

## **Introducing JIAA**

The Japan Investment Advisers Association (hereinafter referred to as “JIAA”) is positioned as an Authorized Financial Instruments Firms Association authorized by the Prime Minister pursuant to the provisions of Article 78 of the Financial Instruments and Exchange Act (hereinafter referred to as the “Act”).

JIAA was established as a self-regulatory organization (SRO) in October 1987 from the viewpoint of focusing more on the industry’s self-helping efforts for proper implementation of laws and regulations with less reliance on government agencies. In order to achieve its aim of helping protect investors, JIAA carries out a wide range of activities including establishment, amendment and abolition of self-regulatory rules. JIAA also acts as a trade association for the sound development of the industry.

JIAA is expected to act as an intermediary between the asset management industry and the relevant authorities in order to help both members and the authorities have better communication with one another, which should contribute to facilitating innovation and establishing a better regulatory environment.

Following the enactment of the Act in September 2007, the investment advisory business has been reorganized into the Investment Management Business and Investment Advisory & Agency Business. Further, securities management firms related to real estate and fund management firms have newly joined JIAA, which has helped diversify its member structure. In addition, the number of members has increased significantly since the enforcement of the Financial ADR System, established in October 2010, under which investment advisers must take necessary measures for handling complaints and solving disputes.

JIAA has 789 members and the amount of assets under management of Investment Management Members has reached about 157 trillion yen as of March 31, 2012.

*The name of the Association was changed from the Japan Securities Investment Advisers Association (JSIAA) to the Japan Investment Advisers Association (JIAA) on July 2, 2012.*

# **Investment Management Business**

The Investment Management Business in which members are engaged is classified into the following two sub-categories.

(1) Discretionary Investment Management Business: Members make investments with the authority necessary to make investment decisions and exercise investment discretion entrusted by their clients under a discretionary investment management contract.

(2) Fund Management Business: Members manage pooled fund assets designed to invest mainly in securities in order to help venture corporations grow or turn around failed corporations.

In case of private real estate related funds, it is common for them to manage those assets under the discretionary investment management contract mentioned in (1) above.

# **Investment Advisory & Agency Business**

The Investment Advisory & Agency Business is classified into the following two sub-categories:

- (1) Investment Advisory Business: Members provide investment advice about financial instruments such as securities to their client under an investment advisory contract.
- (2) Agency Business: Members act as an agent or intermediary for concluding a discretionary investment management contract between an investment management firm and an investor, or an investment advisory contract between an investment advisory firm and an investor.

*Those firms seeking to engage in the Investment Management Business and/or Investment Advisory & Agency Business must obtain registration from the Prime Minister.*

# Activities of JIAA

## 1. Establishment and Enforcement of Self-Regulatory Rules, etc.

JIAA is dedicated to promoting fair business conduct by members and enhancing social confidence. It strives to do this by establishing self-regulatory rules, providing members with onsite guidance, helping members comply with those rules by conducting several questionnaires, and taking disciplinary actions if necessary in order to protect investors.

## 2. Representation and Advocacy before Relevant Authorities for Deregulations, etc.

JIAA actively presents its positions before the government authorities and other organizations concerned. The main examples of deregulations and such like so far are as follows.

- (1) Licensed investment advisers have been allowed to participate in managing the assets of employees' pension funds since April 1990. Thereafter, they have been allowed to participate in managing the assets of various pension funds such as the Pension Welfare Service Public Corporation (at the time) and National Pension Funds.
- (2) The amendment of the Japan Post Law in July 2003 has enabled investment advisers to participate in managing the assets of postal savings (*Yucho*) and insurance (*Kampo*).
- (3) JIAA submitted comments on the "Draft Revision of OECD Corporate Governance Principles" in January 2004, and they were reflected in the Principles.
- (4) JIAA submitted "Opinions toward the Investment Services Law (Provisional)" to the FSA in January 2006, and many of our requests have been reflected in the Act. Further, many requests for the proposed Cabinet Office Ordinance of the Act, etc., after tough negotiations with the FSA, have been adopted in the final versions of those rules.
- (5) JIAA submitted a request for a review of taxation for foreign limited partners in a limited partnership for investment, and it was reflected in the "Cabinet Order for amending a Part of the Cabinet Order for Enforcement of the Act on Special Measures Concerning Taxation," enacted on March 31, 2010.

### **3. Publication of Statistics and Preparing of Reference Materials**

JIAA provides disclosure materials with regard to the Investment Management Business and Investment Advisory & Agency Business conducted by members, prepares and publicizes various statistics, makes unified accounting standards, and draws up samples of documents including those required by the Act or the contract in order to help members make better management decisions.

### **4. Consultation and Mediation with regard to Complaints**

JIAA entrusts its activities on consultation and mediation with regard to complaints about members' conduct and services to the Financial Instruments Mediation Assistance Center (FINMAC) which conducts those activities fairly and neutrally. JIAA receives relevant information as feedback from FINMAC and makes it available for members when reviewing their activities.

### **5. Corporate Governance**

JIAA conducts various activities related to corporate governance such as establishing the Guideline for Exercising Proxy Voting and submitting opinions to improve corporate governance. Further, JIAA established the Corporate Governance Study Group in 2011 in order to contribute to creating an environment where investee companies and their stakeholders such as shareholders can have constructive discussions. The contents of the discussions have been made available on its website.

### **6. Efforts for Personal Information Protection**

JIAA, as an Authorized Personal Information Protection Organization, has established a help desk to offer consultation with regard to complaints and has been engaged in various activities which help protect personal information.

## **7. International Exchange**

JIAA is committed to promoting active international exchange with related entities overseas and monitoring current overseas developments. JIAA makes such information available for members while utilizing it to push forward with the activities of JIAA.

## **8. Training Programs and Seminars**

JIAA conducts various training programs and seminars to enhance the quality, skills and expertise of compliance personnel and the fund managers or analysts of members.

## **9. Establishment of Sponsored Courses at Universities**

JIAA, cooperating with the Investment Trusts Association, Japan, has established sponsored courses for university students as part of investor education activities. In 2012, JIAA will conduct six courses at Waseda University, Hitotsubashi University, Osaka University, Kyoto University, Kobe University and Nagoya University.

## **10. Public Relations and Publications**

JIAA conducts various public relations activities to help investors have a better understanding of the industry through various media including public relations brochures called “Toshi Komon,” newspapers, magazines, and its website. In March 2010, a book titled “An Invitation to Asset Management” that contains transcripts of the lectures given in the sponsored courses was published.

## Organizational Structure of JIAA

JIAA consists of

- (1) The **General Assembly**, the supreme decision making body;
- (2) The **Board of Directors**, the executive body; and
- (3) Two **Standing Committees** and their **Sub-Committees**.

Further, JIAA has the **Discipline Committee** as an advisory body to the Chairman to provide recommendations on taking disciplinary actions and monitor the observance of the self-regulatory rules.

Functions of Standing Committees

- (1) The **Business Committee** deals with:
  - (a) Issues concerning business management of members, and
  - (b) Issues concerning activities of JIAA and other issues which are deemed to be important in managing JIAA.
- (2) The **Self-Regulatory Committee** deals with:
  - (a) Establishing, amending and abolishing self-regulatory rules and implementing “Follow-up Questionnaires,” and
  - (b) Other issues concerning self-regulatory rules.

## DIRECTORS AND AUDITORS

(as of July 6, 2012)

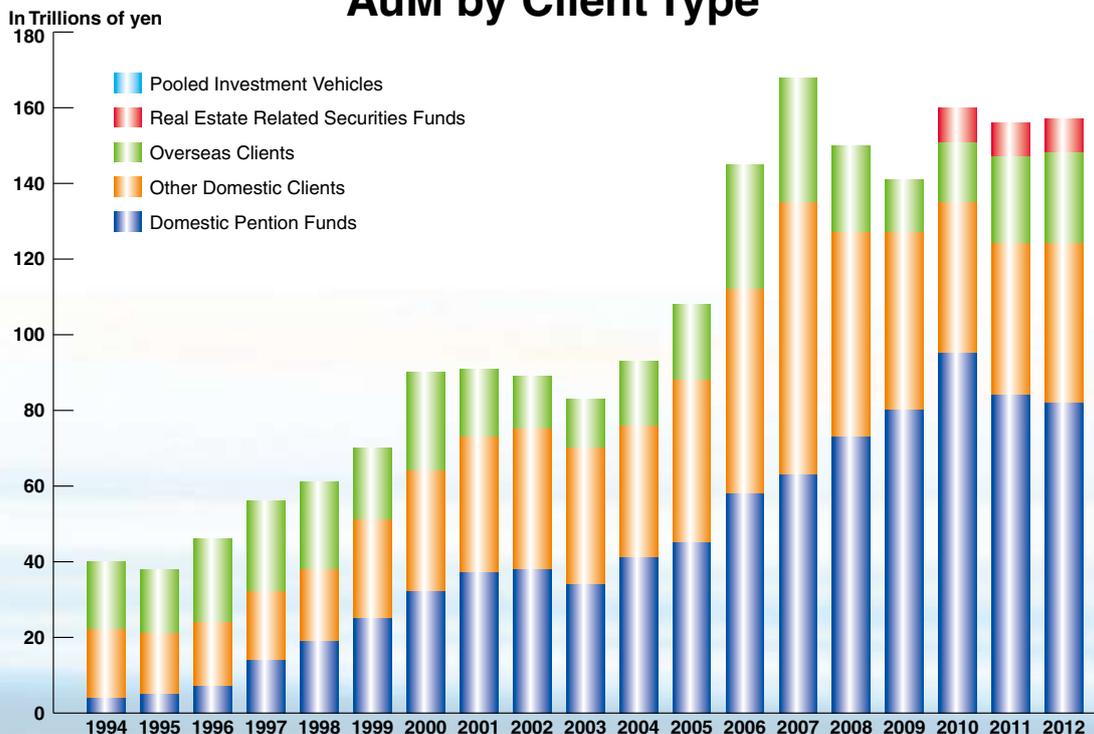
CHAIRMAN	Yoichiro Iwama	
VICE CHAIRMAN	Nobuaki Inomata	President , Representative Director JP Morgan Asset Management (Japan) Ltd.
VICE CHAIRMAN	Kiyoshi Ujihara	President & Chief Executive Officer Nissay Asset Management Corporation
VICE CHAIRMAN	Masamichi Yokoi	President & CEO Daiwa SB Investments Ltd.
VICE CHAIRMAN & SENIOR MANAGING DIRECTOR	Kazuhiko Nagao	
DIRECTOR	Jun-ichi Aizawa	Executive Managing Director Daiwa Securities Co.,Ltd.
DIRECTOR	Hiroyuki Arita	Representative Director & Senior Executive Director BlackRock Japan Co.,Ltd.
DIRECTOR	Hidemi Ijichi	Senior Executive Director Japan Securities Dealers Association
DIRECTOR	Fumio Inui	Vice Chairman The Investment Trusts Association,Japan
DIRECTOR	Teruaki Ueda	President Daiwa Corporate Investment Co.,Ltd.
DIRECTOR	Jun Uno	Professor Waseda Graduate School of Finance,Accounting and Law
DIRECTOR	Akiyoshi Oba	President & CEO Tokio Marine Asset Management Co.,Ltd.
DIRECTOR	Masashi Ohmatsu	Representing Director & CEO UOB Asset Management (Japan) Ltd.
DIRECTOR	Hiroyuki Okuyama	Executive Board Member The Japanese Institute of Certified Public Accountants
DIRECTOR	Shinichiro Tanaka	President Mizuho Asset Management Co.,Ltd.
DIRECTOR	Yoshihito Bando	Executive Officer Mizuho Trust & Banking Co.,Ltd.
DIRECTOR	Yasuaki Fukui	President & CEO Nomura Real Estate Asset Management Co.,Ltd.
DIRECTOR	Ichiro Makijima	Executive Managing Director The Association for Real Estate Securitization
DIRECTOR	Noboru Matsuda	Attorney at Law Matsuda Noboru Law Office
DIRECTOR	Ken Yagi	President & Chief Executive Officer Bayview Asset Management Co.,Ltd.
STANDING AUDITOR	Hideo Tokunou	
AUDITOR	Yuuki Sakurai	President & Chief Executive Officer Fukoku Capital Management, Inc.
AUDITOR	Toshiyuki Yoshino	President Okasan Asset Management Co.,Ltd.

## Number of Members



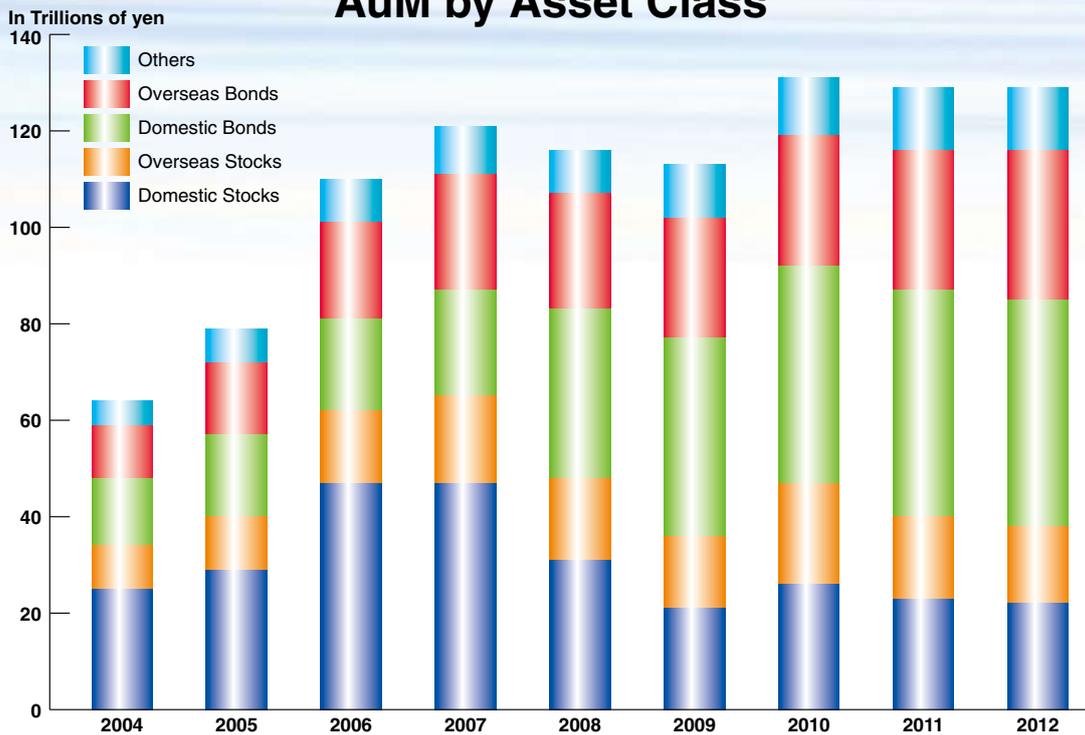
The number of members has been growing especially since the enforcement of the Financial ADR System under which investment advisers must take the necessary measures for handling complaints and solving disputes.

## AuM by Client Type



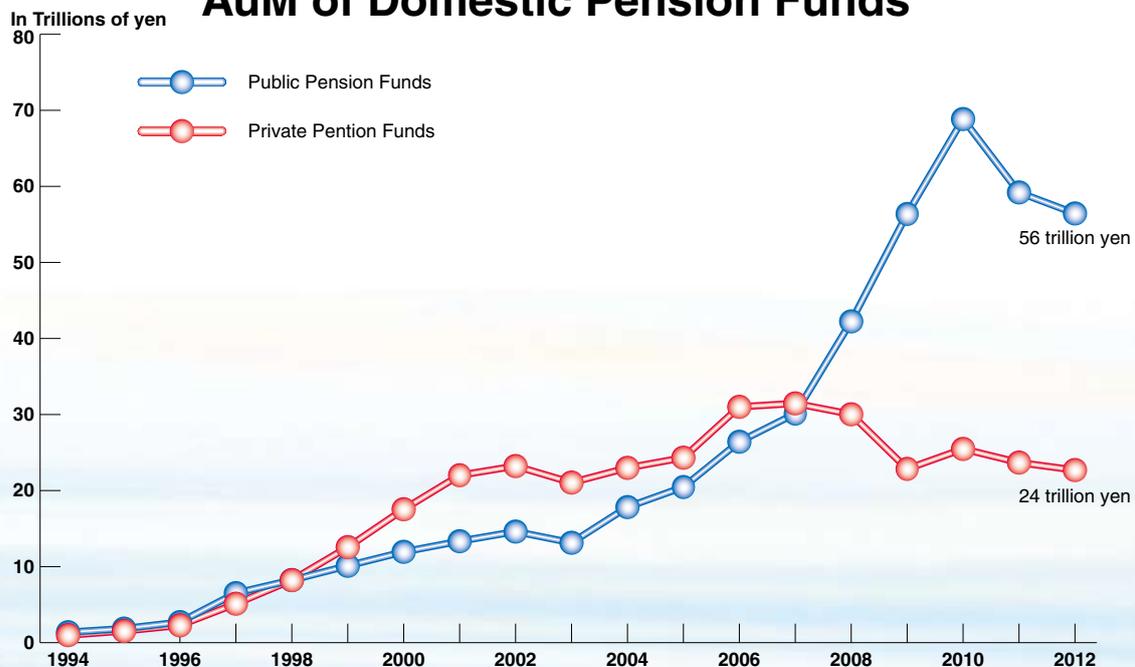
The total AuM of Investment Management Members has increased to 157 trillion yen, which is 1.7 times the AuM as of 2002. This chart shows that domestic pension funds account for about 50% of the total AuM.

## AuM by Asset Class



The ratio of domestic stocks has been declining due to the poor performance of Japanese stocks reflecting a global economic slowdown caused by the financial crisis that began in 2008. In contrast, that of domestic bonds increased to 35% as of March 2012.

## AuM of Domestic Pension Funds

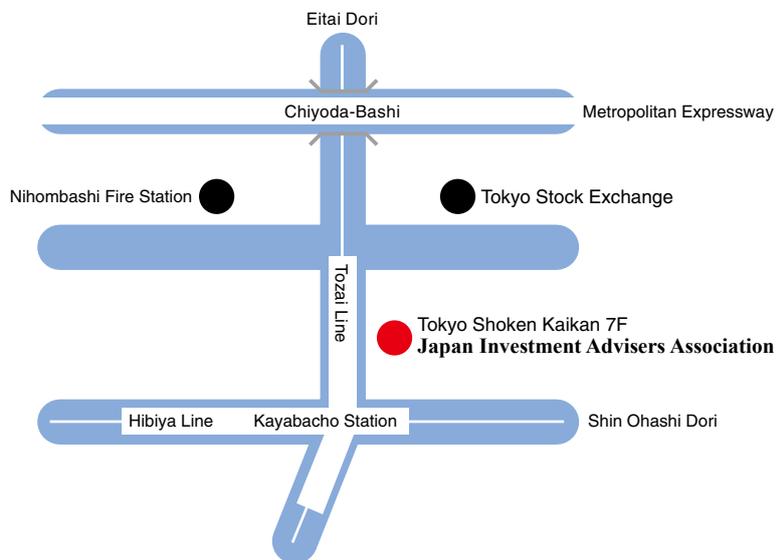


Although there has been some fluctuations caused by the movement of markets, the AuM of domestic pension funds has been steadily increasing. Especially, the growth of AuM of public pension funds is significant. This appears to have been achieved mainly because of the reform of the Fiscal Investment and Loan Program in 2001, which allowed the assets of public pension funds to be managed in the markets.

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## MAP

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# Japan Investment Advisers Association

<http://www.jiaa.or.jp/>

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