increased the investments.

Figure 19. Impact AUM, asset manager AUM, and growth rate of repeat responding institutions (reposted)

(in millions of yen)

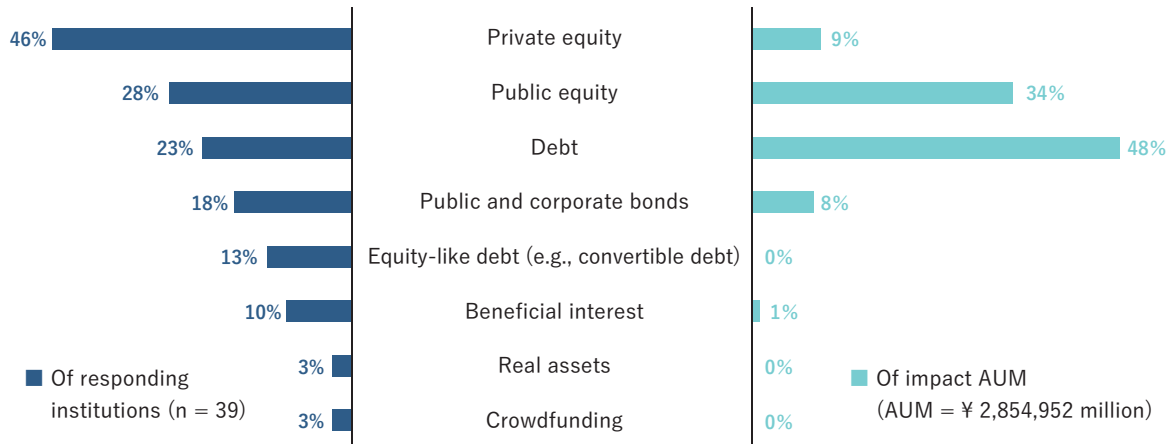
| Impact investing institutions that responded to the Surveys for two consecutive years (n=30) | FY2021 Survey | FY2022 Survey | Growth Rate (YoY) |
|--|---------------|---------------|-------------------|
| Impact AUM and Asset Manager AUM   | 1,320,380     | 4,942,083     | 374%              |

Source: Created based on the "Questionnaire Survey regarding Impact Investment (2021 and 2022)" (GSG National Advisory Board) – Question: "5. Please provide your organization's impact AUM at the end of March 2022. (Numerical Answer, hereafter "NA")"

### Asset classes of impact investing

- To the question about the asset classes of impact investing, many responding institutions answered that they allocate their impact investing to "private equity" (46%), followed by "public equity" (28%) and private debt (23%).
- On the other hand, the largest proportion of impact assets under management (AUM) were "private debt" (48%), followed by "public equity" (34%). Private equity made up 9%.
- These results confirmed that many responding institutions allocate their impact investing widely to the asset class of private equity, while private debt and public equity make up the largest part of the market in terms of AUM.

Figure 20. Asset classes of impact investing (reposted)

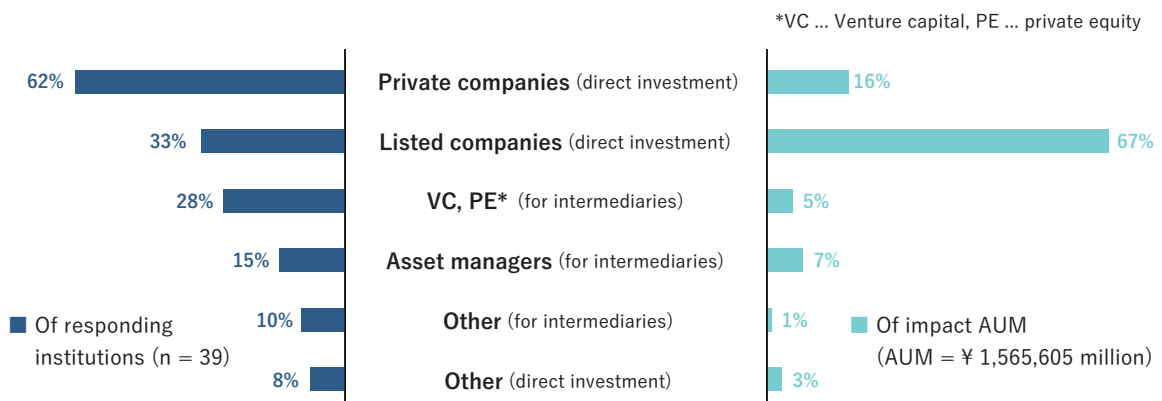


Source: Created based on the “Questionnaire Survey regarding Impact Investment (2022)” (GSG National Advisory Board) – Question: “10. Please provide the breakdown of investment methods (asset classes), with the impact AUM provided in Question 5 being 100%. Please make sure the percentages add up to 100. (NA)”

**Impact investees by organization type**

- As for the impact investees by organization type, the largest percentage of responding institutions answered that they invest in “(direct investments) private companies” (62%), followed by those citing “(direct investments) listed companies” (33%).
- On the other hand, the majority of impact AUM are allocated to “(direct investments) listed companies” (67%), followed by “(direct investments) private companies” (16%).
- These results confirmed that, in line with the asset allocation, most of these responding institutions invest in private businesses, while most of their impact AUM are allocated to listed companies.

Figure 21. Impact investees by organization type

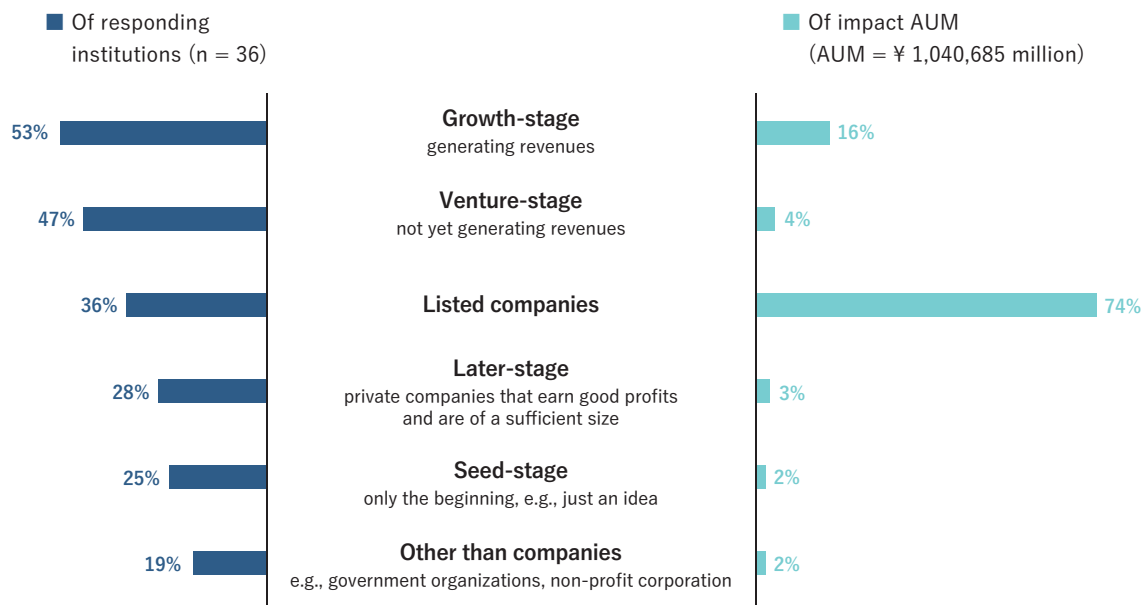


Source: Created based on the “Questionnaire Survey regarding Impact Investment (2022)” (GSG National Advisory Board) – Question: “8. Please provide the breakdown of investee organizations, with the impact AUM provided in Question 5 being 100%. Please make sure the percentages add up to 100. (NA)”

### Impact investees by growth stage of business

- As for the growth stages of the impact investees, the largest percentage of responding institutions answered that the impact investees are at the “growth-stage (generating revenues)” (53%), followed by the “venture-stage (not yet generating revenues)” (47%).
- On the other hand, the majority of impact AUM are allocated to “Listed companies” (74%), followed by “growth-stage (generating revenues)” (16%).
- These results confirmed that the respondents invest widely in businesses in the growth or venture stage and in listed companies, and that their AUM in listed companies make up the largest part of the market.

Figure 22. Impact investees by growth stage of business

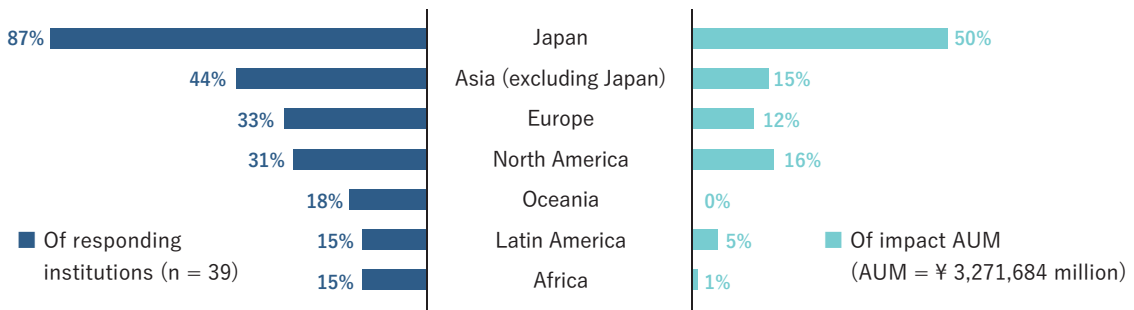


Source: Created based on the “Questionnaire Survey regarding Impact Investment (2021)” (GSG National Advisory Board) – Question: “9. Please provide the breakdown of the stages in which your investee companies are, with the impact AUM provided in Question 5 being 100%. Please make sure the percentages add up to 100. (NA)”

### Impact investees by region

- As for investees by region, the majority of responding institutions answered Japan (87%). The majority of impact AUM are also allocated to companies in Japan (50%).
- Secondly, as high as 44% of responding institutions noted “Asia” (excluding Japan) and 16% of impact AUM are allocated to companies in “North America.”
- These results confirmed that, while many respondents allocate their impact investing to businesses in Japan and a good part of their AUM are also in those businesses partly because this Survey is intended for companies in Japan, about half of respondents’ impact AUM are allocated to overseas businesses.

Figure 23. Impact investees by region

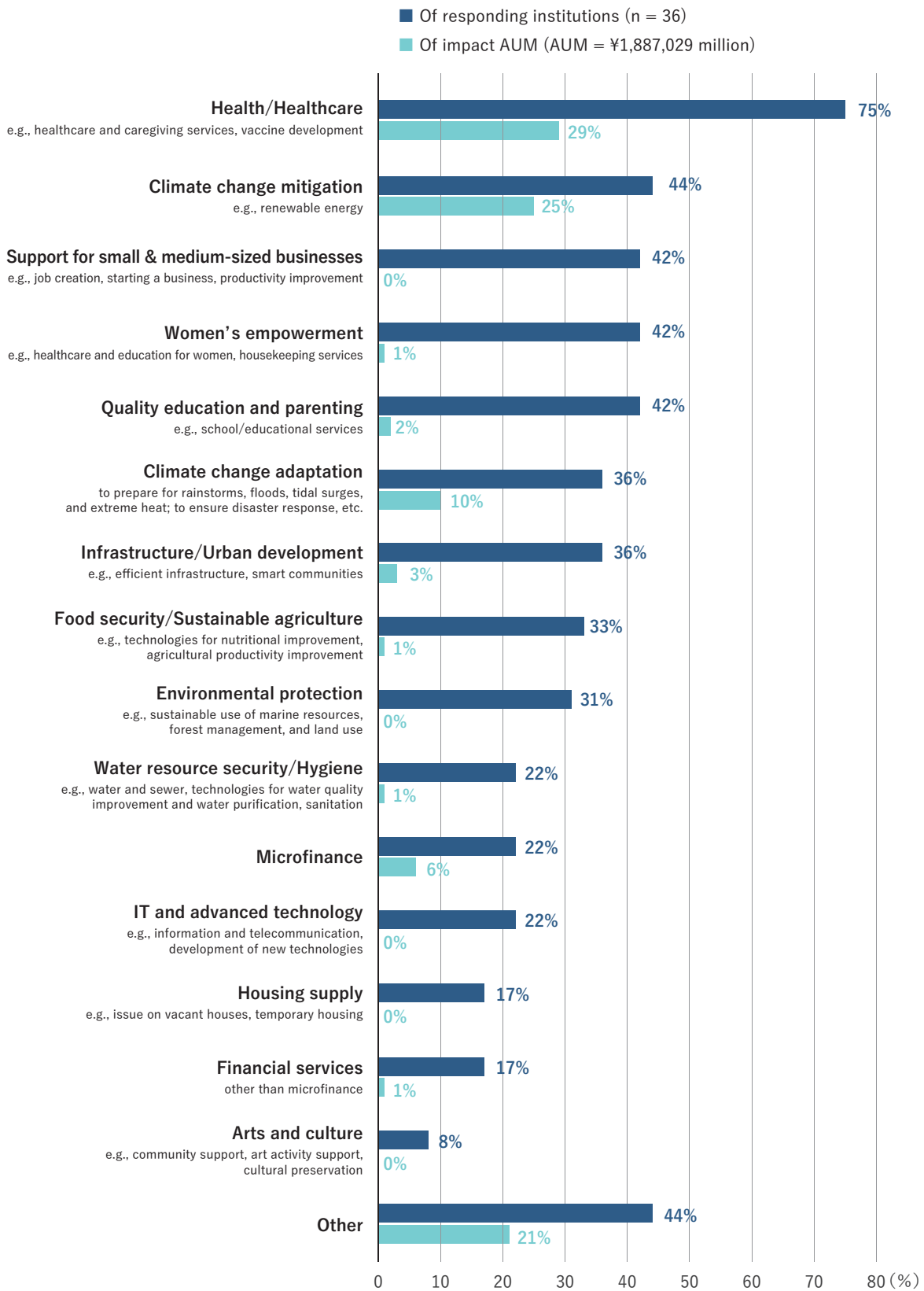


Source: Created based on the “Questionnaire Survey regarding Impact Investment (2022)” (GSG National Advisory Board) – Question: “7. Please provide the breakdown of the regions where your impact investing goes, with the impact AUM provided in Question 5 being 100%. Please make sure the percentages add up to 100. (NA)”

### Impact investees by sector

- As for the impact investees’ sectors, a clear majority of responding institutions answered that they invest in “health/healthcare” (75%), followed by “climate change mitigation (e.g., renewable energy)” (44%).
- The majority of impact AUM are allocated to “health/healthcare” (29%), followed by “climate change mitigation (e.g., renewable energy)” (25%).
- “Health/Healthcare” was the field that received investments most widely, while other fields that address Japan’s notable social issues, in addition to global climate change, were also invested in, such as the declining birth rate and aging population and gender inequality (the sectors of women’s empowerment and of education and parenting, among others). In terms of AUM, the results confirmed that most are allocated to the global issue of climate change and health/healthcare in anticipation of aging of domestic population.

Figure 24. Impact investees by sector

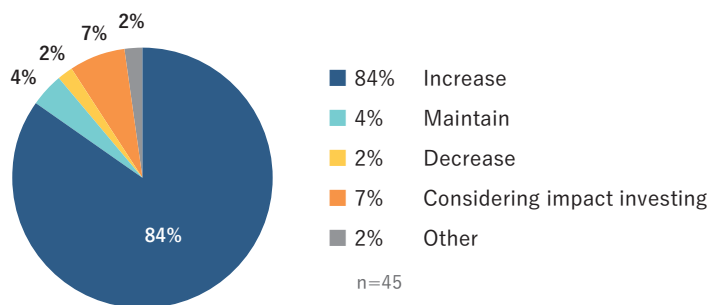


Source: Created based on the "Questionnaire Survey regarding Impact Investment (2022)" (GSG National Advisory Board) – Question: "6. Please provide the breakdown of your investees' sectors, with the impact AUM provided in Question 5 being 100%. Please make sure the percentages add up to 100. (SA, NA)"

### Impact investing institutions' plans for future impact investment

- A clear majority of impact investing institutions answered that they plan to “increase” (84%) impact investing for future impact investment.
- More than 80% of the impact investing institutions plan to increase impact investing, which indicates that the market will likely grow.

Figure 25. Impact investing institutions' plans for future impact investment



Source: Created based on the “Questionnaire Survey regarding Impact Investment (2022)” (GSG National Advisory Board) – Question: “14. Please select one of the following that is closest to your organization’s plan for future impact investment. (SA)”

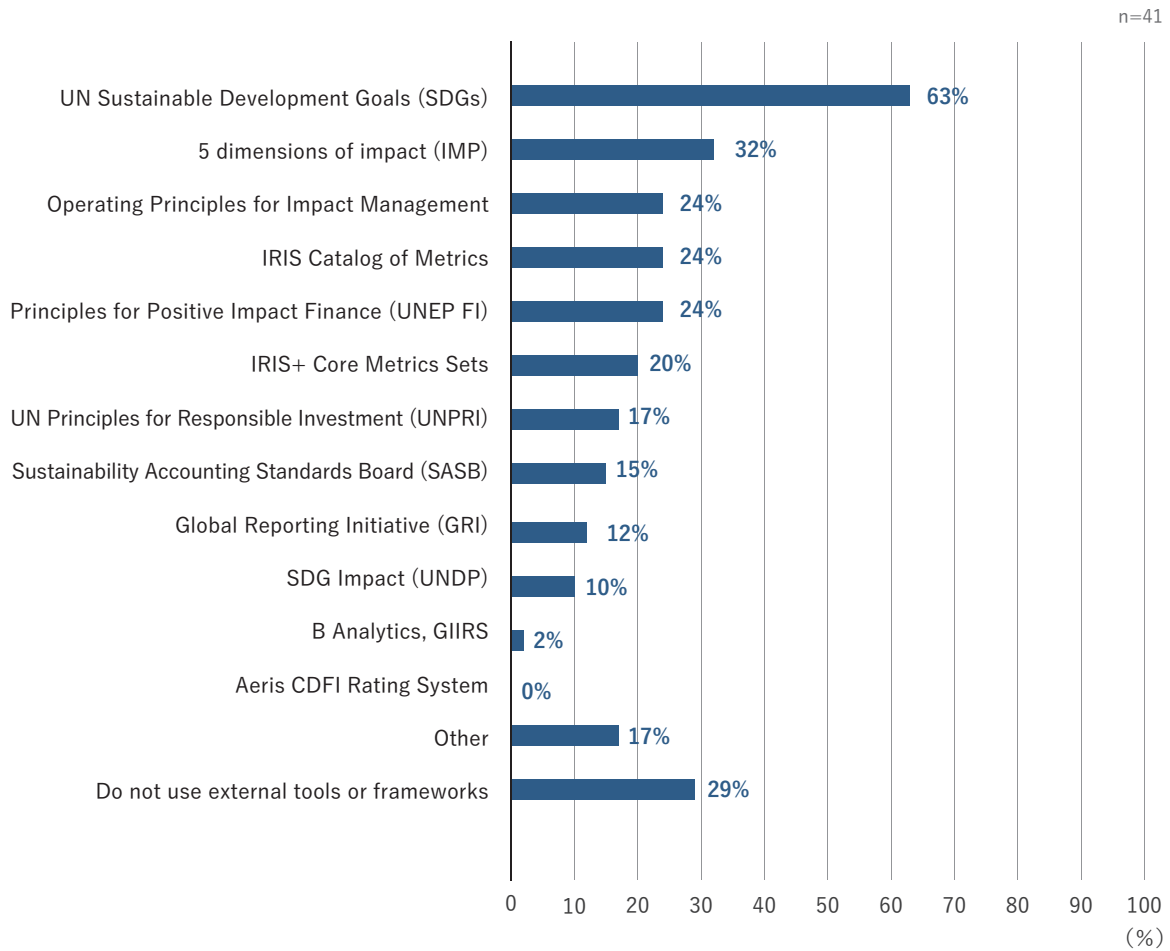
## Implementation Status of Impact Measurement and Management (IMM) in Japan

This section provides an overview of impact measurement and management (IMM), which differentiates the methods between impact investing and conventional investment, primarily by “impact investing institutions” that are engaged in impact investing and meet the aforementioned inclusion criteria, based on the responses to the “Questionnaire Survey regarding Impact Investment (2022).”

### Tools and frameworks utilized in impact measurement

- “Sustainable Development Goals (SDGs)” (63%) was the most selected answer as a tool and framework utilized in impact measurement, followed by the “5 dimensions of impact (IMP)” (32%), “Operating Principles for Impact Management,” “IRIS Catalog of Metrics,” and “Principles for Positive Impact Finance” (24% each).
- The results have confirmed that the SDGs are widely utilized. Also used are the IRIS and IMP tool sets that are becoming standard among impact investing institutions, along with principles such as the Operating Principles for Impact Management and the Principles for Positive Impact Finance.

Figure 26. Tools and frameworks used in impact measurement



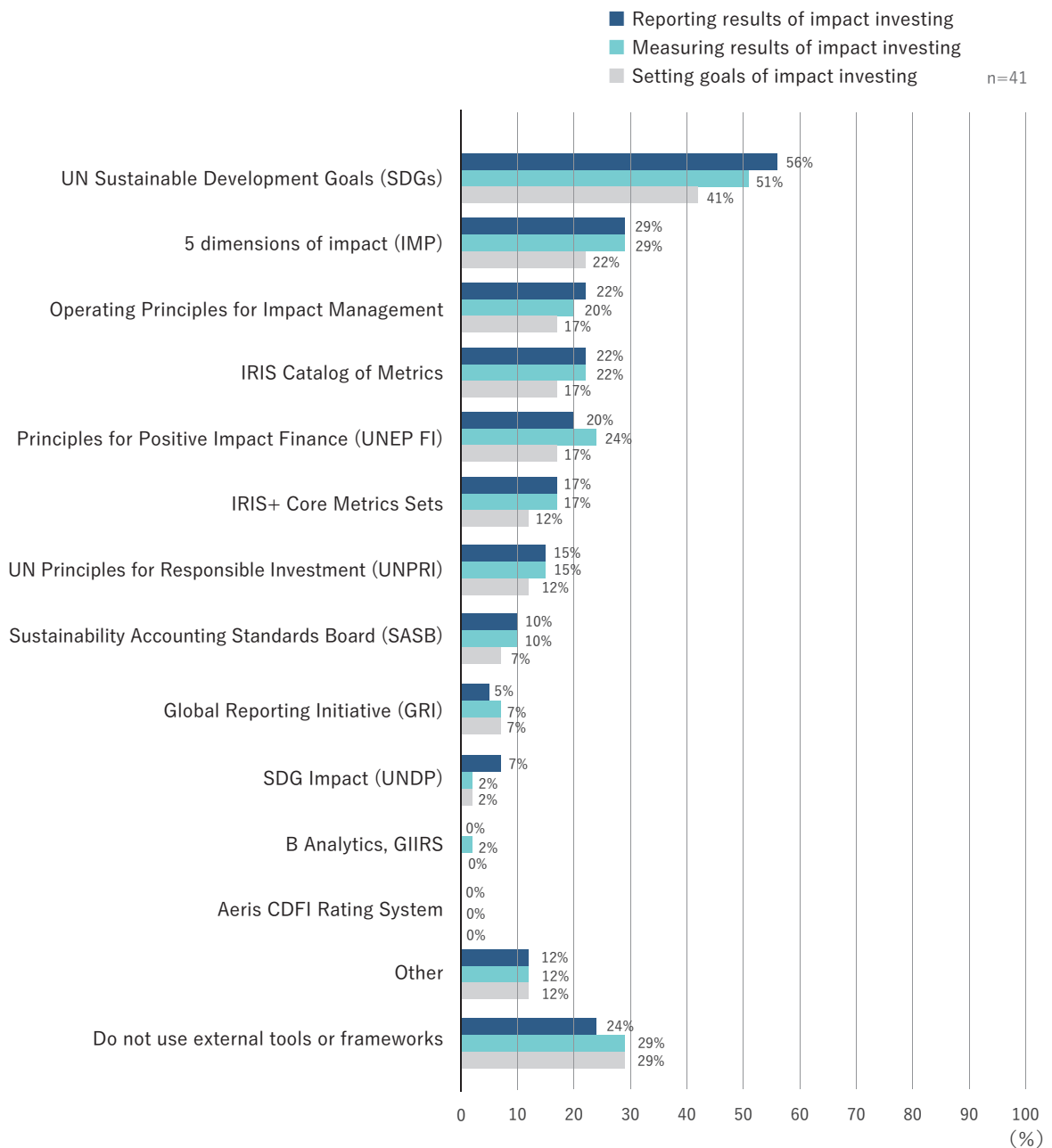
Source: Created based on the Questionnaire Survey regarding Impact Investment (2022) (GSG National Advisory Board). – Question: “15. Does your organization use the following tools and frameworks for impact measurement and management of its impact investing activities? Please select all that apply. (MA)”



**Purpose of using tools and frameworks**

- The largest number of respondents answered “setting goals” (56%) as the purpose of using “Sustainable Development Goals (SDGs),” which is most frequently used for measurement of impact, followed by “measuring results” (51%) and “reporting results” (41%).
- The second most used tool “5 dimensions of impact (IMP)” is for “setting goals” (29%), “measuring results” (29%), and “reporting results” (22%).

**Figure 27. Purpose of using tools and frameworks**

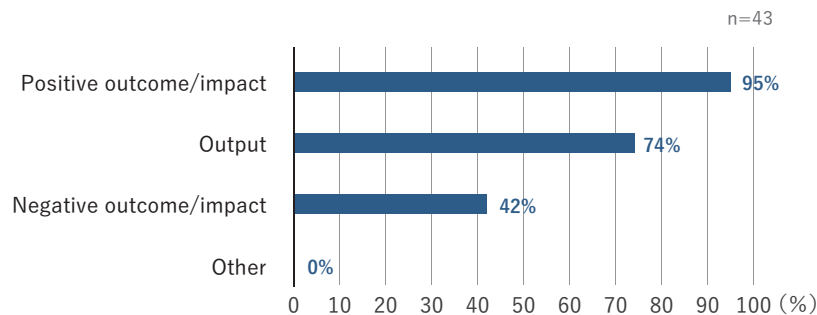


Source: Created based on the “Questionnaire Survey regarding Impact Investment (2022)” (GSG National Advisory Board) – Question: “15. Does your organization use the following tools and frameworks for impact measurement and management of its impact investing activities? Please select all that apply. (MA)”

### Types of Impact Indicators

- “Positive outcome/impact” (95%) was cited the most as a pattern among the types of impact indicators, followed by “output” (74%).
- 42% adopted the metrics as an indicator of “negative outcome/impact.”

Figure 28. Types of measurement metrics adopted for implementation of impact investing

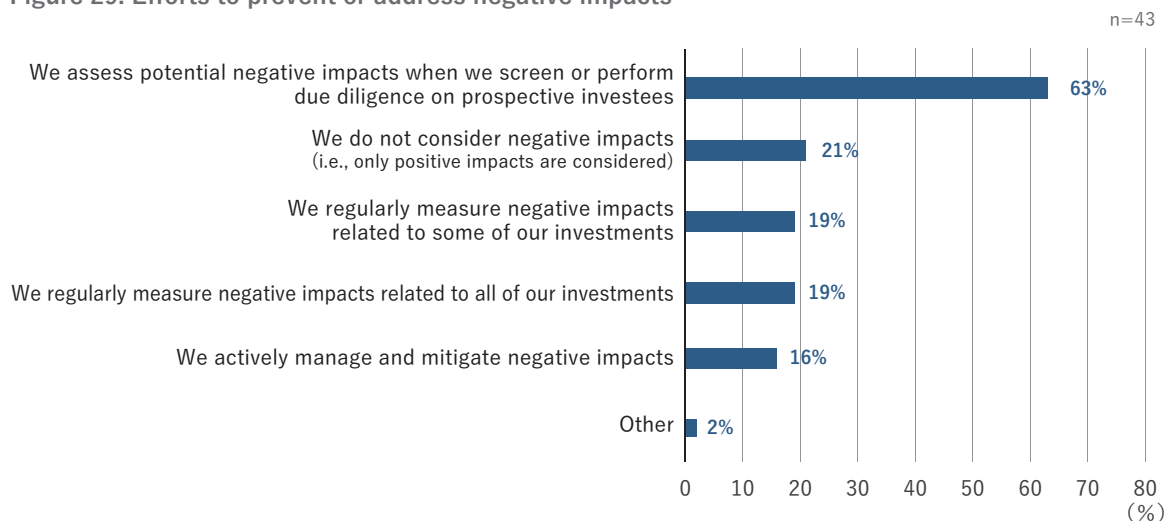


Source: Created based on the “Questionnaire Survey regarding Impact Investment (2022)” (GSG National Advisory Board) – Question: “16. Please select all types of measurement metrics for your organization’s standard impact investing. (MA)”

### Efforts to prevent or address negative impacts

- To prevent or address any negative impacts, a clear majority answered “we assess potential negative impacts when we screen or perform due diligence on prospective investees” (63%).
- On the other hand, the institutions that “actively manage and mitigate negative impacts” are still a minority (16%). Some institutions “do not consider negative impacts” in the first place (21%).

Figure 29. Efforts to prevent or address negative impacts

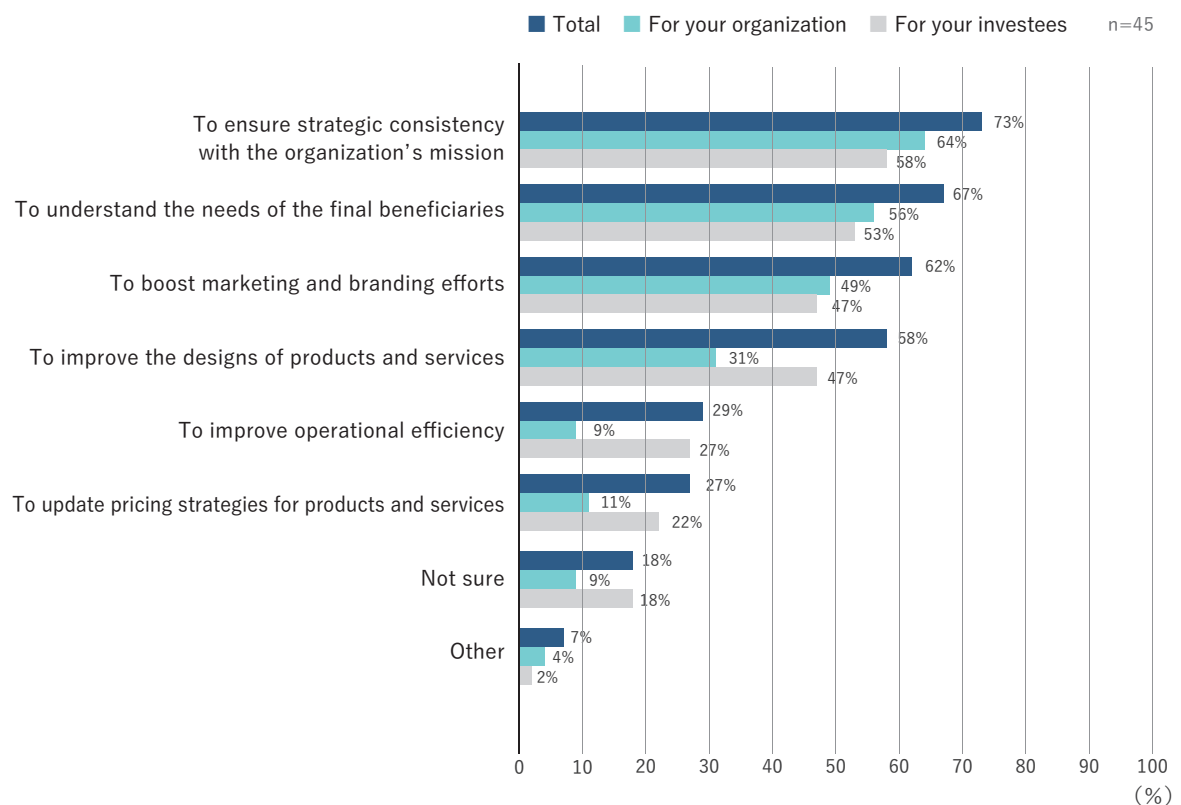


Source: Created based on the “Questionnaire Survey regarding Impact Investment (2022)” (GSG National Advisory Board) – Question: “17. Please select all efforts your organization makes to prevent or address negative impacts as part of its standard impact investing. (MA)”

### How the results of impact measurement are used

- To the question about how the results of impact measurement are used for the investors and its investees, the most selected answer was “to ensure strategic consistency with the organization’s mission” (for investors: 64%; for investees: 58%), followed by “to understand the needs of the final beneficiaries” (for investors: 56%; for investees: 53%) and “to boost marketing and branding efforts” (for investors: 49%; for investees: 47%).
- Many also answered, “to improve the designs of products and services” for investees (47%). Although the answer came from investors, this confirmed that the results of the measurement are used for product development.

Figure 30. How the results of impact measurement are used

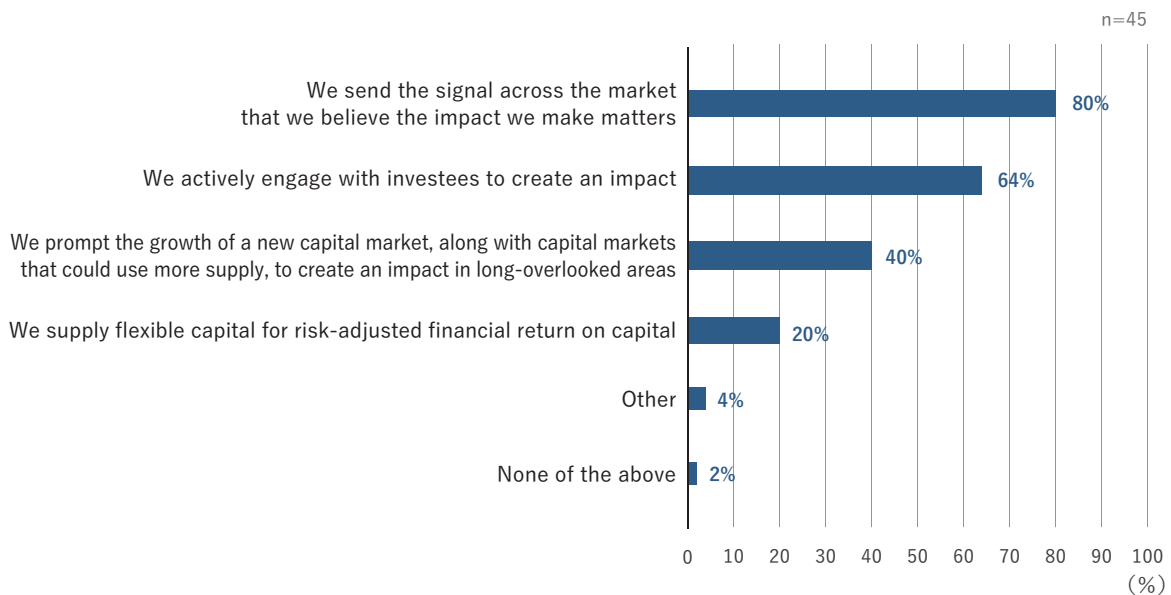


Source: Created based on the “Questionnaire Survey regarding Impact Investment (2022)” (GSG National Advisory Board) – Question: “18. How are the results of impact measurement used for your organization and its investees? Please select all that apply from the following. (MA)”

### Investor contributions through impact investing<sup>17</sup>

- To the question about contributions investors make through impact investing, a clear majority of respondents answered “we send the signal across the market that we believe the impact we make matters” (80%), followed by “we actively engage with investees to create an impact” (64%).
- On the other hand, 40% selected the answer “we prompt the growth of a new capital market, along with capital markets that could use more supply, to create an impact in long-overlooked areas” and 20% answered “we supply flexible capital for risk-adjusted financial return on capital,” which confirmed that contributions made for these purposes are limited.

Figure 31. Notable investor contributions your company’s activities make



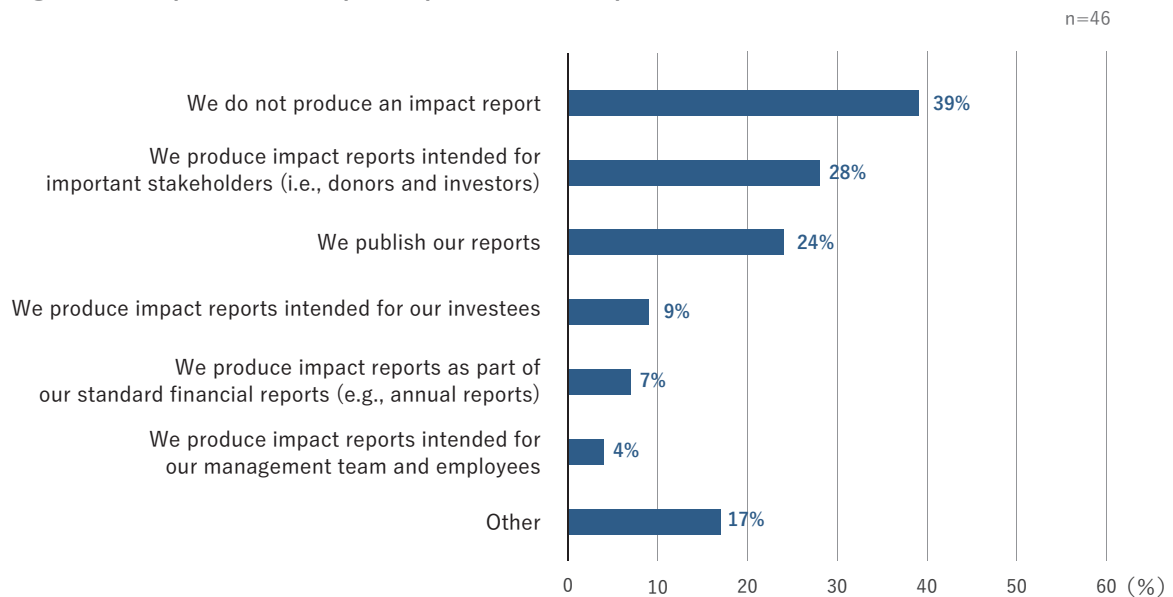
Source: Created based on the “Questionnaire Survey regarding Impact Investment (2022)” (GSG National Advisory Board) – Question: “19. Are any of the following the notable investor contributions [1] that your organization’s impact investing activities make? Please select all that apply. (MA)”

<sup>17</sup> The above answer options used the contributions suggested by Impact Frontiers as a reference, which is also referred to in international discussions (consultation is also provided for updates). <https://impactfrontiers.org/norms/investor-contribution/>

### Purposes of an impact report and the scope of disclosure

- To the question about the purposes of an impact report and disclosure, the most selected answer was “we do not produce an impact report” (39%). Many also answered “we produce impact reports intended for important stakeholders (i.e., donors and investors)” (28%) and “we publish our reports” (24%).

Figure 32. Purposes of an impact report and the scope of disclosure



Source: Created based on the “Questionnaire Survey regarding Impact Investment (2022)” (GSG National Advisory Board) – Question: “22. Does your organization produce impact reports? If yes, please select all that apply from the following about the purposes of the reports and the scope of disclosure. (MA)”

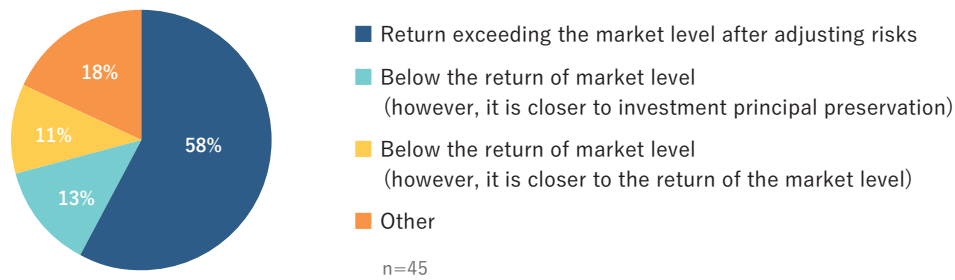
## Return and Impact of Impact Investing

This section confirms expected level of returns by institutions that are engaged in impact investing and meet the aforementioned inclusion criteria as well as the rate of achievement of the actual return impact based on responses to the “Questionnaire Survey regarding Impact Investment (2022).”

### Expected levels of financial returns in impact investing

- Concerning expected levels of financial returns, the most selected answer was “return exceeding the market level after adjusting risks” (58%), while there were a certain number of institutions that said “below the return of the market level (however, it is closer to investment principal preservation)” (13%) or “below the market level (however, it is closer to the market level)” (11%).

Figure 33. Expected level of financial returns

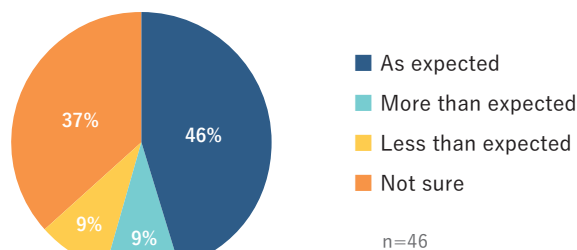


Source: Created based on the Questionnaire Survey regarding Impact Investment (2022) (GSG National Advisory Board). – Question: “11. What level is your goal for financial returns of impact investing? Please select one answer that most accurately describes your view. (SA)”

#### Rate of achievement of financial returns in impact investing

- Regarding the rate of achievement of financial returns, the most selected answer was “as expected” (46%), but there were a certain number of institutions answering “more than expected” (9%) or “less than expected” (9%).
- Most of the responding institutions have just embarked on impact investing. There were a certain number of institutions that answered “not sure” (37%) about the rate of achievement of financial returns.

Figure 34. Rate of achievement of financial returns

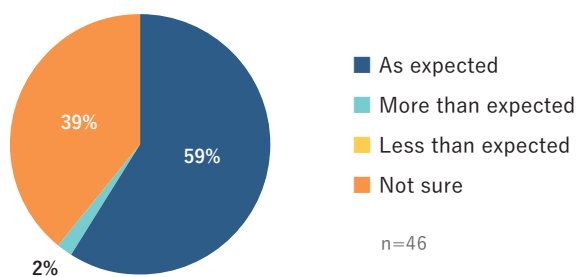


Source: Created based on the Questionnaire Survey regarding Impact Investment (2022) (GSG National Advisory Board). – Question: “12. How much financial returns on impact investing have been achieved compared with the expectations? (SA)”

### Rate of achievement of impact in impact investing

- Regarding the rate of achievement of impact, the most selected answer was “as expected” (59%), and there were a certain number of institutions answering “more than expected” (2%). None of the respondents selected “less than expected” (0%).
- Most of the responding institutions have just embarked on impact investing. There were a certain number of institutions that answered “not sure” (39%) about the rate of achievement of impact.

Figure 35. Rate of achievement of impact



Source: Created based on the Questionnaire Survey regarding Impact Investment (2022) (GSG National Advisory Board).  
– Question: “13. How much impact has been achieved in your impact investing compared with the expectations? (SA)”

## Afterword: Editors' Postscript

Secretariat, GSG-NAB Japan / Japan Social Innovation and Investment Foundation (SIIF)  
Report Production Team for "The Current State and Challenges of Impact Investing in Japan – FY2022 Survey –"

**Kyoji Sasaki** Project Leader, SIIF

This year, as Project Leader, I conducted the Survey, counted and analyzed responses, and wrote this report, just as last year. I would like to take this opportunity to thank everyone for their cooperation with the Questionnaire Survey. This year's Survey confirmed that, with the entry of leading life insurance companies and an increase in loans provided by major banks, the market is enjoying strong growth. On the other hand, there have been developments that will expand the range of impact companies, such as the establishment of the Impact Startup Association for unlisted start-ups. I hope this report will be shared widely among actors in the market and used by investors and businesses as a tool for constructive dialogue, so that a sound impact investing market that rejects impact-washing will be formed and continue to grow.

**Michiru Toda** Project Planner, SIIF Impact Catalyst

I worked mostly on research and planning, the definition of the concept, and the design of the survey form. I would like to once again express my appreciation to the organizations and people responsible for supporting our Questionnaire Survey. It is safe to say that more and more investors are joining impact investing in Japan while the market is still in the early stage. Going forward, I think IMM will be expected to ensure depth and transparency at the working level, so that investors will be certain that it is impact investing that has solved certain social issues. It is my hope that this report can be utilized as the foundation of discussions and practices for progress that entails the essence of an impact.

**Satoshi Oda** Advisor, SIIF Knowledge Development Officer

I participated as an adviser for the overall project, just as I did last year. Each year, I of course pay close attention to the sums of investments, but my interest is also in companies' responses to the question about the progress of Japan's impact investing market over the last one year. This year's Survey saw more than 90% of the responding businesses answer that the market had progressed in "the public's awareness of and interest in impact investing" and "top management's interest in and understanding of impact creation." I certainly feel in my bones that the business world is increasingly aware of and interested in impact investing, as indicated by such a phenomenon as the Japan Impact-driven Financing Initiative announced to the public by financial institutions. That said, according to the results of the General Consumer Awareness Surveys on Social Impact Investment SIIF conducts annually, the percentages of consumers who are aware of impact investing hover around 7%, indicating that the progress made by the business world does not yet reflect public awareness. I believe that this fact poses a major challenge of raising public awareness and interest to the GSG National Advisory Board, SIIF, and other relevant institutions.

For inquiries regarding the questionnaire

If you have any questions or comments, please contact the GSG-NAB Japan Secretariat.

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GSG-NAB Japan Secretariat, Research Team (SIIF) <gsg\_survey@siif.or.jp>



**The Current State and Challenges of Impact Investing in Japan**  
– FY2022 Survey –

**PUBLICATION DATE**

March 31, 2023

**PUBLISHER**

Japan Social Innovation and Investment Foundation (SIIF)

**AUTHORS**

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If you have any questions or comments,  
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