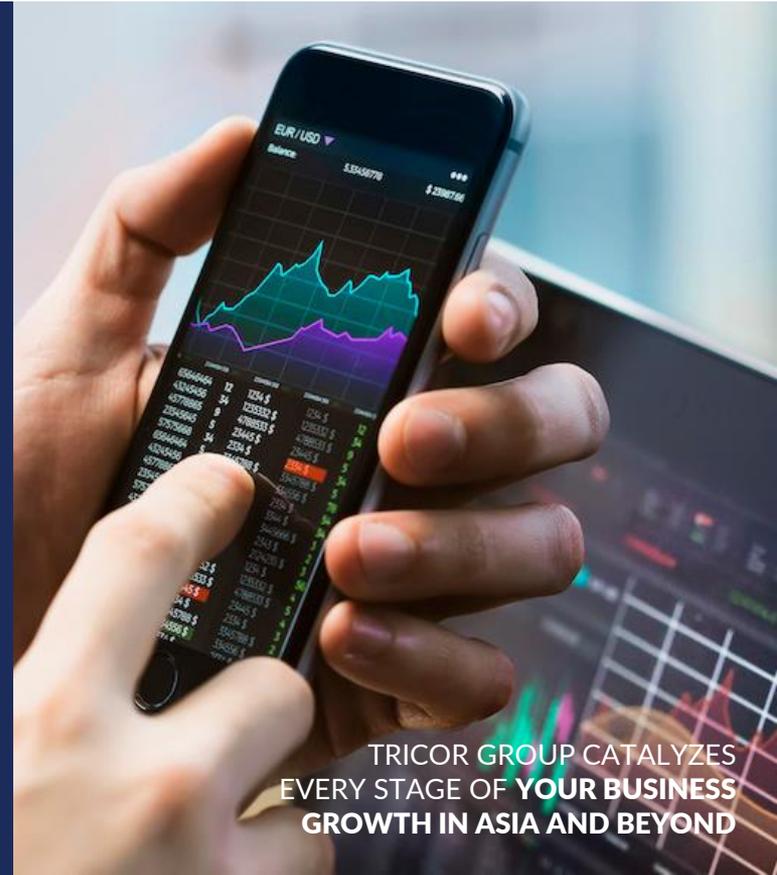


MARKET EXPANSION WEBINAR SERIES:

New Business Opportunities in Japan  
for Overseas Asset Managers 2022

## Part 5: Trading Public Securities in Japan

December 1, 2022 | 4 PM (JST / UCT+9)



TRICOR GROUP CATALYZES  
EVERY STAGE OF YOUR BUSINESS  
GROWTH IN ASIA AND BEYOND

## QUESTIONS:

- Please send us your questions through the Q&A Box
- We will answer them all together in the Q&A session at the end

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- Please take 1 minute to leave your feedback to help us continuously improve our webinar
- After the webinar, **do not close the Zoom window**, **click “Leave Meeting”** and screen will appear linking to a survey
- **Survey responders will receive a copy of today’s presentation materials**

# Today's Presenters

## GUEST SPEAKERS:



**Ross Tuttelman**  
Executive Director,  
Institutional Equity Division  
Morgan Stanley



**Yusuke Nobuta**  
Manager,  
Listing Department  
Tokyo Stock Exchange



**Kensuke Yazu**  
General Manager  
Osaka Exchange



**Shun Yanagisawa**  
Director, Japan Head of  
Futures, Clearing &  
FX Prime Brokerage Markets  
Citigroup Global Markets



**Koichiro Ohashi**  
Shareholder  
Greenberg Traurig



**Akemi Kito**  
Partner,  
Financial Services  
PwC Tax Japan



**Stuart Porter**  
Partner,  
Financial Services  
PwC Tax Japan

## FEATURED SPEAKERS:



**Takuma Tanaka**  
Deputy Director, Strategy  
Development Division  
Japan Financial Services  
Agency (JFSA)



**Kevin Smythe**  
Director, Sales  
& Marketing  
Tricolor Japan



**Gary Tok**  
Group Chief  
Commercial Officer  
Tricolor Group

## MODERATOR:

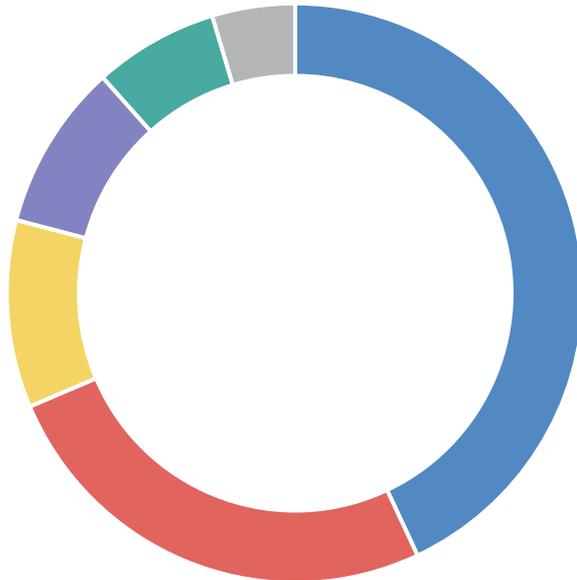
# Schedule

Opening by Gary Tok (Tricolor Group)

-  **4:05pm** **International Financial Center Initiative** Takuma Tanaka (Japan Financial Services Agency)
-  **4:10pm** **Japan Wants You** Kevin Smythe (Tricolor Japan)
-  **4:15pm** **Japan's Equity Market** Ross Tuttelman (Morgan Stanley)
-  **4:30pm** **Recent Tokyo Stock Exchange Reforms** Yusuke Nobuta (Tokyo Stock Exchange)
-  **4:45pm** **Trading Opportunities of Japan's Derivatives Market** Kensuke Yazu (Osaka Exchange)
-  **5:00pm** **Trading Derivatives in Japan** Shun Yanagisawa (Citigroup Global Markets)
-  **5:15pm** **Financial License Registration & Trading in Japan - Legal Regulations** Koichiro Ohashi (Greenberg Traurig)
-  **5:45pm** **Establishing a Japan Office - Tax Considerations** Akemi Kito & Stuart Porter (PwC Tax Japan)
-  **6:15pm** **Q&A Session** Gary Tok (Tricolor Group)
- 6:30pm** Closing by Gary Tok (Tricolor Group)

# A little about you, the audience - Location

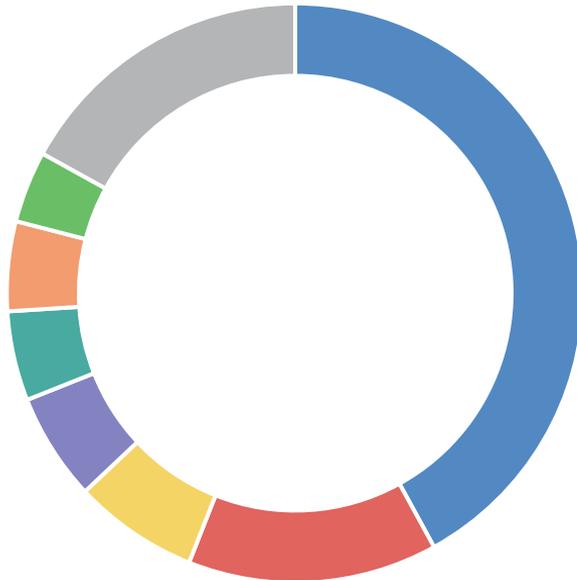
## WHERE IS YOUR COMPANY BASED?



Japan	44%
Hong Kong SAR	26%
Singapore	11%
United States	9%
Other APAC	7%
Other	3%

# A little about you, the audience - Industry

## WHAT INDUSTRY IS YOUR COMPANY INVOLVED IN?



Financial Services	42%
Banking & Securities	14%
Consulting	7%
Accounting	6%
Real Estate	5%
Government	5%
Financial Software	4%
Other	17%

# International Financial Center Initiative

Takuma Tanaka

Deputy Director

Strategy Development Division

Japan Financial Services Agency (JFSA)



# International Financial Center Initiative



The “International Financial Center Initiative” continues to be a top priority for the Government of Japan.

“ In order to realize the new form of capitalism I illustrated today, **we need to revive Japan as an international financial center.** ”

When I was the Chairperson of the Policy Research Council of the Liberal Democratic Party, I made decisions that helped to facilitate the entry of foreign investment managers, revive of the corporate governance code, and introduce greater flexibility in the requirements for professional investors. **As Prime Minister, I will continue to lead to achieve steady progress.** ”

*Speech by Prime Minister KISHIDA Fumio at the Guildhall in London (May 5, 2022)*

# Financial Market Entry Office

Since its opening, the Financial Market Entry Office has completed twelve registration cases.

Nov.	Name	Registration Date	Licenses	From
1	Affirmative Investment Management	Apr. 2021	IAA	GBR
2	Schonfeld Strategic Advisors	May 2021	IM & IAA	USA
3	Columbia Threadneedle Investments	Aug. 2021	IAA	USA
4	Dymon Asia Capital Japan	Aug. 2021	Pro-IM	SGP
5	EQT Partners	Dec. 2021	IAA	SWE
6	Minerva Growth Partners	Feb. 2022	IAA	HKG
7	Federated Hermes	Apr. 2022	IAA	USA
8	BMO Japan Securities	Jun. 2022	Type I	CAN
9	Pantheum Partners	Jul. 2022	IAA	HKG
10	Columbia Threadneedle Investments	Aug. 2022	Type II	USA
11	Citadel Securities	Aug. 2022	Type I	USA
12	EQT Partners	Sep. 2022	Type II	SWE
13	HS Group Japan Cayman	Nov. 2022	IAA	HKG

# Financial Market Entry Office - Case Studies

Our official website publishes several “case studies” to share practical insights for incoming asset managers.



June 2021  
**Affirmative Investment Management Japan Inc.**  
Mitsuo Kojima  
President &  
Representative Director



March 2022  
**Minerva Growth Partners, Inc.**  
(Left) Kei Nagasawa  
(Right) Kensuke Murashima  
Representative Director,  
Co-Founder & Managing  
Partner



October 2021  
**Columbia Threadneedle Investments Japan Co., Ltd.**  
Yoshihisa Kojima  
Representative Director &  
CEO, Head of Japan



June 2022  
**Federated Hermes Japan Ltd.**  
Wataru Horii  
Representative Director,  
Head of Distribution,  
Japan

# Japan Wants You

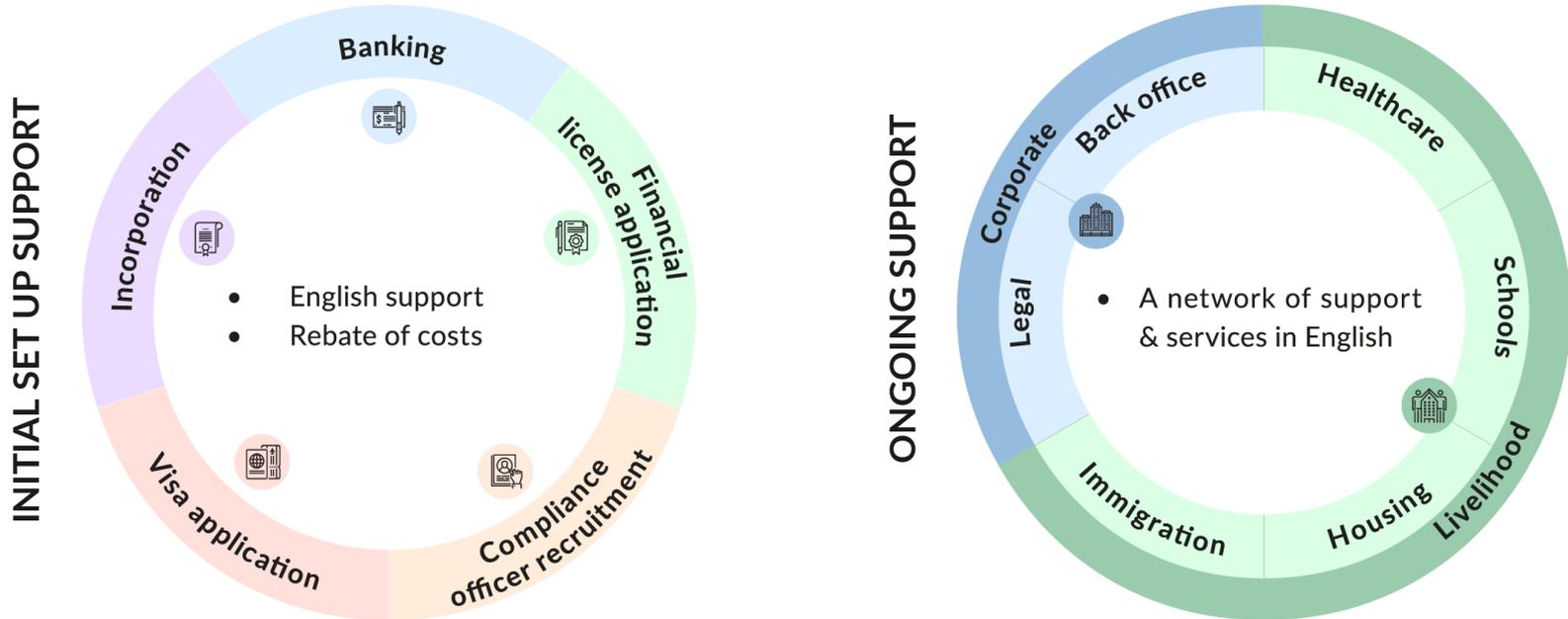
Kevin Smythe  
Director, Sales & Marketing  
Tricolor Japan

tricolor



# Financial Start-up Support Program

The Financial Start-up Support Program is one-stop solution for foreign asset managers looking to enter the Japanese market.



# Eligibility - Who Can Apply?

Successful applicants must fulfil both of the following categories (a) and (b)

## (a) Applicant who falls under either of the following categories

- ① Applicant who is engaged in the business described in items (i) and (ii) below in a foreign country respectively for the categories set forth in item (i) and (ii).
  - (i) Applicant wishing to register for Type 1 Financial Instruments Business: Same kind of business as Type-I Financial Instruments Business
  - (ii) Applicant wishing to register for the business listed in (b)②-④: Same kind of business as Investment Advisory and Agency Business or Investment Management Business
2. Parent company, etc., subsidiaries, etc., or affiliated companies, etc. of an entity engaged in business prescribed in ①
- ③ Applicant who has worked in an entity engaged in business prescribed in ① as a senior officer or employee (i.e. where he/she is named as a senior officer or an important employee in the application documents)

## (b) Application for either of the following types of business under the Financial Instruments and Exchange Act ("FIEA")

- ① Type-I Financial Instruments Business\*1 (Article 28(1) of the FIEA)
- ② Investment Management Business (Article 28(4) of the FIEA)
- ③ Investment Advisory and Agency Business (Article 28(3) of the FIEA)
- ④ Type-II Financial Instruments Business relevant to asset management business in either of the following cases
  - (i) where selling a beneficial certificate of an investment trust or a fund established by itself (Article 28(2)(i) of the FIEA)
  - (ii) where conducting a so-called Deemed Type-II Financial Instruments Business operated by Asset Management Company of an Investment Corporation or an operator of Investment Management Business for Qualified Investors (Article 196(2) of the Act on Investment Trusts and Investment Corporations and Article 29-5(2) of the FIEA)

\*1 Type-I Financial Instruments Business that is conducted for professional investors and in which the securities handled are only certain securities, such as beneficiary certificates of foreign investment trusts and foreign investment securities.



Note: If you are eligible, please fill out the application form. You will be contacted by Tricolor Japan after submitting the application form. At the end of the process, JFSA will determine whether you are eligible for this program or not.

# Japan's Equity Market

Ross Tuttelman  
Executive Director, Institutional Equity Division  
Morgan Stanley

Morgan Stanley



# Recent Tokyo Stock Exchange Reforms

Yusuke Nobuta  
Manager, Listing Department  
Tokyo Stock Exchange



JPX Group operates the financial instruments market, an infrastructure that supports the Japanese economy.

- Tokyo Stock Exchange(TSE) operates the **cash market**, including equities.
- Osaka Exchange(OSE) and Tokyo Commodity Exchange(TOCOM) operate the **derivatives market**.
- Self-regulation and clearing services are also conducted within the JPX group.

## Japan Exchange Group, Inc.

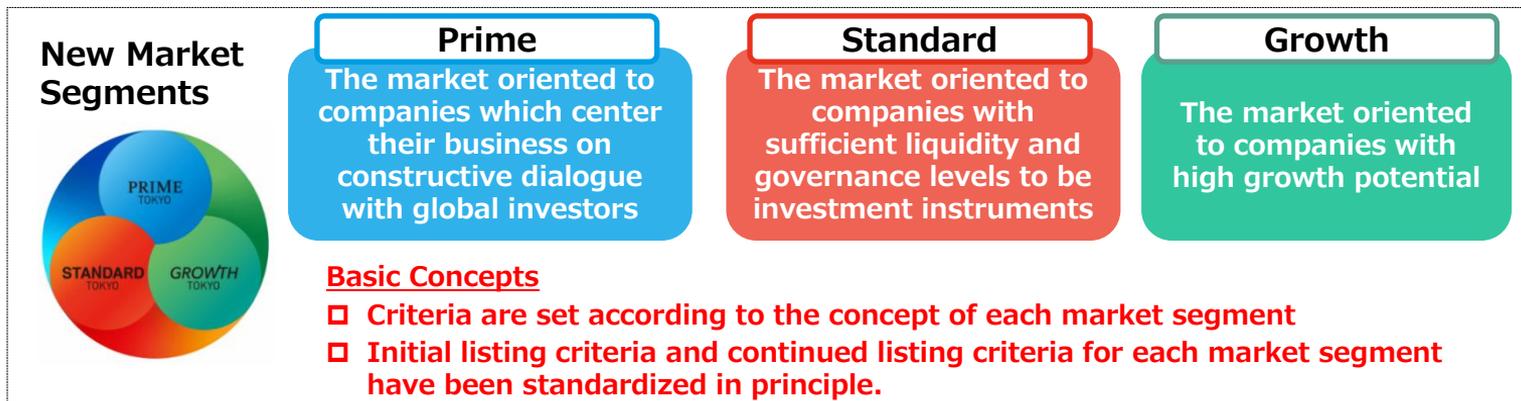


# Overview of TSE Market Restructuring

- On April 4, 2022, TSE restructured the cash equity market to incentivize sustainable growth and medium- to long-term corporate value creation at listed companies, thereby providing an attractive market that gains support from various types of investors both domestic and overseas.



Transition to new market segments on April 4, 2022



# (Reference) Listing Criteria for the Prime Market

## Concept

- For companies which have appropriate levels of market capitalization (liquidity) to be investment instruments for many institutional investors, keep a higher quality of corporate governance, and commit to sustainable growth and improvement of medium- to long-term corporate value, putting constructive dialogue with investors at the center.

## Listing Requirements

Item	Purpose	Outline of Listing Requirements		
Liquidity	<ul style="list-style-type: none"> <li>Basic criteria to ensure effective basis of ample liquidity for various types of institutional investors to find the stocks investable</li> </ul>	Criteria	Initial Listing	Continued Listing
		No. of Shareholders	At least 800 shareholders	At least 800 shareholders
		No. of Tradable Shares	At least 20,000 units	At least 20,000 units
		Tradable Share Market Cap	At least JPY 10 bn.	At least JPY 10 bn.
		Trading Value	At least JPY 25 bn. mkt. cap	At least daily JPY avg. 20 mn.
Governance	<ul style="list-style-type: none"> <li>Basic criteria to ensure effective foundation for constructive dialogue between listed companies and institutional investors</li> <li>※ Revised CG Code fully applied(*)</li> </ul>	<ul style="list-style-type: none"> <li>To ensure constructive dialogue with institutional investors, must maintain "public market control" by keeping tradable share ratio, with so-called "stable shareholders" holding less than 2/3 of shares (threshold to pass a special resolution under the Companies Act)</li> </ul>		
		Criteria	Initial Listing	Continued Listing
		Tradable Share Ratio	At least 35%	At least 35%
Business Performance Financial Status	<ul style="list-style-type: none"> <li>Stable and Excellent Revenue/Financial Base</li> </ul>	Criteria	Initial Listing	Continued Listing
		Business Performance	Total profit for recent 2 yrs., at least JPY 2.5 bn. Sales at least JPY 10 bn. & market cap at least JPY 100 bn.	—
		Financial Status (Shareholder Equity)	at least JPY 5 bn.	positive

(\*) including principles requiring a higher level of governance applied to Prime-listed companies

# (Reference) Listing Criteria for the Standard Market

## Concept

- For companies which have appropriate levels of market capitalization (liquidity) to be investment instruments in the open market, keep the basic level of corporate governance expected of listed companies, and commit to sustainable growth and improvement of medium- to long-term corporate value.

## Listing Requirements

Item	Purpose	Outline of Listing Requirements																						
<b>Liquidity</b>	<ul style="list-style-type: none"> <li>Basic criteria to ensure appropriate liquidity for smooth trading by public investors</li> </ul>	<table border="1"> <thead> <tr> <th data-bbox="788 408 1083 452">Criteria</th> <th data-bbox="1083 408 1412 452">Initial Listing</th> <th colspan="2" data-bbox="1412 408 1740 452">Continued Listing</th> </tr> </thead> <tbody> <tr> <td data-bbox="788 452 1083 490">No. of Shareholders</td> <td data-bbox="1083 452 1412 490">At least 400 shareholders</td> <td colspan="2" data-bbox="1412 452 1740 490">At least 400 shareholders</td> </tr> <tr> <td data-bbox="788 490 1083 528">No. of Tradable Shares</td> <td data-bbox="1083 490 1412 528">At least 2,000 units</td> <td colspan="2" data-bbox="1412 490 1740 528">At least 2,000 units</td> </tr> <tr> <td data-bbox="788 528 1083 566">Tradable Share Market Cap</td> <td data-bbox="1083 528 1412 566">At least JPY 1 bn.</td> <td colspan="2" data-bbox="1412 528 1740 566">At least JPY 1 bn.</td> </tr> <tr> <td data-bbox="788 566 1083 604">Trading Value</td> <td data-bbox="1083 566 1412 604">-</td> <td colspan="2" data-bbox="1412 566 1740 604">At least monthly avg.10 units</td> </tr> </tbody> </table>			Criteria	Initial Listing	Continued Listing		No. of Shareholders	At least 400 shareholders	At least 400 shareholders		No. of Tradable Shares	At least 2,000 units	At least 2,000 units		Tradable Share Market Cap	At least JPY 1 bn.	At least JPY 1 bn.		Trading Value	-	At least monthly avg.10 units	
Criteria	Initial Listing	Continued Listing																						
No. of Shareholders	At least 400 shareholders	At least 400 shareholders																						
No. of Tradable Shares	At least 2,000 units	At least 2,000 units																						
Tradable Share Market Cap	At least JPY 1 bn.	At least JPY 1 bn.																						
Trading Value	-	At least monthly avg.10 units																						
<b>Governance</b>	<ul style="list-style-type: none"> <li>Basic level of governance structure to achieve sustainable growth</li> <li>※ Revised CG Code fully applied</li> </ul>	<ul style="list-style-type: none"> <li>Basic level of tradable share ratios required as public company (same level as global stock exchanges)</li> </ul> <table border="1"> <thead> <tr> <th data-bbox="788 703 1083 746">Criteria</th> <th data-bbox="1083 703 1412 746">Initial Listing</th> <th colspan="2" data-bbox="1412 703 1740 746">Continued Listing</th> </tr> </thead> <tbody> <tr> <td data-bbox="788 746 1083 785">Tradable Share Ratio</td> <td data-bbox="1083 746 1412 785">At least 25%</td> <td colspan="2" data-bbox="1412 746 1740 785">At least 25%</td> </tr> </tbody> </table>			Criteria	Initial Listing	Continued Listing		Tradable Share Ratio	At least 25%	At least 25%													
Criteria	Initial Listing	Continued Listing																						
Tradable Share Ratio	At least 25%	At least 25%																						
<b>Business Performance</b>  <b>Financial Status</b>	<ul style="list-style-type: none"> <li>Stable revenue foundation and financial status</li> </ul>	<table border="1"> <thead> <tr> <th data-bbox="788 823 1083 867">Criteria</th> <th data-bbox="1083 823 1412 867">Initial Listing</th> <th colspan="2" data-bbox="1412 823 1740 867">Continued Listing</th> </tr> </thead> <tbody> <tr> <td data-bbox="788 867 1083 927">Business Performance</td> <td data-bbox="1083 867 1412 927">Profit at least JPY 0.1 bn. in the most recent yr.</td> <td colspan="2" data-bbox="1412 867 1740 927">-</td> </tr> <tr> <td data-bbox="788 927 1083 987">Financial Status (Shareholder Equity)</td> <td data-bbox="1083 927 1412 987">positive</td> <td colspan="2" data-bbox="1412 927 1740 987">positive</td> </tr> </tbody> </table>			Criteria	Initial Listing	Continued Listing		Business Performance	Profit at least JPY 0.1 bn. in the most recent yr.	-		Financial Status (Shareholder Equity)	positive	positive									
Criteria	Initial Listing	Continued Listing																						
Business Performance	Profit at least JPY 0.1 bn. in the most recent yr.	-																						
Financial Status (Shareholder Equity)	positive	positive																						

# (Reference) Listing Criteria for the Growth Market

## Concept

- For companies which have a certain level of market value by disclosing business plans for realizing high growth potential and their progress towards these appropriately and in a timely manner, but at the same time pose a relatively high investment risk from the perspective of business track record.

## Listing Requirements

Item	Purpose	Outline of Listing Requirements															
<b>Business Plans</b>	<ul style="list-style-type: none"> <li>A business plan to realize high growth potential and that enables investors to make reasonable investment decisions based on information disclosed</li> </ul>	<ul style="list-style-type: none"> <li>All requirements below must be met                             <ul style="list-style-type: none"> <li>Reasonable business plans in place</li> <li>Principle underwriter submits basis for its opinion on company's high growth potential</li> <li>Appropriate disclosure (after listing as well) on business plans and matters related to high growth potential (business model, market size, source of its competitive advantages, business risk)</li> </ul> </li> <li>Below required to ensure high growth potential is achieved/realized appropriately</li> </ul>															
		<table border="1"> <thead> <tr> <th>Criteria</th> <th>Initial Listing</th> <th>Continued Listing</th> </tr> </thead> <tbody> <tr> <td>Market Capital</td> <td>–</td> <td>from 10th yr. of IPO JPY 4bn.</td> </tr> </tbody> </table>	Criteria	Initial Listing	Continued Listing	Market Capital	–	from 10th yr. of IPO JPY 4bn.									
Criteria	Initial Listing	Continued Listing															
Market Capital	–	from 10th yr. of IPO JPY 4bn.															
<b>Liquidity</b>	<ul style="list-style-type: none"> <li>Minimum criteria to ensure appropriate liquidity for smooth trade by public investors</li> </ul>	<table border="1"> <thead> <tr> <th>Criteria</th> <th>Initial Listing</th> <th>Continued Listing</th> </tr> </thead> <tbody> <tr> <td>No. of Shareholders</td> <td>At least 150 shareholders</td> <td>At least 150 shareholders</td> </tr> <tr> <td>No. of Tradable Shares</td> <td>At least 1,000 units</td> <td>At least 1,000 units</td> </tr> <tr> <td>Tradable Share Market Cap</td> <td>At least JPY 0.5 bn.</td> <td>At least JPY 0.5 bn.</td> </tr> <tr> <td>Trading Value</td> <td>-</td> <td>At least monthly avg.10 units</td> </tr> </tbody> </table>	Criteria	Initial Listing	Continued Listing	No. of Shareholders	At least 150 shareholders	At least 150 shareholders	No. of Tradable Shares	At least 1,000 units	At least 1,000 units	Tradable Share Market Cap	At least JPY 0.5 bn.	At least JPY 0.5 bn.	Trading Value	-	At least monthly avg.10 units
		Criteria	Initial Listing	Continued Listing													
		No. of Shareholders	At least 150 shareholders	At least 150 shareholders													
		No. of Tradable Shares	At least 1,000 units	At least 1,000 units													
		Tradable Share Market Cap	At least JPY 0.5 bn.	At least JPY 0.5 bn.													
Trading Value	-	At least monthly avg.10 units															
<ul style="list-style-type: none"> <li>Basic level of tradable share ratios required as public company (same level as global stock exchanges)(*)</li> </ul>																	
<table border="1"> <thead> <tr> <th>Criteria</th> <th>Initial Listing</th> <th>Continued Listing</th> </tr> </thead> <tbody> <tr> <td>Tradable Share Ratio</td> <td>At least 25%</td> <td>At least 25%</td> </tr> </tbody> </table>			Criteria	Initial Listing	Continued Listing	Tradable Share Ratio	At least 25%	At least 25%									
Criteria	Initial Listing	Continued Listing															
Tradable Share Ratio	At least 25%	At least 25%															
<b>Governance</b>	<ul style="list-style-type: none"> <li>Governance standard appropriate to the level of size of business and growth stage</li> <li>※ Only Basic Principles of CG Code applied</li> </ul>	<table border="1"> <thead> <tr> <th>Criteria</th> <th>Initial Listing</th> <th>Continued Listing</th> </tr> </thead> <tbody> <tr> <td>Tradable Share Ratio</td> <td>At least 25%</td> <td>At least 25%</td> </tr> </tbody> </table>	Criteria	Initial Listing	Continued Listing	Tradable Share Ratio	At least 25%	At least 25%									
		Criteria	Initial Listing	Continued Listing													
Tradable Share Ratio	At least 25%	At least 25%															

(\*) Startups using voting right class shares in IPOs will be subject to the same rules as applied now.

# Comparison with Global Exchanges (1) (Prime Market)

- Compared to major overseas markets, Prime Market listing standards are the most stringent.

Criteria	TSE Prime Market	NYSE	LSE Premium	NASDAQ Global Select	HKEx Main board	SGX
No. of Shareholders	800	400	NA	450	300	500
No. of Tradable Shares	2M	1.1M	NA	1.25M	NA	NA
Tradable Share Market Cap.	JPY 10bn.	JPY 4.6bn. (USD 40mn.)	NA	JPY 5.2bn. (USD 45mn.)	JPY 1.9bn. (HKD 125mn.)	NA
Tradable Share Ratio (%)	35%	NA	15%	NA	15~25%	12~25%

# Comparison with Global Exchanges (2) (Prime Market)

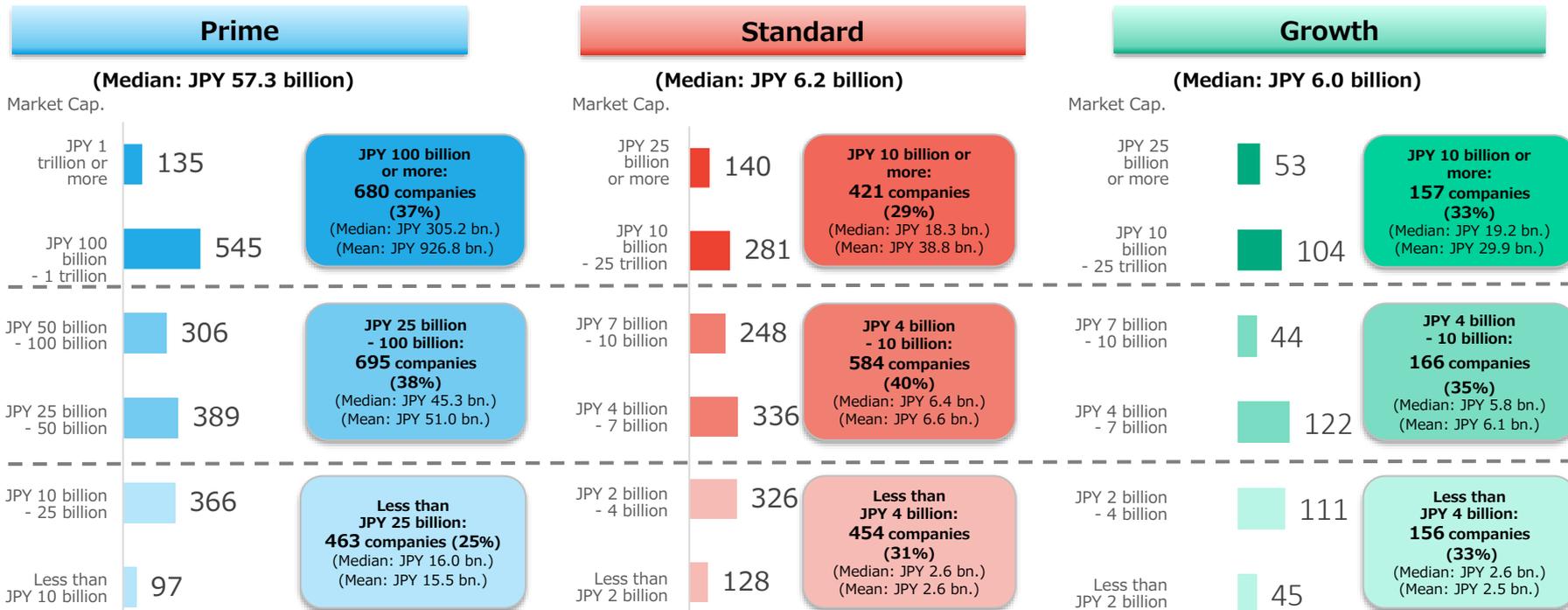
Item	TSE (Old)	TSE (New)	Multiple Segments			One Segment	
			NASDAQ	LSE	Deutsche Boerse	NYSE	HKEx
Name	1st section	<b>Prime</b>	Global Select	Premium	Prime	NYSE	Main Board
Concept	-	-	World's Highest listing Criteria	Higher listing criteria	Global investors	Large/mid size companies	
Number of Companies	2,177	<b>1,838</b>	1,624	444	307	2,599	2,229
(Total for All Segments)	(3,770)	<b>(3,776)</b>	(3,797)	(663)	(490)		
Total Market Cap. (JPY)	715 tn.	<b>673 tn.</b>	2,654 tn.	400 tn.	285 tn.	4,013 tn.	651 tn.
Market Cap. (Median) (JPY)	43.4 bn.	<b>57.3 bn.</b>	143.0 bn.	166.8 bn.	136.1 bn.	207.9 bn.	17.3 bn.

Note: TSE (Old) as of Apr. 1, 2022, others as of Jul. 1, 2022 (source: each exchange's website)

Note: The total number of companies for all segments is the aggregated number of companies on the 1st and 2nd Sections, Mothers, and JASDAQ for TSE (Old), the Prime, Standard, and Growth Markets for TSE (New), the Global Select, Global, and Capital Markets for NASDAQ, the Premium and Standard Markets for LSE (excluding investment funds), and the Prime, General, and Scale markets for Deutsche Boerse.

# Distribution of Market Capitalization in Each Market Segment

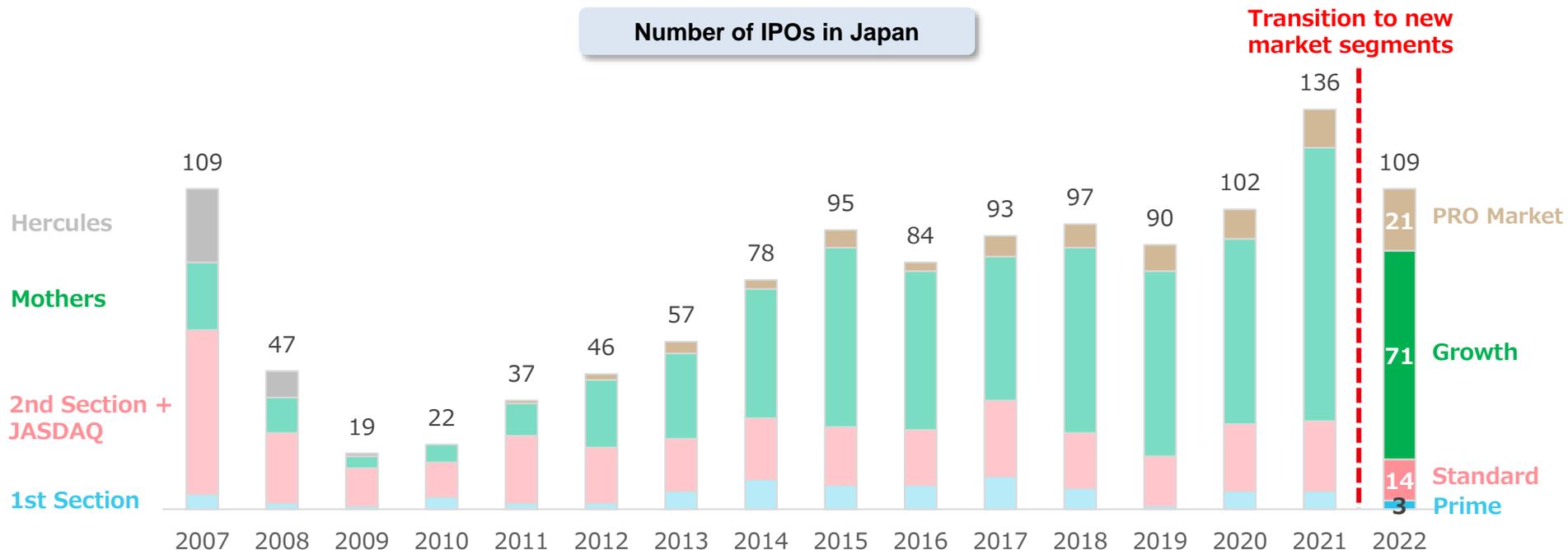
- In each segment, there is a wide distribution of market capitalization among the listed companies.
- Listed companies at the lower end of the market capitalization range in the Prime and Standard Markets face the challenge of consistently meeting the criteria for tradable share market capitalization (JPY 10 billion in the Prime Market and JPY 1 billion in the Standard Market).



Note: Market capitalization as of July 1, 2022

# No. of IPOs

- The number of IPOs has gradually recovered from the post-financial crisis slump, with around 100 IPOs each year in recent years.
- Before the transition to the new market segments, Mothers accounted for about 70% of listings (in 2021), and even after the transition, new listings have been mainly in the Growth Market.



Note: Includes initial listings on TOKYO PRO Market while excludes technical listings and listings via TOKYO PRO Market.

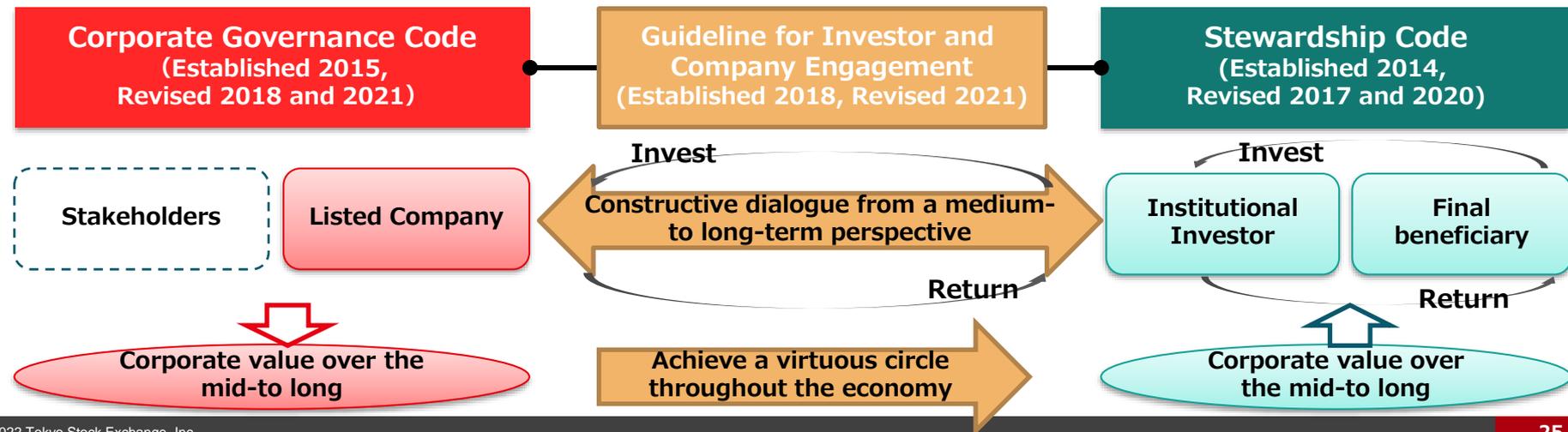
The number of IPOs in 2022 is expected as of November 29, 2022.

- "Corporate Governance Code" sets forth actions to be taken by listed companies and "Stewardship Code" sets forth actions to be taken by institutional investors.
- Both codes are expected to work together to promote sustainable growth of companies through constructive dialogue between institutional investors and listed companies.

## Purpose and Significance

Sustainable growth and medium-to long-term corporate value creation at listed companies.

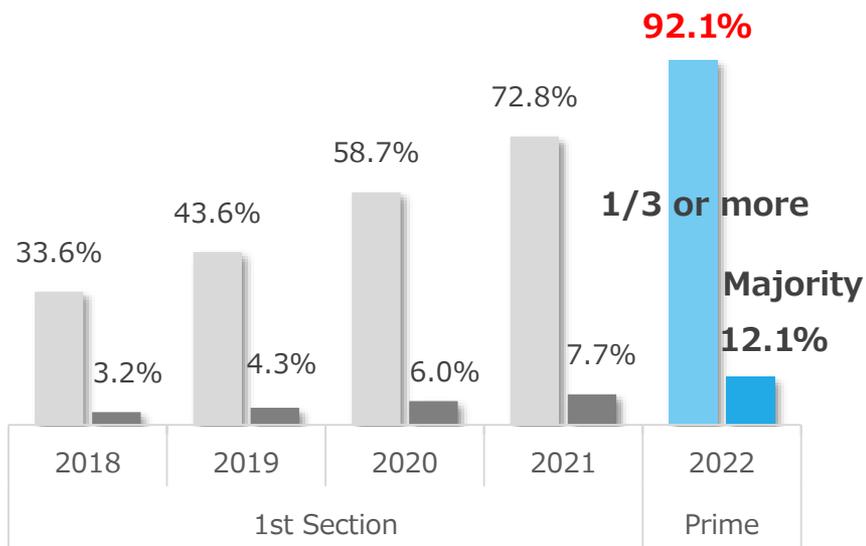
- Realization of aggressive governance
- Constructive dialogue with Medium-to long-term shareholders



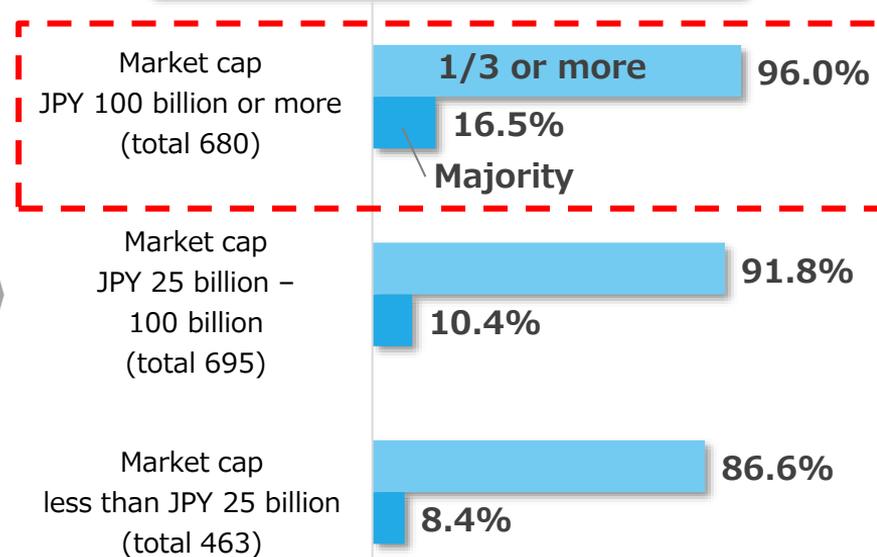
# Board Changes :Structure

- The proportion of independent directors has been increasing year by year, with independent directors accounting for 1/3 or more of the director roles in 92.1% of companies listed on the Prime Market.
- At least 1/3 of all directors are independent directors in 96.0% of companies with market capitalization of JPY 100 billion or more.

Proportion of Independent Directors



Proportion by Market Cap (2022)

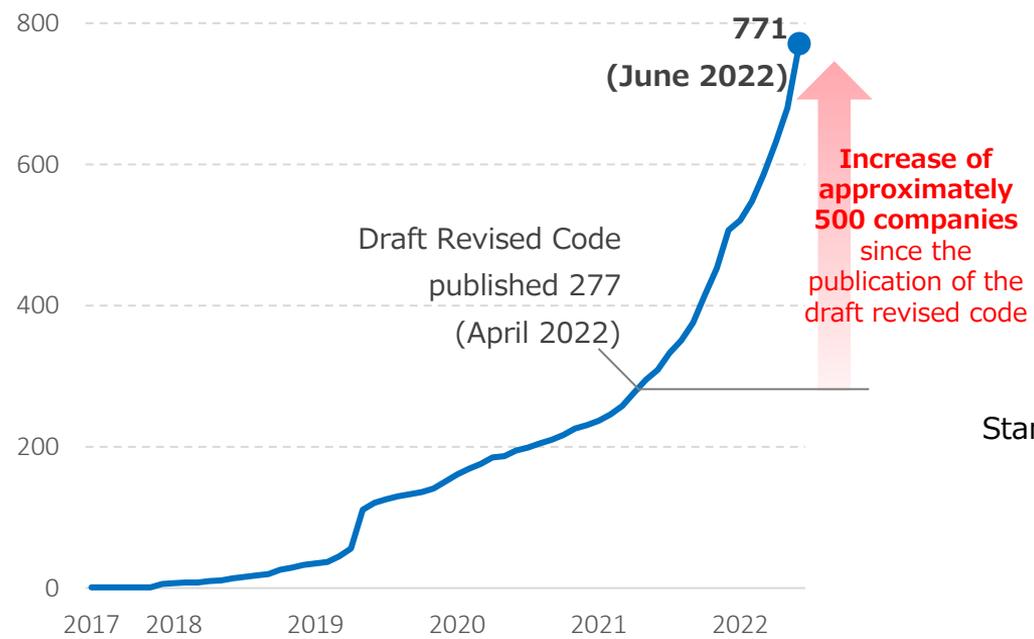


Note: Compiled by TSE based on Corporate Governance Reports as of July 14, 2022 and market cap as of June 30, 2022.

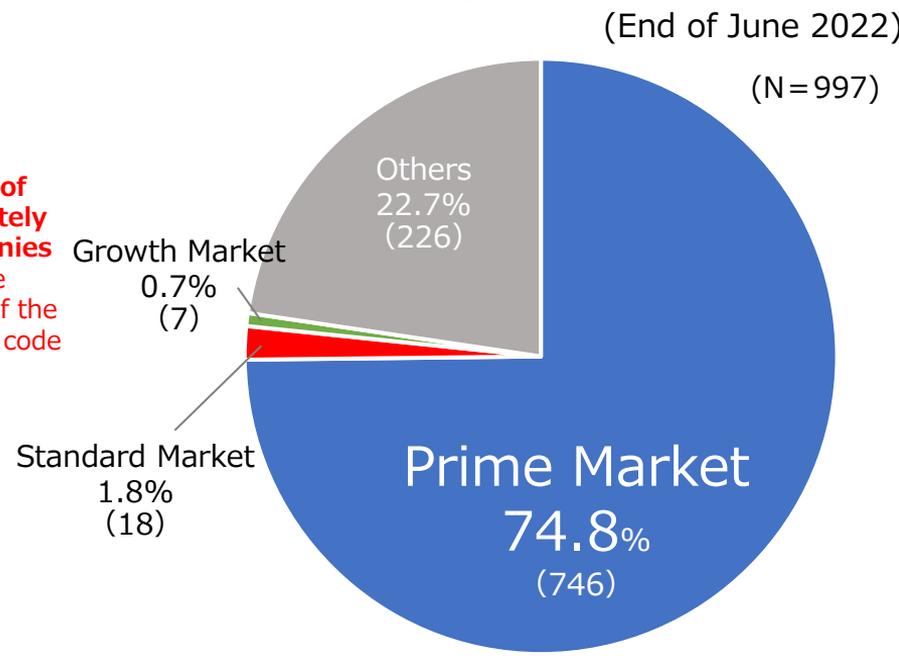
# Listed Companies supporting TCFD

- Triggered by the revision of the Code, listed companies supporting TCFD have been increasing especially on Prime Market.
- Approx. 70% of TCFD supporting institutions in Japan are Prime Market listed companies.

**Number of TSE-listed companies supporting TCFD**



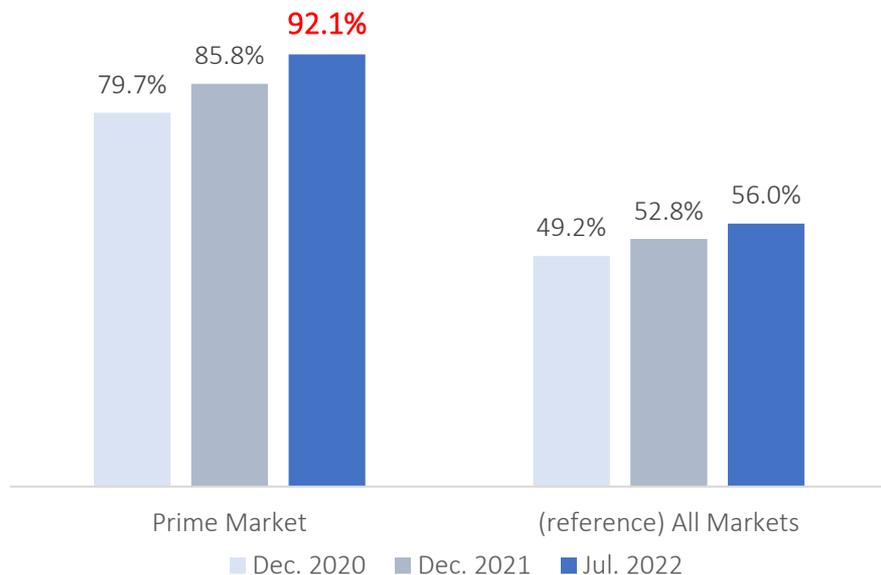
**Breakdown of TCFD supporting organizations**



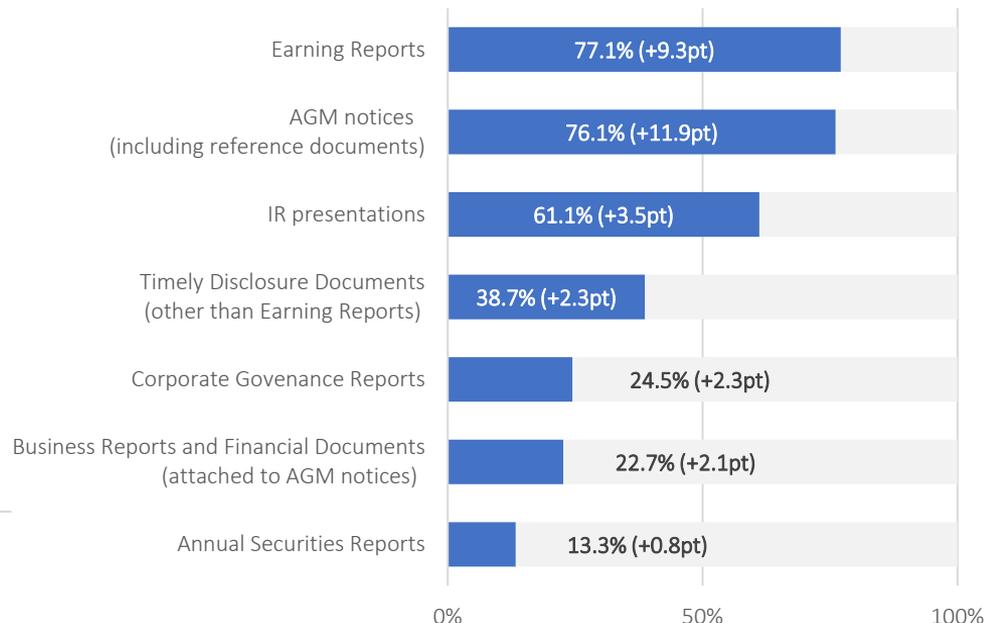
Source : Prepared by TSE from TCFD website

- Proportion of Prime Market listed companies **implementing disclosure in English reached 90%**.
- Disclosure in English of **earning reports and AGM notices has made significant progress**.

### Proportion of Companies implementing Disclosure in English



### Proportion by Disclosure Materials (Prime Market)



Source : Prepared from TSE "English Disclosure Implementation Status Survey (as of July 2022)"

(\* ) Figures in parentheses are compared to December 2021

- In March 2021, TSE launched “JPX English Disclosure GATE”, an English disclosure portal site that consolidates information related to English disclosure.



<https://www.jpx.co.jp/english/equities/listed-co/disclosure-gate/index.html>

## For Overseas Investors

### ① Company Announcements Service

- For the latest English disclosure materials

### ② Listed Company Search

- For listed companies' basic data and disclosed materials, etc.

### ③ Corporate Governance Information Search

- Service which provides corporate governance information with a search function

### ④ Availability of English Disclosure Information by Listed Companies

- For information on which listed companies are conducting English disclosure

### ⑤ TSE IR MOVIE SQUARE

- For investor-oriented videos such as company introductions and messages from corporate representatives, etc.

### ⑥ Investor Transcript Service

- Service which provides transcripts of corporate events such as financial results briefings. Listed company-oriented guidance is also available.

## For Listed Companies

### ⑦ Guide to English Materials Distribution Service

- Usage guide for the English Materials Distribution Service for Listed Companies

### ⑧ English Sample Disclosure Forms

- For sample disclosure forms in English

### ⑨ List of Terms in Japanese and English

- For links to a list of terms in Japanese and English and related websites

### ⑩ Practical Handbook for English Disclosure

- We provide a handbook that summarizes advice and points to note about disclosing information in English

### ⑪ Interviews with Listed Companies Regarding English Disclosure

- You can read interviews with listed companies about their efforts regarding English disclosure.

### ⑫ Companies Supporting Overseas IR/Translation

- Information on companies supporting overseas IR and translation

### ⑬ Survey Reports

- We provide survey reports about English disclosure.



## **[Cautionary statement regarding this material]**

- This material is for informational purposes only and is not intended as a solicitation to invest or as a recommendation to trade with any particular securities company.
- While every effort has been made to ensure the accuracy of the information provided in this material, the completeness of the information is not guaranteed.
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# Trading Opportunities of Japan's Derivatives Market

Kensuke Yazu  
General Manager  
Osaka Exchange / Tokyo Commodity Exchange





*“ The trading of the feudal Osaka (for warehouse receipts on rice) bears a striking resemblance to the contracts traded on the computerized commodities exchanges of today ”*

## Japan Exchange Group (JPX)

### Osaka Exchange

#### *Financial Derivatives*

- ◆ **Japanese Equity Indices**
  - ✓ Nikkei 225
  - ✓ TOPIX, etc.
- ◆ **Overseas Equity Indices**
  - ✓ DJIA, etc.
- ◆ **JGBs**
- ◆ **Others**
  - ✓ Single Stock Options, etc.

#### *Commodity Derivatives*

- ◆ **Precious Metal**
  - ✓ Gold
  - ✓ Silver
  - ✓ Platinum
  - ✓ Palladium
- ◆ **Rubber**
- ◆ **Agricultural**
- ◆ **Commodity Index**

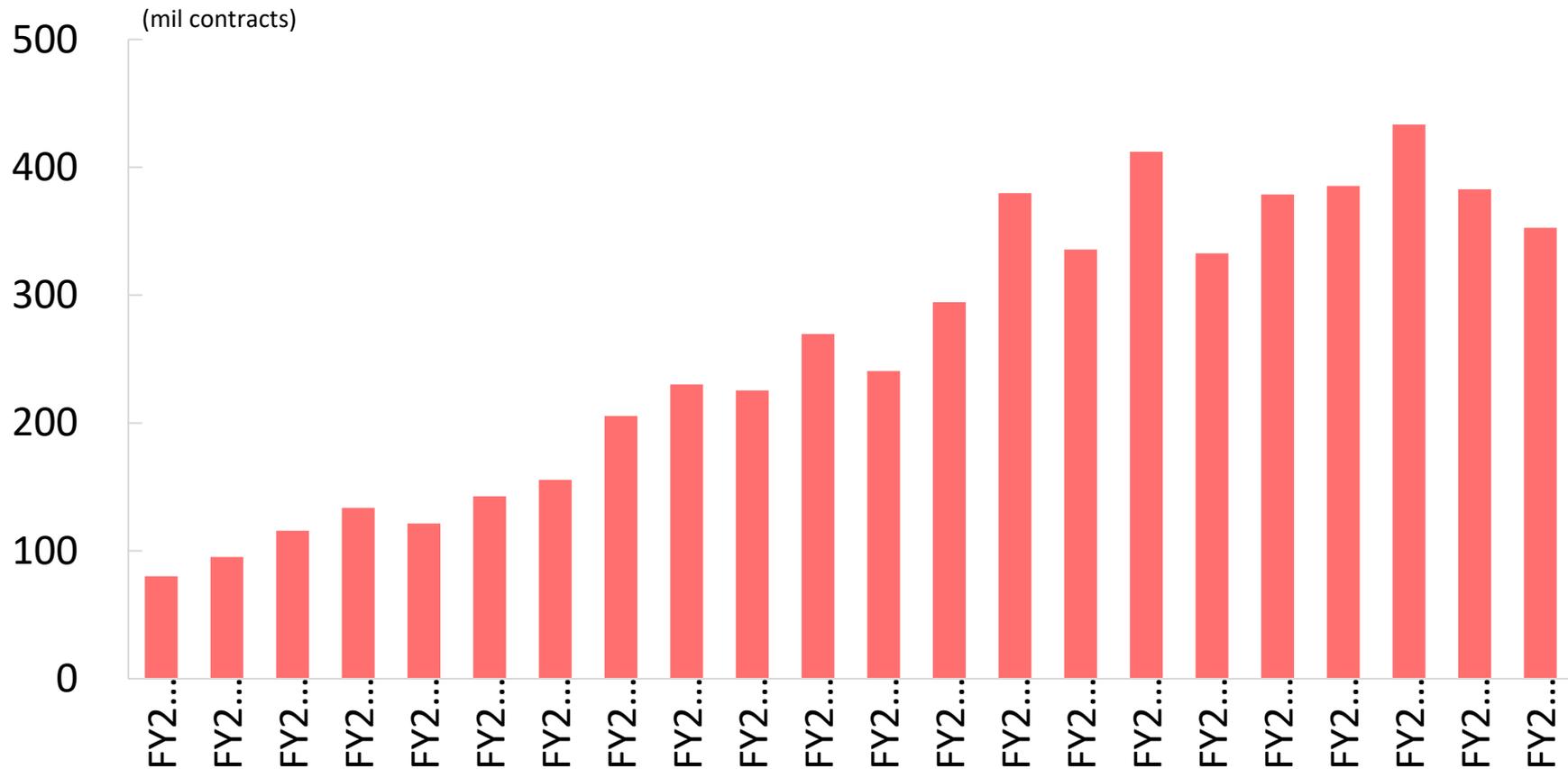
### Tokyo Commodity Exchange

#### *Energy Derivatives*

- ◆ **Crude Oil/ Oil Products**
  - ✓ Dubai Crude Oil, etc.
- ◆ **Electricity**
- ◆ **LNG**

Japan Securities Clearing Corporation (JSCC)

# Trend of Market Trading Volume



## The most well-known Product

# Nikkei 225 mini Futures



**Trading volume  
in APAC**



**Trading volume  
in the world**

Note: Trading volume of equity index futures in 2021 according to FIA

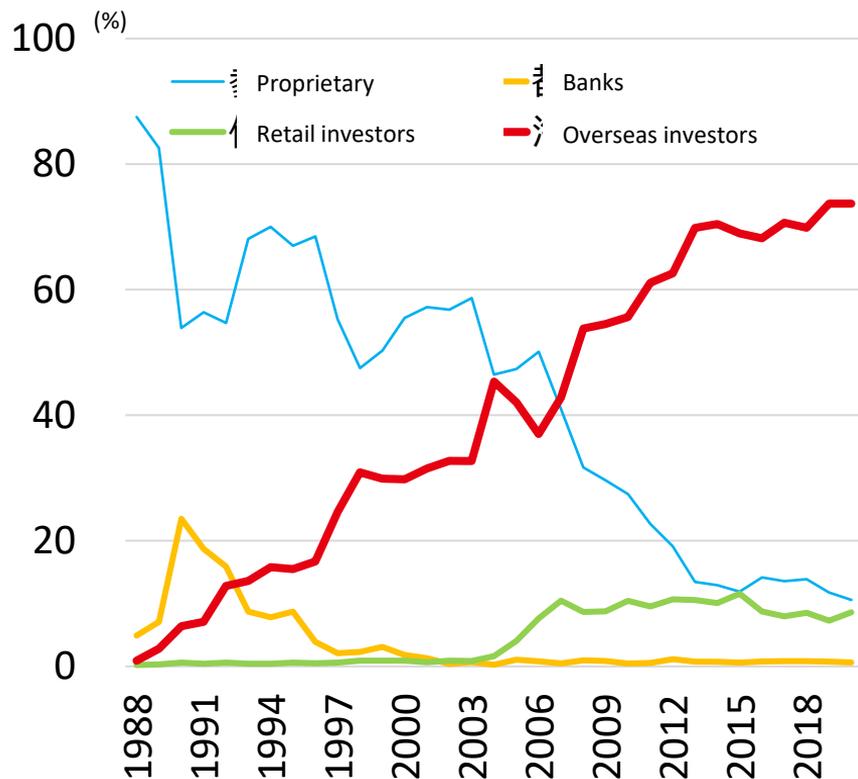
## Average Daily Trading Volume

<b>Nikkei 225 mini</b>	<b>1,117,076</b>
Nikkei 225 Options	190,865
TOPIX Futures	106,354
Nikkei 225 Futures	91,267
10-year JGB Futures	32,377
Gold Standard Futures	28,206
mini-TOPIX Futures	26,994
Individual Securities Options	18,282
TSE Mothers Index Futures	12,076
JPX-Nikkei 400 Futures	11,446
Platinum Standard Futures	10,363
Dubai Crude Oil Futures	8,935

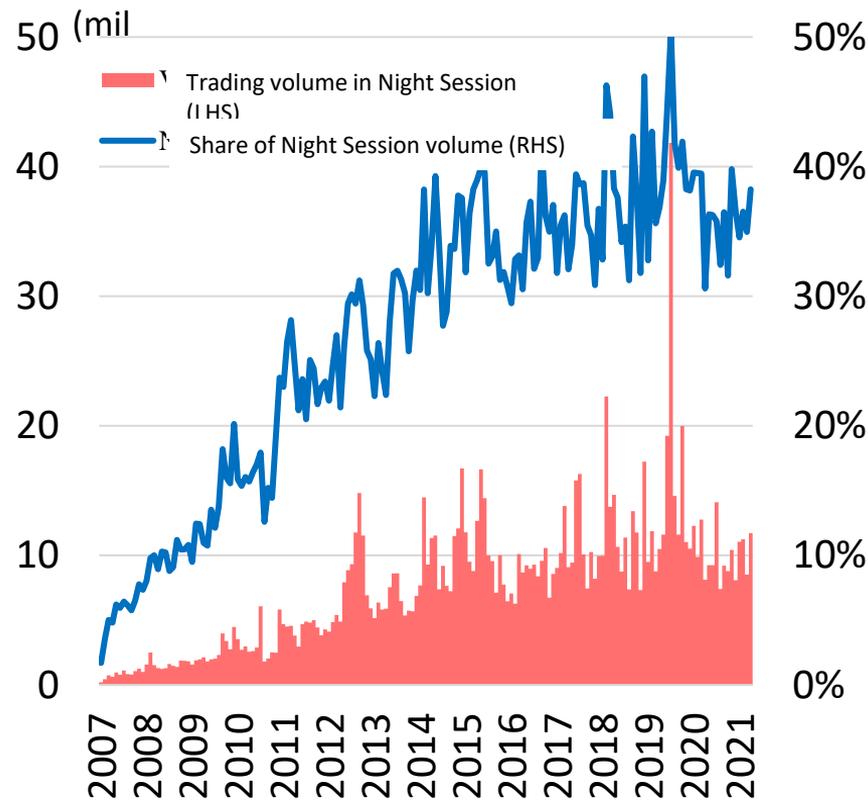
Note: Average daily trading volume from April to September 2022

Source: JPX

## Share of Trading Volume in Nikkei 225 Futures

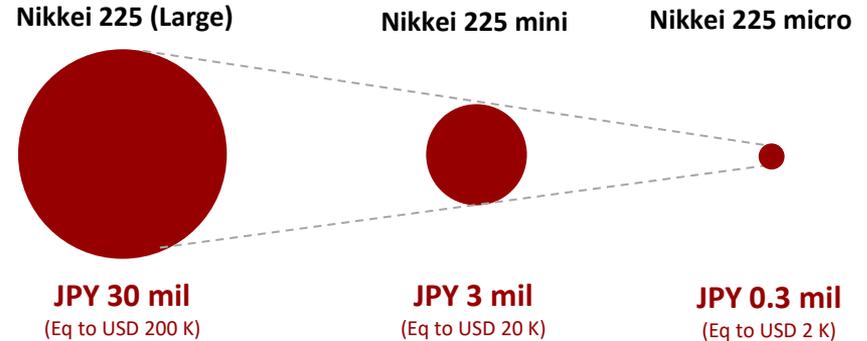


## Trend of Night Session



- OSE will launch **Nikkei 225 micro Futures** and **Nikkei 225 mini Options** on **May 29, 2023**, aiming to provide new trading opportunities to investors.
- Nikkei 225 micro Futures contracts are one-tenth of the contract size of Nikkei 225 mini.
- Nikkei 225 mini Options contracts are one-tenth of the contract size of Nikkei 225 Options.

Contract sizes of Nikkei 225 futures series

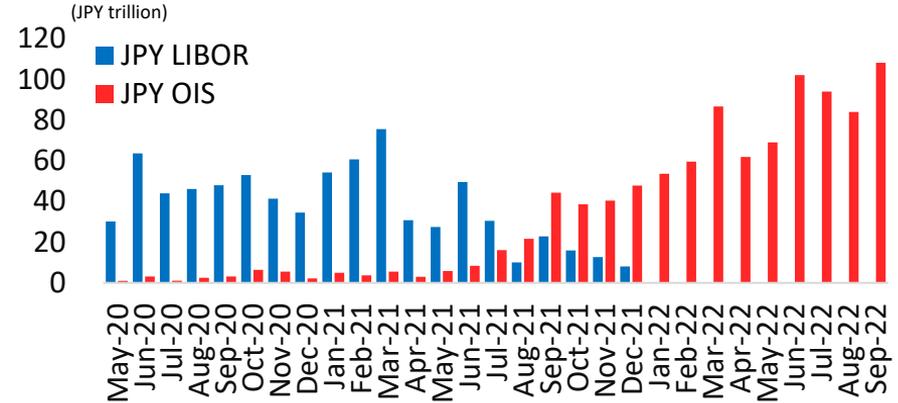


Introduction of micro-sized products in global exchanges

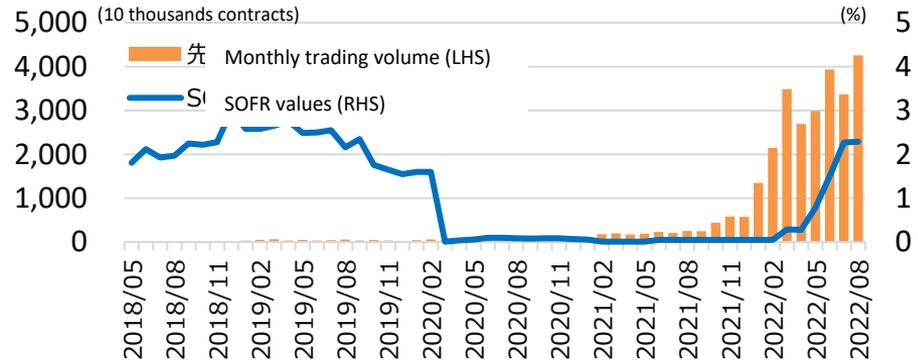
Exchanges	Products	Launched in
<b>CME</b>	Micro E-mini S&P500 futures	May 2019
	Micro E-mini S&P500 Options	Aug. 2020
	Micro WTI Futures	July 2021
<b>Eurex</b>	Micro STOXX50 Futures	Apr 2021
	Micro DAX Futures	Apr 2021

- Japan's interest rate benchmark reform has adopted Tokyo Over Night Average rate (TONA) as the risk-free rate to replace LIBOR.
- JPY LIBOR swap transactions have been gradually shifted to OIS (Overnight Indexed Swap) that references TONA.
- OSE will launch **3-month TONA Futures** contracts on **May 29, 2023**, aiming to provide a one-stop market infrastructure for trading interest rate products at OSE.

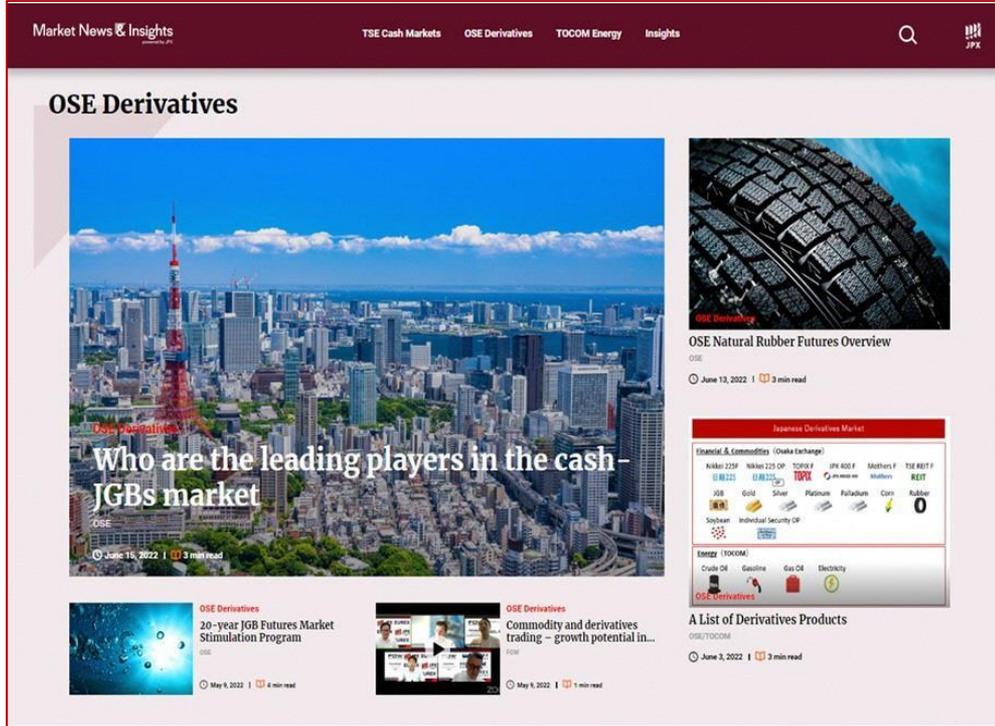
### Cleared Notional Amount of Interest Rate Swaps in Japan



### Trading Trend of 3-month SOFR futures in CME

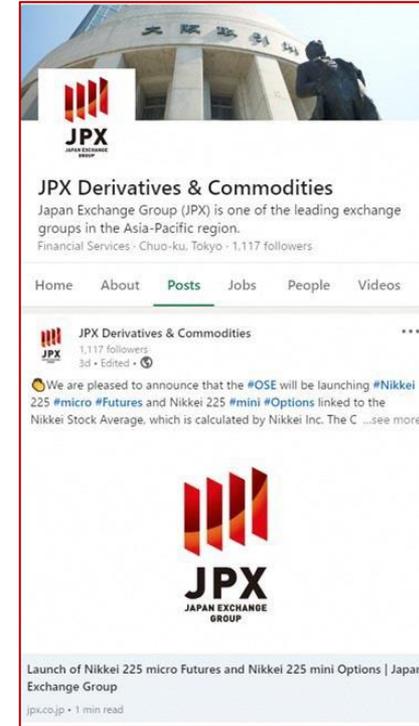


## Market News & Insights



The screenshot shows the 'Market News & Insights' website interface. The main header includes navigation links for 'TSE Cash Markets', 'OSE Derivatives', 'TOCOM Energy', and 'Insights'. The primary article is titled 'OSE Derivatives' with a sub-headline 'Who are the leading players in the cash-JGBs market', dated June 15, 2022. To the right, there is a section for 'OSE Natural Rubber Futures Overview' dated June 13, 2022. Below these are smaller articles: '20-year JGB Futures Market Stimulation Program' (May 9, 2022) and 'Commodity and derivatives trading – growth potential in...' (May 9, 2022). A 'Japan Derivatives Market' dashboard is also visible, listing various indices and commodities like Nikkei 225, TOPIX, Gold, Silver, and Platinum.

## LinkedIn



The screenshot displays the LinkedIn profile for 'JPX Derivatives & Commodities'. The profile header includes the JPX logo and a background image of a classical building. The bio states: 'JPX Derivatives & Commodities Japan Exchange Group (JPX) is one of the leading exchange groups in the Asia-Pacific region. Financial Services - Chuo-ku, Tokyo - 1,117 followers'. The 'Posts' tab is active, showing a recent announcement: 'We are pleased to announce that the #OSE will be launching #Nikkei 225 #micro #Futures and Nikkei 225 #mini #Options linked to the Nikkei Stock Average, which is calculated by Nikkei Inc. The C...see more'. The JPX logo is prominently displayed at the bottom of the post area.

- Market News & Insights: <https://market-news-insights-jpx.com/>
- LinkedIn: <https://www.linkedin.com/company/jpx-derivatives-commodities/>



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Derivatives Business Development  
Osaka Exchange Inc.

**JPX Derivatives & Commodities**



# Trading Derivatives in Japan

Shun Yanagisawa

Director, Japan Head of Futures,  
Clearing & FX Prime Brokerage Markets  
Citigroup Global Markets



# Financial License Registration & Trading in Japan Legal Regulations

Koichiro Ohashi  
Shareholder  
Greenberg Traurig



# Listed Equity Cash Trades

- Large Shareholding Report
  - More than **5%** acquisition of listed shares
  - Post-facto reporting within **5 business days** of the latest trade
  - Report on: Shareholding ratio; funding for acquisition; purpose of shareholding, etc.
  - To file electronically through **EDINET**
    - Budgeting a good advance time (1 month) for EDINET registration
    - Registration made in Japanese.
  - Investing in acting in concert
    - Acting in concert: multiple funds managed by a same fund manager, etc.
    - All parties acting in concert shall submit reports.

# Listed Equity Cash Trades (Cont'd)

- Fluctuation Report
  - Amendment to Large Shareholding Report
  - **1% up/down** fluctuation
  - To report: Identity of the buyer, selling price, etc.
  - Post-facto reporting within **5 business days** of the latest trade
  - Short term sale report addendum:
    - Became Less than **a half** of the maximum holding in **60 days**; and
    - Lower **5%** shareholding ratio from the maximum holding in **60 days**

# Listed Equity Cash Trades (Cont'd)

- Major Shareholder Reporting
  - Major Shareholders: holding **10% or more** voting rights of a listed company
  - Report on: details of trade (amount, purchase price, etc.)
  - To file through **gBizID** by **15<sup>th</sup> of the next month** of the trade
- Short Swing Rule
  - Major Shareholders to sell **within 6 months** of purchase (except brokerage for third parties)
  - Applicable to short sell as well
  - Any profit to be disgorged to the issuer of the listed shares

# Listed Equity Cash Trades (Cont'd)

- Direct Inbound Investment Report under Foreign Exchange and Foreign Trade Act (FEFTA)
  - **Prior approval** on certain designated industries
    - **Designated industries**: Defense, Airlines, Nuclear Power, Electricity, Software Manufacturers, etc.
    - Acquisition of **1% or more** of listed shares/voting rights
    - To file **30 days** before the trade
    - To file with **Bank of Japan**
  - **Post-facto** reporting
    - Other than Designated Industries
    - Acquisition of **1% or more** of listed shares/voting rights
    - To file within **45 days** of the trade
    - To file with **Bank of Japan**

# Fixed Income Cash Trades

- Major Shareholder Reporting
  - **Major Shareholders** (holding 10% or more of a listed company) to buy/sell notes/bonds issued by the listed company
  - To report: quantity of notes/bonds, unit price, total amount of buy/sell, etc.
  - To file through EDINET by 15th of the next month of the trade
- Short Swing Rule
  - Major Shareholders to sell within 6 months of purchase of notes/bonds (except brokerage for third parties)
  - Applicable to short sell
  - Any profit to be disgorged to the issuer of the listed shares

# Fixed Income Cash Trades (Cont'd)

- Direct Inbound Investment Report under FEFTA
  - **Prior approval** on certain designated industries
    - Designated industries: Defense, Airlines, Nuclear Power, Electricity, Software Manufacturers, etc.
    - Acquisition of notes/bonds which are
      - **more than JPY 100 million**;
      - **More than 1 year** until maturity; and
      - The notes/bonds consist of more than **50% of total debts** the listed company owes
    - To file **30 days** before the trade
    - To file with **Bank of Japan**
  - Post-facto reporting
    - Other than Designated Industries
    - Acquisition of notes/bonds (See above)
    - To file within **45 days** of the trade
    - To file with **Bank of Japan**

# Derivatives Trades

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- Underlying assets: Equities
  - Cash settlement: no equity holding
    - No Large Shareholding Report nor Major Shareholding Report is required
    - No Direct Inbound Investment Report required.

# Short Sell Trades

- Prohibition of Naked Short
  - Sale of securities not owning nor without arrangement of borrowing
- Marking requirements imposed on brokers
  - Need to identify trades to brokers
- Uptick Rules
  - Short sell price must be:
    - **above** the last traded price, if the price is **downward** trend, or
    - **at** the last traded price, if the price is **upward** trend
  - Applicable only if the traded price drops by **10% from the Base Price (previous day closing price)**, and last until the **end of next trading day**

# Short Sell Trades (Cont'd)

- Short Position Balance Reporting
  - Submit to **broker**
  - If short position reach **0.2%** of total issued shares
  - By **10 am on 2 business days** of the short sell trades
- Exemptions (among others) from Short Sell Restrictions
  - Short sale of securities which are going to be settled with ones the seller has bought
  - Short sale of securities which the seller has lent and are surely expected to be returned before the settlement day
  - Short sale of stocks after execution of CB, warrant, etc. within the amount the seller is going to obtain by the execution

# Automated Trades

- Trades through Omnibus Accounts
- Trade ordering through **Exclusive Lines**
  - **Automated** trades
  - Trade orders issue from **colocation area**
  - **Designated exchanges**
    - High Speed Trader Registration
      - Paid in Capital Amount: JPY **10 million**
      - Net Asset Amount: **positive** at all time
      - No residency required
        - **Agent in Japan**
      - Notification of trading strategies
      - Annual business report

# Crypto Asset Trades

- Trade Reporting under FEFTA
  - Cross border crypto asset sales transactions
    - **Resident party** to report
    - Post facto reporting within **20 calendar days** of trade
    - Report to **Bank of Japan**

# Commodities Derivatives Trades

---

- No reporting requirements

# Thank you!

- Please feel free to contact me at:



## **Koichiro “Ko” Ohashi**

Shareholder

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# Establishing a Japan Office

## Tax Considerations

Akemi Kito  
Partner, Financial  
Services  
PwC Tax Japan

Stuart Porter  
Partner, Financial  
Services  
PwC Tax Japan



# Agenda

<b>General tax implications of trading public securities in Japanese capital markets</b>	<b>3</b>
<b>Key tax issues related to trading public securities</b>	<b>6</b>
<b>Key tax issues related to high frequency trading</b>	<b>10</b>
<b>Considerations for setting up operation in Japan</b>	<b>12</b>

# General tax implications of trading public securities in Japanese capital markets

# General tax implications of trading public securities in Japanese capital markets

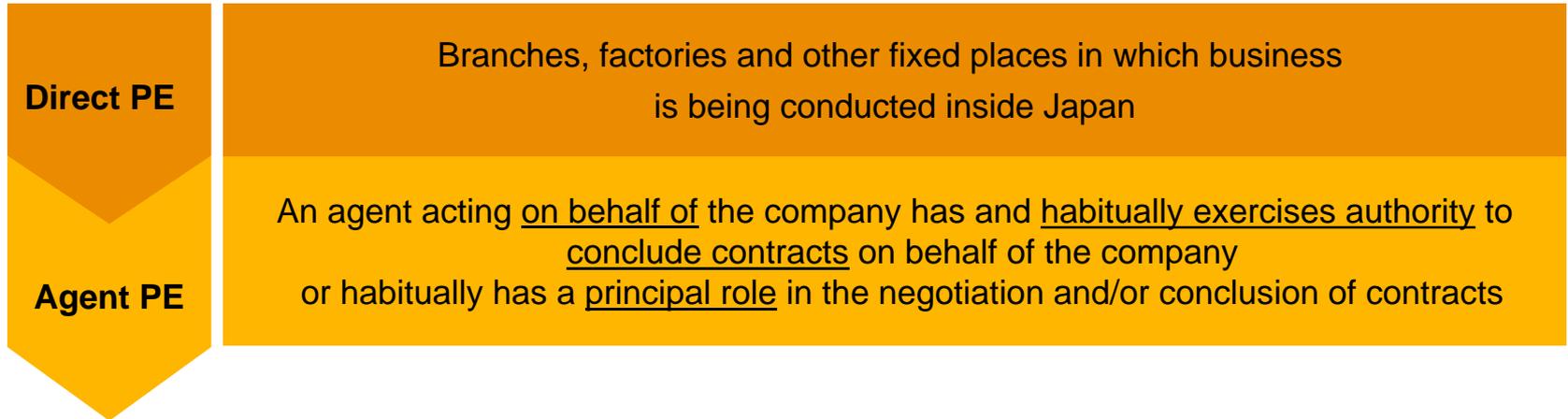
Japanese tax implications on income derived from investments into Japanese equities/bonds by foreign investors **without a permanent establishment (PE)** in Japan:

<b>Dividend</b>	<ul style="list-style-type: none"><li>• From listed entities: Withholding tax at <b>15.315%</b></li><li>• From non-listed entities: Withholding tax at <b>20.42%</b></li></ul>
<b>Interest</b>	<ul style="list-style-type: none"><li>• For bonds: Withholding tax at <b>15.315%</b></li><li>• For loans: Withholding tax at <b>20.42%</b></li></ul>
<b>Capital gain</b>	<ul style="list-style-type: none"><li>• Generally not subject to tax</li><li>• Exceptions: 25/5 Rule, REHC Rules, etc.</li></ul>

Treaty relief and domestic exemptions may be applicable.

# General tax implications of trading public securities in Japanese capital markets (Cont'd)

- Corporate tax on income derived from Japanese investment **through PE** in Japan  
→ generally approx. **31-35%** (corporations)
- General definition of PE under the domestic law



# Key tax issues related to trading public securities

# Key tax issues related to trading public securities

## Key considerations of PE for funds

### Direct PE

- Location of the offices, branches, employees, etc.

### Agent PE

- Presence of agents, excluding independent agents
- Definition of independent agent under domestic rules:
  - (i) independent status;
  - (ii) ordinary course of business
- Independent agent exemption:
  - “Trading safe harbour” for discretionary investment managers (**DIMs**)

# Key tax issues related to trading public securities (Cont'd)

- **Independent agent exemption** – DIM safe harbour rule  
FSA Independent Agent Guidance (5 tests):

**1. Detailed Instructions Test** - The DIM should have sufficient discretion in relation to the investment management activity performed in Japan

**2. Shared Officers Test** - 50% or more of the DIM's officers should not simultaneously serve as officers or employees of the foreign general partner or the foreign investment manager

**3. Remuneration Test** - Remuneration received by the DIM should be reflective of the value and risk it bears and should also correspond to the amount of the total assets or the investment income

**4. Diversification Capacity Test** - The DIM should have the capacity to diversify its business or acquire clients without fundamentally altering the way in which it conducts its business

**5. Specially Related Persons Test** - The DIM should not be acting exclusively or almost exclusively on behalf of "Specially Related Persons"

# Key tax issues related to high frequency trading

# Key tax issues related to high frequency trading

## • OECD Model Tax Convention

- Server could be a PE (regardless of the presence of personnel)
- Distinction between “**server**” and “**software**”

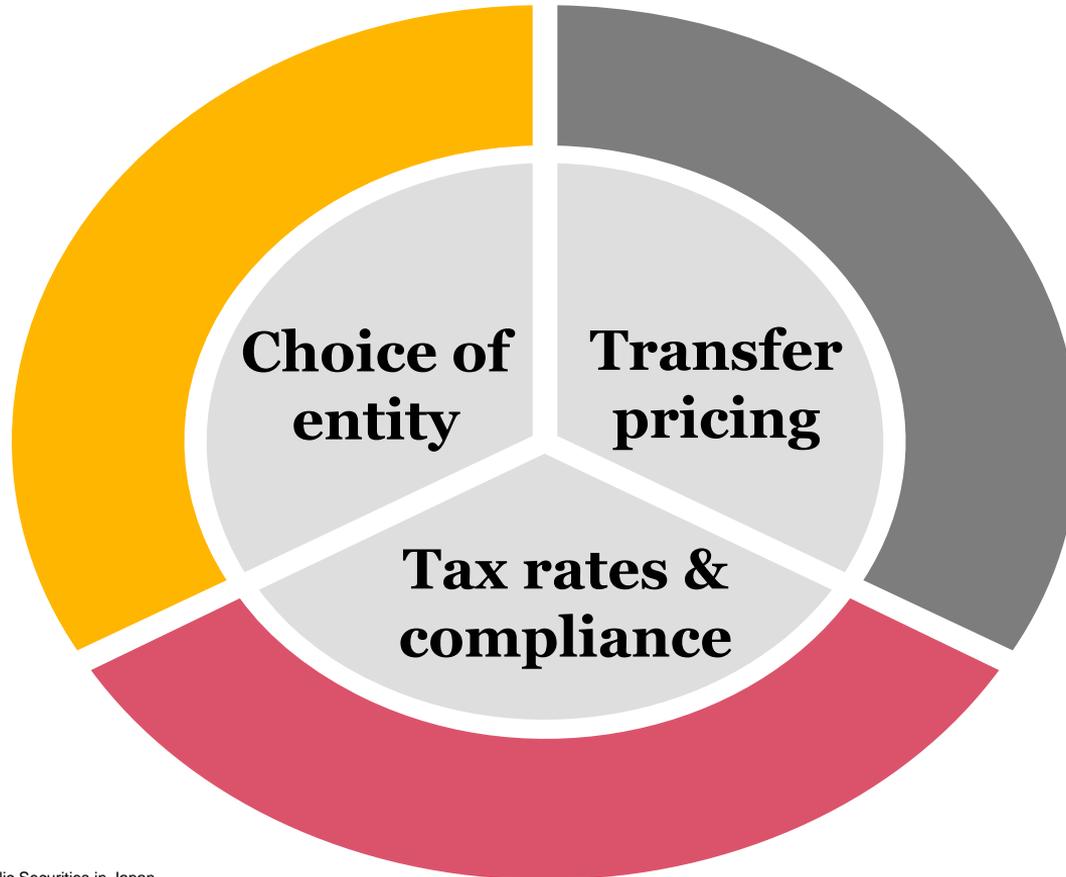
## • TSE private letter ruling (TSE Letter)

### – *de facto* guidance

- **TSE co-location services** – Distinction between “server” and “software”, i.e., the same approach as that of OECD Model Tax Convention
- **Data center** – The same approach available as that for TSE co-location services

# Considerations for setting up operation in Japan

# Corporate tax



# Individual income tax



# Thank you!

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Q&A Session



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MARKET EXPANSION WEBINAR SERIES:  
**NEW BUSINESS OPPORTUNITIES IN JAPAN FOR  
OVERSEAS ASSET MANAGERS 2022**

**Part 6: Private Equity**  
TBC



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Thank you for  
attending

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