

2023

The Current State and Challenges of Impact Investing in Japan

FY2023 Survey

April 26, 2024

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 – FY2023 Survey

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About GSG Japan NAB

The Global Steering Group (GSG) is a global network of 42 nations plus the EU that aims to promote impact investing in partnership with financial institutions, governments, international organizations, businesses, and other entities worldwide. The Japan National Advisory Board, The Global Steering Group for Impact Investment (GSG Japan NAB) 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 Japan NAB website: <https://impactinvestment.jp/index.html>

Positioning of this report

This report presents the current state and challenges of impact investing in Japan to promote it in the country. It has been published under the supervision of GSG Japan NAB every year since 2016, reporting the current state and challenges of impact investing in Japan.

Based on the questionnaire survey results, the main part of the report illustrates the investment balance (i.e., assets under management (AUM)) and where investments have been made in Japan's impact investing market, along with organizations' efforts and how the issues are perceived. It also presents the domestic and international trends in impact investing that our desk research has identified.

Acknowledgements

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Executive Summary

FY2023 Impact AUM in Japan and Factors behind Growth

Impact AUM in Japan¹: 11,541.4 billion yen (197% of the previous year's figure)

This figure is the sum of assets under management (AUM) held by 58 organizations that responded to the Impact Investing Survey 2023 and meet the impact investing requirements.

[Reference] Impact AUM worldwide²: About JPY 180 trillion (USD 1.2 trillion) *2022 data

Observations about factors behind the growth of impact AUM

Impact AUM increased by 5,693.4 billion yen (197%), compared to the 5,848 billion yen ascertained by the FY2022 survey. The factors behind this increase include the following two:

- 1) An increase in investments by existing impact investing organizations was greater than that in investments by newcomers.
- 2) Investments by banks and life insurance companies, new or existing players, make up most of the increase from last year.

Investments by 41 impact investing organizations that had responded to the survey since FY2022 increased by 3,976.2 billion yen (171%) compared to last year. This figure accounts for 70% of the overall increase of 5,693.4 billion yen. This explains that an increase in investments by existing impact investing organizations was the major factor. The survey also found that investments by nine major banks and life insurance companies make up 88% of the overall increase of 5,693.4 billion yen.

Figure 1. Impact AUM and growth rate of repeat responding organizations this year and the previous year

(in millions of yen)

(n=41)	FY2022	FY2023	Increase	Growth Rate
Impact AUM	5,605,757	9,581,995	3,976,238	171%

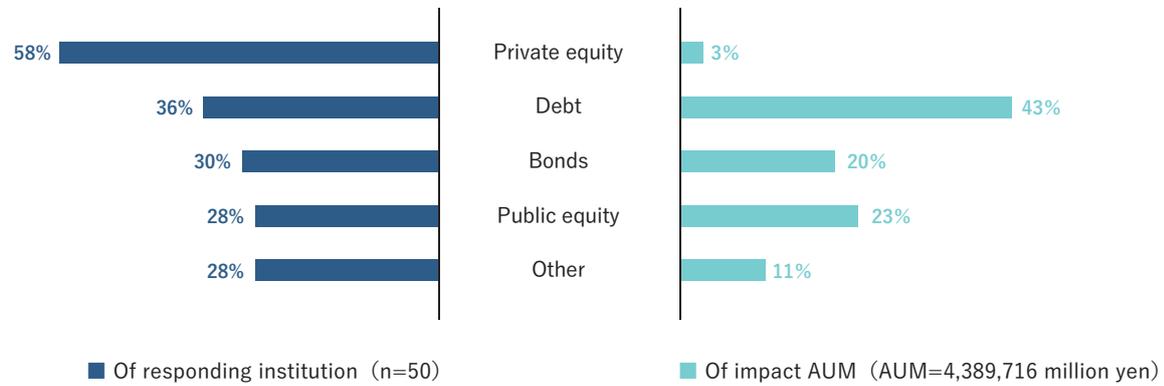
Source: Created based on the "Questionnaire Survey regarding Impact Investment (2022 and 2023)" (GSG National Advisory Board)

1 Based on responses to the questionnaire for the Impact Investing Survey 2023. See Chapter 2 of this document for the details of the calculation standard.

2 GIINSight: Sizing the Impact Investing Market 2022, <https://thegiin.org/research/publication/impact-investing-market-size-2022/>

Moreover, the breakdown of asset classes shows that debt (43%) and public equity (23%) in total made up 66% of AUM.

Figure 2. Asset classes of impact investing



Source: Created based on the "Questionnaire Survey regarding Impact Investment (2023)" (GSG National Advisory Board)

Question: "8. Please provide the breakdown of investment methods (asset classes) if the impact (impact finance) AUM answered in Question 5-1 is 100%. Select "Other" for any method to which none of the answer options apply or that can hardly be classified. Please make sure the percentages, including that of "Other," add up to 100. //NA"

Developments in Impact Investing in Japan/Overseas during the Year

The following are some of the notable developments in 2023 and early 2024.

Figure 3. Developments in impact investing from 2023 to the beginning of 2024

Global movements	The International Foundation for Valuing Impacts (IFVI) and The Value Balancing Alliance (VBA) established the Valuation Technical & Practitioner Committee to begin reviewing studies and methodologies of impact-weighted accounting. (April 2023)
	The World Economic Forum (WEF) published a new white paper about impact investing titled “Private Market Impact Investing: A Turning Point.” (May 2023)
	The Global Impact Investing Network (GIIN) published the “2023 GIINsights” series based on data collected from 308 impact investing organizations around the world. (June 2023)
	The Impact Task Force (ITF) published “The Impact Taskforce: State of Play 2023” to announce that it would pursue the initiative in impact transparency and capital mobilization. (December 2023)
Actions by Japanese public bodies	The Cabinet Secretariat announced the “Impact Investment Initiative for Global Health” at the G7 Hiroshima Summit. (May 2023)
	The Financial Services Agency (FSA) published “Report by the Working Group on Impact Investment” and “Draft Basic Guidelines on Impact Investment.” (June 2023)
	The Ministry of Economy, Trade and Industry (METI) launched J-Startup Impact, a program to foster and support impact startups through collaboration between the public and private sectors. (October 2023)
	The FSA organized a launch event for the Impact Consortium, a conference for collaboration between the public and private sectors on impact investing. (November 2023)
Actions by Japan’s private sector	Keidanren (Japan Business Federation) published its opinion on the FSA’s “Report by the Working Group on Impact Investment.” (July 2023)
	Keizai Doyukai (Japan Association of Corporate Executives) entered into the Partnership Agreement for Collaboration between the Impact Startup Association, the Japan Association of New Public, and the Japan Association of Corporate Executives to launch the collaboration. (July 2023)
	The Japan Impact-driven Financing Initiative published “The Japan Impact-driven Financing Initiative: Medium-term Plan (2023 - 2025)” in July 2023. The number of institutions that have signed the Japan Impact-driven Financing Initiative reached 75. (March 2024)

Chapter 1: Summary of Impact Investing and Developments

Consolidating Impact Investing Terms

Terms used in the context of impact investing should be first clarified.

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

“**Impact investing**” refers to an 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 incorporates “impact” as the third axis.

Specifically, the four elements listed below define impact investing³:

- 1) Intentionality
- 2) Investment with return expectations
- 3) Range of return expectations and asset classes
- 4) Impact Measurement

(1) “Intentionality” refers to a viewpoint of whether the investor aims (intends) to generate a positive impact through its investing activity. (2) “Investment with return expectations” refers to a perspective on 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) “Range of return expectations and asset classes” indicates that impact investing targets financial returns that range from below market (sometimes called concessionary) to risk-adjusted market rate and can be done across asset classes (i.e., all financial transactions in assets (stocks, bonds, loans, leases, etc.) for financial returns can be investments). (4) Impact measurement refers to a perspective on whether the investor is committed to measuring the social and/or environmental impact that results from its investing activity to take actions to add value to judgment.

The term “**impact measurement and management**” (“IMM”) refers to the repetitive process that includes the 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.⁴

IMM is positioned as a means to achieve what the investor “intends” to do in impact investing. It adds a “management” element to “Impact Measurement,” in which investors and business operators make business decisions based on the results of the measurement and aim to improve the impacts.

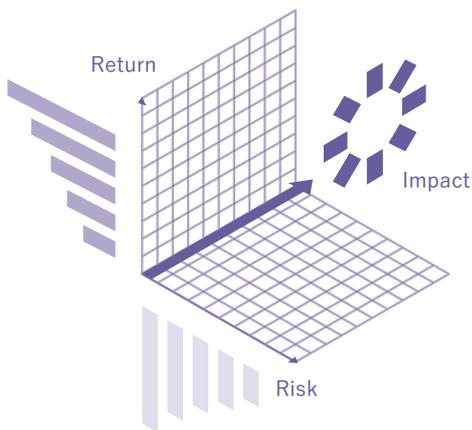
³ The definition of impact investing by the Global Impact Investing Network (GIIN) is used.

<https://thegiin.org/impact-investing/need-to-know/#what-is-impact-investing>

⁴ The impact measurement and management (IMM) as defined by the Global Impact Investing Network (GIIN) is used.

The methodology of IMM has been advanced and standardized in the global impact investing market over the last decade. GSG Japan NAB released the guidelines for IMM practice, a practice guidebook, a discussion paper to create global standards for IMM, and other materials, with the purpose of sharing with impact investing practitioners the points to be considered, issues they may face, and measures to address them when conducting IMM.⁵

Figure 4. The third axis in investment



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

⁵ Press release “GSG Japan NAB creates and releases the ‘IMM Practice Guidebook’ and other documents in impact investing (stocks),” GSG Japan NAB, July 2021, <https://impactinvestment.jp/news/research/20210701.html>
Press release “GSG Japan NAB creates and releases the ‘Guidance for Impact Measurement & Management in Debt Finance’” GSG Japan NBA, July 2023, <https://impactinvestment.jp/resources/report/20230725.html>

Major Developments in Impact Investing

Figure 3. Developments in impact investing from 2023 to the beginning of 2024 (reposted)

Global movements	The International Foundation for Valuing Impacts (IFVI) and The Value Balancing Alliance (VBA) established the Valuation Technical & Practitioner Committee to begin reviewing studies and methodologies of impact-weighted accounting. (April 2023)
	The World Economic Forum (WEF) published a new white paper about impact investing titled “Private Market Impact Investing: A Turning Point.” (May 2023)
	The Global Impact Investing Network (GIIN) published the “2023 GIINsights” series based on data collected from 308 impact investing organizations around the world. (June 2023)
	The Impact Task Force (ITF) published “The Impact Taskforce: State of Play 2023” to announce that it would pursue the initiative in impact transparency and capital mobilization. (December 2023)
Actions by Japanese public bodies	The Cabinet Secretariat announced the “Impact Investment Initiative for Global Health” at the G7 Hiroshima Summit. (May 2023)
	The Financial Services Agency (FSA) published “Report by the Working Group on Impact Investment” and “Draft Basic Guidelines on Impact Investment.” (June 2023)
	The Ministry of Economy, Trade and Industry (METI) launched J-Startup Impact, a program to foster and support impact startups through collaboration between the public and private sectors. (October 2023)
	The FSA organized a launch event for the Impact Consortium, a conference for collaboration between the public and private sectors on impact investing. (November 2023)
Actions by Japan’s private sector	Keidanren (Japan Business Federation) published its opinion on the FSA’s “Report by the Working Group on Impact Investment.” (July 2023)
	Keizai Doyukai (Japan Association of Corporate Executives) entered into the Partnership Agreement for Collaboration between the Impact Startup Association, the Japan Association of New Public, and the Japan Association of Corporate Executives to launch the collaboration. (July 2023)
	The Japan Impact-driven Financing Initiative published “The Japan Impact-driven Financing Initiative: Medium-term Plan (2023 - 2025)” in July 2023. The number of institutions that have signed the Japan Impact-driven Financing Initiative reached 75. (March 2024)

Figure 5. 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 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 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 The use of social impact bonds (SIB) is mentioned for the first time in the government’s growth strategies and in basic policies for regional revitalization 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.) The Dormant Deposits Utilization Act was promulgated

Figure 5. 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>International Finance Corporation (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>The Japan Impact-driven Financing Initiative was launched (21 companies)</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 Impact Weighted Accounting Initiative (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>The Cabinet and Cabinet Secretariat clearly stated that the government will promote impact investing in the “Grand Design and Action Plan for a New Form of Capitalism” and “Basic Policies for Economic and Fiscal Management and Reform 2022.”</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>

Figure 5. History of impact investing in the world and Japan (continued)

Year	Global	Japan
2023	<p>The World Economic Forum (WEF) published a new white paper about impact investing titled “Private Market Impact Investing: A Turning Point.”</p> <p>The Global Impact Investing Network (GIIN) published the “2023 GIINSights” series based on data collected from 308 impact investing organizations around the world.</p>	<p>The Cabinet Secretariat announced the “Impact Investment Initiative for Global Health” at the G7 Hiroshima Summit.</p> <p>The FSA organized a launch event for the Impact Consortium, a conference for collaboration between the public and private sectors on impact investing.</p> <p>Keizai Doyukai (Japan Association of Corporate Executives) entered into the Partnership Agreement for Collaboration between the Impact Startup Association, the Japan Association of New Public, and the Japan Association of Corporate Executives</p>

Chapter 2: Impact Investing Market in Japan

Chapter 2 presents the research method that this report used and the requirements for impact investing, and then moves on to the current state of Japan's impact investing market ascertained through the survey questionnaire results.

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 responses**
- **Survey period: September 2023 – December 2023**
- **Respondents: Investment managers, venture capitals, institutional investors, funding agencies, etc.**
 - With an eye on institutions that may be connected to impact investing, this survey covered a wide range of organizations, 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.” However, the survey does not specify any qualifications.
- **Valid responses: 81 organizations (59 are impact investing organizations)**
 - One of the impact investing organizations does not publish its impact AUM. Hence, its responses to questions about AUM were not counted.
 - “No responses” and invalid responses to the survey questions may not have been counted.
 - For the reasons stated above, the number of valid responses to each question differs from the others.
- **Base date: End of June 2023. Note that the base date for 17 of the 59 organizations that provided valid responses is at the end of March or September 2023 because of differences in the time the data from these respondents were aggregated.**

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.⁶

⁶ At the time this report was written, the 2020 Annual Impact Investor Survey is the latest one that may be used to compare 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/>

- **Structure of the survey form:**
 - Attributes of the survey respondents (types of business and when they started impact investing)
 - How investments are made across the impact investing market (range of investments; asset classes for investment; types of investee organizations; which stages of growth, regions, and fields the investees are in)
 - How impact measurement and management (IMM) is conducted (e.g., tools used, frameworks and purposes thereof, use of metrics for measurement, information disclosure)
 - Progress made toward financial returns and intended impacts (expected levels and rates of achievement)
 - Progress of the impact investing market and what is needed for further development (based on responding organizations' views)
- The goal of this survey is to compile a report that presents the progress of the efforts of impact investing organizations. In regard to what is needed for further development of the impact investing market going forward, the survey collected responses also from non-impact investing organizations in order to gain a clear picture of the current state in light of how to invite new players into the market and how to encourage existing players to invest more.

< 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 a cooperative effort. “No responses” and invalid responses (i.e., responses that failed to meet the requirements for an answer) were not counted, which means that the “n” (the number of valid answers) and assets under management (AUM) vary 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.

Requirements for “Impact Investing” in This Report

The “impact investing” used in the Questionnaire Survey and presented to respondents meet (1) and (2) stated below. These two correspond to Levels 1⁷ and 2⁸ presented in the section of the requirements for impact financing in the Progress Report of Japan Impact-Driven Financing Initiative 2023.

(1) Impact investments are made with the intention to generate a positive, measurable social and environmental impact alongside a financial return.³

These investments can also be made across different asset classes according to the investor’s strategic goals. They may be made in investees in developed and/or developing countries, and target returns may be at or below the market rate.

The term “investing” in this survey refers to all financial transactions for financial returns, including investment in stocks and bonds, lending, and leasing. It excludes donations, grants, and subsidies.

(2) Impact investing (impact financing) requires IMM.

Impact AUM

Impact AUM in Japan: 11,541.4 billion yen (197% of the previous year’s figure)

This figure is the sum of assets under management (AUM) held by 58 organizations that responded to the Impact Investing Survey 2023 and meet the impact investing requirements.

[Reference] Impact AUM worldwide¹⁰: About JPY 180 trillion (USD 1.2 trillion) *2022 data

7 The investment has “intentionality” and “strategies” to create an impact, plus it measures outcomes and output (source: “Progress Report of Japan Impact-Driven Financing Initiative 2023,” Japan Impact-driven Financing Initiative)

8 The investment has “intentionality” and “strategies” to create an impact and measures outcomes and output, plus it carries out management intended to create a specified positive impact and reduce the severely negative impact (source: “Progress Report of Japan Impact-Driven Financing Initiative 2023,” Japan Impact-driven Financing Initiative)

9 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.

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

List of impact investing organizations

Figure 6. List of impact investing organizations (only the organizations the report is allowed to publish)¹¹

Industry	Organization Name
Asset managers	Asset Management One Co., Ltd.
	Kamakura Investment Management Co., Ltd.
	KJR Management
	Commons Asset Management, Inc.
	Nissay Asset Management Corporation
	Nomura Asset Management Co., Ltd.
	Sumitomo Mitsui DS Asset Management Company, Limited
	Mitsui & Co. Alternative Investments Limited
Venture capitals	Energy & Environment Investment, Inc.
	KSP, Inc.
	Shinsei Corporate Investment Limited
	Spurcle Inc.
	taliki, Inc.
	Dream Incubator Inc.
	Higin Capital Co., Ltd.
	Beyond Next Ventures Inc.
	Fast Track Initiative, Inc.
	Future Venture Capital Co., Ltd.
	Real Tech Holdings Co., Ltd.

¹¹ The list shows only the organizations that meet the requirements for impact investing and have given the report their permission to publish their names. We referred to the content of the responses to the relevant questions in the questionnaire upon classification of industry.

Figure 6. List of impact investing organizations (continued)

Industry	Organization Name
Private equity	Whiz Partners Inc.
	Japan Post Investment Corporation
	PMI Partners Limited
Pension funds	The Higo Bank Pension Fund
Insurance companies	Japan Post Insurance Co., Ltd.
	Sumitomo Life Insurance Company
	The Dai-ichi Life Insurance Company, Limited
	Daido Life Insurance Company
	Nippon Life Insurance Company
	Mitsui Sumitomo Insurance Co., Ltd.
	Meiji Yasuda Life Insurance Company
Government-run development agencies and financial institutions	Japan International Cooperation Agency
Cooperative central financial institutions	Shinkin Central Bank
	The Norinchukin Bank
Banks and trust banks	The Shizuoka Bank, Ltd.
	SBI Shinsei Bank, Limited
	Higo Bank
	Mizuho Bank, Ltd.
	Sumitomo Mitsui Banking Corporation
	Sumitomo Mitsui Trust Holdings, Inc.
	MUFG Bank, Ltd.

Figure 6. List of impact investing organizations (continued)

Industry	Organization Name
Banks and trust banks	Mitsubishi UFJ Trust and Banking Corporation
	Resona Holdings, Inc.
Credit associations, credit unions	The Kyoto Shinkin Bank
	Tajima Shinkin Bank
	Dai-ichi Kangyo Credit Cooperative
Securities companies	Daiwa Securities Group Inc.
Leasing companies, non-bank financial institutions	Credit Saison Co., Ltd.
Type II Financial Instruments Business Operator	Crowd Credit, Inc.
	Digisearch and Advertising, Inc.
	Plus Social Investment Co., Ltd.
Foundations	KIBOW Foundation
	The Sasakawa Peace Foundation
	Japan Social Innovation and Investment Foundation
	Mitsubishi Corporation Disaster Relief Foundation
Incorporated educational institutions	Sophia School Corporation
	Ritsumeikan Social Impact Fund (The Ritsumeikan Trust)
Other organizations	Gojo & Company, Inc.
	ARUN Seed

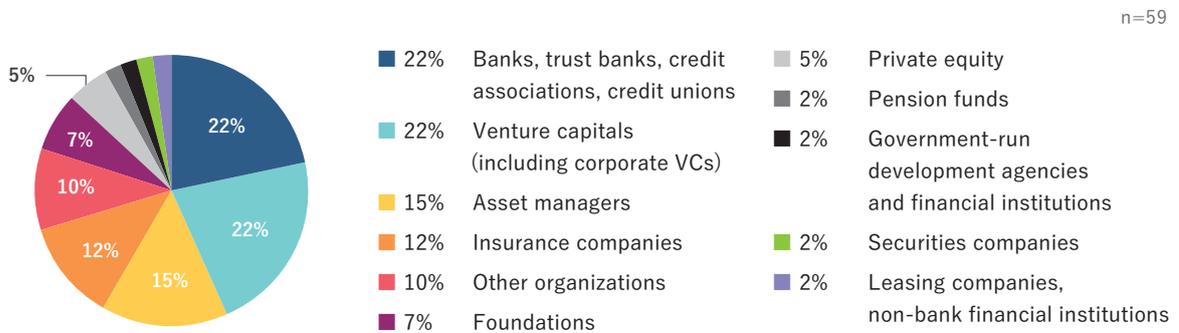
Attributes of impact investing organizations

This section studies impact investing organizations sorted by industry and the years these organizations began to engage in impact investing.

Impact investing organizations by industry

- “Venture capitals (including corporate VCs)” (22%) and “Banks, trust banks, credit associations, credit unions” (22%) made up the majority, followed by “asset managers” (15%).

Figure 7. Impact investing organizations by industry



Source: Created based on the “Questionnaire Survey regarding Impact Investment (2023)” (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

- The most common answer was “2021” (11 organizations), followed by “2022” (11 organizations).
- The survey found that 32 (55%) of 58 organizations (i.e., the majority) entered the impact investing market in 2020 or thereafter.

Figure 8. Year in which organizations began engaging in impact investing



Source: Created based on the “Questionnaire Survey regarding Impact Investment (2023)” (GSG National Advisory Board) Question: “4. Please provide the year in which you began impact investing (impact financing). //NA”

How investments are made across the impact investing market

This section studies the size of the impact investing market and the range of investments, asset classes for impact investing, and types of investee organizations, along with which stages of growth, regions, and fields these investees are in.

Size and range of impact AUM

- The total impact AUM in Japan was approximately 11,541.4 billion yen as of the end of June 2023 (some were as of the end of March or September of the same year). The median of the 58 organizations was about 10 billion yen, and the mean was about 199 billion yen.
- The most common size was “Less than 1 billion yen” (28%), followed by “10 billion yen - less than 100 billion yen” (26%).
- Organizations with an AUM of less than 100 billion yen make up 74%, pushing down the median, whereas organizations with an AUM of 1 trillion yen or more make up 7%, pushing up the average.

Figure 9. Median, average, and total impact AUM

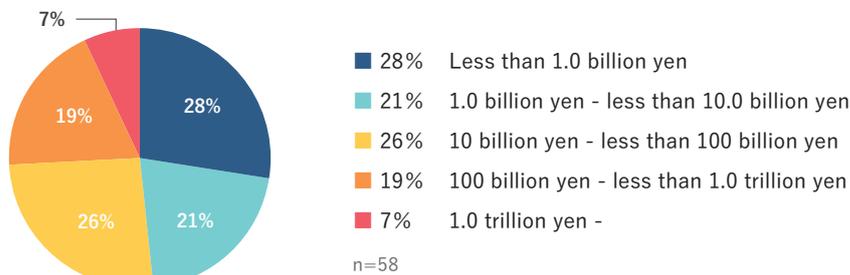
(in millions of yen)

Median	Average	Total
10,034	198,991	11,541,457

n=58

Source: Created based on the “Questionnaire Survey regarding Impact Investment (2023)” (GSG National Advisory Board)
Question: “5-1. Please provide your organization’s impact investing/financing AUM at the end of June 2023. If providing the figure as of the end of June 2023 involves difficulty, please provide the AUM at the end of March 2023. //NA”

Figure 10. Range of impact AUM

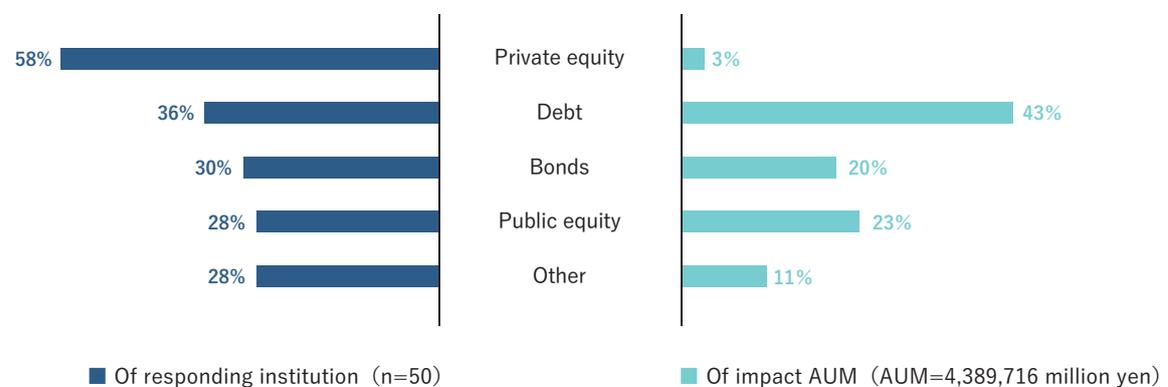


Source: Created based on the “Questionnaire Survey regarding Impact Investment (2023)” (GSG National Advisory Board)
Question: “5-1. Please provide your organization’s impact investing/financing AUM at the end of June 2023. If providing the figure as of the end of June 2023 involves difficulty, please provide the AUM at the end of March 2023. //NA”

Asset classes of impact investing

- A clear majority of responding organizations invest in “Private equity” (58%), followed by those that invest in “Debt” (36%).
- AUM is most commonly allocated to “Debt” (43%), followed by those to “Public equity” (23%).
- Debt and public equity combined make up 66% of AUM, while the total of private equity invested by the majority of the organizations accounts for 3%, which shows that a good part of investments is in debt and public equity.

Figure 2. Asset classes of impact investing (reposted)



Source: Created based on the “Questionnaire Survey regarding Impact Investment (2023)” (GSG National Advisory Board)

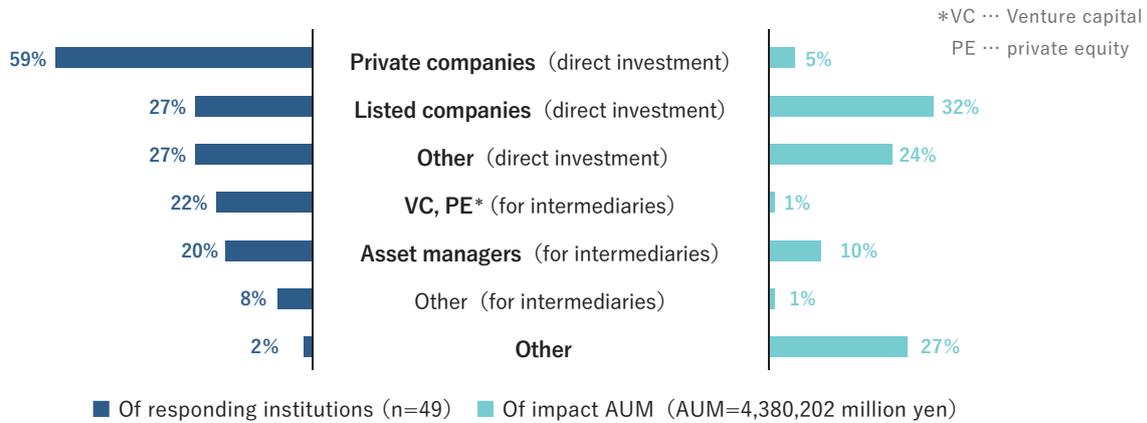
Question: “8. Please provide the breakdown of investment methods (asset classes) if the impact (impact finance) AUM answered in Question 5-1 is 100%. Select “Other” for any method to which none of the answer options apply or that can hardly be classified. Please make sure the percentages, including that of “Other,” add up to 100. //NA”

Impact investees by organization type

- A clear majority of responding organizations answered, “(direct investments) Private companies” (59%), followed by those that answered, “(direct investments) Listed companies” (27%) and “(direct investments) Other” (27%).
- AUM is mostly allocated to “(direct investments) Listed companies” (32%), followed by those to “Other” (27%)¹² and “(direct investments) Other” (24%).
- The above responses show that direct investments in individual companies make up the majority in light of the numbers of responding organizations and of impact AUM.

¹² Included in “Other” are investees to which none of the given answer options apply or to which several of the answer options apply and one single answer cannot be given.

Figure 11. Impact investees by organization type

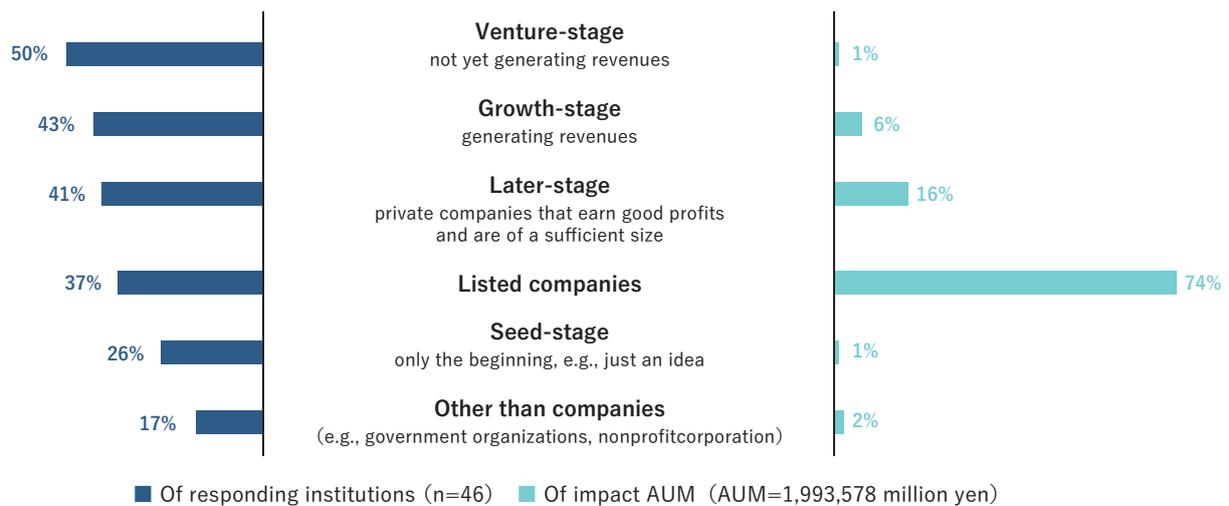


Source: Created based on the “Questionnaire Survey regarding Impact Investment (2023)” (GSG National Advisory Board) Question: “9. Please provide the breakdown of investee organizations, with the impact AUM (impact finance) provided in Question 5-1 being 100(%). Select “Other” for any investee to which none of the answer options apply or that can hardly be classified. Please make sure the percentages, including that of “Other,” add up to 100. //(NA)”

Impact investees by organization type¹³

- The largest percentage of responding organizations answered that the impact investees are “Venture-stage (not yet generating revenues)” (50%), followed by “growth-stage (generating revenues)” (43%).
- AUM is mostly allocated to “Listed companies” (74%), followed by those to “Later-stage (private companies that earn good profits and are of a sufficient size)” (16%).
- More than 40% of responding organizations invest in businesses from the early stage to the later stage, whereas the majority of AUM is in listed companies.

Figure 12. Impact investees by growth stage of business



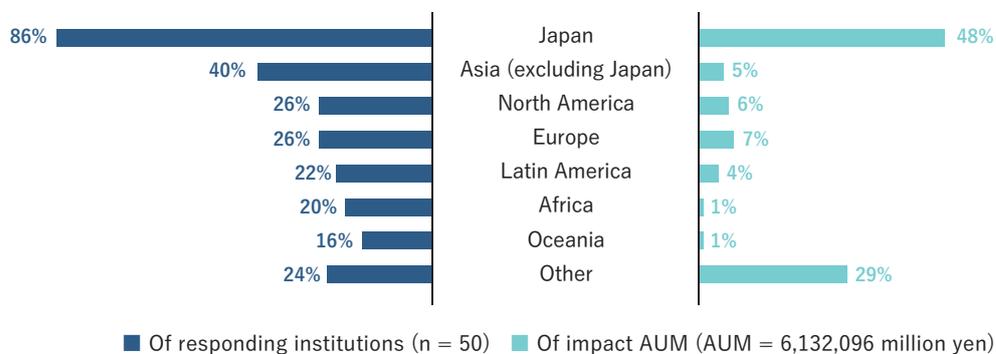
Source: Created based on the “Questionnaire Survey regarding Impact Investment (2023)” (GSG National Advisory Board) Question: “10. Please provide the breakdown of the stages in which your investee companies are, with the impact AUM (impact finance) provided in Question 5-1 being 100%. Please make sure the percentages add up to 100. //(NA)”

13 When “Project financing” is included in “Other than companies (e.g., government organizations, non-profit corporations),” the answer was not counted. Therefore, the percentages of the items some companies provided in their breakdowns do not add up to 100%.

Impact investees by region

- A clear majority of responding organizations answered “Japan” (86%), followed by those that answered “Asia (excluding Japan)” (40%).
- AUM is mostly in “Japan” (48%), followed by those in “Other” (29%).¹⁴
- The above responses show that investees in Japan make up the majority in light of the numbers of responding organizations and of impact AUM, whereas nearly half of the AUM is allocated in a wide range of regions overseas, mostly Asia, Europe, and North America.

Figure 13. Impact investees by region



Source: Created based on the “Questionnaire Survey regarding Impact Investment (2023)” (GSG National Advisory Board) Question: “7-2. Please provide a further breakdown of the regions provided in Question 7-1 to the extent possible. Select “Other” for any region to which none of the answer options apply or that can hardly be classified. Please make sure the percentages, including that of “Other,” add up to 100. //NA”

Impact investees by sector

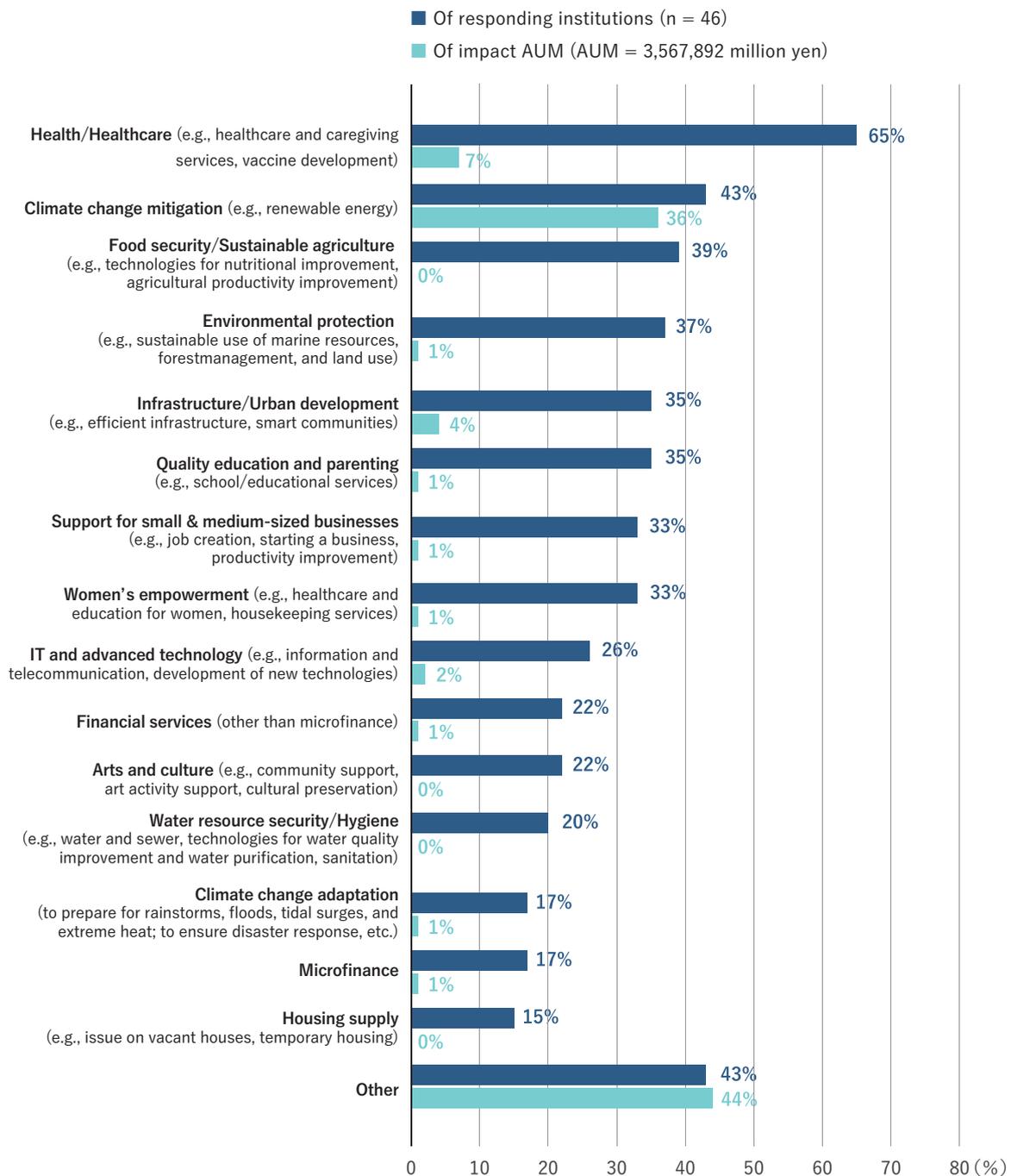
- A clear majority of responding organizations invest in “Health/Healthcare” (65%), followed by those that invest in “Climate change mitigation (e.g., renewable energy)” (43%) and “Other” (43%).¹⁵
- AUM is mostly allocated to “Other” (44%)¹⁶, followed by those to “Climate change mitigation (e.g., renewable energy)” (36%).
- The above responses show that “Climate change mitigation” is most common in terms of the numbers of responding organizations and AUM. On the other hand, “Health/Healthcare” attracts the great majority of these organizations, whereas AUM is allocated to a wide range of sectors.

14 Included in “Other” are investees in the Middle East and other regions that are not among the given answer options or to which several of the answer options apply and one single answer cannot be given, such as the Asia-Pacific region.

15 Included in “Other” are answers to which none of the given answer options apply (e.g., regional revitalization, peacemaking) or to which several of the answer options apply and one single answer cannot be given.

16 Same as above

Figure 14. Impact investees by sector



Source: Created based on the "Questionnaire Survey regarding Impact Investment (2023)" (GSG National Advisory Board) Question: "6. Please provide the breakdown of your investees' sectors, with the impact AUM (impact finance) provided in Question 5-1 being 100(%). Select "Other" for any region to which none of the answer options apply or that can hardly be classified. Please make sure the percentages, including that of "Other," add up to 100. (Answers to Question 5-2 (about organizations) are optional. If you opt not to provide your response, please enter "0" for all.) //NA"

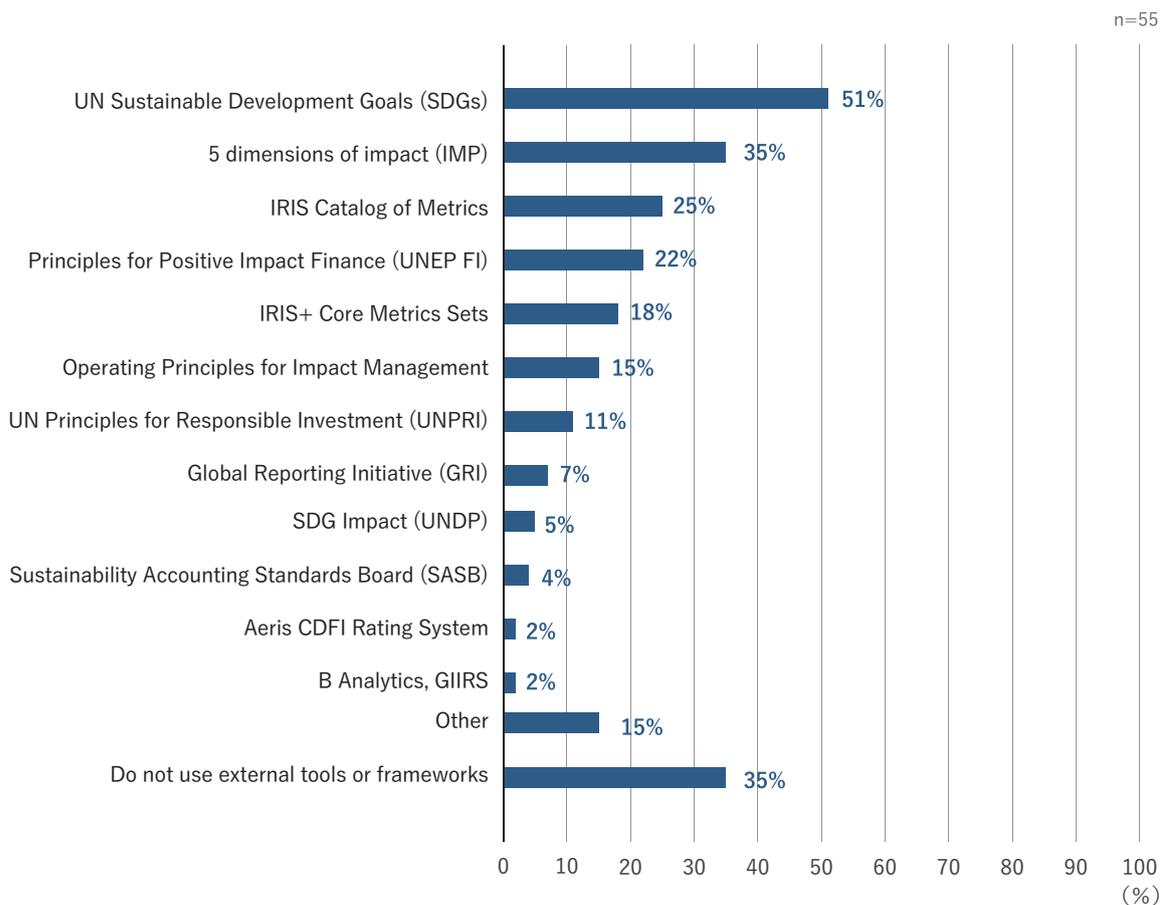
Implementation status of impact measurement and management (IMM)

This section studies how IMM has been conducted in Japan by reviewing answers to questions about tools and frameworks used for impact measurement, the purposes of the use, types of measurement metrics used, efforts to prevent or address negative impacts, how the results of impact measurement are used, investor contributions through impact investing, and the scope of an impact report and information disclosure, among others.

Tools and frameworks utilized in impact measurement

- “UN Sustainable Development Goals (SDGs)” (51%) was the most common answer, followed by “5 dimensions of impact (IMP)” (35%).
- While SDGs are used by the majority of respondents, the use of other tools is uneven, with about one-third of responding organizations using none of them.

Figure 15. Tools and frameworks utilized in impact measurement

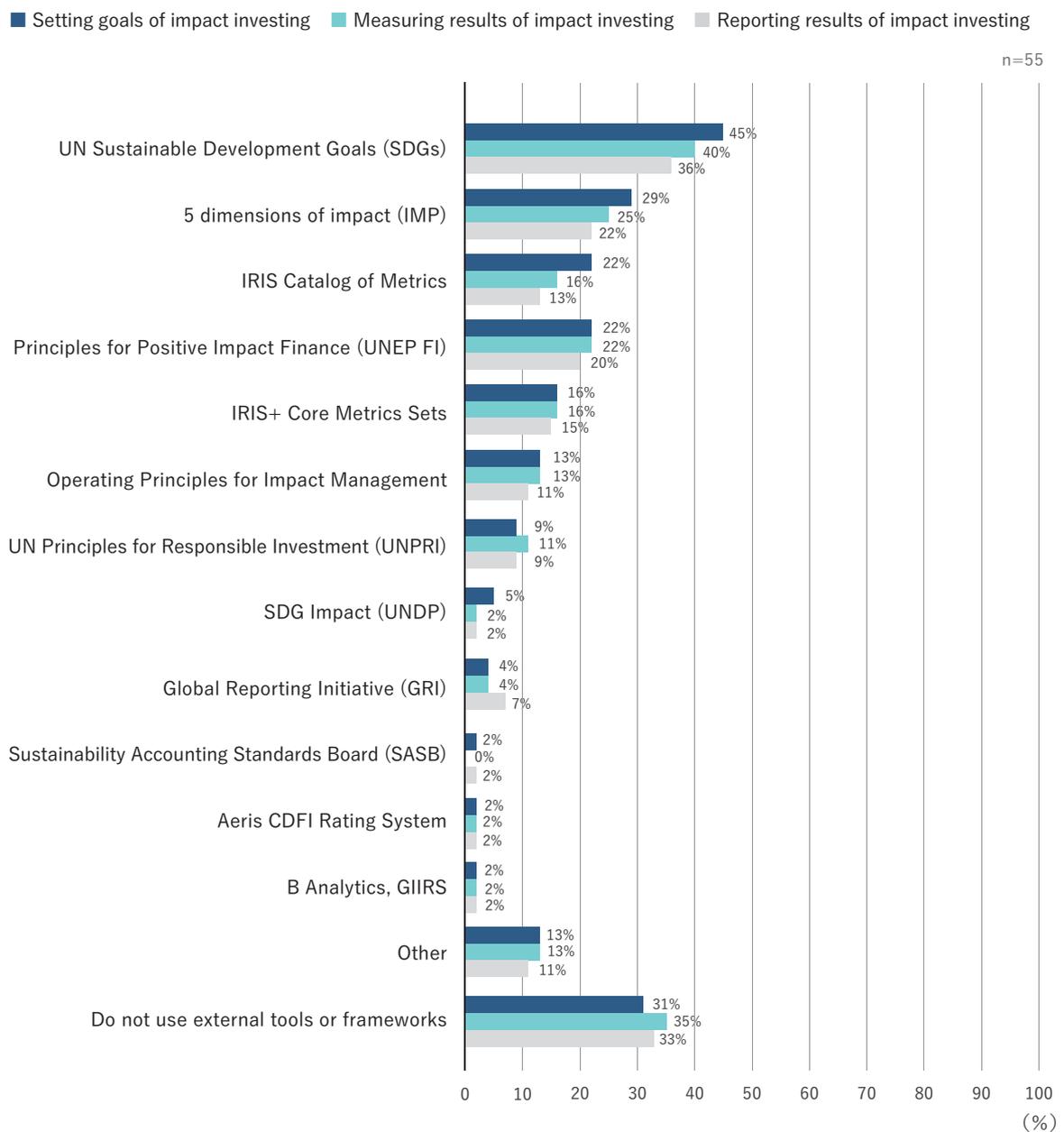


Source: Created based on the “Questionnaire Survey regarding Impact Investment (2023)” (GSG National Advisory Board) Question: “15. Does your organization use the following tools and frameworks for impact measurement and management of its impact investing (impact financing) activities? Please select all that apply. //MA”

Purpose of using tools and frameworks

- “Set targets,” “Measure results,” and “Report results” were the most common purposes of using “UN Sustainable Development Goals (SDGs).”
- Almost all tools and frameworks are used to “Set targets,” “Measure results,” and “Report results” in descending order. The responses show that none of the tools or frameworks are more commonly used than the others according to the purpose of use.

Figure 16. Purpose of using tools and frameworks

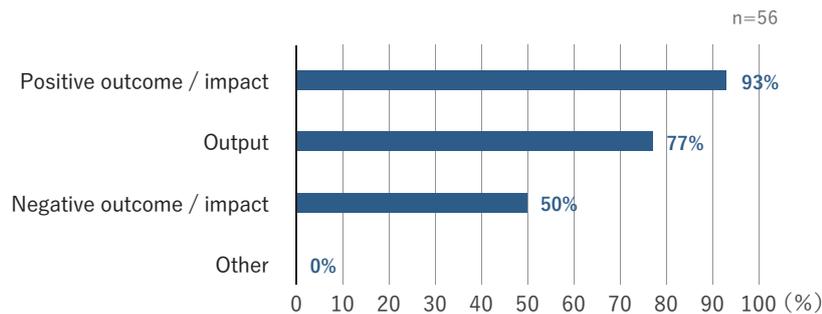


Source: Created based on the “Questionnaire Survey regarding Impact Investment (2023)” (GSG National Advisory Board) Question: “15. Does your organization use the following tools and frameworks for impact measurement and management of its impact investing (impact financing) activities? Please select all that apply. //MA”

Types of impact metrics used

- “Positive outcome/impact”(93%) was the most common answer, followed by “Output” (77%).
- While 93% of respondents answered “Positive outcome/impact,” 50% answered “Negative outcome/impact,” showing the gap between the two.

Figure 17. Types of metrics for measurement

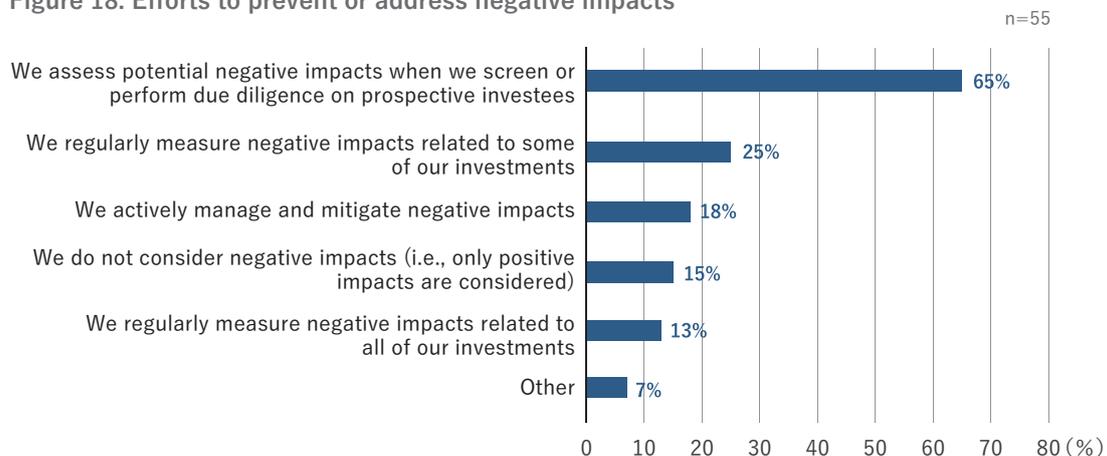


Source: Created based on the “Questionnaire Survey regarding Impact Investment (2023)” (GSG National Advisory Board) Question: “16. Please select all types of measurement metrics for your organization’s standard impact investing (impact financing). //MA”

Efforts to prevent or address negative impacts

- The most selected answer was “We assess potential negative impacts when we screen or perform due diligence on prospective investees” (65%), followed by “We regularly measure negative impacts related to some of our investments” (25%).
- The survey results show that 78% of responding organizations conduct assessment, measurement, and/or management in some form when they plan an investment or after making an investment.

Figure 18. Efforts to prevent or address negative impacts

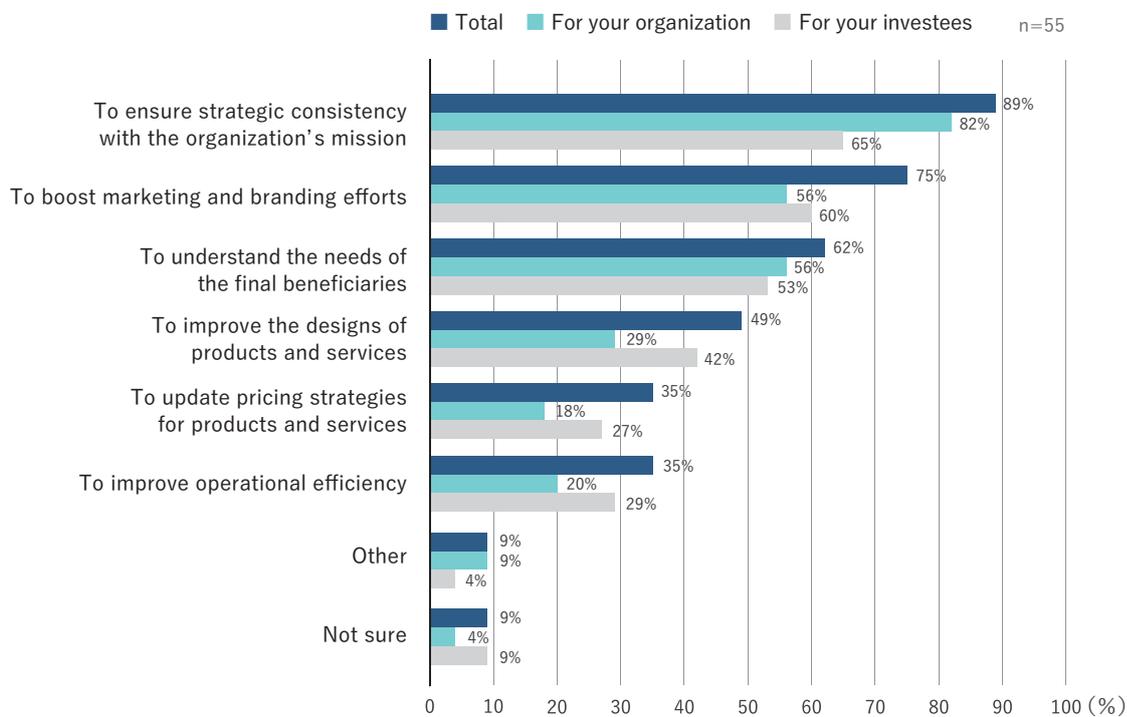


Source: Created based on the “Questionnaire Survey regarding Impact Investment (2023)” (GSG National Advisory Board) Question: “17. Please select all efforts your organization makes to prevent or address negative impacts as part of its standard impact investing (impact financing). //MA”

How the results of impact measurement are used

- A clear majority of investing organizations use results “To ensure strategic consistency with the organization’s mission” (82%), followed by those that answered “To boost marketing and branding efforts” (56%).
- A clear majority of investee organizations use results “To ensure strategic consistency with the organization’s mission” (65%), followed by those that answered “To boost marketing and branding efforts” (60%).
- The survey found that investee organizations also use results “To design products and services and develop pricing strategies” more than investing organizations do.

Figure 19. How the results of impact measurement are used



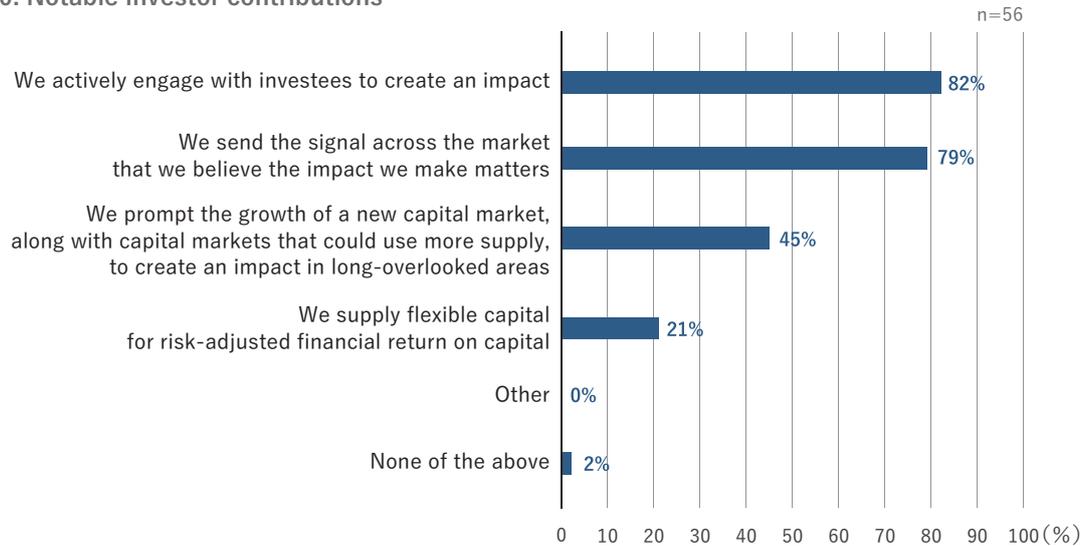
Source: Created based on the “Questionnaire Survey regarding Impact Investment (2023)” (GSG National Advisory Board) Question: “18. How are the results of impact measurement used for your organization and its investees? Please select all that apply from the following. (MA)”

Investor contributions through impact investing¹⁷

- The most selected answer was “We actively engage with investees to create an impact” (82%), followed by “We send the signal across the market that we believe the impact we make matters” (79%).
- 21% answered, “We supply flexible capital for risk-adjusted financial return on capital,” which is significantly lower than indirect contributions such as engaging with investees and sending the signal across the market.

¹⁷ 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/>

Figure 20. Notable investor contributions

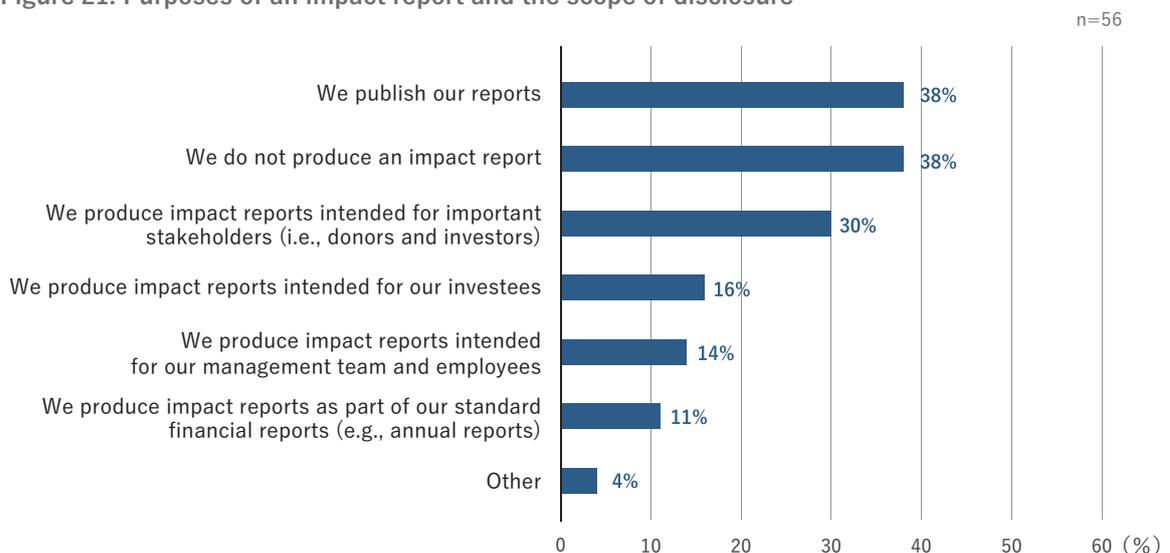


Source: Created based on the “Questionnaire Survey regarding Impact Investment (2023)” (GSG National Advisory Board) Question: “19. Are any of the following notable investor contributions that your organization’s impact investing activities make? Please select all that apply. //MA”

Purposes of an impact report and the scope of disclosure

- “We publish our reports” (38%) and “We do not produce an impact report” (38%) were the most common answers. Many also answered, “We produce impact reports intended for important stakeholders (i.e., donors and investors)” (30%).
- The organizations publishing their reports do not make up the majority, and 38% of responding organizations do not produce an impact report, indicating that only limited information about impact investing is included in the scope of disclosure.

Figure 21. Purposes of an impact report and the scope of disclosure



Source: Created based on the “Questionnaire Survey regarding Impact Investment (2023)” (GSG National Advisory Board) Question: “20. 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)”

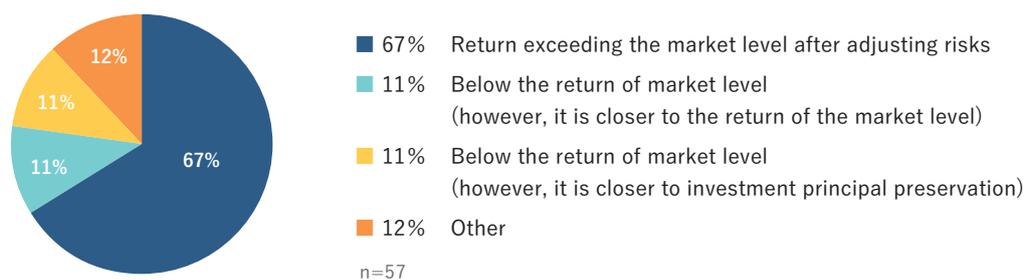
Progress made toward financial returns and intended impacts

This section studies expected levels of financial returns, along with progress made toward those returns and intended impacts.

Expected levels of financial returns in impact investing

- The most selected answer was “return exceeding the market level after adjusting risks” (67%), followed by “Below the return of the market level (however, it is closer to investment principal preservation)” (11%) and “Below the return of the market level (however, it is closer to the market level)” (11%).
- These responses show that the majority of organizations seek financial returns above the market level as well as intended impacts.

Figure 22. Expected level of financial returns

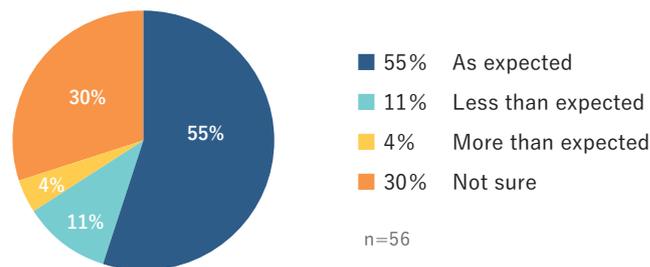


Source: Created based on the “Questionnaire Survey regarding Impact Investment (2023)” (GSG National Advisory Board)
 Question: “11. What level is your goal for financial returns of impact investing (impact financing)? Please select one answer that most accurately describes your view. //SA”

Rate of achievement of financial returns in impact investing

- The most selected answer was “As expected” (55%), followed by “Less than expected” (11%).
- “As expected” and “More than expected” combined make up 59% of all answers, demonstrating that the majority of respondents find the results of their impact investing positive.

Figure 23. Rate of achievement of financial returns

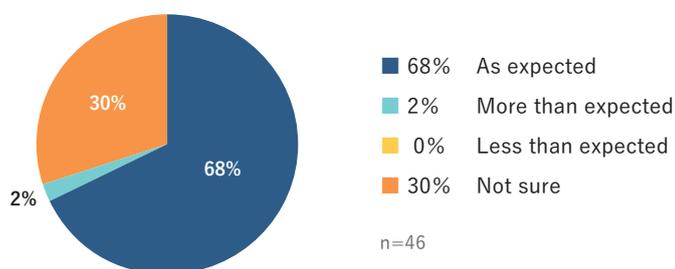


Source: Created based on the “Questionnaire Survey regarding Impact Investment (2023)” (GSG National Advisory Board) Question: “12. How much financial returns on impact investing (impact financing) have been achieved compared with the expectations? //SA”

Rate of achievement of impact in impact investing

- The most selected answer was “As expected” (68%), followed by “More than expected” (2%).
- “As expected” and “More than expected” combined make up 70% of all answers, demonstrating that many respondents find the results of their impact investing positive.

Figure 24. Rate of achievement of impact



Source: Created based on the “Questionnaire Survey regarding Impact Investment (2023)” (GSG National Advisory Board) Question: “13. How much impact has been achieved in your impact investing (impact financing) compared with the expectations? //SA”

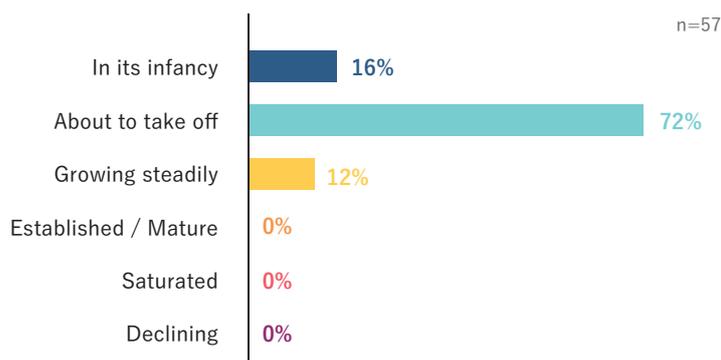
Progress of the impact investing market and what is needed for further development

This section studies the stages of Japan's impact investing market evolution, the progress of the market over the past year, and what will likely facilitate efforts toward impact investing.

Stages of Japan's impact investing market evolution

- The most selected answer was “About to take off” (72%), followed by “In its infancy” (16%).
- These two responses combined make up 88%, demonstrating that the vast majority of responding organizations believe that the market is one step before taking off.

Figure 25. Stages of Japan's impact investing market evolution

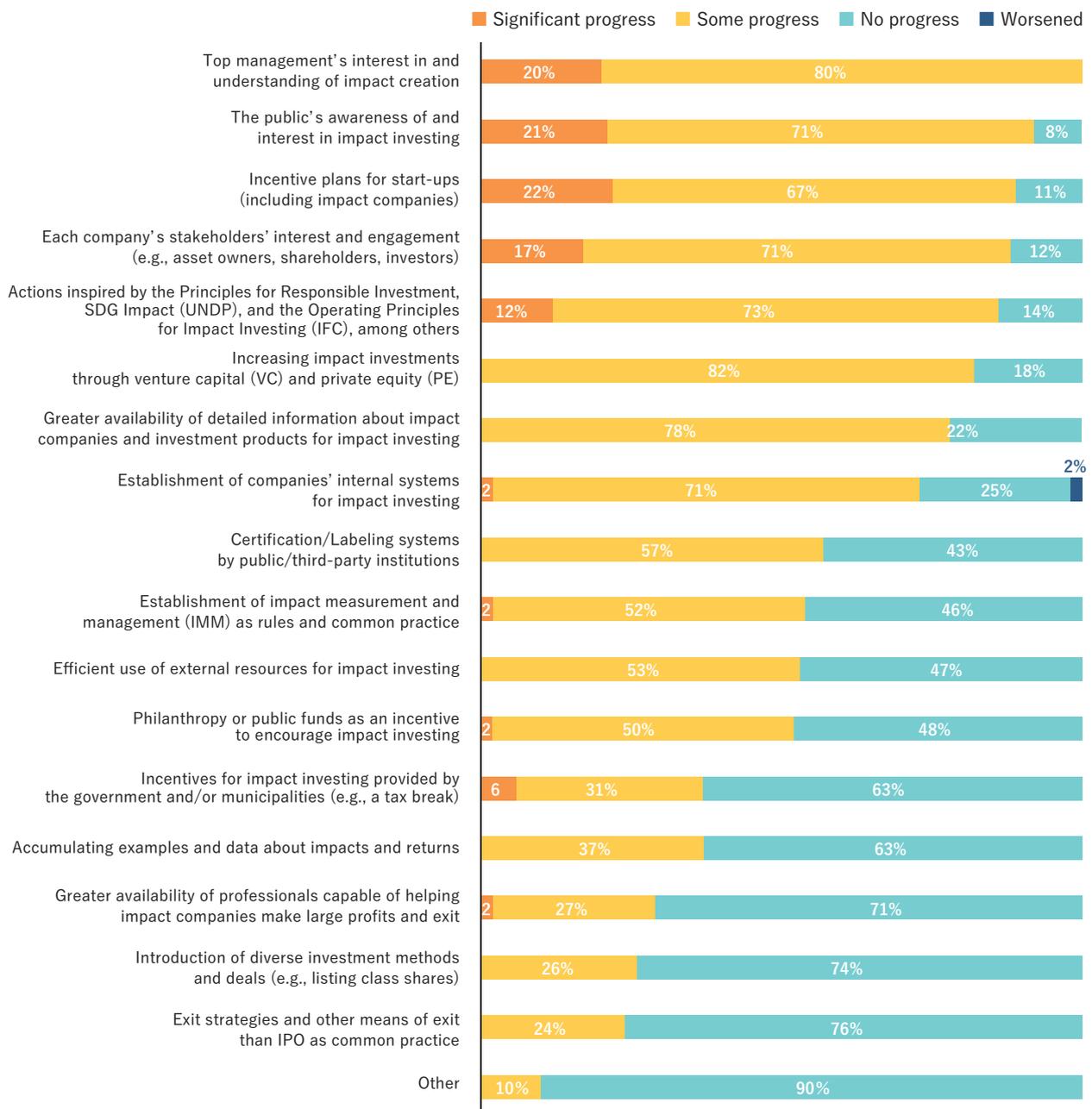


Source: Created based on the “Questionnaire Survey regarding Impact Investment (2023)” (GSG National Advisory Board) Question: “22. How do you see the state of Japan's impact investing (impact financing) market? Please select one answer that most accurately describes your perception. //SA”

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

- The most selected answer was “Top management's interest in and understanding of impact creation” (Significant progress: 20%; Some progress: 80%), followed by “The public awareness of and interest in impact investing” (Significant progress: 21%; Some progress: 71%).
- Responses to the question showed that a wide range of stakeholders are increasingly aware of, interested in, and understand the market. It also became clear that, while there has been progress in incentive plans for start-ups and increasing impact investments through venture capital (VC) and private equity (PE), data have not accumulated, and the number of professionals in the market has not increased much.

Figure 26. Progress of Japan's impact investing market over the past year



Source: Created based on the "Questionnaire Survey regarding Impact Investment (2023)" (GSG National Advisory Board) Question: "23. How do you view the overall progress that Japan's impact investing (impact financing) market has made during the past year? //SA for each statement"

Conditions that further facilitate impact investing

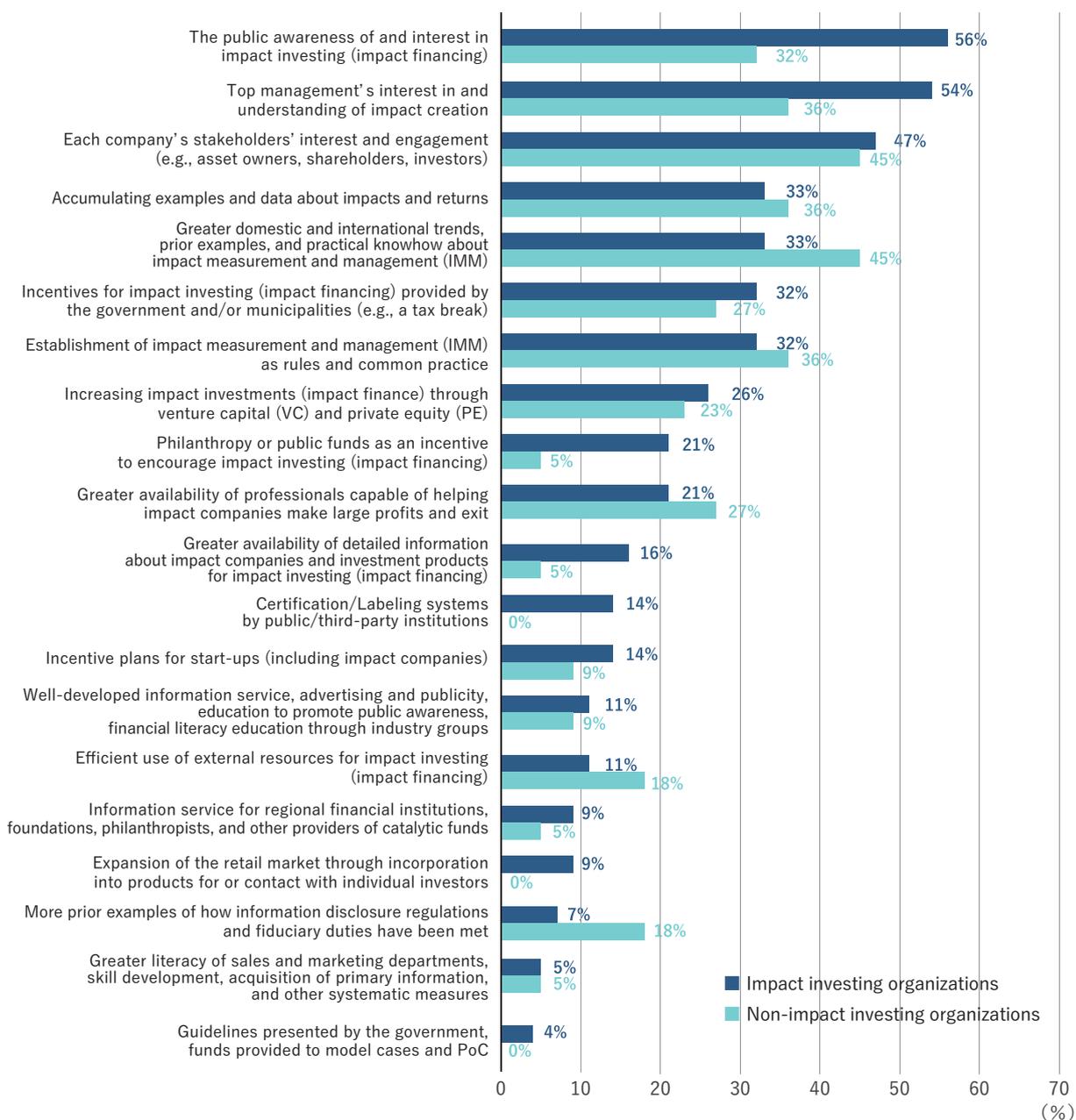
We made some changes related to answer options¹⁸ and compared and analyzed responses to the 2023 Survey after the updates.

¹⁸ Major changes from the previous year's survey: 1) Responses were collected also from non-impact investing organizations. 2) Answer options were updated, i.e., 4 options were removed and 7 new options were added.

- The most selected answer by impact investing organizations was “The public awareness of and interest in impact investing (impact financing)” (56%), followed by “Top management’s interest in and understanding of impact creation” (54%).
- “Each company’s stakeholders’ interest and engagement (e.g., asset owners, shareholders, investors)” (45%) and “Greater domestic and international trends, prior examples, and practical know-how about impact measurement and management (IMM)” (45%) were most selected by non-impact investing organizations, followed by “top management’s interest in and understanding of impact creation”(36%).

Figure 27. Conditions that further facilitate impact investing

Impact investing organizations : n=57,
Non-impact investing organizations : n=22

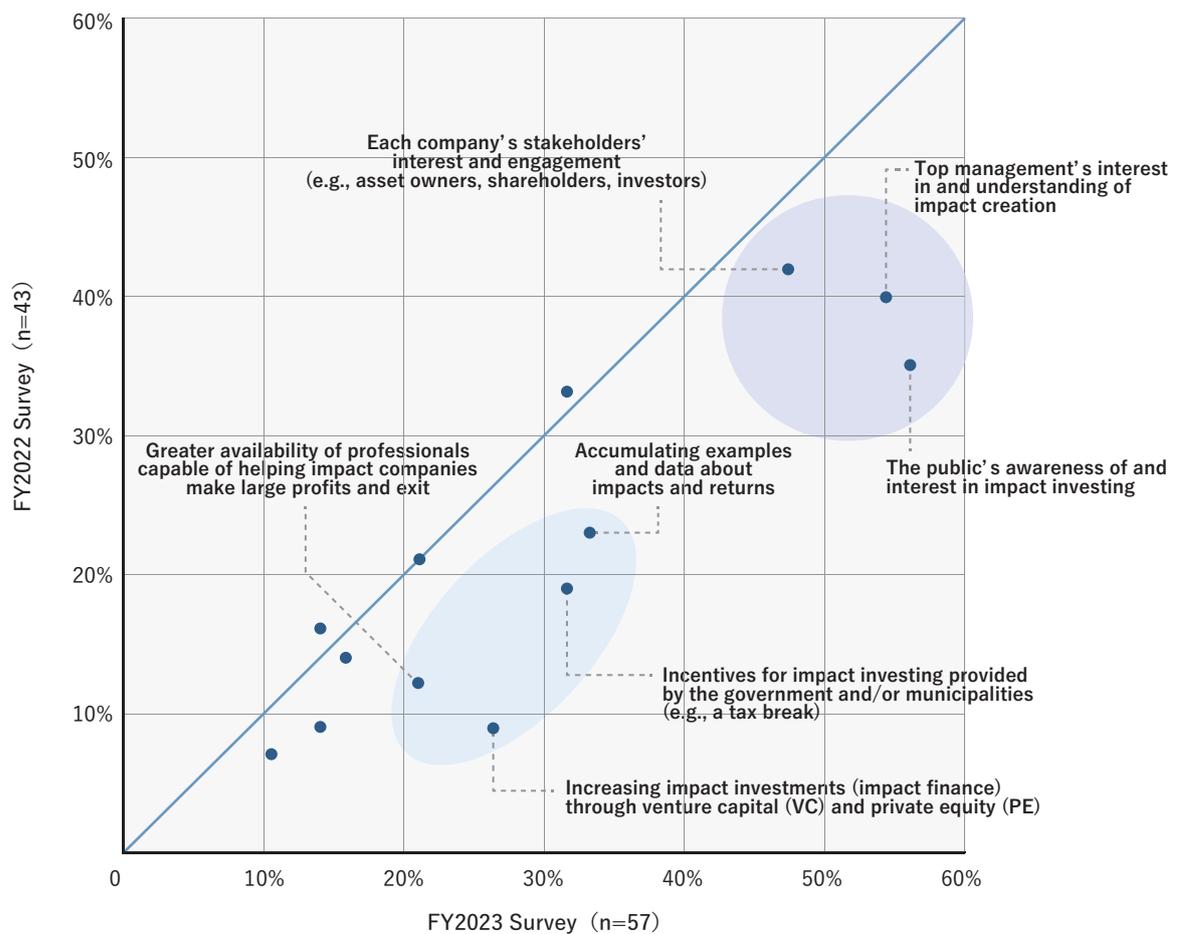


Source: Created based on the “Questionnaire Survey regarding Impact Investment (2023)” (GSG National Advisory Board) Question: “24. Which conditions do you think will further facilitate impact investing (impact financing)? Please select up to five of the following that are closest to your view. //MA”

Comparison with the results of the 2022 Survey¹⁹

- When we took a close look at the three most selected answers in the 2023 Survey, they were also the top three in last year’s survey, and they garnered higher percentages than last year. This indicates that greater awareness and interest within and outside the organizations significantly helped increase impact investing.
- We examined the answers that were selected by at least 10% more respondents than last year. Respondents who answered “Increasing impact investments (impact finance) through venture capital (VC) and private equity (PE)” increased from 9% to 26%, “Incentives for impact investing (impact financing) provided by the government and/or municipalities (e.g., a tax break)” from 19% to 32%, “Accumulating examples and data about impacts and returns” from 23% to 33%. These results indicate that these conditions have become particularly important.

Figure 28. Conditions that further facilitate impact investing – scatter diagram (1/3)



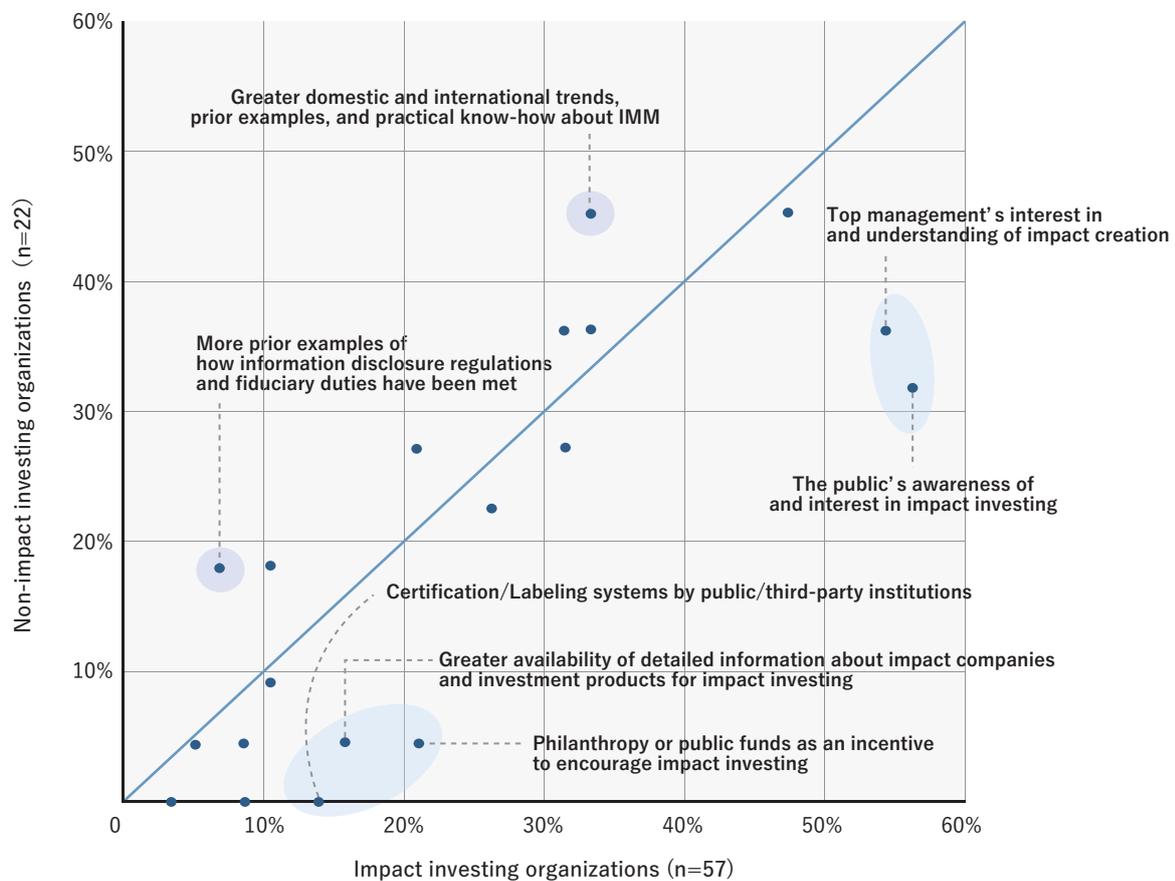
Source: Created based on the “Questionnaire Survey regarding Impact Investment (2022 and 2023)” (GSG National Advisory Board) Question: “24. Which conditions do you think will further facilitate impact investing (impact financing)? Please select up to five of the following that are closest to your view. //MA”

¹⁹ Responses from non-impact investing organizations were excluded from the comparison because last year’s responses were only from impact investing organizations.

Comparison between impact investing and non-impact investing organizations

- We examined the conditions that were relatively high in significance (30% or more) for either group. Differences were observed in “Top management’s interest in and understanding of impact creation,” “The public awareness of and interest in impact investing (impact financing),” and “Greater domestic and international trends, prior examples, and practical know-how about impact measurement and management (IMM).” This indicates that incumbent investors regard internal and external favorable circumstances as facilitating factors when they increase impact investments, while prospective entrants consider the knowledge and insight about IMM important factors when they start impact investing.
- We examined conditions that were relatively low in significance (less than 30%) for either group. Differences were observed in “Philanthropy or public funds as an incentive to encourage impact investing (impact financing),” “Certification/Labeling systems by public/third-party institutions,” “Greater availability of detailed information about impact-driven companies and investment products for impact investing (impact financing),” and “More prior examples of how information disclosure regulations and fiduciary duties have been met.” This indicates that investors pay little attention to funds as an incentive, investees’ certification, the availability of information, and other conditions meant to help increase investments when they enter the market, whereas they do pay attention to prior examples of how regulations were met at the time of entry.

Figure 29. Conditions that further facilitate impact investing – scatter diagram (2/3)

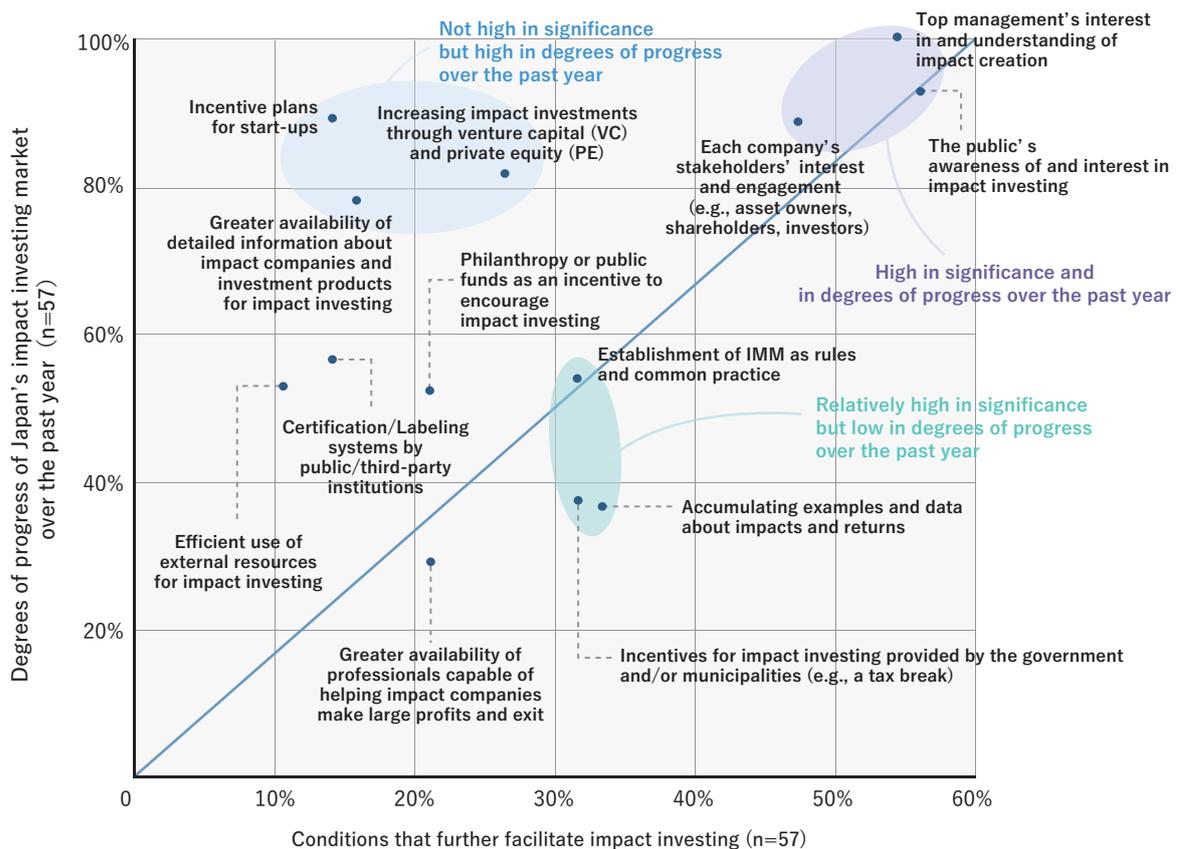


Source: Created based on the “Questionnaire Survey regarding Impact Investment (2023)” (GSG National Advisory Board) Question: “24. Which conditions do you think will further facilitate impact investing (impact financing)? Please select up to five of the following that are closest to your view. //MA”

Comparison with the progress of Japan's impact investing market over the past year²⁰

- When we examined the top three conditions that were relatively high in significance (30% or more), they all showed relatively high degrees of progress (88%-100%). This result shows that the awareness of and interest in impact investing have grown within and outside organizations, encouraging more investments.
- When we examined other conditions than the top three among those of high in significance (30% or more), all showed relatively low degrees of progress (37% - 54%) despite their relative importance. This result shows that environments surrounding information and policy related to impact investing could make much improvement.
- When we examined those conditions that were relatively low in significance (less than 30%), “Incentive plans for start-ups (including impact companies),” “Greater availability of detailed information about impact-driven companies and investment products for impact investing (impact financing)” showed relatively high degrees of progress (78% - 89%). This result shows that the information availability about investee businesses have evolved and implies that it facilitates investors' impact investing decision making.

Figure 30. Conditions that further facilitate impact investing – scatter diagram (3/3)



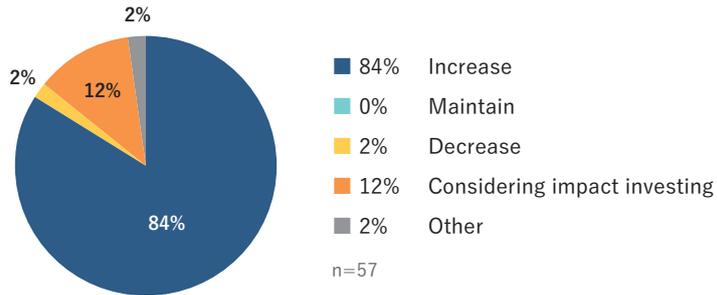
Source: Created based on the “Questionnaire Survey regarding Impact Investment (2023)” (GSG National Advisory Board) Question: “24. Which conditions do you think will further facilitate impact investing (impact financing)? Please select up to five of the following that are closest to your view. //MA” and Question: “23. How do you view the overall progress that Japan's impact investing (impact financing) market has made during the past year? //SA for each statement”

²⁰ Some of the answer options for conditions that further facilitate impact investing differ from those for the progress of Japan's impact investing market over the past year. Only responses to the answer options given for both questions were compared. Impact investing organizations are the only population. The degree of progress is based on the total value of “Significant progress” and “Some progress.”

Plans for future impact investing

- The most selected answer was “Increase” (84%), followed by “Considering impact investing” (12%).
- This indicates that many organizations are positive about increasing impact investing.

Figure 31. Plans for future impact investing (impact investing organizations)



Source: Created based on the “Questionnaire Survey regarding Impact Investment (2023)” (GSG National Advisory Board) Question: “14. Please select one of the following that is closest to your organization’s plan for future impact investment (impact finance). //SA”

Chapter 3: The Current State and Challenges of Increasing Impact investing based on Survey Results

Summaries of facts about the current state based on survey results

- Impact AUM continued to grow and increased twofold from last year. However, few believe that the market has entered the growth stage. (Figures 9 and 25)
- Organizations with an AUM of 100 billion yen or more increased, and those with an AUM of more than 1 trillion yen also emerged. Banks and life insurance companies, in particular, have a greater presence, which has led to a dramatic increase in debt and public equity (direct investment) as asset classes. (Figures 1, 2, 10)
- Respondent organizations invest mostly in Japan, while they have also begun to invest in other regions around the world, mainly Europe, North America, and Asia. (Figure 13)
- “Climate change mitigation” is the sector that receives the vast majority of impact investments. The rest of the investments are scattered across the other sectors. (Figure 14)
- The SDGs are a popular tool/framework, but no standardized tools or frameworks have been established. (Figures 15 and 16)
- Although negative screening is conducted, only about half of organizations use it as impact metrics compared to positive outcome/impact. (Figures 17 and 18)
- It is not yet common to disclose impact measurement results. Few organizations produce their impact reports. (Figure 21)
- Many organizations expect returns above the market level, and many also provided positive responses about rates of achievement, which implies that seeking financial returns does not contradict creating an impact. (Figures 22, 23, 24)
- As for the progress of the market, more people/organizations are increasingly aware of, interested in, and understand impact investing. Furthermore, while there has been progress in incentive plans for start-ups and increasing impact investments through venture capital (VC) and private equity (PE), data have not been accumulated and the number of professionals in the market has not increased much. (Figure 26)
- As for what is needed for further development of the market, impact investing and non-impact investing organizations tend to focus on different conditions when they enter the market. When their responses were compared with those to the question about the progress of the market, some conditions have made little progress, despite the relatively high level of attention they receive. When the results were compared with those of last year’s survey, the conditions to which respondents pay the greatest attention remain the same. (Figures 27 and 28)

Challenges to meet for the progress of the impact investing market based on survey results

- More efforts should be made toward greater awareness, interest, and understanding within and outside the organizations to increase the AUM of impact investing (“The public’s awareness of and interest in impact investing (impact financing),” “Top management’s interest in and understanding of impact creation,” “Each company’s stakeholders’ interest and engagement (e.g., asset owners, shareholders, investors),” etc.). (Figures 28 and 29)
- More focused efforts should be made so that greater examples and know-how about IMM and regulations will be available to encourage more organizations to enter the market (e.g., “Greater domestic and international trends, prior examples, and practical know-how about impact measurement and management (IMM),” “More prior examples of how information disclosure regulations and fiduciary duties have been met,” etc.). (Figure 29)
- Improvements should be made to establish a market environment that has been relatively slow to develop in order to meet the needs of investors (“Establishment of impact measurement and management (IMM) as rules and common practice,” “Accumulating examples and data about impacts and returns,” “Incentives for impact investing (impact financing) provided by the government and/or municipalities (e.g., a tax break),” etc.). (Figure 30)
- It is not clear whether or not the measures that have made significant progress over the past years have reached at the desirable level. Efforts should be continued to remain updated on the current state and to make necessary improvements. (Figure 30)

Conclusion

In recent years, non-government organizations and public institutions overseas have been accelerating their efforts to build up knowledge and data about impact investing as common practices, and their counterparts in Japan have been actively launching new programs and initiatives. We do hope that the challenges regarding impact investing will be tackled and issues will be solved leveraging abovementioned favorable trends.

The Japan National Advisory Board, the Global Steering Group for Impact Investment (GSG Japan NAB) is committed to conducting research, publication and advocacy as Japan's impact investing promotion body while working with its fellow organizations both home and abroad. We believe that this report, a fixed-point observation of the current situations of impact investing in Japan, is going to serve as a foundation for further discussion, to provide suggestions for practice, and thereby to play a meaningful role in Japan's impact investing arena.

We again would like to express our appreciation to all the people and organizations that participated in the Questionnaire Survey regarding Impact Investing (2023). It is our hope that this report contributes to solving social issues through impact investing.

Afterword: Editors' Postscript

Secretariat, GSG Japan NAB / Japan Social Innovation and Investment Foundation (SIIF)
Report Production Team for "The Current State and Challenges of Impact Investing in Japan – FY2023 Survey"

Kyoji Sasaki Project Leader, SIIF Impact Economy Lab

As the Project Leader, I undertook the planning and design of the research, conducted the survey, analyzed the responses, and authored this report, similar to last year. This year, we revised some survey questions to enable new comparative analyses. Chapter 3 presents the outcomes, which I trust are robust and reliable. With increased participation from organizations compared to last year, we have gained a more precise understanding of the impact investing market in Japan. We are thrilled to offer this valuable information to our readers. I want to extend my gratitude to everyone who participated in the survey. We hope this report will be widely shared among market participants and serve as a tool for constructive dialogue, fostering a robust impact-investing market that resists impact-washing and continues to thrive. Our team is committed to enhancing the survey's quality through ongoing dialogue with our readers. We would greatly appreciate your candid feedback and opinions.

Satoshi Oda Project Advisor, SIIF Knowledge Development Officer

As Project Adviser, I participated in all stages of the project to control quality. I also analyzed "Conditions that further facilitate impact investing" that have continued to be a part of the survey. It goes without saying that identifying the scale of impact investing is critical; I also believe that identifying what promotes or hinders impact investing is equally important. We made hypotheses from a limited amount of information and interview records when we tried to infer those factors. However, we quite often learned that the survey results quite differed from prior hypotheses. For example, we had imagined prior to the survey that financial institutions and social entrepreneurs would place importance on "Greater availability of professionals capable of helping impact-driven companies make large profits and exit" (i.e., availability of experts) and "Certification/Labeling systems by public/third-party institutions." However, much fewer respondents, whether they were impact investing or non-impact investing organizations, selected these answers as important factors than expected. This experience taught us that when SIIF is poised to make policy recommendations, we need to remain open-minded to accept the dynamics of various players and their views instead of sticking to hypotheses and deductions. This is much like evidence-based policy making (EBPM) that has often been mentioned in the world of public administration in recent years. We will remain committed with humility to improving the methods of the survey and analysis so that we will offer valuable knowledge and insight to society.

For inquiries regarding the questionnaire

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

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