



Chairman's Column

“Becoming a Leading Asset Management Center for the World”

Summer is here and we hope you are in good health and good spirits. In recent news, new Japanese bills have been issued for the first time in 20 years. In the same week, the Nikkei Stock Average marked a new high of 42,000 yen. The GPIF also recorded a 45-trillion-yen return last year. Just based on such news, it seems Japan is hitting its stride.

When I had just entered the workforce in 1989, the Nikkei Stock Average recorded 38,915 yen on the last day of trading. I never thought this mark would be eclipsed during my time, so I am actually a bit anxious.

As explained recently, our goal is to become a business platform. In related news, last September in New York, Prime Minister Kishida announced to the world of Japan's vision in becoming a *Leading Asset Management Center*. The initiative includes ① Plans for “Special zones for financial and asset management” and ② Deregulating the outsourcing of middle and back-office operations to allow new participants in asset management.

Our clients, which include alternative asset funds have been popular as they are unaffected by market prices. Since many of these products are custom-made, they require significant expertise by us as well. In that respect, we believe we are making a strong contribution towards Japan's vision of becoming a Leading Asset Management Center.

However, to assist more funds, we need to overcome the labor shortage. Our digital transformation efforts have led us to nearly completing a practical system. This



system will dramatically change the fundamentals of our business model. We believe this system will provide a continuous and steady quality of services.

I also asked generative AI if the Leading Asset Management Center vision (“Vision”) contributed to higher share prices. The reply was that the use of the new NISA may have contributed in part. Other more likely factors may include, strong corporate earnings, share buy-backs, resolution of mutual stock holdings, the prospect of Donald Trump being re-elected in this year's presidential election, and the resolution of the Japan-U.S. interest rate difference arising from the U.S. account deficit. AI seems to have determined that the Vision's positive impact is still a ways ahead (maybe a different AI would give a different result).

This summer is expected to be very hot, and I find myself seeking the refuge of air conditioning and summer resorts. Our firm will continue to chug along with our many efforts.

From our firm to yours, we hope you stay hydrated, stay cool, and overcome another hot summer.

by Kazuhiro Matsuzawa, Chairman

NewsLetter

~ The latest in alternative investments ~



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A n n o u n c e m e n t

ASA Platform K.K. is our newest group company

Previously, ASA Group had announced our SDG (Smart Data Guideway) plan to digitally transform our accounting and fund administration services. On June 18, 2024, our firm began a joint venture with PEREGRINE CONSULTING K.K. ("PEREGRINE").

With representative director Miyuki Tani (former Morgan Stanley Capital K.K.) at the helm who agreed with our vision, PEREGRINE holds a domestic license of a digital platform (called "TDL") that supports real estate investments from acquisition to time of sale. The ASA Platform began with the hopes of alleviating the labor shortage and to provide investors, fund managers, and assets managers with a more sustainable investment environment.

As with any new system, it requires time and energy to fully utilize it. However, combining PEREGRINE's system with ASA Group's vast experience in fund administration and experienced personnel with TDL will allow our clients to benefit from our services through seamless implementation and management. Additionally, by outsourcing non-core work in fund management to the ASA Platform, our clients can allocate their precious resources to their business. As a result, ASA Platform will support our client's growth and provide a sustainable investment environment.

Going beyond the scope of ASA Group's previous services, we hope our platform becomes the industry standard for real estate funds. We are happy to answer any questions or requests. (asap_all@aoyama.ac)

by Kenichi Shimizu, ASA Platform K.K.





Japan RE Funds

The Use of the Specified Joint Real Estate Ventures Act

On June 17, the Osaka and Tokyo metropolitan governments issued a 30-day business suspension and order for improvement on Toshi-Souken Invest Fund, Inc. (Osaka city), the operator of the small-lot investment product “Everyone is a Landlord” issued under the Specified Joint Real Estate Ventures Act, and on the sales company “Everyone is a landlord” (Tokyo).

“GATEWAY NARITA”, a mixed-use commercial project near Narita Airport is planned to be built for 200 billion yen over 5 years on development-use land (45 million sq. m = 10 times the size of Tokyo Dome). It was offered with a 7% expected annual return. One of the funds involved seemingly made a significant change to the construction plans and did not sufficiently explain to investors about its impact. The violation was for incorrectly including land that had not obtained a development permit.

According to press releases from both companies, they will make improvements on the government order and also accept any cancellation requests from investors. (According to the news, one day after the administrative order was announced, about 470 investors requested cancellation amounting to about 2.8 billion yen)



(image: Gateway Narita website)

It was only after I heard this news that I learned of this project. I was interested more in the investment details like land price, total investment amount, location, progress of development, and expected return than the violation itself.

Also, it's worth noting that the Specified Joint Real Estate Ventures Act was never quite popular from the onset, but one of the few participants was the real estate conglomerate Sumitomo Realty and Development, which utilized not REIT, but SURF, a popular small-lot product under the Act. That business ended several years ago. Now, the security token issued through the Act has gained attention but will be regulated under the Financial Instruments and Exchange Act. It seems that the Specified Joint Real Estate Ventures Act will continue to face an inconvenient business environment.

by Shigeru Hirai, Fund Services Division



Tax Update

Recent Tax Reform on Stock Options

In this article, I will be explaining the recent tax reform on stock options.

Under the income tax law, the compensation in-kind you receive from your workplace will be taxable as employment income at the time of receipt. If that compensation in-kind are stock options with a transfer restriction (**non-qualified taxation**), the stock options are non-transferrable to another person before they are exercised. Thus, upon receipt, they are not recognized as income, and taxed as employment income only at the time when options are exercised, stocks are obtained, and economic profit/income is recognized.

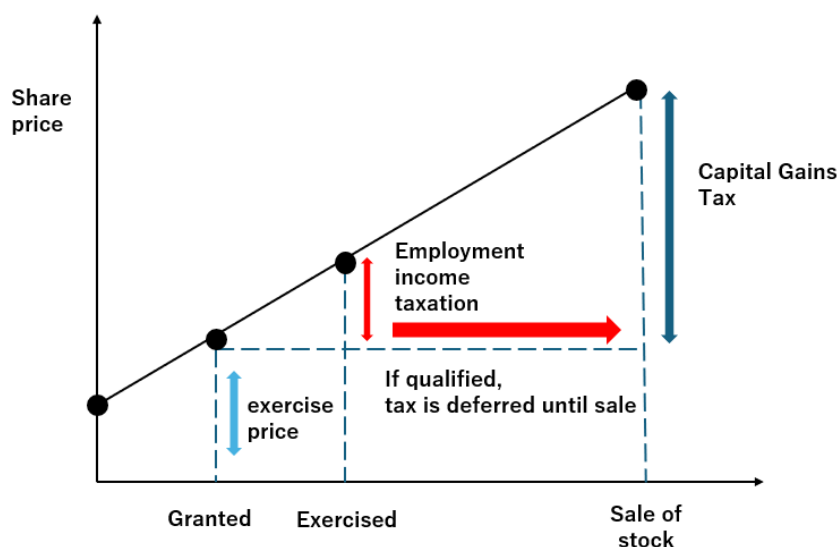
For stock options that satisfy specific requirements (**qualified taxation**), under a special measure, the tax on employment income will be deferred on the stock obtained upon exercise and taxed as capital gain when the obtained stock is sold. The qualified taxation requirements are primarily these eight: ① Eligible grantees ② exercise window ③ exercise price ④ exercise price limit ⑤ transfer restriction ⑥ form of issuance ⑦ requirements for receiving stock ⑧ method of managing stock.

Under the 2024 tax reform, the following changes will ease taxation on stock options (namely, the easement of requirements for qualified taxation).

- (1) Regarding the “requirement ① Eligible grantees”, the scope of eligible grantees who are external high skilled workers has expanded. Additionally, the previous requirements such as having directorship experience at a non-listed company and work experience requirements for national license holders are eliminated.
- (2) Regarding the “requirement ④ exercise limit amount”, the annual exercise limit which was previously 12 million yen is raised to 24 million yen for “options granted by a Kabushiki Kaisha that has been established for less than 5 years”, and up to 36 million yen for “options granted by a Kabushiki Kaisha that has been established for more than 5 years but less than 20 years, and non-listed companies or companies that became publicly listed for less than 5 years”.
- (3) Regarding the “requirement ⑧ management method of stock”, in addition to entrusting stock to a brokerage, management with the issuing company is now possible.

by Masaaki Kidokoro, Knowledge Management Office

Summary chart (taken from METI website)



Qualified Stock Options

- ① Not taxed for economic profit at the time of exercise, but tax is deferred until the time of sale
- ② Taxed as capital gains

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From the Editor

In recent years, ASA Group has undergone changes including reorganization, new company formation, new business lines, new system development, as well as a reassessment of recruiting practices. Hopefully, these efforts will advance our company in the next quarter century. To decide on a course of action, it is essential to have an eye for the future and unwavering strategy and decision-making.

In recent years, global events and the global economy have been dramatically changing, making it perhaps difficult to navigate management and make decisions. So, how should we make decisions?

A while ago, the late baseball coach Katsuya Nomura, quoted the words from Edo period master swordsman, Matsura Seizan as “There is mystery in winning. There is no mystery in losing.” When you lose, there is usually a reason. Even when you win, there were likely risk factors that may have contributed to a loss. The point he was likely trying to make was to be aware of preconceived notions and complacency. Perhaps the key in these everchanging times is to continue with consistent effort to build “management that doesn’t lose”.

by Jun Murata, Editor-in-chief

