


Comparative analysis of foreign shareholder ratio and trading volume by country 2016

November 30, 2017


 International Disclosure Services Corporation

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English disclosure targeting foreign investors is not currently a legal requirement in Japan. The Corporate Governance Code directs companies to make decisions on English disclosure based on their own circumstances, and as such, the availability and necessity for providing English documents is impacted greatly by the level of participation by foreign investors in the Japanese market. Note that the creation of English translations for proxy statements is required by securities listing regulations, albeit in a summarized format.

This report provides an overview of the foreign shareholder ratio and trading volume in Japan, based on publicly available shareholder and trading volume reports provided by the Tokyo Stock Exchange. For comparison purposes and to enable a more robust analysis, figures are also provided for select markets outside of Japan.

1. Foreign shareholder ratio and trading volume in the Japanese market

Foreign shareholder ratio

In the shareholder report analysis for 2016 published by the Tokyo Stock Exchange, 30.1% of Japanese stocks were owned by foreign investors on a market price basis, an increase of 0.3% year-on-year (Table 1).

Despite a downturn from the record high of 31.7% seen in 2014, the figure has exceeded 30% in every year since 2013 – with the exception of 2015 – signaling a moderate increasing trend over the medium term (Figure 1).

Trading volume ratio

In the trading volume report analysis for 2016 published by the Tokyo Stock Exchange, 70.3% of trading volume in the Japanese market was by foreign investors, an increase of 2.6% year-on-year (Table 1). This marks the first time that over 70% trading volume was by foreign entities, and although it remains to be seen whether or not such high levels will be sustainable, the increasing trend has continued since 1988 (Figure 1).

For the purposes of calculating volume, consigned trading is tabulated by category based on information submitted by comprehensive trading participants with capital of 3.0 billion yen or more (excluding internal transactions). Consigned trading accounted for 82.3% of all transactions during 2016.

Table 1 Foreign shareholder ratio and trading volume in the Japanese market (%)

Year	Foreign shareholder ratio	Trading volume by foreign entities
1982	7.6	15.5
1983	8.8	18.3
1984	7.4	17.8
1985	7.0	16.5
1986	5.3	14.8
1987	4.1	13.4
1988	4.3	10.1
1989	4.2	11.3
1990	4.7	13.1
1991	6.0	18.1
1992	6.3	23.4
1993	7.7	23.1
1994	8.1	27.0
1995	10.5	26.6
1996	11.9	29.7
1997	13.4	35.2
1998	14.1	39.2
1999	18.6	38.6
2000	18.8	42.4
2001	18.3	51.8
2002	17.7	49.5
2003	21.8	46.1
2004	23.3	47.9
2005	26.3	45.1
2006	27.8	54.2
2007	27.4	60.9
2008	23.5	63.3
2009	26.0	53.0
2010	26.7	62.3
2011	26.3	65.7
2012	28.0	65.8
2013	30.8	58.1
2014	31.7	63.8
2015	29.8	67.7
2016	30.1	70.3

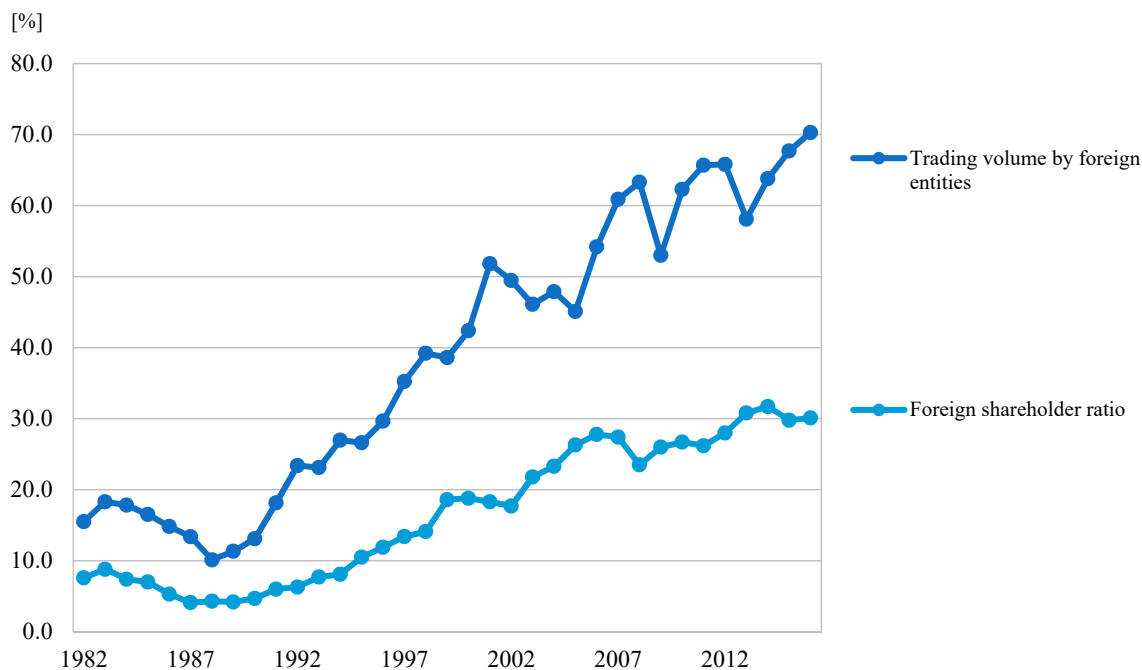


Figure 1 Foreign shareholder ratio and trading volume in the Japanese market

2. Foreign shareholder ratios in other markets

For comparison with the foreign shareholder ratio and trading volume in the Japanese market, similar analyses were made for markets in other countries (Table 2 and Figure 2). Note that statistics for trading volume by foreign entities were unavailable, and only shareholder ratios are provided here.

United States

The foreign shareholder ratio in the United States was 13.6% in 2016 according to figures published by the Department of the Treasury, down 0.8% year-on-year. Although this may seem low in comparison to other countries, it has been increasing steadily since 2006.

United Kingdom

The Office for National Statistics publishes foreign shareholder ratio figures every two years. In 2016, the foreign shareholder ratio was 53.9%, up 0.2% compared with 2014. This is a level surpassed only by Germany, with the number rising continuously since 2006.

Germany

The Deutsche Bundesbank is tasked with publishing foreign shareholder ratios, with figures unavailable for 2015 and 2016. The most recent data are for 2014, indicating a foreign shareholder ratio of 57.1%, down 0.1% year-on-year. This is the highest level for the five countries covered in this report, and it has not fallen below 50% from 2006 onward.

France

The foreign shareholder ratio for 2016 was 44.5% according to the Banque de France, a decrease of 0.8% year-on-year. This is a high level exceeded only by Germany and the United Kingdom, exceeding 40% in every year since 2006.

Table 2 Foreign shareholder ratio in other foreign markets (%)

Country	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
United States	8.9	9.6	10.1	9.8	11.1	12.1	13.4	13.6	14.3	14.4	13.6
United Kingdom	40.0	-	41.5	-	43.1	-	53.3	-	53.7	-	53.9
Germany	53.6	58.8	51.6	54.6	55.1	54.2	55.4	57.2	57.1	-	-
France	46.3	41.2	41.7	43.5	41.9	44.2	47.3	47.8	46.1	45.3	44.5
Japan	27.8	27.4	23.5	26.0	26.7	26.3	28.0	30.8	31.7	29.8	30.1

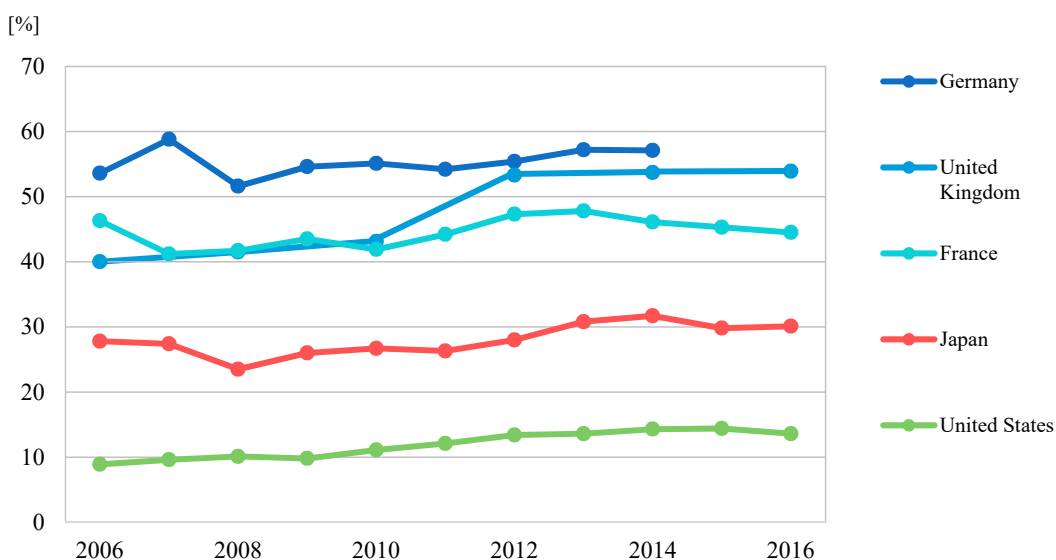


Figure 2 Foreign shareholder ratio in other foreign markets

Comparison between the Japanese market and other foreign markets

Since 2013, the foreign shareholder ratio in Japan has exceeded 30%, which may seem high at first glance. However, for the past ten years, the figure has exceeded 50% in both the United Kingdom and Germany, and is over 40% in France. With the exception of the United States, a ratio of less than 20%, the foreign shareholder ratio in Japan is still relatively low for a developed economy. Although the unique characteristics of the Japanese market must be taken into account, there is still room for growth.

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