

## Best execution policy

Revised on June 1, 2023  
CLSA Securities Japan Co., Ltd.

These Best Execution Policies stipulate the policies and methods for executing transactions under the best terms and conditions for customers in accordance with the provisions of Article 40-2-1 of the Financial Instruments and Exchange Law.

We will endeavor to execute in accordance with the following policy in the event that there is no instruction from the customer regarding the execution of transactions when the customer accepts an order for securities listed on the domestic exchange financial instruments market. Unless otherwise instructed by the customer, all orders placed by the customer shall not be purchased or sold directly by us, but shall be consigned as consignment orders.

In the event that an alternative liquidity pool ("ALP") which is an internal trading system\* (so-called dark pool) operated by us and a smart order routing\*\* (hereinafter referred to as "SOR") operated by us are used, we will refer your order to the Exchange Financial Instruments Market or PTS or forward it to ALP in accordance with your settings. Orders opposed by ALP will be executed by ToSTNeT.

\* Internal transaction system as specified under Article 70-2(7) of the FIB Cabinet Office Ordinance. The same shall apply hereinafter

\*\* An internal system that automatically selects the most favorable execution price from multiple financial instruments exchange markets. The same shall apply hereinafter

Transactions of securities in overseas markets handled by our overseas affiliates are executed in accordance with the best execution policy of each overseas affiliate in accordance with the contract between the customer and each overseas affiliate.

This section describes I. the cases where you do not use either ALP or SOR and II. the case where you use either or both of ALP and SOR.

### **I. When neither ALP nor SOR is used**

#### **1. Marketable securities**

Listed stock certificates (hereinafter referred to as "listed stock certificates, etc.") as stipulated in Article 16-6 of the Enforcement Order of the Financial Instruments and Exchange Law are listed on the domestic exchange financial instruments markets, corporate bonds with stock acquisition rights, ETF (investment certificates of investment trust linked to stock price index) and REIT (investment certificates of real estate investment trust).

"Handled securities" stipulated in Article 67-18-4 of the Financial Instruments and Exchange Law of Japan are not subject to ALP/SOR for Phoenix stock certificates and bonds with stock acquisition rights. We will trade at the best price we can calculate through over-the-counter transactions.

#### **2. Methods and reasons for execution under best conditions**

If you select a setting in which neither ALP nor SOR is used, all orders will be consigned as consignment orders to the domestic exchange financial instruments market to which we are a member as follows: In addition, orders for share certificates, etc., listed only on the Financial Instruments Exchange Market to which we are not a member shall be referred to the relevant Financial Instruments Exchange Market through Nomura Securities Co., Ltd.

- ① Outsourcing orders received outside trading hours on the exchange financial instruments market shall be referred to the exchange financial instruments market after the trading session on the exchange financial instruments market is resumed.
- ② If a Financial Instruments Exchange is listed on multiple Financial Instruments Exchange Markets, it shall act as an agent for the Financial Instruments Exchange Markets designated by the Customer, but a Financial Instruments Exchange Market designated by the Customer is required.
- ③ We will not deal in off-exchange transactions (including our own transactions with overseas affiliates) that include brokerage to PTS unless otherwise instructed by the customer. For customers who do not use ALP or SOR, the exchange financial instruments market, where demand is concentrated among many investors, is the most rational.

### **II. When using ALP or SOR, or both**

#### **1. Marketable securities**

Listed stocks that can trade in Cboe Alpha (a market operated by Cboe Japan), J-Market (a market operated by Japan Next Securities) and X-Market (a market operated by X-Market) (hereinafter these three markets are referred to as the "PTS market used by us").

If you place an order for the listed share certificates that do not satisfy these conditions, you will be referred to the Exchange

Financial Instruments Market in accordance with I. above.

## 2. Methods and reasons for execution under best conditions

Your order will be forwarded to the Exchange Financial Instruments Market \*\*\* in accordance with the settings entered in the ALP/SOR as follows.

\*\*\* Financial instruments exchange markets, PTS, and internal transaction systems (the same meaning as "Financial instruments exchange markets, etc." in Article 124(2)(i) of the FIB Cabinet Office Ordinance).

		Customer's ALP settings		
		Do not use ALP	Use ALP	
			ALP and others Delivery to exchanges	Forwarded to ALP only
Customer's SOR Setting up	Use the SOR	1	2	4
	Do not use SOR	/	3	

### 1) When using SOR only (Table 1 above)

Customer orders are at the most favorable price from multiple exchanges according to the following procedure  
Markets that can be executed on a scale will be automatically selected and forwarded to them. Your order will not be forwarded to ALP.

In recent years, given the increasing liquidity of PTS listed stock certificates, we believe that providing the opportunity for execution in PTS in addition to the exchange financial instruments market best meets the preferences of the customers who chose this setting.

#### (Market for Comparing Prices)

We have selected four of the markets we have available, which we consider to be sufficiently liquid to our customers (the "Markets"). There is no capital relationship between us and the Financial Instruments Business Operator that operates these PTS.

- **Tokyo Stock Exchange**
- **J-Market Japan Next Securities Co., Ltd.**
- **X-Market (Japan Next Securities Inc.)**
- **Cboe Alpha (Cboe Japan Securities Co., Ltd)**

#### (If the most favorable price is more than one)

If there are multiple markets where the most favorable prices are offered simultaneously, the market is chosen in the following ways to increase the likelihood of executing the most favorable volume at the most favorable price.

- ① The most liquid market is chosen.
- ② When liquidity is also equal, the market with the highest probability of order execution is chosen.
- ③ If multiple markets are selected as a result of following the above selection method, your order will be split and shipped simultaneously to the selected multiple markets.
- ④ If all or part of the Customer's order has not yet been executed as described above  
(e.g. if the size of the Customer's order is larger than the size of the corresponding order), the execution of the order for the non-performing portion will be attempted again as above until all of the Customer's orders have been executed.
- ⑤ When placing orders in multiple markets, we minimize latency arbitrage by keeping the order placement times the same.

### 2) Setting to send to ALP and other exchanges using SOR (Table 2 above)

If you wish to use the SOR and configure ALP to forward to a market for us other than ALP, your order will be forwarded in the following manner: We deem it to be the preference of the customer who chose this setting.

- ① It is first forwarded to ALP.
- ② If the ALP does not match, the market where the best price is quoted by the SOR is automatically selected.
- ③ In ② above, if there are multiple markets where the most favorable price is offered simultaneously, the SOR automatically

selects the most liquid market.

- ④ In ③ above, if more than one market are selected with equal liquidity, the market with the highest probability of being executed by the SOR will automatically be selected.
- ⑤ If multiple markets are selected as a result of following the selection method in ④ above, the customer's order will be split and sent to multiple selected markets simultaneously.
- ⑥ When placing orders in multiple markets, we minimize latency arbitrage by keeping the order placement times the same.

Once again, if all or part of your orders have not yet been executed, then the execution of the orders of the non-executed portion will be attempted again as above until all of your orders have been executed.

Note that Customer's order in ALP will only be met if the corresponding price in ALP is (i) the same as or better than the best quote in the market, and (ii) between the highest and lowest prices in the market on that day at the time of the match. ALP is also subject to forwarding of orders by our group companies, but customer orders are always overridden.

### **3) When the SOR is not used and forwarded to ALP and the market (Table 3 above).**

If you choose not to use SOR, but to forward ALP to the market in addition to ALP, your order will first be forwarded to ALP. If not met by ALP, the order will be forwarded to the market you specify. We deem it to be the preference of the customer who chose this setting.

### **4) For forwarding to ALP only (Table 4 above)**

If you select the setting to forward only to ALP at your request, your order will be forwarded only to ALP regardless of your SOR setting. We deem it to be the preference of the customer who chose this setting.

## **III. Other**

If the settings you have selected are different from your wishes, please instruct us to do so. We will guide you to set the settings according to your wishes to the extent you can change the settings.

Transactions of odd-lot shares and fractional shares shall be handled by the Financial Instruments Business Operator.

Due to system failures, etc., the best execution policy may be executed in a different way from the best execution policy.

Even in that case, we will try to execute at the best conditions at that time.

We do not conduct transactions with individual customers, discretionary investment contracts, or margin transactions.

In addition, transactions for which the execution method is specified in the transaction clauses, etc., shall be conducted in accordance with the said execution method.

The best execution obligation is an obligation to comprehensively consider not only price but also various factors such as cost, speed, and certainty of execution. Thus, depending on the market environment, the priorities of each factor may change and the price may die as a dominant factor (for example, in the case of illiquid securities, the speed and probability of execution and settlement of the transaction may be more important than the price). Even if it is not the best ex post facto, solely focusing on price, it does not necessarily constitute a breach of the best execution obligation. In particular, the price at which an order is won by ALP does not necessarily guarantee a favorable price at the time of execution.