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### Feature Articles

#### This month's focus: **Growth Capital and Reconsideration of Public-Private Funds**

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Public and private funds in Japan contribute a share of fund supply and are some help in finding a new sustainable economic model. Good results have been obtained from the viewpoint of seeking investment targets, but there are public/private funds which have not entered a collection period yet, and achievement as a whole has to wait. Trying to keep a balance between profitability and the public interest, while devoting oneself to commercial activity complementation, is challenging.

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This article discusses the contributions of/issues facing public-private investment funds, focusing on the venture capital market in Japan. Some theoretical arguments suggest that government intervention in the market promotes efficiency, but others cast doubt on the effects. Empirical research does not conclusively indicate whether governments succeed in improving the financing environment surrounding entrepreneurial ventures. Public-private investment funds seemingly contribute to expansion of the venture capital market. However, some issues related to the need for government intervention, the crowding-out of private venture capital, and government capabilities have to be addressed.

<b>Tokyo Metropolitan Government Tackles Challenge of Investing in Funds to Support Developing Technology Ventures/SMEs</b> .....	<i>Atsuki Isoda, CMA</i>	26
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While technology ventures/SMEs are significant drivers of economic growth, in recent years most SMEs have been struggling with business succession/ownership transfer, and, simultaneously the amount of money being invested in technology ventures has been much below the level in countries like the US and China.

The Tokyo Metropolitan Government (TMG) invests in venture funds/private equity funds that finance technology ventures and also SMEs in order to stimulate economic activity as such funds are effective not only in giving support from the financial perspective but also in improving business conditions and access to resources.

However, while the space in which TMG can maneuver could be described as a

‘narrow path’ and financial return is required, the goal of stimulating ventures and SME activities needs to somehow be achieved.

This report describes actual operation and challenges in reaching the goal.

### **Analyzing Public-Private Investment Funds from Legal Aspects**

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Public-private investment funds are different from ordinary investment funds in that they aim to implement multiple policy objectives. This paper analyzes such nature of public-private investment funds from principal-agent theory, and proposes simplifying the policy objectives of public-private investment funds. It also analyzes the adequate relationship between public-private investment funds and private sector funds, as well as issues arising from the temporality of public-private investment funds.

### **34<sup>th</sup> SAAJ Annual Conference: Japan’s Future beyond Tokyo Olympics: Aiming at Sustainable Growth**

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## Article

**Importance of Shareholder Voting: Empirical Analysis of Director Elections**  
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In this paper, we study the relationship between shareholder voting in director elections and corporate management. As a result, we find that shareholders tend to voice criticism at the general shareholders’ meetings of companies with poor performance and weak governance. Also, we show that CEOs with low approval ratings subsequently improved performance and governance for shareholders. This means that shareholder voting may contribute to the improvement of corporate management and governance, and may play an important role in the improvement of shareholder value.

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