



BEYOND BORDERS

An Introductory Handbook: From Market Entry in Japan
to Cross-Border IPOs on Tokyo Stock Exchange



On the Publication of this Handbook

The world is entering an era in which technological innovations and changes in social structures are advancing at an accelerated pace. In the face of complex social challenges on a global scale, innovation has become an indispensable means of ensuring the sustainability of society. Startups play a central role in these efforts by implementing innovative technologies and business models in society to simultaneously achieve solutions to issues and economic growth.

Based on this recognition, the Ministry of Economy, Trade and Industry has been working across the boundaries of ministries and agencies to promote measures that will accelerate the creation of innovation, while also strengthening public-private partnerships. Our goals are to create an environment in which startups can take on challenges more easily through support from tax systems, legislation, and budgetary measures, and to generate unicorn companies that will be competitive in the global market.

In addition, for Japan to maintain and strengthen its international competitiveness, it is essential to deepen collaborations with overseas partners and to further advance integration with global ecosystems. Until now, we have been reinforcing Japan's industrial base by proactively bringing in cutting-edge technologies and attracting highly skilled talent from overseas. In the years ahead, we will need to take things one step further and create an environment that will encourage overseas entrepreneurs and investors to view taking on challenges in Japan as an attractive prospect.

To this end, the Ministry of Economy, Trade and Industry has joined forces with the Tokyo Stock Exchange (TSE) to strengthen support for promising overseas startups so that they can grow through business development in Japan and by listing on TSE. This initiative is also extremely important for making Japan the largest startup hub in Asia and one of the world's leading clusters of startups.

Our aim is to bring new value to Japanese industry and society by supporting the challenges of startups as they pave the way to the future and building a world-class startup ecosystem. It is our sincere hope that this handbook will help to attract to Japan startups that will create next-generation innovations.



Kikukawa Jingo

Director-General, Innovation and Environment Policy Bureau

Director-General for Startup Policy

Ministry of Economy, Trade and Industry



Introduction

In recent years, startups leveraging innovative technologies and business models to pursue rapid growth have been emerging worldwide, and the number of companies seeking to expand their business on a global scale continues to increase. As corporate activities expand beyond national borders, cross-border IPOs, or initial public offerings that are conducted on stock exchanges in countries and regions other than the country where corporate headquarters are located and the country where the company was incorporated, are becoming more active. It is becoming a common option for companies to list on stock exchanges outside their home countries as part of their growth strategy.

As one of the world's leading international stock exchanges, Tokyo Stock Exchange (TSE) has long provided market functions, including opportunities to raise capital for growth, not only to Japanese companies but also to overseas companies and companies with overseas roots. In recent years, we have noticed heightening interest from overseas startups that are aiming for further growth by expanding into Japan and are considering listing on TSE as an option to accelerate that growth, as well as from their investors.

Against this backdrop, TSE, in cooperation with the Ministry of Economy, Trade and Industry (METI) and the Japan External Trade Organization (JETRO), is supporting startups that are growing globally to enter the Japanese market and capitalize on opportunities for further growth, while also advancing the development of an environment to facilitate their listing on TSE. As part of these efforts, we have published this handbook, "BEYOND BORDERS—An Introductory Handbook: From Market Entry in Japan to Cross-Border IPOs on TSE."

This handbook is intended for foreign companies and relevant practitioners that are considering business expansion into Japan and/or a listing on TSE. It systematically outlines the procedures required to start a business in Japan, as well as the key requirements and points to consider when seeking a listing on TSE. We hope that this publication will serve as a useful reference for startups as they explore their strategic options for future growth.

The individual chapters were written by experts in their relevant fields of practice and compiled into a full handbook by TSE. We would like to express our sincere appreciation to everyone who has been involved in the compilation of this handbook, including METI, JETRO, and Mitsubishi UFJ Trust and Banking Corporation, for their invaluable support and cooperation.

Yokoyama Ryusuke

President & CEO

Tokyo Stock Exchange, Inc.

Authors by Chapter

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Kikukawa Jingo
Director-General, Innovation and Environment Policy Bureau
Director-General for Startup Policy
Ministry of Economy, Trade and Industry

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Yokoyama Ryusuke, President & CEO
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For questions and inquiries regarding this Handbook, please do not hesitate to contact us at the e-mail address below.

New Listings

Tokyo Stock Exchange, Inc.

E-mail: global_jpo@jpx.co.jp

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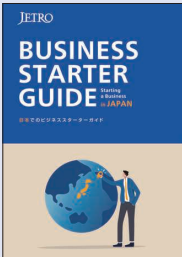




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I. Entering the Japanese Market

This chapter explains the basic process for establishing a business presence in Japan, as well as the legal frameworks and procedural requirements related to company incorporation, based on the *Business Starter Guide: Starting a Business in Japan* published by the Japan External Trade Organization (JETRO)¹.

A more detailed pamphlet titled *Laws & Regulations on Setting up Business in Japan* by JETRO, which comprehensively summarizes the legal systems and procedures related to company incorporation in Japan, is available for download at the link below. The booklet is provided in Japanese and English.

Laws & Regulations on Setting up Business in Japan			
	Japanese	 https://ij.jetro.go.jp/l/1105792/2026-03-29/3s6d2p7	
	English	 https://ij.jetro.go.jp/l/1105792/2026-03-29/3s6d2pf	
Starter Guide			
	Japanese	 https://ij.jetro.go.jp/l/1105792/2026-04-15/3s6fmmt	
	English	 https://ij.jetro.go.jp/l/1105792/2026-04-15/3s6fmn4	

<Inquiries Regarding JETRO's support on Investment in Japan>

Please contact JETRO using the inquiry form provided here, for any questions or requests regarding foreign companies entering the Japanese market, their collaboration with Japanese companies, business expansion of foreign-affiliated companies in Japan, or investment in Japan in general.

Japanese



<https://ij.jetro.go.jp/l/1105792/2026-03-29/3s6d2pj>



English



<https://ij.jetro.go.jp/l/1105792/2026-03-29/3s6d2pm>



<Inquiries Regarding This Chapter>

Japan External Trade Organization (JETRO) Promotion Division, Innovation Department
Email: IVB@jetro.go.jp

¹ Information, etc. provided through the Services is not guaranteed to be accurate, complete, fit for purpose or up to date, and therefore, such information, etc. shall be accepted or rejected at the sole discretion and responsibility of the Customer. JETRO and the Service Provider shall not be liable to the Customer in any way, even in the event of any disadvantage to the Customer in connection with the information, etc. provided by the Services.

1. 7 Reasons to Do Business in Japan

Japan, with a vibrant market, advanced technological infrastructure, and a stable regulatory environment, is an important business hub for companies targeting Asian and global markets. This section highlights seven key reasons to do business in Japan.

(1) A Free and Large Market

Japan is an open market ranked 5th in the world in total trade volume (approx. 1.455 trillion USD), with the 5th largest GDP globally, massive domestic demand, and a stable economic foundation. Its extensive network of FTAs keeps tariff barriers low, and its position as a hub for the Asia-Pacific region provides easy access to global markets—which is a major strength.

(2) Foundation of Reliability and Stability

Foreign direct investment (FDI) stock in Japan has expanded from 23.8 trillion JPY in 2014 to 53.3 trillion JPY in 2024, solidifying its reputation as a stable investment destination. It ranks 1st in Asia on the Foreign Direct Investment Confidence Index, and its political stability and legal system are among the top in the G20, creating a highly reliable environment suitable for long-term investment.

(3) An Economy with Growth Potential

Corporate profits in Japan continued to rise, with both manufacturing and non-manufacturing sectors posting increased revenue and profits in 2024, setting a record high for ordinary profit. Capital investment exceeded 100 trillion JPY in 2023 for the first time in 32 years, promising productivity gains and ripple effects. Furthermore, policies aimed at achieving carbon neutrality by 2050 are driving new growth investments.

(4) An Environment Fostering Innovation

Japan ranks 4th in R&D spending among G7, possessing strong technological capabilities backed by its large researcher base and patent foundation. Vigorous open innovation through corporate-university collaboration is advancing, with Tokyo ranking 10th in the Global Startup Ecosystem Ranking. A diverse startup ecosystem and public support are driving new value creation.

(5) Support Through Industrial Policy

Japan is improving its business environment from tax and regulatory perspectives, including promoting institutional development for international financial centers, support for foreign companies, the National Strategic Special Zones, and Regulatory Sandbox, with the goal of achieving 120 trillion JPY of foreign direct investment stock in Japan by 2030.

(6) Abundant Talent and Strong Technological Capabilities

Japan has 5,623 researchers per million people, ranking 2nd among G7, and ranks 4th globally in the number of IT engineers, making it a leading country in technical talent. In addition, Japan's higher education enrollment rate is among the highest in the G7, ensuring a solid foundation of technical expertise and human resources to support sustainable corporate growth.

(7) Quality of Life with Peace of Mind

Japan has a transportation network with easy access between major cities, and Tokyo ranks 2nd in the Global Power City Index, and major nearby Asian cities are reachable within four hours. International schools are established throughout Japan, and its low crime rate ranks highest among G7 nations, enabling a secure balance between business and personal life.

2. Steps to Start a Business in Japan

(1) Step 1: Select Types of Operation in Japan

Three Main Operation Types to Start a Business in Japan



A Representative Office

Locations for foreign companies to carry out preparatory and supplementary tasks aimed at enabling foreign companies to engage in full-scale business operations in Japan

B Branch Office

Locations for foreign companies to conduct business operations in Japan, a part of the foreign parent company

C Subsidiary

Locations for full-scale business operations (choose the legal entity to be established from among joint-stock corporations (Kabushiki-Kaisha (K.K.)), limited liability companies (Godo-Kaisha), or similar entities)

Q. How should I choose the type of operation?

A. Three operation types differ based on whether you will conduct sales activities in Japan, the depth and continuity of your operations, and the entity responsible for the business. Please choose the appropriate type based on these factors.

Comparison of Types of Business Operation

Item	A Representative Office	B Branch Office	C Subsidiary	
			Joint-stock Corporation	Limited Liability Company
Definition and Legal Status	Locations for foreign companies to carry out preparatory and supplementary tasks aimed at enabling foreign companies to engage in full-scale business operations in Japan	Locations for foreign companies to conduct business operations in Japan, and a part of the foreign parent company	Locations for full-scale business operations established as an entity with independent corporate status.	
Primary Scope of Activities	Can conduct market research and information gathering, but cannot engage in sales activities	Can conduct all types of sales and business activities within Japan	Can conduct ordinary business activities in Japan under the corporate name	
Establishment Procedures and Registration Requirements	No registration required Notification required when established by financial institutions, etc.	Register the establishment of the branch office with the Legal Affairs Bureau	Register the establishment of the subsidiary with the Legal Affairs Bureau	
Establishment Costs	—	Establishment cost: approx. 700,000 JPY No capital required	Establishment cost: approx. 1,000,000 JPY ^{*1}	Establishment cost: 200,000 JPY to 500,000 JPY ^{*1}
Taxation and Accounting Treatment	Not subject to corporate tax since no business activities are conducted; filing a tax return with the tax office is generally unnecessary	Treated as part of the foreign parent company; business operations in Japan are subject to taxation	Subject to taxation such as corporate tax and consumption tax as an independent corporation; Notification to the tax office is also required	
Scope of responsibility and Risk	The parent company or the representative of the representative office bears responsibility for real estate lease agreements, etc.	Ultimate liability for debts and obligations rests with the foreign parent company	Limited liability within the scope of the investment amount	
Taxation on Profits	Not subject to corporate tax as no sales activities are conducted	In principle, taxation is imposed on income generated within Japan	Taxation on the profits of joint-stock corporations and on dividends paid to shareholders	Taxation on the profits of limited liability companies and on dividends paid to its members

*1: Having capital of 30 million JPY or more is one of the requirements for obtaining the "Business Manager" status of residence

※ Source: JETRO, "Laws & Regulations on Setting up Business in Japan", "How to Set Up Business in Japan – Cost Estimation"

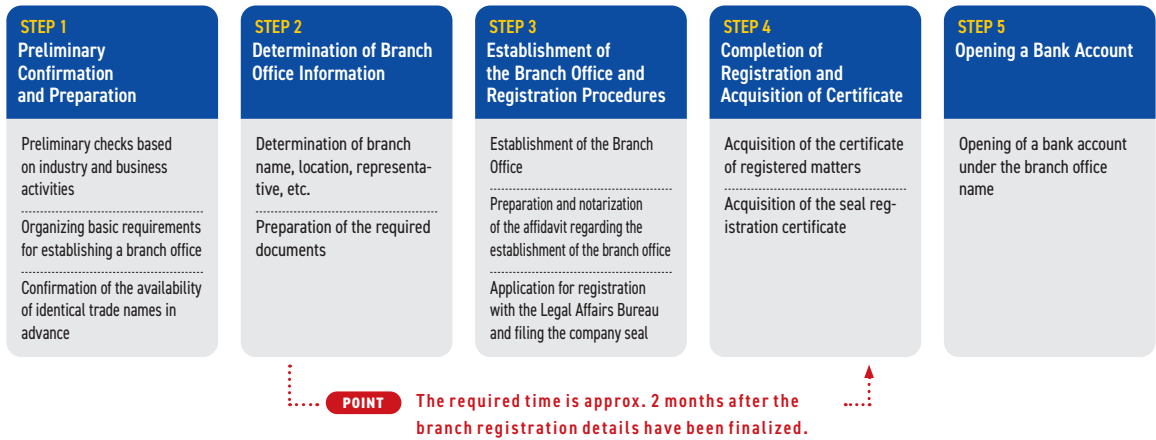
(2) Step 2: Establish a Company or a Branch Office

(A) Establishment of a Representative Office

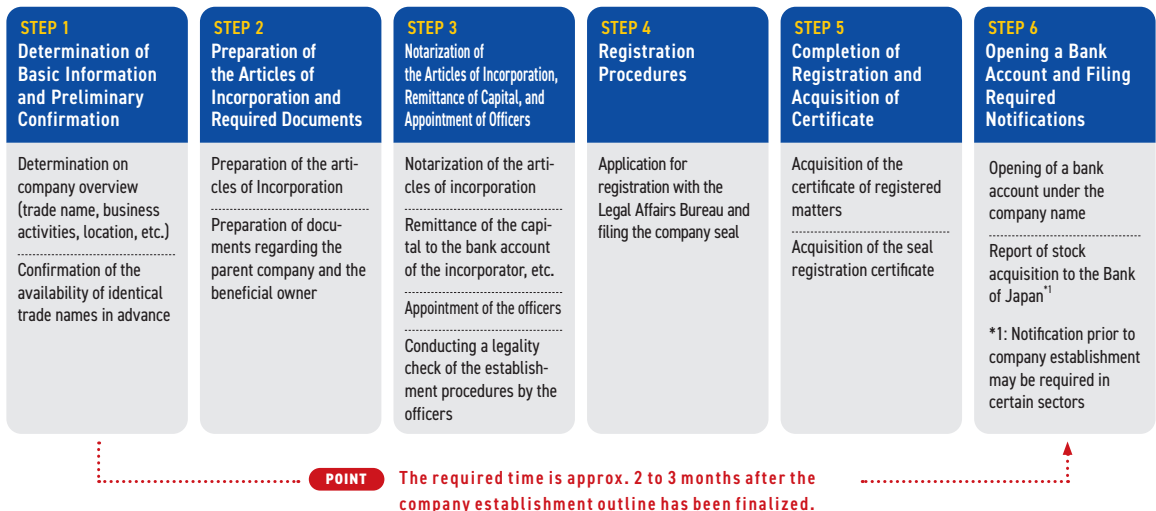
- The establishment of a representative office does not require registration or notification to the tax office.
- However, if a foreign financial institution establishes a representative office, prior notification to the Financial Services Agency is required.

POINT As a representative office cannot ordinarily open bank accounts or lease real estate in its own name, the foreign parent company or an individual such as the representative of the representative office must act as the contracting party.

(B) Establishment of a Branch Office

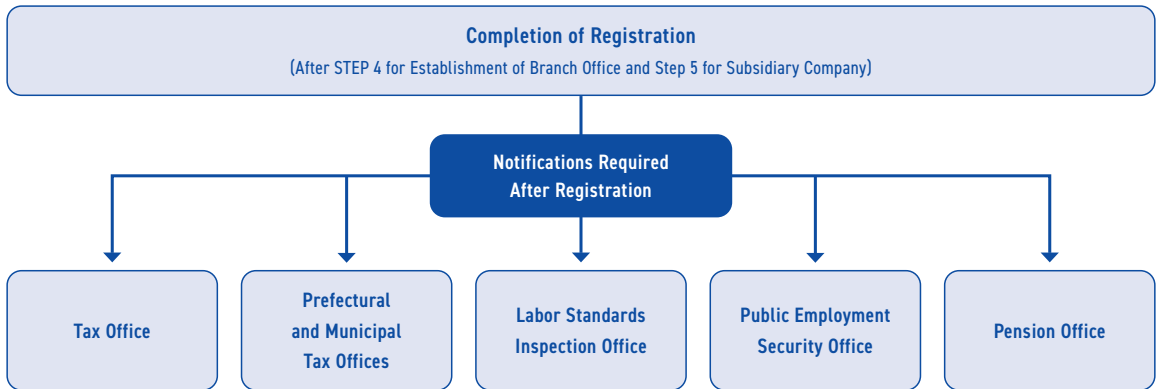


(C) Establishment of a Subsidiary (Joint-stock Corporation)



Notifications Required After Registration

After completing the registration process for establishing your branch office or subsidiary company, the following notifications need to be filed with the authorities.



(3) Step 3: Start a Business

a. Key Points for Securing a Business Office

Finding the right office takes time and effort, and the company will be required to have a fixed office address in order to carry out many of the tasks involved in establishing a company, including company registration, submitting official notices, applying for Certificate of Eligibility, opening a bank account and hiring employees, for which early preparation is essential.

(a) Selecting an Office Broker

It is common to engage the services of a major real estate brokerage firm that offers a wide range of properties and provides services in English. While a brokerage fee equivalent to one month's rent may be charged (due at the conclusion of the lease agreement), brokers provide free listings of properties and various supports from property viewing to negotiating lease terms.

POINT Even if you cannot secure an office immediately, if you meet the required conditions, you can utilize the "Program to Promote Startup Businesses by Foreign Nationals" to start your activities.

(b) Selecting the Right Location

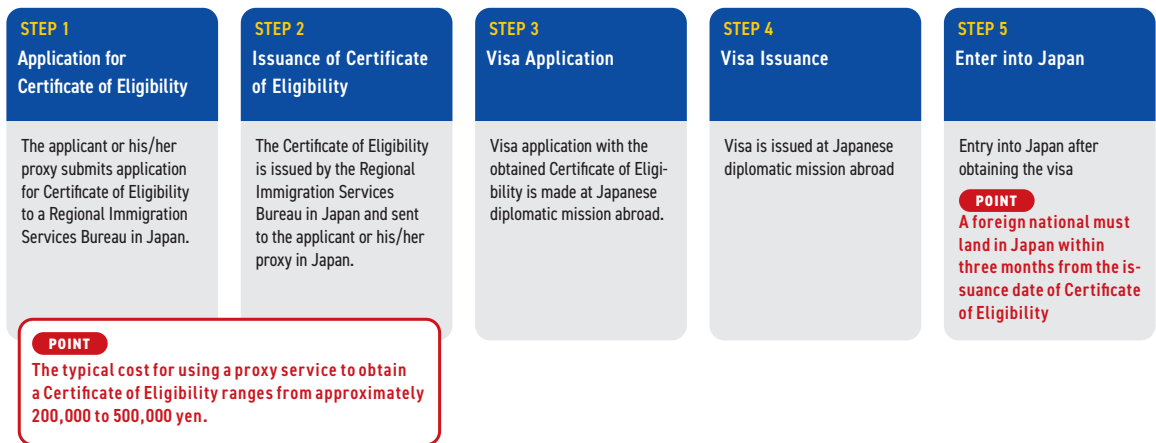
There are several important points to consider when selecting your company's location, such as access to trading partners, commuting convenience, and future business expansion.

POINT Office setup costs range from approx. 5.3 to 9.3 million JPY.

b. Key Points for Acquiring Visas and Status of Residence

Any foreign nationals wishing to conduct business activities in Japan must obtain a visa corresponding to his/her purpose of entry into Japan in advance and, after entering Japan, the foreign national must stay and engage in activities based on the designated status of residence. In many cases, obtaining a Certificate of Eligibility prior to entry facilitates the visa application process. The applicable status of residence is determined based on the activities permitted to be conducted in Japan.

I. Entering the Japanese Market



c. Guide to Opening a Corporate Bank Account

To conduct business in Japan, it is required to open a corporate bank account under company name. As the necessary documents and procedures vary by financial institution, prior confirmation is essential. Foreign companies can streamline the process by utilizing consultation services at financial institutions with experience in supporting foreign businesses. In recent years, due to crime prevention measures, screening has become stricter and foreign companies may be required to provide detailed explanations and supporting documents regarding their business operations, purpose of account opening, beneficial owners, etc.

(a) Documents Generally Required to Open a Corporate Bank Account

- Certificate of the registered matters of the corporation
- Certificate of the registered seal of the corporation
- Identification documents of the person in charge of the transaction (who applies for the account at the bank)
- Seal (stamp) to be registered for banking transactions (bank seal)

(b) Key Steps for Opening a Corporate Bank Account



* The above outlines the general steps for opening a corporate bank account. Please check each bank's website or contact their consultation desk for detailed procedures.

I. Entering the Japanese Market

d. Understanding Tax Filing and Payment Rules

Corporations established in Japan are generally subject to corporate tax in Japan on all income earned domestically and internationally, except for certain types of income. Corporate income in Japan are, in principle, subject not only to National and Local Corporation Taxes, but also to other local taxes including Corporate Inhabitant Tax and Enterprise Tax. Income taxed overseas may be adjusted for double taxation through the foreign tax credit or tax treaties. Additionally, conducting domestic transactions or importing goods in Japan may create obligations to file and pay consumption tax. In certain cases, even newly established corporations may become taxable entities. Also, Fixed Asset Tax may be levied on the ownership of assets. Japan's tax system involves numerous tax categories and procedures and it is crucial to consult accounting and tax professionals, such as tax accountants, when starting a business to ensure tax compliance tailored to your company's types of business operation.

e. Understanding Labor Laws

When foreign companies establish a business office in Japan and hire employees, it is required to comply with Japanese labor-related laws and regulations, regardless of whether the entity is a Japanese corporation or a foreign corporation. Since Japanese labor laws apply to all workers employed within Japan, irrespective of nationality, it is crucial to understand the basics of Japan's employment system and labor management before starting your business.

Japan's Labor Laws: Major laws stipulate fundamental employment matters

- (1) **Labor Standards Act: Establishes minimum standards on working conditions**
- (2) **Industrial Safety and Health Act: Ensures the safety and health of workers at the workplace**
- (3) **Labor Contracts Act: Establishes rules for labor contracts**

f. Key Points for Recruitment and Human Resource Management

Recruitment and human resource management in Japan requires comprehensive handling, from clearly stating employment conditions at the time of hiring to post-employment management and social insurance procedures. It is crucial to understand the systems beforehand and establish an appropriate framework.

(a) Basic Rules for Recruitment Activities

- Job postings and recruitment advertisements must clearly state working conditions such as job duties, working hours, and wages.
- When hiring foreign nationals, it is crucial to verify that the job duties fall within the scope of their status of residence.

(b) Employment Contracts and Wage Payment

- When hiring employees, a labor contract must be concluded, and working conditions must be clearly stated in writing or other appropriate form.
- Employers must pay the full amount of wages in legal tender, directly to the employee, not less than once per month, and on a specified date.

(c) Management of Working Hours, Days off, and Overtime

- Japan has regulations regarding working hours and holidays, requiring the payment of premium wages when exceeding the statutory working hours.
- Any employer that requires workers to work in excess of statutory working hours or on statutory days off must conclude a labor-management agreement and submit the required notifications to the Labor Standards Inspection Office.

(d) Rules of Employment and Workplace Environment

- Employers with 10 or more regular employees must draw up the work rules and submit them to the local Labor Standards Inspection Office.
- Additionally, it is mandatory to establish a safe and healthy workplace environment.

(e) Enrollment in Social Insurance and Labor Insurance

- When hiring employees, enrollment in Health Insurance, Employees' Pension Insurance, Employment Insurance, and Workers' Accident Compensation Insurance is required.
- As these are closely related to payroll and employment management, proper procedures must be followed from the time of hiring.

(f) Practical Implementation and Information Gathering

- Japan's human resource management systems are diverse and complex, so it is important to utilize publicly available information and seek expert support as needed.

3. JETRO's Main Support

JETRO supports your business in Japan by leveraging its extensive domestic and international networks, with over 70 offices overseas and over 50 offices in Japan, including the Invest Japan Business Support Center (IBSC).



(1) Information Service

JETRO provides information on the Japanese market, industries, regulations and relevant legal systems, and other matters through individual consultations with JETRO's dedicated staff and market experts.

- Japanese market and industry information
- How to establish a base
- Service providers (Recruitment, real estate companies, accounting firms, and other companies)
- Licensing and related legal systems
- National and regional incentives

(2) Facilities

We offer a free office space for a certain period of time at our Tokyo, Yokohama, Nagoya, Osaka, Kobe, and Fukuoka Investment Japan and Business Support Centers (IBSCs). There are also private rooms with network environment, and shared facilities such as event space and conference rooms.

- JETRO Innovation Garden
- Temporary Office

(3) Government and Other Networks

We support your business in Japan through our broad network.

- Introduction of the government and related ministries and agencies
- Introduction of local governments
- Introducing business partners and providing opportunities for interaction
- Introduction of experts (Judicial scriveners, attorneys, tax accountants, labor and social security attorneys, and other experts)
- Introduction of universities interested in partnerships with foreign companies

II. Listing on the Tokyo Stock Exchange

1. The Appeal of the Tokyo Stock Exchange

The Tokyo Stock Exchange (TSE) is Japan's leading securities exchange and, as one of the world's major exchanges, it provides a highly reliable market infrastructure under conditions of high transparency and fair rules.

It plays a key role as a capital market not only for Japanese companies but also for overseas companies and companies with overseas roots, enabling them to procure financing for growth and enhance their corporate value.

In particular, for overseas companies seeking to strengthen their operating base and achieve further growth in Asia and global markets through entry into the Japanese market, listing on TSE represents more than an opportunity for procuring finance. Listing provides them with a foundation for the execution of medium- to long-term growth strategies while building ongoing relationships with Japanese investors and companies, as well as the capital market overall.

(1) One of the World's Largest Capital Markets

TSE's most distinctive feature is the sheer size of its market. TSE is one of the world's largest securities exchanges in terms of both the total market capitalization of listed companies and trading value. At the end of 2025, the market capitalization of companies listed on TSE reached approximately 7.6 trillion USD, making it one of the largest equity markets in the world after the securities exchanges of the United States and China.

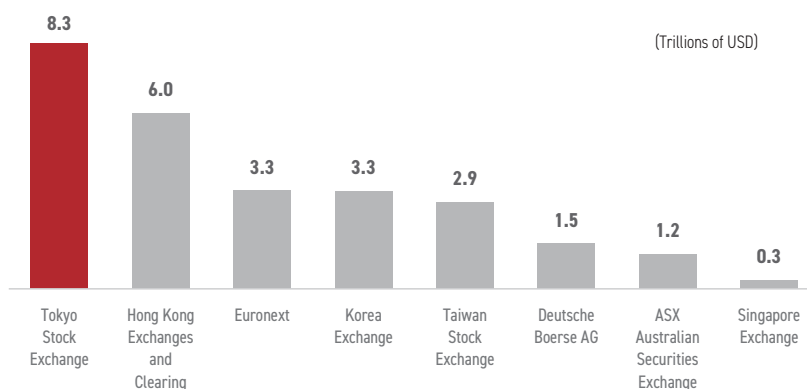
This scale does not merely indicate size in terms of numbers. It signifies that the market has sufficient capacity to absorb capital, or in other words, that an environment is in place that allows companies to make flexible use of the capital market in accordance with their growth stage and financing needs. For overseas companies, TSE can be described as a market that, in addition to raising funds at the time of listing, allows them to execute their growth strategies after listing while receiving ongoing evaluation from the market.

In addition, with over 3,900 companies currently listed, TSE has a wide range of market participants, from large corporations and mid-size companies, and even companies in the growth stage. Due to this broad base, even for overseas companies, there are listed companies in the market with similar scale and growth stages to their own. This has created an environment in which investors can more easily evaluate companies on a relative basis. Consequently, TSE can be described as a market in which overseas companies can receive appropriate evaluation from the market.

(2) High Liquidity to Support Growth After Listing

The second feature of TSE is its high degree of liquidity. TSE maintains an extremely high level of annual trading value, reaching 8.3 trillion USD in 2025. This is the third largest after the United States and Chinese stock exchanges.

Comparison of Annual Trading Value of Major Stock Exchanges (2025)



Source: Graph produced by TSE using data from the WFE Statistics Database

II. Listing on the Tokyo Stock Exchange

Liquidity is one of most crucial factors for overseas companies when considering where to list their shares. In highly liquid markets, not only is it easier to stabilize price formation after listing, but the continuous trading of shares after listing holds investors' interest. This enables companies to manage their operations while continuously receiving market evaluation through their stock prices.

Of particular importance is the fact that this high liquidity is ensured even in markets that target startup enterprises. Even compared with the markets for startups at other major Asian exchanges, TSE's market for growth enterprises is at a high level in terms of the number of listed companies, market capitalization, and trading value. Even in emerging markets, the environment is structured so that post-listing trading is less likely to be limited, and healthy secondary market transactions can easily take place. This is an aspect of great significance for startups in their growth phase.

This kind of liquidity provides a foundation for companies to continuously leverage the capital market as they consider additional financing and business expansion after listing, instead of treating their IPO as a one-off event. A major feature of TSE is that it is a capital market where the market continues to function effectively even after a company's listing.

(3) Access to Global Investors

The third feature is the global nature of TSE. Even as a domestic capital market in Japan, TSE is a market in which overseas investors are exceptionally active. A large number of overseas investors participates in the TSE's markets, with overseas investors accounting for some 60% of the whole on a trading value basis and around 30% in terms of shareholding ratio.

This point is of immense importance for overseas companies as well. Listing on TSE gives them the opportunity to receive evaluation not only from Japanese investors, but also from overseas institutional investors that access Japanese markets through TSE's markets. As a result, listing on TSE not only provides access to the Japanese market, but also means opportunities to reach global investors through the TSE at the same time.

From these three perspectives of "size," "liquidity," and "global nature," TSE is an attractive capital market for overseas companies. Listing on TSE is not merely a means of procuring finance. It also offers a valuable option for realizing medium- to long-term growth strategies based in Japanese markets.

II. Listing on the Tokyo Stock Exchange

2. Listing of Shares and its Significance

In general, listing a company's shares on the stock exchange is considered to offer advantages such as smoother and more diversified fundraising, as well as enhancing the company's social credibility and public recognition. On the other hand, it also means that the listed company's share certificates become an investment target for a broad, unspecified range of investors, including individual retail investors.

Listing shares on TSE is said to offer the following advantages.

(1) Smoother and More Diversified Fundraising

Benefiting from the high liquidity of the stock exchange market, a listed company can access direct financing, such as capital injections through public offerings on the primary market at market prices and the issuance of share acquisition rights and corporate bonds with share acquisition rights. This allows the company to restore and enhance its financial position.

(2) Enhancement of the Company's Social Credibility and Public Recognition

Becoming a listed company gives the company social recognition and status as a company with future potential and increases its credibility with business partners, financial institutions, and other stakeholders. A listed company can also look forward to a higher public profile thanks to increased opportunities for media coverage, including in the stock market section of the newspapers. This also makes it easier to attract outstanding talent.

(3) Enhancement of Internal Management Systems and Improvement of Employee Morale

Because corporate information will be disclosed and scrutinized by investors and other third parties, the listed company will move away from individual-led management, build an organizational approach to corporate management, and enhance its internal management systems. Also, by becoming a public company, it can expect to increase the motivation of its officers and employees.

These are the kinds of advantages that it is said that a listed company can enjoy. On the other hand, because the securities issued by a listed company will become a target for investment by a broad, unspecified range of investors, from the perspective of investor protection, new social responsibilities and obligations arise, such as the announcement of financial results and the timely and appropriate disclosure of corporate information.

In addition, the initial public offering (IPO) of shares is merely a means to enhance corporate value, and investors expect the IPO to serve as a catalyst for the realization of further growth after listing. When conducting an IPO, it is important for the company to thoroughly consider how to leverage the IPO in light of its post-listing growth strategy and to then proactively present its objectives to investors.

3. Initial Listing Process

An initial listing is conducted based on an application by the issuing company of the stock to be offered (hereinafter, the issuing company of the stock for which a listing application is made is referred to as the "applicant company"). Once a stock is listed, it becomes an investment target for a broad, unspecified range of investors. For this reason, a listing examination is conducted by TSE (Note) to determine whether or not the applicant company possesses a certain level of eligibility as a listed company from the perspective of investor protection. TSE has established various rules for IPOs, and these rules form the basis of the listing examination.

The listing examination criteria include "Formal Requirements," which are quantitative criteria such as the number of shareholders and the amount of profits, and "Substantive Examination Criteria," which are qualitative criteria for confirming details such as disclosure systems and the status of corporate governance. Please refer to the "Formal Requirements" and "Substantive Examination Criteria" sections in the "VI. Listing Examination" chapter of this handbook.

If the applicant company's eligibility for listing is confirmed as a result of the listing examination, TSE will approve and announce the listing of the applicant company's shares. Subsequently, the company will be listed after completion of the procedures for public offering and secondary offering.

(Note) The actual examination is carried out by Japan Exchange Group Regulation entrusted by TSE to do so.

II. Listing on the Tokyo Stock Exchange

4. Market Composition

TSE offers four markets, namely the Prime Market, Standard Market, Growth Market, and TOKYO PRO Market. Moreover, even after their initial listing, listed companies may transfer to a different market segment based on the stage of the company and the concept of each market segment.

(1) Prime Market

The Prime Market is intended for companies that have a market capitalization (liquidity) large enough to attract investment from many institutional investors, a higher quality of governance, and a commitment to sustained growth and the enhancement of medium- to long-term corporate value, with a focus on constructive dialogue with investors.

(2) Standard Market

The Standard Market is intended for companies that have a base-line, standard level of market capitalization (liquidity) as an investment target in public markets, basic governance standards as a listed company, and a commitment to sustained growth and enhancement of medium- to long-term corporate value.

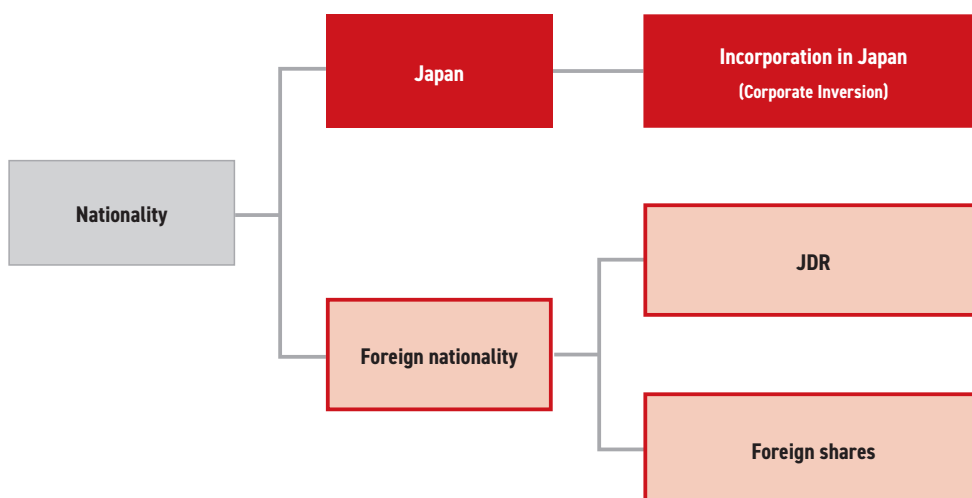
(3) Growth Market

The Growth Market is intended for companies with a reasonable business plan for realizing their high growth potential, the ability to achieve a certain level of market evaluation through the timely and appropriate disclosure of the progress of those plans, while at the same time posing a relatively higher risk from a business performance viewpoint. For this reason, applicant companies are required to possess "high growth potential." Whether or not the applicant company has high growth potential is evaluated and determined by the lead underwriter based on the applicant's business model, business environment, and other factors.



III. Listing Schemes for Overseas Companies on the Tokyo Stock Exchange

When an overseas company wishes to list its stock in Japan, the methods for doing so can be broadly divided into two approaches: establishing a holding company in Japan and listing that company (incorporation in Japan) or listing the company with its foreign nationality. A foreign-incorporated company can be listed via one of two methods: using depositary receipts issued in Japan (Japanese Depositary Receipts: JDR) or listing the actual shares that were issued in the foreign country (foreign shares). As described above, the schemes for listing an overseas company on Tokyo Stock Exchange can be classified into three methods: incorporation in Japan, JDR, and foreign shares. Incorporation in Japan, which entails establishing a holding company in Japan through the reorganization of the corporate group, is generally referred to as corporate inversion or CI.



[Major examples of listings]

Incorporation in Japan (Corporate Inversion)	JDR	Foreign shares
<ul style="list-style-type: none"> ✓ Nexon, 3659, South Korea ✓ Trend Micro, 4704, Taiwan ✓ SanBio, 4592, U.S. ✓ Appier Group, 4180, British Cayman Islands (Taiwan) ✓ Astroscale Holdings, 186A, Singapore 	<ul style="list-style-type: none"> ✓ OMNI-PLUS SYSTEM LIMITED, 7699, Singapore ✓ YCP Holdings (Global) Limited, 9257, Singapore 	<ul style="list-style-type: none"> ✓ YTL Corporation Berhad, 1773, Malaysia ✓ MediciNova, Inc., 4875, U.S. ✓ Beat Holdings Limited, 9399, British Cayman Islands

Note: Company name, securities code, and nationality are provided. For the examples of incorporation in Japan, the top five companies by market capitalization as of December 31, 2025 are shown. For the nationality, the governing law jurisdiction of the Group's ultimate parent company at the time of the implementation of the corporate inversion is provided, and if the former nationality and principal place of business differ, the latter is added in parentheses. For companies that conducted corporate inversion and listed as Japan-incorporated companies in or after 2015, please refer to Chapter VII.

IV. Overview of the Initial Listing and Disclosure Systems

1. Listing Schedule

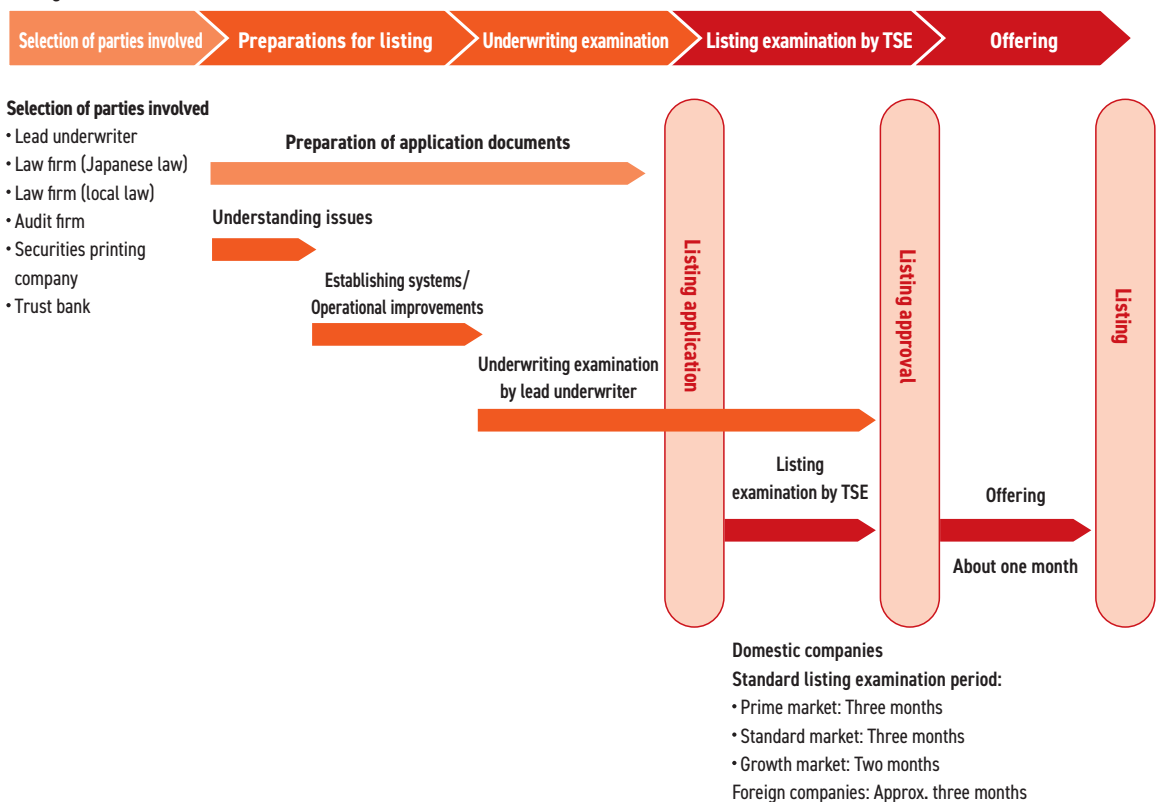
Based on the listing schedule described in the listing application entry sheet submitted by the lead underwriter, Tokyo Stock Exchange (TSE) will present a draft examination schedule, including the listing application date and dates for interviews.

The examination schedule will be adjusted as necessary up to the listing application date to ensure a reasonable schedule in light of the day-to-day operations of the applicant company. In addition, the standard listing examination period for companies in Japan is three months for the Prime Market and Standard Market and two months for the Growth Market. However, depending on factors such as the size of the applicant company's group, its peak busy season, and the balance with its regular business operations, it is possible to set written response preparation periods that differ from the model schedule and to adjust the number of interviews². Although there is no standard period for the listing examination of foreign companies, the listing examination will generally require about three months³.

After listing approval by TSE, about one month will be required for public offering procedures (IPO). The applicant will therefore need approximately three to four months, as a rule, from the listing application date to the first day of listing.

The period for preparing the listing application and period for the underwriting examination may vary, depending on the company's internal systems and the underwriting policies of the underwriting securities firm.

Listing Schedule



² The standard examination period is premised on cases in which no particular problems are identified in the examination. However, if any problems arise during the examination process or if new facts regarding the applicant company come to light, including through media reports or information provided from external sources, the examination period may be extended.

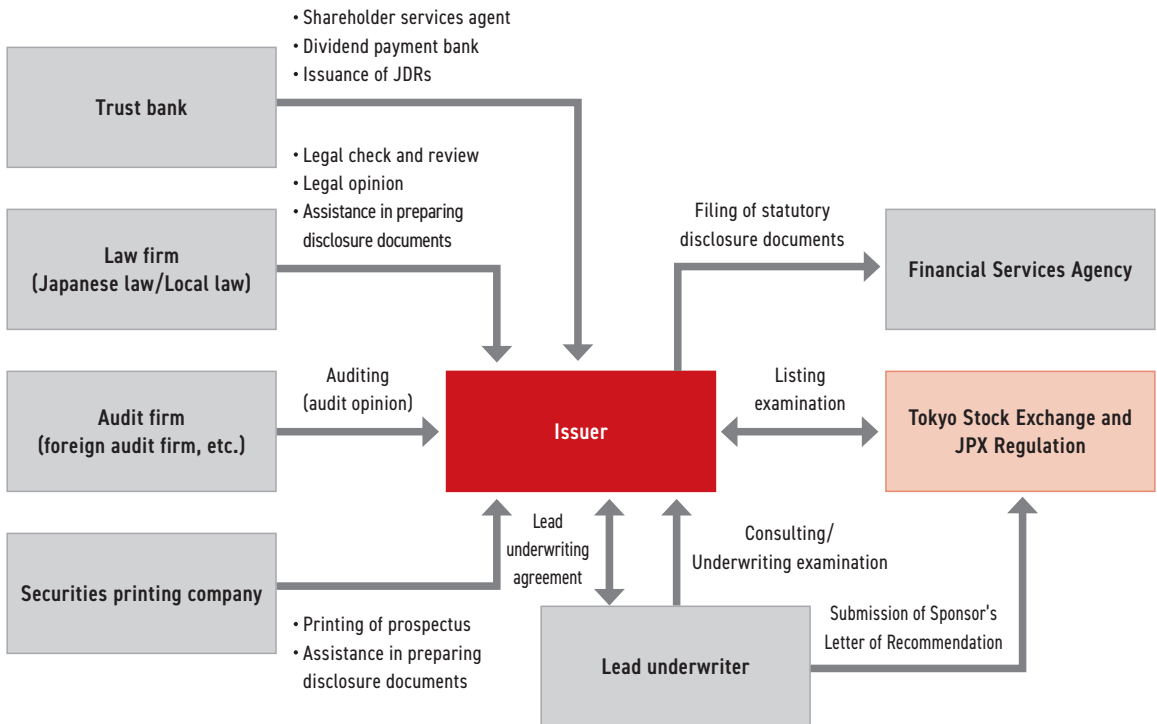
In addition, regarding applicant companies that are likely to have a significant impact on the market or investors, a conclusion will be reached after deliberations by the Board of Directors of JPX Regulation. As the matters for verification during the examination are expected to be many and varied for such applicant companies, we will ask that an examination period of at least one additional month be secured in addition to the standard examination period.

³ We may request that a longer examination may be secured due to other individual circumstances, such as in cases where the matters for verification are many and varied.

IV. Overview of the Initial Listing and Disclosure Systems

2. Parties Involved in the IPO

Various related parties, including securities companies, are involved in the listing application. The main roles of each of these parties are as follows. These parties work together closely during the preliminary listing process to support preparations for the listing. The parties involved in the listing of a foreign company on TSE are illustrated below as an example.



Lead Underwriter⁴ (TSE trading participant)	The lead underwriter is comprehensively involved in the procedures and preparations for listing overall. It provides underwriting services by entering into a lead underwriting agreement with the issuer and provides advice on listing and consultation services regarding the listing schedule and other matters. At the time of listing, the lead underwriter submits a Sponsor's Letter of Recommendation to TSE.
Law Firm	A law firm checks and reviews listing-related matters from a legal perspective and prepares a legal opinion. It also assists the applicant with the preparation of disclosure documents. After listing, it discloses corporate information as a legal representative of the listed foreign company.
Audit Firm (foreign audit firm, etc.)	An audit firm provides advice on the design and implementation of the accounting organization and financial statements and also audits the financial statements (expression of an audit opinion).
TSE	TSE explains its listing system to companies, IPO participants, and other relevant parties and provides preliminary or prior consultation on the listing.
Trust Bank	A trust bank acts as a shareholder services agent for Japanese shareholders after the listing. It may also act as a dividend payment bank to provide services related to dividend payment. If a foreign company lists with JDRs, the trust bank will be responsible for the issuance of the JDRs.

⁴The securities companies that assist the applicant with the various tasks for listing are called "underwriters." The main underwriter is called the "lead underwriter (lead trading participant)."

The lead underwriter is required to submit a "Sponsor's Letter of Recommendation" to TSE for the applicant company's listing on TSE.

Visit the website below to view those securities companies that have sufficient experience as lead underwriters and companies whose systems have been duly confirmed.
<https://www.jpx.co.jp/english/equities/listing-on-tse/new/basic/03.html>

3. Disclosure System on the Secondary Market

Information used for decisions on the value of securities must be accurate, fair, and disclosed in a timely manner to ensure that investors can invest in securities based on reasonable judgment. For this purpose, the Financial Instruments and Exchange Act prescribes requirements for information disclosure regarding the corporate affairs of issuers (statutory disclosure), while TSE prescribes requirements on timely disclosure by listed companies in its Regulations.

(1) Statutory Disclosure

Companies listed on TSE are required to electronically submit securities reports, semiannual reports, and other materials outlining their financial position, business operations, and performance to the Japanese Prime Minister (in practice, to the Finance Bureau with jurisdiction). The submitted securities reports, etc. are then entered into EDINET (Electronic Disclosure for Investors' NETWORK) for public inspection and made available to investors via the Internet.

(2) Timely Disclosure

In addition to statutory disclosure, companies listed on TSE are obliged to promptly disclose decisions and events that may greatly affect investor decisions, in accordance with the Regulations and other relevant rules.

Such information will then be released to the media and investors via the Internet and TSE's online disclosure system, TDnet (Timely Disclosure network).

(3) Commitment to Investor Relations (IR)

In addition to statutory and timely disclosures, TSE encourages all listed companies to engage in IR activities that enable them to communicate with investors about their corporate status.

V. Statutory Disclosure

Higuchi Wataru, Attorney-at-Law
Anderson Mori & Tomotsune

Disclosure pursuant to the Financial Instruments and Exchange Act is required at and after an IPO. This disclosure consists of two categories: offering disclosure upon the issuance of shares, etc. and continuous disclosure after listing. As noted earlier, the documents subject to disclosure (including Securities Registration Statements and Annual Securities Reports, among others) are filed via EDINET (Electronic Disclosure for Investors' NETwork), an electronic disclosure system that the Financial Services Agency of Japan (FSA) manages, and made available for public viewing online.

1. Offering Disclosure

(1) Securities Registration Statement

a. Overview

A company conducting an IPO must file a Securities Registration Statement with the competent Local Finance Bureau before commencing any solicitation of investors (Article 4, Paragraph 1 of the Financial Instruments and Exchange Act). In addition, shares, etc., may not be acquired by or sold to investors until after the Securities Registration Statement has taken effect (Article 15, Paragraph 1 of the Financial Instruments and Exchange Act). Accordingly, an IPO cannot be completed unless it has submitted its Securities Registration Statement before soliciting investors and until that Securities Registration Statement has taken effect.

b. Information disclosed

The disclosure items required of domestic and foreign companies are generally the same. In both cases, the issuer must disclose (i) securities information (such as offering terms including the issue price, underwriters, and purposes of funds) and (ii) corporate information (such as an overview of the company, business conditions including management discussion and analysis, status of facilities, status of shares, warrants and voting rights, and financial statements). Note, however, that foreign companies are subject to some different rules, as follows.

First, a foreign company's Securities Registration Statement must include corporate information specific to that foreign company, such as an outline of the legal system in its home country and an outline of share handling administration in Japan.

Second, foreign companies need to include financial statements in their Securities Registration Statements for a different number of years than domestic companies. Domestic companies are required to disclose audited financial statements for the most recent two business years (Form 2-4, Notes on Preparation (12), etc.), whereas foreign companies must choose between: (1) disclosing audited financial statements for the most recent three business years or (2) disclosing audited financial statements for the most recent two business years together with unaudited financial statements for the three business years prior to those (Form 7, Notes on Preparation (64)). For details on the accounting standards applied to and audit certificates on financial statements, see Section 3 below.

In addition, foreign companies must attach certain documents that domestic companies do not need to attach, such as a legal opinion from a local legal counsel (see Article 10, Paragraph 1, Item 4 of the Cabinet Office Order on Disclosure of Corporate Affairs, etc.).

c. Schedule

Prior to filing the Securities Registration Statement, a draft Securities Registration Statement and other documents should be submitted to the Local Finance Bureau for preliminary consultation on its content. In the preliminary consultation, the Local Finance Bureau provides comments on the draft, followed by a series of exchanges to address their feedback. This process typically takes about one month.

Subsequently, the Securities Registration Statement is filed, usually on the listing approval date⁵.

⁵Although Securities Registration Statement may be filed before the listing approval date, the explanation herein is based on the assumption that the company opts for the prevailing practice of filing the Securities Registration Statement on the listing approval date.

V. Statutory Disclosure

Normally, the Securities Registration Statement filed on the listing approval date does not state the issue price. The issue price is determined via the two steps below, with an amended statement submitted for each step.

- (1) First, after filing the Securities Registration Statement, the issuer holds meetings (so-called “roadshow”) with multiple institutional investors to present the company and its business. Based on the feedback from those institutional investors and discussions between the issuer and the lead underwriter, a tentative price range (usually expressed as a range such as “X to Y yen per share”) is determined. The first amendment to the Securities Registration Statement is then filed to include this tentative price range in the Securities Registration Statement.
- (2) Second, based on this tentative price range, the lead underwriter then receives indications of interest from investors regarding the number of shares they wish to purchase and their desired purchase prices. Taking into account the demand accumulated from each investor and based on consultation with the issuer, the final offering price is determined (the so-called “book-building method”). The second amendment to the Securities Registration Statement is then filed to include this offering price in the Securities Registration Statement.

Under the “Points to Note Regarding Disclosure of Corporate Affairs, etc. (Guideline for the Disclosure of Corporate Affairs)” (B8-4.B, main text), the Securities Registration Statement must become effective on the filing date of the second amendment to the Securities Registration Statement or on the following day. In practice, however, the schedule is generally arranged so that the Securities Registration Statement becomes effective on the day after the second amendment to the Securities Registration is filed.

d. Other notes

When filing a Securities Registration Statement, a foreign company must appoint an agent in Japan (Article 7, Paragraph 1 of the Cabinet Office Order on Disclosure of Corporate Affairs, etc.). In practice, it is common for a lawyer affiliated with a Japanese law firm to act as such an agent of a foreign company and the same law firm to handle the filing of the Securities Registration Statement and related documents.

(2) Obligation of Preparation and Delivery of Prospectus

An issuer who has filed the Securities Registration Statement must prepare a Prospectus (Article 13, Paragraph 1 of the Financial Instruments and Exchange Act). The Prospectus must be delivered to investors prior to (or at the same time as) selling the securities or having investors acquire them (Article 15, Paragraph 2 of the Financial Instruments and Exchange Act). The items to be stated in the Prospectus are substantially identical to those for the Securities Registration Statement. Therefore, in practice, a document created by making necessary adjustments to the filed Securities Registration Statement is used and delivered as the Prospectus.

2. Continuous Disclosure

After listing, foreign companies are required to file Annual Securities Reports, Internal Control Reports, Semiannual Reports, Confirmation Letters, and Extraordinary Reports as part of continuous disclosure. For foreign companies, it is common for a lawyer affiliated with a Japanese law firm to act as an agent of a foreign company and the same law firm to handle the filing of the relevant documents.

(1) Annual Securities Report

Listed companies must file an Annual Securities Report for each fiscal year (Article 24, Paragraph 1 of the Financial Instruments and Exchange Act). The filing deadline is within three months after the end of the fiscal year for domestic companies and within six months for foreign companies (Article 24, Paragraph 1 of the Financial Instruments and Exchange Act and Article 3-4 of the Order for Enforcement of the Financial Instruments and Exchange Act).

The information in the Annual Securities Report is substantially the same as the corporate information in the Securities Registration Statement (see above). The items for disclosure are largely the same for domestic and foreign companies, as well. However, as is the case with the Securities Registration Statement, foreign companies must include information specific to their circumstances, such as an outline of the

V. Statutory Disclosure

legal system in their home country and an outline of share handling administration in Japan. They must also attach documents that domestic companies do not need to attach, such as a legal opinion from a local legal counsel. For details on the accounting standards applied to and audit certificates on financial statements, see Section 3 below.

(2) Internal Control Report

For each fiscal year, a listed company must prepare an Internal Control Report evaluating the internal control systems needed to ensure the reliability of documents and other information relating to financial reporting for the corporate group and the company itself, and must file this report together with its Annual Securities Report (Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act). The company must prepare the Internal Control Report in accordance with the Criteria for Evaluation and Auditing of Internal Control over Financial Reports and the Implementation Criteria for Evaluation and Auditing of Internal Control over Financial Reports published by the Business Accounting Council (Article 1, Paragraphs 1 and 4 of the Cabinet Office Order on the System for Ensuring the Appropriateness of Documents Related to Financial Calculation and Other Information). This system is also referred to as the "Japanese version of the Sarbanes-Oxley Act (J-SOX)" because it was introduced with reference to the Sarbanes-Oxley Act enacted in the United States (the "US SOX Act").

The Internal Control Report must be audited by a certified public accountant or audit firms (Article 193-2, Paragraph 2 of the Financial Instruments and Exchange Act)⁴. However, for the first three years after an initial listing, companies are exempt from the audit requirement for the Internal Control Report, unless they meet certain thresholds (capital of 10 billion yen or more, or liabilities of 100 billion yen or more) (Article 193-2, Paragraph 2, Item 4 of the Financial Instruments and Exchange Act and Article 10-2 of the Cabinet Office Order on the System for Ensuring the Appropriateness of Documents Related to Financial Calculation and Other Information).

Even foreign companies, as long as they are listed, are also required to submit an Internal Control Report in the same way as domestic companies are. However, if a foreign company has a report evaluating its internal controls that has been "disclosed" in its home country or a third country and the Financial Services Agency individually determines that "the public interest and protection of investors would not be impaired" the report may, as an exception, be filed as the company's Internal Control Report under the Financial Instruments and Exchange Act (Article 12, Paragraphs 1 and 2 of the Cabinet Office Order on the System for Ensuring the Appropriateness of Documents Related to Financial Calculation and Other Information). Therefore, a foreign company that discloses an internal control report in the United States pursuant to the US SOX Act, for example, may submit that US SOX based internal control report as its Internal Control Report under the Financial Instruments and Exchange Act. In contrast, a Singapore company listed only on Tokyo Stock Exchange, for example, is not required under Singapore law to file a report evaluating internal control; therefore, it is not recognized that such a report is "disclosed" in its home country (i.e., Singapore). Accordingly, the Singapore company cannot rely on this exception and must file an Internal Control Report in the same manner as a domestic company.

(3) Semiannual Report

Listed companies must file a Semiannual Report for the first six-month period of each fiscal year (Article 24-5, Paragraph 1 of the Financial Instruments and Exchange Act). The filing deadline is within 45 days after the last day of the relevant six-month period (same Paragraph). If it is deemed that the company cannot file within this period for unavoidable reasons, the company may obtain approval from the competent Local Finance Bureau to extend the filing deadline (same Paragraph and Article 18-2 of the Cabinet Office Order on Disclosure of Corporate Affairs, etc.). In the case of foreign companies, there are many cases where approval for an extension of the filing deadline is granted.

The Semiannual Report describes matters equivalent to those in the Securities Report in accordance with the status of the six-month period and consists mainly of an overview of business and interim financial statements, etc. For details on the accounting standards applied to and audit certificates on financial statements, see Section 3 below.

⁴ In the case of a foreign company, it is also sufficient if the report has been audited by a foreign audit firm, etc. (Article 193-2, Paragraph 2, Item 1 of the Financial Instruments and Exchange Act and Article 9 of the Cabinet Office Order on the System for Ensuring the Appropriateness of Documents Related to Financial Calculation and Other Information).

V. Statutory Disclosure

(4) Confirmation Letter

Listed companies must submit, together with their Annual Securities Report and Semiannual Report, a Confirmation Letter to the Japanese Prime Minister stating that they have confirmed that the content of statements in the Annual Securities Report and Semiannual Report is appropriate and in accordance with the applicable laws and regulations (Articles 24-4-2 and 24-5-2 of the Financial Instruments and Exchange Act).

(5) Extraordinary Report

Listed companies must, "without delay," file an Extraordinary Report when any material event prescribed in the Cabinet Office Order on Disclosure of Corporate Affairs, etc. occurs (Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act; Article 19 of the Cabinet Office Order on Disclosure of Corporate Affairs, etc.). The following are examples; they do not provide a comprehensive list of the reasons for the submission of an Extraordinary Report.

[Events relating to a listed company (non-consolidated)]

- (1) Public Offering or Secondary Offering of Securities in Foreign Market
- (2) Issuance of Securities through Private Placement
- (3) Issuance of Stock Options Not Required for Notification
- (4) Change in Parent Company or Specified Subsidiaries
- (5) Change in Major Shareholders
- (6) Occurrence of Significant Disaster
- (7) Filing or Settlement of Lawsuit
- (8) Determination of Stock Swap, Stock Transfer, Absorption-type Company Split, Incorporation-type Company Split, Absorption-type Merger, or Consolidation-type Merger
- (9) Determination of Transfer or Acquisition of Material Business
- (10) Change of President or Representative Director
- (11) Resolutions at the General Shareholders Meeting
- (12) Filing for Commencement of Bankruptcy Proceedings, etc.
- (13) Occurrence of Large Uncollectible Claims
- (14) Occurrence of Event with Significant Adverse Effect on Financial Condition, Operating Results, and Cash Flow Status
- (15) Conclusion of or Change to a Material Shareholder Agreement, etc.
- (16) Conclusion of or Change to an Agreement with a Major Shareholder (a Shareholder Who Has Submitted a Statement of Large Holdings) Regarding the Disposal or Holding of Shares, etc.
- (17) Conclusion, Issuance of, or Significant Change to Significant Borrowings or Corporate Bonds with Special Financial Provisions (Financial Covenants)

[Events relating to a consolidated subsidiary]

- (1) Occurrence of Significant Disaster at Consolidated Subsidiary
- (2) Filing or Settlement of Lawsuit at Consolidated Subsidiary
- (3) Determination of Stock Swap, Stock Transfer, Absorption-type Company Split, Incorporation-type Company Split, Absorption-type Merger, or Consolidation-type Merger at Consolidated Subsidiary
- (4) Determination of Transfer or Acquisition of Material Business at Consolidated Subsidiary
- (5) Acquisition of a Subsidiary Company by a Consolidated Subsidiary
- (6) Filing for Commencement of Bankruptcy Proceedings, etc. at Consolidated Subsidiary
- (7) Occurrence of Large Uncollectible Claims at Consolidated Subsidiary
- (8) Occurrence of Event with Significant Adverse Effect on a Consolidated Subsidiary's Financial Condition, Operating Results, and Cash Flow
- (9) Conclusion, Issuance of, or Significant Change to Significant Borrowings or Corporate Bonds with Special Financial Provisions (Financial Covenants) by a Consolidated Subsidiary

3. Accounting Standards Applied to and Audit Certificates on Financial Statements

(1) Accounting Standards

Financial statements disclosed under the Financial Instruments and Exchange Act must be prepared in accordance with "generally accepted accounting principles" (GAAP) (Article 193 of the Financial Instruments and Exchange Act). For domestic companies, this means preparing financial statements in accordance with one of the following: Japanese GAAP (J-GAAP), US GAAP (US-GAAP), International Financial Reporting Standards (IFRS), or Japan's Modified International Standards. In practice, the overwhelming majority of domestic companies adopt J-GAAP; the number of companies adopting IFRS is gradually increasing.

On the other hand, for foreign companies, if there are financial statements "disclosed" in their home country or a third country and the Financial Services Agency individually determines that "the public interest or protection of investors would not be impaired," such financial statements may be used for disclosure under the Financial Instruments and Exchange Act (Article 328, Paragraphs 1 and 2 of the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements).

In this context, "disclosed" in the home country or a third country is considered to mean being disclosed within a certain legal framework in that country. Simply posting the financial statements on the company's website does not constitute "disclosure"; to qualify as being "disclosed," they must be released in a form that is recognized as statutory disclosure under the relevant laws and regulations.

The Financial Services Agency has also indicated that the following are conditions for "the public interest or protection of investors would not be impaired" (Note 328 of the Guidelines on the Regulation on the Terminology, Forms, and Preparation Methods of Financial Statements).

- (1) The terminology, forms, and preparation methods of financial statements pursuant to the laws and regulations of the foreign company's home country, etc. conform to or are regarded as equivalent to the principles, procedures, and presentation methods of accounting in Japan (e.g., complying with IFRS or US-GAAP).
- (2) The laws and regulations of the home country, etc. stipulate inspections, correction orders, and sanctions by the relevant administrative authority or an equivalent body (the "Foreign Supervisory Authority") in relation to non-submission of or misstatements in financial statements, and the Foreign Supervisory Authority appropriately supervises companies that submit financial statements.
- (3) Information-sharing between the Foreign Supervisory Authority and the Financial Services Agency is possible, such as being able to obtain necessary information for supervision under a memorandum of understanding on consultation, cooperation, and information exchange between authorities, including international information-sharing framework of the International Organization of Securities Commissions (IOSCO).

Since whether these conditions are met depends on the country and the company, it is necessary to examine the matter on a case-by-case basis and confirm with the Financial Services Agency in advance. Examples of approved cases include: financial statements of US companies prepared in accordance with US-GAAP; financial statements of Singaporean companies prepared in accordance with financial reporting standards (FRS) under the Singapore Financial Reporting Standards (SFRS); and financial statements of Singaporean companies prepared in accordance with the Singapore Financial Reporting Standards (International) (SFRS(I)).

(2) Audit Certificate

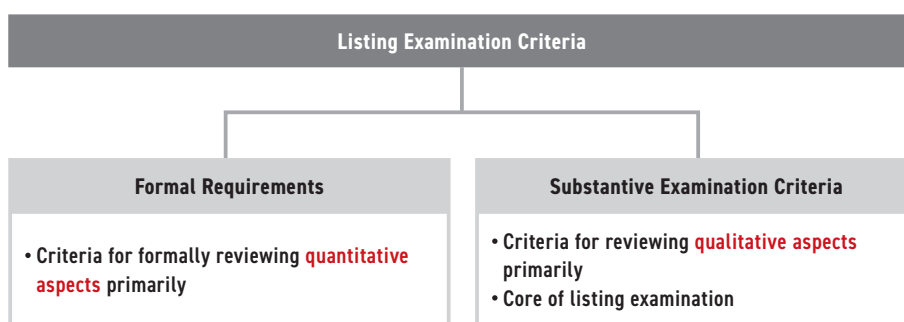
Financial statements included in a Securities Registration Statement or Annual Securities Report must be accompanied by an audit certificate issued by a certified public accountant or audit firm (Main clause of Article 193-2, Paragraph 1) of the Financial Instruments and Exchange Act; Article 1, Items 1 and 7 of the Cabinet Office Order on Audit Certification of Financial Statements). However, in cases of foreign companies, if they receive certification recognized as equivalent to audit certification from a foreign audit firm, etc., such certification is deemed sufficient (Article 193-2, Paragraph 1, Item 1 of the Financial Instruments and Exchange Act; Article 1-2 of the Cabinet Office Order on Audit Certification of Financial Statements). In practice, it is common for foreign companies to use certification recognized as equivalent to audit certification from such foreign audit firms, etc. (i.e., they do not obtain new audit certificates issued by a Japanese certified public accountant or auditing firm in Japan). It should be noted in this case, in order to be recognized as "foreign audit firm, etc.," a notification must be submitted to the Financial Services Agency in advance (Article 193-2, Paragraph 1, Item 1 of the Financial Instruments and Exchange Act; Article 1-3, Paragraph 7 and Article 34-35, Paragraph 1 of the Certified Public Accountants Act).

With respect to interim financial statements included in a Semiannual Report, audit certification by a certified public accountant or an audit firm is required for domestic companies but not for foreign companies (Article 193-2 of the Financial Instruments and Exchange Act; Article 1 of the Cabinet Office Order on Audit Certification of Financial Statements).

VI. Listing Examination

There are two types of criteria by which the company will be examined to list its stock encompassed by the so called Listing Requirements, namely the "Formal Requirements" and the "Substantive Examination Criteria." The shares of applicants that satisfy the Formal Requirements will be examined under the Substantive Examination Criteria. The contents of the Formal Requirements and Substantive Examination Criteria are as follows.

In the application of Tokyo Stock Exchange's (TSE) rules and regulations to a foreign company where the issuer, etc. of a listed security is a foreign company, TSE will take into account the legal systems, practices and customs, and other similar considerations of the home country, etc. of the foreign company.



1. Prime Market

(1) Formal Requirements

Item	Domestic Company	Foreign Company
Number of Shareholders (Estimate at Time of Listing)	800 or more	
Tradable Shares (Estimate at Time of Listing)	a. The number of tradable shares: 20,000 units or more	
	b. The market capitalization of the tradable shares: JPY 10 billion or more (in principle, the value derived by multiplying the number of tradable shares expected at the time of listing by the prospective price for public offering for the purpose of listing)	
	c. Ratio of tradable shares to listed shares: 35% or higher of the listed stocks	—
Market Capitalization (Estimate at Time of Listing)	JPY 25 billion or more (in principle, the value derived by multiplying the number of listed shares expected at the time of listing by the prospective price for public offering for the purpose of listing)	
Amount of Net Assets (Estimate at Time of Listing)	The amount of consolidated net assets is JPY 5 billion or more and amount of unconsolidated net assets is a positive figure	
Profits and Net Sales (amount of profits is calculated by adjusting the amount of consolidated ordinary income or loss by adding or deducting the amount of profit or loss attributable to non-controlling interests)	The applicant company satisfies either of the following a. or b.:	
	a. Aggregated profits over the last two years are JPY 2.5 billion or more b. Net sales over the last year are JPY 10 billion or more and market capitalization is estimated to be JPY 100 billion or more at time of listing	

Item	Domestic Company	Foreign Company
Years of Business Operation	The business has operated continuously as a stock company for three or more years before the date of application.	
False Statement or Adverse Opinions, etc.	<p>The following a. through d. must be satisfied:</p> <p>a. No false statements were made in annual securities reports, etc. for the last two years</p> <p>b. Accounting auditor's opinion on financial statements, etc. for the last two years (excluding that for the last year) was either an "unqualified opinion" or a "qualified opinion with exceptions"</p> <p>c. Accounting auditor's opinion on financial statements, etc. for the last year was, in principle, an "unqualified opinion".</p> <p>d. Stocks, etc. pertaining to the initial listing application that are listed on other domestic financial instruments exchanges do not fall under the following (a) and (b):</p> <p>(a) The internal control report issued in the last year states that "appraisal results cannot be provided"</p> <p>(b) The internal control audit report issued in the last year states that "opinion is not expressed".</p>	
Audit by a Registered Auditor of Listed Companies	The financial statements, etc. for each business year or consolidated accounting year ending in the last two years as well as the quarterly financial statements, etc. for a quarterly accounting period in the business year or for a quarterly consolidated accounting period in the consolidated accounting year ending in the last year have undergone audit or quarterly review equivalent to that in the provisions of Article 193-2 of the Act by a registered auditor of listed companies (limited to those which have undergone quality control reviews by The Japanese Institute of Certified Public Accountants)	—
Establishment of a Shareholder Services Agent	Shareholder services have been entrusted to an institution specified as the applicant's shareholder services agent, or an informal consent of undertaking the entrustment of such shareholder services from the shareholder services agent has been received; provided, however, that the same shall not apply to a shareholder services agent approved by the Exchange	—
Share Unit	The Share Unit shall be expected to be 100 shares.	—
Classes of Stock	<p>In the case that a stock, etc. pertaining to the initial listing application, such stock, etc. shall be, as a general rule, any of stocks referenced in the following a. through c. In this case, the initial listing applicant for the stock referenced in b. shall not have securities other than said stock as to which the applicant makes initial listing application:</p> <p>a. In the case of a company issuing one class of stock with voting rights, said stock with voting rights;</p> <p>b. In the case of a company issuing multiple classes of stock with voting rights, a class of stock with voting rights whose value of rights, etc. to receive economic benefits including claim for surplus dividend pertaining to the number of shares that enables exercise of one voting right at a general shareholders meeting with regard to important matters including selection and dismissal of board members is higher than any other class of stock;</p> <p>c. Stock with no voting right</p>	—

Item	Domestic Company	Foreign Company
Restriction on Transfer of Shares	Transfer of shares pertaining to an initial listing application is not restricted or it is expected that there will be no restriction by the time of listing; provided, however, that the same shall not apply to cases where transfer of shares is restricted pursuant to the provisions of special laws at the same time the details of the restriction are deemed not to hinder trading in the market of the Exchange	Transfer of foreign shares, etc. pertaining to an initial listing application is not restricted or it is expected that there will be no restriction by the time of listing; provided, however, that the same shall not apply to cases where transfer of shares is restricted pursuant to the provisions of special laws at the same time the details of the restriction are deemed not to hinder trading in the market of the Exchange (However, in cases where imposing restrictions is deemed necessary to satisfy the laws and regulations of the home country, this criterion will not apply as long as such restrictions will not impede trading on the markets of TSE.)
Handling by the Designated Book-Entry Transfer Institution	The applicant company is subject to the book-entry transfer operation of the designated book-entry transfer institution, or is expected to become so by the time of listing.	The stock is subject to the foreign stock book-entry transfer or book-entry transfer of the designated book-entry transfer institution or is expected to be subject to such handling by the time of listing.
Expected Implementation of Merger, etc.	The applicant company does not fall under the following (a) and (b): a. The applicant company has plans to conduct a merger or company split, make a company a subsidiary or exclude an existing subsidiary from its umbrella, or take over or transfer business, and will cease to remain a substantial surviving company due to these events within two years from the last day of the base business year. b. The applicant company has plans to conduct a merger through which it becomes a dissolved company, or a share exchange/share transfer through which it becomes a wholly-owned subsidiary of another company, within two years from the last day of the base business year (except where such plans are scheduled to be carried out before the date of listing).	
Depository Agreement, etc.	—	In cases where an initial listing application is for a foreign stock depository receipt, etc., a deposit agreement or other necessary agreement is to be concluded.

(2) Contents of Examination (Substantive Examination Criteria)

Item	Description
Corporate Continuity and Profitability	The applicant company is operated continuously and has a stable and excellent revenue base.
Soundness of Corporate Management	The applicant company carries out its business fairly and faithfully.
Effectiveness of Corporate Governance and Internal Management System	Corporate governance and internal management systems are appropriately established and functioning.
Appropriateness of Disclosure of Corporate Information, etc.	The applicant company is in a position where it is able to disclose its corporate information appropriately.
Other matters deemed necessary by TSE from the viewpoint of the public interest or the protection of investors.	

2. Standard Market

(1) Formal Requirements

Item	Domestic Company	Foreign Company
Number of Shareholders (Estimate at Time of Listing)	400 or more	
Tradable Shares (Estimate at Time of Listing)	a. The number of tradable shares: 2,000 units or more	
	b. The market capitalization of the tradable shares: JPY 1 billion or more (in principle, the value derived by multiplying the number of tradable shares expected at the time of listing by the prospective price for public offering for the purpose of listing)	
	c. Ratio of tradable shares to listed shares: 25% or higher of the listed stocks	—
Amount of Net Assets (Estimate at Time of Listing)	The amount of consolidated net assets is a positive figure.	
Profits and Net Sales (amount of profits is calculated by adjusting the amount of consolidated ordinary income or loss by adding or deducting the amount of profit or loss attributable to non-controlling interests)	Total profits over the last year are JPY 0.1 billion or more.	
Years of Business Operation	The business has operated continuously as a stock company for three or more years before the date of application.	
False Statement or Adverse Opinion, etc.	<p>The following a. through d. must be satisfied:</p> <p>a. No false statements were made in annual securities reports, etc. for the last two years</p> <p>b. Accounting auditor's opinion on financial statements, etc. for the last two years (excluding that for the last year) was either an "unqualified opinion" or a "qualified opinion with exceptions"</p> <p>c. Accounting auditor's opinion on financial statements, etc. for the last year was, in principle, an "unqualified opinion".</p> <p>d. Stocks, etc. pertaining to the initial listing application that are listed on other domestic financial instruments exchanges do not fall under the following (a) and (b):</p> <p>(a) The internal control report issued in the last year states that "appraisal results cannot be provided"</p> <p>(b) The internal control audit report issued in the last year states that "opinion is not expressed".</p>	
Audit by a Registered Auditor of Listed Companies	The financial statements, etc. for each business year or consolidated accounting year ending in the last two years as well as the quarterly financial statements, etc. for a quarterly accounting period in the business year or for a quarterly consolidated accounting period in the consolidated accounting year ending in the last year have undergone audit or quarterly review equivalent to that in the provisions of Article 193-2 of the Act by a registered auditor of listed companies (limited to those which have undergone quality control reviews by The Japanese Institute of Certified Public Accountants)	—
Establishment of Shareholder Services Agent	Shareholder services have been entrusted to an institution specified as the applicant's shareholder services agent, or an informal consent of undertaking the entrustment of such shareholder services from the shareholder services agent has been received; provided, however, that the same shall not apply to a shareholder services agent approved by the Exchange	—

Item	Domestic Company	Foreign Company
Share Unit	The Share Unit shall be expected to be 100 shares.	—
Classes of Stock	<p>In the case that a stock, etc. pertaining to the initial listing application, such stock, etc. shall be, as a general rule, any of stocks referenced in the following a. through c. In this case, the initial listing applicant for the stock referenced in b. shall not have securities other than said stock as to which the applicant makes initial listing application.</p> <p>a. In the case of a company issuing one class of stock with voting rights, said stock with voting rights;</p> <p>b. In the case of a company issuing multiple classes of stock with voting rights, a class of stock with voting rights whose value of rights, etc. to receive economic benefits including claim for surplus dividend pertaining to the number of shares that enables exercise of one voting right at a general shareholders meeting with regard to important matters including selection and dismissal of board members is higher than any other class of stock;</p> <p>c. Stock with no voting rights</p>	—
Restriction on Transfer of Shares	Transfer of shares pertaining to an initial listing application is not restricted or it is expected that there will be no restriction by the time of listing; provided, however, that the same shall not apply to cases where transfer of shares is restricted pursuant to the provisions of special laws at the same time the details of the restriction are deemed not to hinder trading in the market of the Exchange	Transfer of foreign shares, etc. pertaining to an initial listing application is not restricted or it is expected that there will be no restriction by the time of listing; provided, however, that the same shall not apply to cases where transfer of shares is restricted pursuant to the provisions of special laws at the same time the details of the restriction are deemed not to hinder trading in the market of the Exchange (However, in cases where imposing restrictions is deemed necessary to satisfy the laws and regulations of the home country, this criterion will not apply as long as such restrictions will not impede trading on the markets of TSE.)
Handling by the Designated Book-Entry Transfer Institution	The applicant company is subject to the book-entry transfer operation of the designated book-entry transfer institution, or is expected to become so by the time of listing.	The stock is subject to the foreign stock book-entry transfer or book-entry transfer of the designated book-entry transfer institution or is expected to be subject to such handling by the time of listing
Expected Implementation of Merger, etc.	<p>The applicant company does not fall under the following (a) and (b):</p> <p>a. The applicant company has plans to conduct a merger or company split, make a company a subsidiary or exclude an existing subsidiary from its umbrella, or take over or transfer business, and will cease to remain a substantial surviving company due to these events within two years from the last day of the base business year.</p> <p>b. The applicant company has plans to conduct a merger through which it becomes a dissolved company, or a share exchange/share transfer through which it becomes a wholly-owned subsidiary of another company, within two years from the last day of the base business year (except where such plans are scheduled to be carried out before the date of listing).</p>	
Depository Agreement, etc.	—	In cases where an initial listing application is for a foreign stock depository receipt, etc., a deposit agreement or other necessary agreement is to be concluded.

(2) Contents of Examination (Substantive Examination Criteria)

Item	Description
Corporate Continuity and Profitability	The applicant company is operated continuously and has a stable revenue base.
Soundness of Corporate Management	The applicant company carries out its business fairly and faithfully. The company is carrying out business in a fair and faithful manner.
Effectiveness of Corporate Governance and Internal Management System	Corporate governance and internal management systems are appropriately established and functioning.
Appropriateness of Disclosure of Corporate Information, etc.	The applicant company is in a position where it is able to disclose its corporate information appropriately.
Other matters TSE deems necessary from the viewpoint of public interest and investor protection	

3. Growth Market

(1) Formal Requirements

Item	Domestic Company	Foreign Company
Number of Shareholders (Estimate at Time of Listing)	150 or more	
Tradable Shares (Estimate at Time of Listing)	a. The number of tradable shares: 1,000 units or more	
	b. The market capitalization of the tradable shares: JPY 0.5 billion or more (in principle, the value derived by multiplying the number of tradable shares expected at the time of listing by the prospective price for public offering for the purpose of listing)	
	c. Ratio of tradable shares to listed shares: 25% or higher of the listed stocks	—
Public Offering	500 trading units or more (excluding cases where the market capitalization on the date of listing is expected to be 25 billion yen or more)	
Years of Business Operation	The business has operated continuously as a stock company for one or more years before the date of application.	
False Statement or Adverse Opinion, etc.	The following a. through d. must be satisfied: a. Either an "unqualified opinion" or a "qualified opinion with exceptions" was expressed in the audit report (excluding that of the last year) attached to the "Annual Securities Report for Listing Application" b. An "unqualified opinion" was expressed in the audit report, etc. (of the last year) attached to the "Annual Securities Report for Listing Application" c. No "false statements" were made in the audit report mentioned above or the annual securities report, etc. with reference to financial statements related to a quarterly review report d. Stocks, etc. pertaining to the initial listing application that are listed on other domestic financial instruments exchanges do not fall under the following (a) and (b) (a) The internal control report issued in the last year states that "appraisal results cannot be provided" (b) The internal control audit report issued in the last year states that "opinion is not expressed".	
Audit by a Registered Auditor of Listed Companies	The financial statements, etc. for each business year or consolidated accounting year ending in the last two years as well as the quarterly financial statements, etc. for a quarterly accounting period in the business year or for a quarterly consolidated accounting period in the consolidated accounting year ending in the last year have undergone audit or quarterly review equivalent to that in the provisions of Article 193-2 of the Act by a registered auditor of listed companies (limited to those which have undergone quality control reviews by The Japanese Institute of Certified Public Accountants)	—
Establishment of a Shareholder Services Agent	Shareholder services have been entrusted to an institution specified as the applicant's shareholder services agent, or an informal consent of undertaking the entrustment of such shareholder services from the shareholder services agent has been received; provided, however, that the same shall not apply to a shareholder services agent approved by the Exchange	—
Share Unit	The Share Unit shall be expected to be 100 shares.	—

Item	Domestic Company	Foreign Company
Classes of Stock	<p>In the case that a stock, etc. pertaining to the initial listing application, such stock, etc. shall be, as a general rule, any of stocks referenced in the following a. through c. In this case, the initial listing applicant for the stock referenced in b. shall not have securities other than said stock as to which the applicant makes initial listing application.:</p> <p>a. In the case of a company issuing one class of stock with voting rights, said stock with voting rights;</p> <p>b. In the case of a company issuing multiple classes of stock with voting rights, a class of stock with voting rights whose value of rights, etc. to receive economic benefits including claim for surplus dividend pertaining to the number of shares that enables exercise of one voting right at a general shareholders meeting with regard to important matters including selection and dismissal of board members is higher than any other class of stock;</p> <p>c. Stock with no voting rights</p>	—
Restriction on Transfer of Shares	<p>Transfer of shares pertaining to an initial listing application is not restricted or it is expected that there will be no restriction by the time of listing; provided, however, that the same shall not apply to cases where transfer of shares is restricted pursuant to the provisions of special laws at the same time the details of the restriction are deemed not to hinder trading in the market of the Exchange</p>	<p>Transfer of shares pertaining to an initial listing application is not restricted or it is expected that there will be no restriction by the time of listing; provided, however, that the same shall not apply to cases where transfer of shares is restricted pursuant to the provisions of special laws at the same time the details of the restriction are deemed not to hinder trading in the market of the Exchange. (However, in cases where imposing restrictions is deemed necessary to satisfy the laws and regulations of the home country, this criterion will not apply as long as such restrictions will not impede trading on the markets of TSE.)</p>
Handling by the Designated Book-Entry Transfer Institution	<p>The relevant issue is subject to the book-entry transfer operation of the designated book-entry transfer institution, or is likely to be so by the time of listing.</p>	<p>The stock is subject to the foreign stock book-entry transfer or book-entry transfer of the designated book-entry transfer institution or is expected to be subject to such handling by the time of listing.</p>
Depository Agreement, etc.	—	<p>In cases where an initial listing application is for a foreign stock depository receipt, etc., a deposit agreement or other necessary agreement is to be concluded.</p>

(2) Contents of Examination (Substantive Examination Criteria)

Item	Description
Appropriateness of Disclosure of Corporate Information, Risk Information, etc.	The applicant company is in a position to appropriately disclose its business details and risk information, etc.
Soundness of Corporate Management	The applicant company carries out its business fairly and faithfully.
Effectiveness of Corporate Governance and Internal Management System	Corporate governance and internal management systems that are commensurate with the size and maturity of the company are appropriately established and functioning.
Reasonableness of the business plan	The applicant company has established a rational business plan and built a business foundation necessary to execute the business plan or has a rational plan to do so.
Other matters deemed necessary by the Exchange from the viewpoint of the public interest or the protection of investors	

4. Handling under the Formal Requirements for Restructuring Resulting from Incorporation as a Japanese Entity, Etc.

TSE has established the necessary matters concerning examination of formal requirements pertaining to initial listing applications to ensure that the implementation of acts of restructuring, etc. will not hinder the listing application of the applicant company, that examination can be conducted based on the financial position and business performance of the applicant company that are closer to the actual conditions of the applicant company, and that disclosure of important matters for investment decisions will be made sufficiently.

Matters that are to be handled differently from normal due to acts of restructuring, etc. are explained below.

In the case of an act of restructuring, etc. conducted by the applicant company after the date two years prior to the end of the business year of record, if a company, etc. leading the restructuring exists, examination of the formal requirements shall be conducted as follows, in principle. As reference, the following shows the handling in the examination of the Formal Requirements in the event of acts of restructuring, etc. in the Prime Market.

Handling in examination of Formal Requirements in the event of acts of restructuring, etc. in the Prime Market

Timing of act of restructuring	Fiscal year prior to the immediately preceding fiscal year	Immediately preceding fiscal year (Business year of record)	Fiscal year of application
“Years of Business Operation”	The number of years of business operation may be calculated by adding the period of activities of the main businesses of the company, etc. leading the restructuring		
“Amount of profit”	The amount of profit of the company, etc. leading the restructuring or an amount equivalent thereto shall be subject to examination.		
Net sales	—	The amount of net sales of the company, etc. leading the restructuring or an amount equivalent thereto shall be subject to examination.	
“Net assets”	—	The amount of net assets of the company, etc. leading the restructuring or an amount equivalent thereto shall be subject to examination.	
“False statement or adverse opinion, etc.”	In the period prior to the implementation of the act of restructuring, etc. within the examination period, the financial statements, etc. and securities reports, etc. for each business year and each consolidated fiscal year of the company, etc. leading the restructuring that ended during that period that contain or refer to such financial statements, etc. shall also be subject to examination.		

5. Handling of JDR under the Formal Requirements

When an issuer lists its stock on the TSE market via the JDR scheme, the statutory disclosure under the Financial Instruments and Exchange Act and the procedures under the listing rules are almost the same as for cases of listing the stock (underlying stock) directly on the TSE market. Therefore, the foreign company is required to make statutory disclosures as an issuer and also to make a listing application to TSE as a listing applicant.

In addition to JDR, listing of stock via an ADR or GDR scheme is also possible. (JDR, ADR, and GDR are collectively referred to hereinafter as "DR.") There are two different types of formal requirements on the cross-listing of stock via DR: one is to assess the underlying stock deposited in addition to the DR; and the other is to assess only the DR. The relevant formal requirements are as shown below.

Handling of JDR under the Formal Requirements

	Handling of DR (JDR/ADR/GDR/etc.)	Reference: Listing Examination Criteria		
		Prime	Standard	Growth
Number of shareholders (expected at listing)	Number of DR Holders (on a worldwide basis)	800 shareholders or more	400 shareholders or more	150 shareholders or more
Tradable Shares	Outstanding number of DRs (on a worldwide basis)	20,000 units or more	2,000 units or more	1,000 units or more
Market capitalization of tradable shares	Outstanding number of DRs (on a worldwide basis)	JPY 10 billion or more	JPY 1 billion or more	JPY 500 million or more
Market capitalization (expected at listing)	Total number of outstanding shares	JPY 25 billion or more	—	—
(Reference) Deposit agreement, etc.	—	A deposit agreement has been concluded in the case of foreign stock depository receipt, etc.		

6. Handling of Multiple Listings

If the initial listing applicant is a foreign company and it is already listed on a foreign stock exchange (multiple listing), the Formal Requirements and Substantive Examination Criteria for listing examinations in each market are the same as those in the case of a primary listing.

However, where the main market of a foreign stock, etc. issued by such initial listing applicant is other than TSE and, furthermore, where TSE deems it appropriate in light of listing of securities, timely disclosures of the issuer of listed securities, delisting, the state of the development and operation of the legal system and rules concerning listed securities in such main market, they may be treated as satisfying all or part of the examinations set forth in the Substantive Examination Criteria for each market as described in this chapter.

* The "main market" shall be accredited by TSE in consideration of the trading status of such initial listing applicant, etc. on the exchange of its existing listing.

* The Formal Requirements are the same regardless of whether the main market is TSE or not.

7. Handling of Privatized Foreign Companies

In the case where an initial listing applicant is a foreign company applying for initial listing on the Prime Market or the Standard Market and it falls under the category of a privatized foreign company (a foreign company engaged in a business previously conducted by a party whose capital was wholly contributed by the government of its home country by receiving property, rights, and obligations from such party, or a foreign company in which a majority of the total number of outstanding shares was held by the government of its home country, and such shares have come to be held by the private sector as a result of the sale of all or part of shares held by the government, or a foreign company recognized by TSE as being similar thereto), the Formal Requirements will be handled as follows.

Formal Requirements	Prime Market	Standard Market
Years of Business Operation	The business operated by the privatized foreign company has been continuously conducted since more than three (3) years before the initial listing application date.	
Amount of profit (in the case of the Prime Market, the amount of profit or sales)	In cases where financial documents have not been prepared in the past and it would be extremely difficult to prepare new financial documents, the period required by the Formal Requirements shall be the period specified by TSE.	
False statement or adverse opinion, etc.	In cases where financial documents have not been prepared in the past and it would be extremely difficult to prepare new financial documents, the period required by the Formal Requirements shall be the period specified by TSE.	

VII. Listing on Tokyo Stock Exchange Through Incorporation in Japan (Corporate Inversion)

Sakai Makoto, Attorney-at-Law and Licensed Tax Accountant

Tainaka Katsuyuki, Attorney-at-Law

Mori Hamada & Matsumoto

1. What is Corporate Inversion?⁷

Corporate inversion generally refers to the establishment of a parent company overseas without changing the existing corporation's shareholder composition. There are two types of overseas expansion of a company: overseas expansion through a subsidiary and overseas expansion through a parent company. Corporate inversion is an example of the latter type.

There are various reasons for undertaking corporate inversion. For example, a company may wish to relocate its head office closer to production bases or places of consumption, to facilitate fundraising, or to lower the effective tax rate of its entire group. Recently, an increasing number of startups not incorporated in Japan have restructured to make a Japanese corporation their ultimate parent company or holding company without changing their shareholder composition. They seek to list on Tokyo Stock Exchange (TSE) or other Japanese securities exchanges by listing the shares of their Japanese corporation. Some of these listings are undertaken by Japanese entrepreneurs who started businesses outside of Japan, but recently, a significant number have been undertaken by non-Japanese entrepreneurs intending to make Japan the country of listing for startups that they have founded. When a company conducts corporate inversion, it becomes a wholly owned subsidiary of its parent company in another country or region, and its existing shareholders become shareholders of the parent company. However, corporate inversion does not transfer the head office functions and businesses of the company to its overseas parent company, and in many cases, operations such as research and development, manufacturing, and marketing continue to be conducted by the subsidiary located outside the country or region where the parent company was established.

2. Benefits of Listing on TSE through the Establishment of a Japanese Company⁸

When a foreign corporation considers listing on TSE, the following methods are available:

(1) Listing on TSE as a foreign corporation

This includes the following two methods:

- (i) Listing of JDRs (Japanese Depositary Receipts) issued with the original shares as the underlying assets
- (ii) Listing of shares issued under foreign laws (the original shares)

(2) Conducting corporate inversion and having the newly established parent company, which is a Japanese corporation, list its shares

Of these two options, the main benefits for the foreign corporation of adopting the second method are as follows:

- The shares are treated as Japanese securities by institutional investors in Japan, and individual investors can also invest without opening foreign securities accounts. This is likely to offer advantages in terms of liquidity and analyst coverage.
- Since the listing corporation needs to comply only with Japanese laws on governance and disclosure, it is easy for it to create a compliance system after listing.
- The listing corporation can easily use its own shares for incentive plans such as employee shareholding associations and stock options, or for other purposes including payment of the consideration in M&A transactions.

⁷ Attorneys-at-law Masayuki Aoyama and Chunhan Chi assisted the authors in the preparation of this chapter as employees of Mori Hamada & Matsumoto. However, responsibility for the content of this chapter lies solely with the authors. Descriptions of foreign laws are based on the authors' experience gained through past corporate inversions and published laws and regulations, etc. However, please note that when actually undertaking corporate inversions, it is necessary to execute them based on the laws and regulations of each country at the time of execution with advice from the necessary legal counsel in each country. Please note also that the parts of this chapter that involve opinions are the personal views of the authors and do not represent the views of the law firm to which the authors belong.

⁸ The content of this chapter is based on laws, regulations, and rules, etc. as of January 1, 2026.

VII. Listing on Tokyo Stock Exchange Through Incorporation in Japan (Corporate Inversion)

The table below shows examples of companies that have undertaken corporate inversion and listed as Japanese corporations since 2014.

Name of Listed Company	Former Registered Domicile	Timing of Corporate Inversion	Timing of Initial Listing
Kubota Pharmaceutical Holdings Co., Ltd.	United States	December 2016	February 2014
SanBio Company Limited	United States	January 2014	April 2015
Kudan Inc.	United Kingdom	January 2015	December 2018
Kaizen Platform, Inc.	United States	July 2017	December 2020
Appier Group Inc.	Cayman Islands (Taiwan)	February 2021	March 2021
AnyMind Group Inc.	Cayman Islands (Singapore)	May 2020	March 2023
Astroscale Holdings Inc.	Singapore	January 2019	June 2024
Innovacell Inc.	Austria	February 2021	February 2026

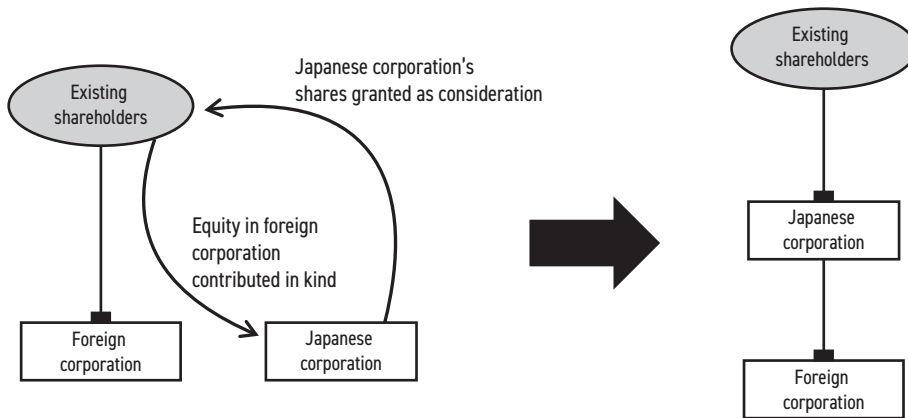
Note: In the table above, the former registered domicile indicates the legal jurisdiction in which the corporate group's ultimate parent company at the time of the corporate inversion was founded. If there was any other principal place of business, it is added in parentheses.

3. Restructuring Schemes

In order to undertake corporate inversion, a startup that is a foreign corporation needs to restructure itself so that a Japanese corporation becomes its parent company or holding company without changing its shareholder composition. Potential restructuring methods are detailed below. The Japanese Companies Act specifies methods for stock transfers or stock exchanges to create a holding company in Japan with shares as consideration. However, as established interpretation and practice dictate that direct stock transfers or stock exchanges are not allowed between Japanese stock companies and foreign companies,⁹ use of other methods must be considered.

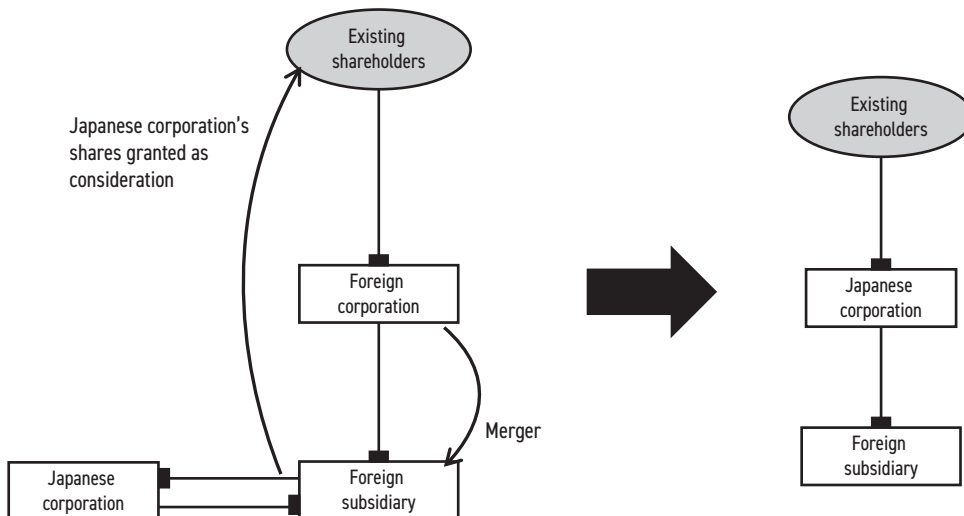
(1) In-kind contribution scheme

A method whereby the shareholders of a foreign corporation make a contribution in kind to a Japanese corporation that becomes the holding company, resulting in the Japanese corporation becoming the ultimate parent and the foreign corporation becoming its subsidiary.



(2) Triangular merger scheme

A method whereby a foreign corporation establishes a wholly owned subsidiary in its country of location, then conducts a triangular merger pursuant to the laws and regulations of that foreign country, granting the Japanese corporation's shares as consideration for the merger. As a result, the Japanese corporation becomes the ultimate parent and the foreign corporation becomes its subsidiary.

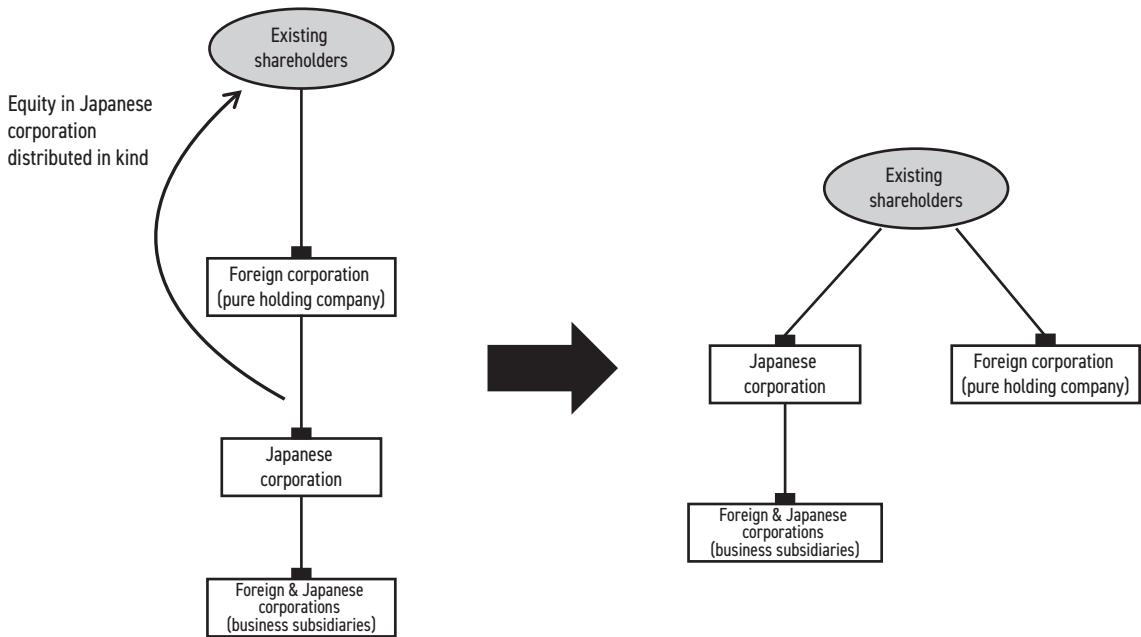


⁹ See Q&A: The New Companies Act (Revised Version); Shojihomu, 2009; written and edited by Tetsu Aizawa; p. 212, etc. (available only in Japanese)

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(3) Spin-off scheme

A method whereby a foreign corporation with the characteristics of a pure holding company establishes a Japanese corporation as its wholly owned subsidiary. The shares of the companies that conduct business (the business subsidiaries) are then transferred to the Japanese corporation, and the foreign corporation undertakes distribution in kind of the Japanese corporation's shares to its shareholders (a spin-off). As a result, the Japanese corporation becomes the ultimate parent and the business subsidiaries become its subsidiaries.



If conducted solely within Japan, a spin-off could potentially be undertaken through a demerger. However, in the context of corporate inversion, it would amount to cross-border restructuring, making the demerger method difficult to use, like the stock exchanges or stock transfers described above. Accordingly, a spin-off would need to be conducted by distributing the shares of the subsidiary as a dividend in kind.¹⁰

Each of the above methods has its own benefits and disadvantages.

For example, the in-kind contribution scheme in (1) above requires a separate agreement with the foreign corporation's shareholders, which could preclude the foreign corporation from becoming a wholly owned subsidiary. Use of this scheme is also difficult for startups whose valuations have been rising because it is not subject to tax deferral, at least for Japanese investors.

The next option, the triangular merger scheme in (2), does offer potential tax deferral for Japanese investors, as described below. However, this scheme cannot be used if there is no triangular merger legislation in the country or region where the startup is located.

The spin-off scheme in (3) also offers potential tax deferral for Japanese investors, as described below. However, in some cases such distribution in kind is not allowed in the country or region where the startup is located, and even if it is possible, the method cannot be used if a taxation issue would arise in that country or region.

Thus, the benefits or disadvantages of the schemes depend on a diverse range of circumstances in the country or region with legal jurisdiction over the startup, including legislation and taxation, the composition of shareholders, and the tax position of shareholders. It is therefore

¹⁰ As a reference regarding spin-offs, see the Japanese Ministry of Economy, Trade and Industry's Guidelines for the Utilization of Spin-Offs [Institutional Edition] revised in July 2025 (available only in Japanese)

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necessary to seek advice from appropriate experts to adopt the best scheme in each case, including the adoption of methods other than the above.

4. The Tax Perspective for Japanese Shareholders

Corporate inversion is a restructuring that changes the issuer company of the shares held by investors, also changing the country or region in which the issuer is located. It therefore has a significant tax impact on the shareholders who comprise these investors.

Accordingly, when undertaking corporate inversion, it is necessary to verify at the shareholder level what kind of taxation will arise at the time of restructuring and whether the taxation could change after the restructuring. In some cases, it may also be necessary to verify what kind of taxation will arise after listing, and to prepare for answering questions from shareholders who will be asked to participate in the restructuring.

In particular, corporate inversion is not in itself an exit event for shareholders who invest in startups, but merely a preparatory step toward a future IPO. Usually, existing shareholders of a foreign corporation are granted only shares in the Japanese corporation that will become the new holding company. If corporate inversion itself becomes a taxable event, for the shareholders, who do not receive cash, an issue arises regarding funds for payment of tax. Although shareholders may sometimes weigh the tax implications against the need for a corporate inversion and make an exception, such restructuring is often not supported by investors. It is therefore usually regarded as necessary to employ a scheme that enables tax deferral, particularly for companies whose valuations have risen since they previously raised funds.

Taxation at the shareholder level generally depends on the tax regime of the country or region where the shareholder resides. When considering corporate inversion, therefore, the key requirement is to confirm at the stage of examining potential schemes what kind of taxation may occur in the country or region where each shareholder resides. This section provides an overview of (1) taxation at the time of restructuring for corporate inversion, (2) taxation after restructuring, and (3) taxation after listing, assuming that shareholders are Japan-based corporations or residents.

(1) Taxation at the Time of Restructuring for Corporate Inversion

As stated above, depending on the scheme adopted, tax may or may not be deferred for a Japan-based corporation or resident that is an existing shareholder of a foreign corporation.

For example, if shares of a foreign corporation that has multiple investors are transferred to a Japanese corporation by means of contribution in kind (Article 199, Paragraph 1, Item 3 of the Japanese Companies Act), it is unlikely that this would be treated as a qualified contribution in kind (Article 2, Item 12-14 of the Corporation Tax Act of Japan)¹¹. Meanwhile, for individuals, there is no system of qualified contribution in kind anyway, so their taxation would not be deferred.

On the other hand, if the corporate inversion was conducted by the triangular merger method in a foreign country, the tax treatment would differ depending on whether or not it was regarded as a qualified merger in Japan. On April 9, 2012, the Japan Tax Association released a report entitled *Treatment of Corporate Restructuring in Foreign Countries Under Japanese Tax Law* (hereinafter, the "JTA Report"; available only in Japanese), which presented its views on the treatment of corporate restructuring in foreign countries. To summarize, neither corporate shareholders nor individual shareholders located in Japan are subject to taxation on deemed dividend, and there is no recognition of capital gains or losses on the transfer of shares (i.e., taxation is deferred) if a triangular merger for corporate inversion purposes based on foreign laws can be regarded as equivalent to a merger under Japanese law based on the criteria described in the JTA Report, provided that it satisfies the requirements for a qualified merger under Japan's laws and regulations (Article 2, Item 12-8 of the Corporation Tax Act of Japan).

In the case of a spin-off, the key point is whether or not distribution of the subsidiary's shares as dividend from surplus falls under the category of qualified share distribution (Article 2, Item 12-15-3 of the Corporation Tax Act of Japan). The requirements for qualified share dis-

¹¹A contribution falls under the category of a qualified contribution in kind only in cases where either the corporation making a contribution or the corporation receiving a contribution has a full controlling interest, or the contribution in kind is made to a business. In cases of corporate inversion where shares of a foreign corporation are contributed in kind by multiple investors, it is generally unlikely that the contribution would fall under the category of a qualified contribution in kind.

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tribution are (i) the non-controlling requirement, (ii) granting of shares only, on a pro-rata basis, (iii) continued engagement in the business by employees, (iv) business continuity, and (v) officer continuity. If these requirements are satisfied, the distribution is treated as qualified share distribution for Japanese tax purposes. Shareholders would usually be taxed at an amount equivalent to the market value of the shares of the Japanese corporation (the wholly owned subsidiary) received as a dividend in kind from the foreign corporation. However, if the distribution falls under the category of qualified share distribution, this does not apply and tax is deferred.

(2) Taxation After Restructuring

As shareholders that are Japan-based corporations or residents end up holding shares in a Japanese corporation after the restructuring, the taxation of their shares is more straightforward than if they were holding shares in a foreign corporation.

Assuming that the foreign corporation is a startup, it is unlikely that the dividend distribution would be undertaken before listing. Accordingly, when shareholders receive the dividend, it is taxed as a dividend from an unlisted Japan-based corporation. (In the case of corporate shareholders, the dividend income exclusion may apply depending on the shareholding ratio [Article 23 of the Corporation Tax Act of Japan].) If shares are transferred, taxation appears to remain substantially the same as before the corporate inversion for both individuals and corporations.

In addition, if a Japanese shareholder holds shares in a foreign corporation, particularly if that corporation is located in the Cayman Islands, Hong Kong, Singapore, etc., application of Japan's controlled foreign company (CFC) rules (Article 40-4 and Article 66-6 of the Act on Special Measures Concerning Taxation of Japan) must be taken into consideration, depending on the shareholding ratio of the Japan-based resident or corporation, etc. However, after the corporate inversion, the number of issues requiring consideration can be expected to decrease as Japanese shareholders would hold shares in a Japanese corporation.

(3) Taxation After Listing

For Japanese shareholders, taxation after the listing of a company that has undertaken corporate inversion is the same as if they hold shares of a normal listed Japanese corporation.

5. The Tax Perspective for the Existing Foreign Corporation in Its Country of Location, etc.

Section 4 above gave an overview of taxation at the shareholder level in Japan. However, when undertaking corporate inversion, it is necessary to consider what kind of taxation would arise as a result of the restructuring in the country or region of location of the existing foreign corporation in which investors hold shares, and whether any unexpected taxation would arise after the restructuring.

In addition, as is the case in Japan, startups founded outside Japan often raise funds from investors in various countries as they grow. If existing investors in a foreign corporation are located in the country or region where the foreign corporation is located or outside Japan, it is necessary to consider what kind of taxation will arise in the investors' countries of location.

(1) Corporation Tax in the Existing Corporation's Home Jurisdiction

When undertaking corporate inversion using a scheme that involves restructuring, attention should be paid to taxation in the existing corporation's home jurisdiction.

For example, if corporate inversion is conducted through a triangular merger out of consideration for the impact on Japanese shareholders, the assets and liabilities of the existing startup would be transferred to an SPC established in the same country. In this case, if the existing startup was taxed as if it had transferred its assets and liabilities at fair market value, as in the case of a non-qualified merger in Japan, an immediate cash tax liability would arise, which would make it difficult for startups to use this restructuring method.

On the other hand, in cases where deferral of corporation tax is permitted in the home jurisdiction, as in the case of qualified mergers in Japan, corporate inversion using the triangular merger scheme is a realistic option, as no immediate cash tax liability would arise when restructuring.

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In addition, as described in the section on the United States below, if the home jurisdiction's tax regime includes rules equivalent to Japan's taxation rules to discourage corporate inversion, it is necessary to carefully consider whether or not those tax rules would be activated upon the corporate inversion to Japan.

In Japan, if a triangular merger is conducted within a corporate group and the parent company is a foreign corporation established in a low-tax jurisdiction (meaning a country or region where the tax burden rate is less than 20%), the merger is deemed not to satisfy the requirements for tax-qualified (i.e., preferential) treatment if certain conditions apply. In this case, the merged corporation would be subject to taxation on capital gains (Article 68-2-2, Paragraph 1 of the Act on Special Measures Concerning Taxation of Japan), and shareholders of the merged corporation would also be subject to taxation on capital gains and on deemed dividend (Article 37-14-4, Paragraph 1 and Article 68-3, Paragraph 1 of the Act on Special Measures Concerning Taxation of Japan; Article 25, Paragraph 1, Item 1 of the Income Tax Act of Japan; and Article 24, Paragraph 1, Item 1 of the Corporation Tax Act of Japan). In addition, if a triangular merger results in the shareholders of a particular merged corporation (comprising five or fewer shareholders, and individuals and corporations that have special relationships with these shareholders) coming to hold 80% or more of the shares of the surviving corporation through a foreign corporation that is located in a low-tax jurisdiction, the income of the foreign corporation (including subsidiaries of the foreign corporation located in low-tax jurisdictions) is taxed together with the income of the Japan-based residents or corporations that are shareholders of the foreign corporation, according to their ownership ratios (Article 40-7 and Article 66-9-2, etc. of the Act on Special Measures Concerning Taxation of Japan). This system, which is applied after a triangular merger goes into effect and remains in effect thereafter, is similar to Japan's CFC rules.

(2) Income Tax for Existing Shareholders in Their Home Jurisdiction

Section 4 above explained taxation for investors in a startup whose country of residence is Japan. However, if existing shareholders also live in other countries and regions, as is the case with many startups originating overseas, it is often necessary to verify what kind of taxation would arise as a result of the corporate inversion in the countries or regions where those shareholders are located.

In many cases, the key points to be considered are (1) taxation at the time of restructuring for corporate inversion, and (2) taxation after restructuring. If consideration of these points indicates that, for example, taxation on capital gains would be imposed on shareholders in a specific country at the time of restructuring for corporate inversion, or if post-restructuring taxation that would be disadvantageous to shareholders in a specific country or region is detected, it may be difficult to obtain approval for the corporate inversion from those shareholders, and the scheme to be used may have to be reconsidered.

On the other hand, as these matters are essentially related to taxation on shareholders rather than on the issuer company, it can be practically difficult to determine the extent to which the issuer should take the initiative in confirming them. Issuers need to check their own shareholder registry and capitalization table, and consult an experienced advisor, to consider the extent to which they should conduct preliminary confirmation in each case.

The difficulty in considering potential corporate inversion schemes is that the scheme to be used is not determined solely by the country or region where the existing foreign corporation is located, or by Japanese taxation alone. The matter of shareholder taxation in particular is not the problem of the issuer company itself, so practical measures must be taken when executing corporate inversions, such as determining the extent to which all the potential implications should be verified.

6. Key Legislation-Related Considerations

There are various schemes for undertaking corporate inversion, including others in addition to those listed in section 3 above. It is therefore necessary to consider the most efficient method in light of the various facts intrinsic to each case, having accurately identified constraints including legislation in the country with legal jurisdiction over the existing foreign corporation.

In addition, following the corporate inversion, the new Japanese corporation will of course be a company established pursuant to the Japanese Companies Act, meaning that points requiring attention under Japanese legislation will arise.

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The explanations in sections 4 and 5 above focused mainly on taxation, but the following describes typical considerations in relation to legislation in the existing startup's country of location and in Japan.

Furthermore, when executing actual corporate inversions, it should be noted that it is necessary to consult legal counsel with extensive experience in similar projects to carefully verify what issues could arise in each case.

(1) Corporate Legislation

Matters to be considered with regard to corporate legislation differ depending on the scheme to be used. For example, in the case of a country that has no local triangular merger legislation in the first place, a triangular merger scheme is inherently impossible, even if it would be the preferred method for Japanese shareholders. In fact, many countries do not have triangular merger legislation: Even in Japan, it was only in 2007 that triangular mergers first became possible based on the Companies Act established in 2006, after a grace period of one year. In addition, there are countries where it is considered difficult to achieve a triangular merger due to regulations on the acquisition of parent company shares by subsidiaries (in Japan's case, the regulations in Article 135, Paragraph 1 of the Companies Act), even if there is no explicit prohibition on the granting of parent company shares as consideration for a merger.

As another example, it is often difficult to implement a spin-off scheme in countries where only retained earnings can be used as the source of funds for dividends in kind. Under the Companies Act of Japan, the distributable amount includes not only retained earnings but also other capital surplus. Therefore, if the book value of the property distributed as a dividend in kind is equal to or less than the distributable amount that is the sum of the above, distribution of a dividend in kind is possible. However, in countries where only retained earnings can be used as the source of funds for dividends in kind, given that it is generally rare for a startup to accumulate retained earnings, it is difficult for a startup to conduct a spin-off by distributing the shares of its subsidiary as a dividend in kind.

On the other hand, it appears likely that, under foreign corporate law at least, it would be relatively easy for each shareholder to undertake in-kind contribution of shares of a company established under foreign laws to the Japanese company, except for the taxation issues that could arise in connection with such a contribution.

(2) Foreign Exchange Regulations and Foreign Investment Regulations

Japan's Foreign Exchange and Foreign Trade Act (hereinafter, the "Foreign Exchange Act") is based on the principle of freedom of external transactions. At the same time, however, when foreign investors conduct certain types of transactions or acts referred to as "inward direct investment and equivalent actions," the Foreign Exchange Act in principle requires after-the-fact reporting. In certain cases, it also requires prior notification and examination by the Minister of Finance of Japan and the competent minister for the business for purposes including ensuring national security, maintaining public order, preserving public safety, and facilitating the smooth operation of the Japanese economy. In addition, when a foreign investor acquires shares or equity in a non-listed company in Japan through transfer from another foreign investor (referred to as "specified acquisition"), in certain cases prior notification is required and an examination is conducted to ensure national security¹².

When undertaking corporate inversion, therefore, it is necessary to consider whether or not such prior notification is required for shareholders who fall under the category of foreign investors (Article 26, Paragraph 1 of the Foreign Exchange Act). When corporate inversion takes place, investors in the Japanese corporation that will become the ultimate parent within the capital structure as a result of the corporate inversion are in practice required to submit prior notification of proposed inward direct investment and equivalent actions related to certain industries designated in public notices ("designated business sectors"). Such notification—intended to ensure national security, maintain public order, preserve public safety, and facilitate the smooth operation of the Japanese economy—must be submitted within six months prior to the date for which the relevant transactions or acts are planned. It should be noted that this includes cases where it is not only the Japanese corporation as the ultimate parent that operates in designated business sectors, but also its domestic subsidiaries, etc. Note also that it is

¹² See *Section-by-Section Commentary on FDI Screening Under the Foreign Exchange and Foreign Trade Act of Japan*; Shojihomu, 2021; written and edited by Hideaki Imamura and Yuki Sakurada; p.3 (available only in Japanese)

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necessary for investors to judge whether or not an investee company is operating in designated business sectors based not only on its stated business purpose under its articles of incorporation, but also based on the business activities it actually conducts.

A foreign investor that has submitted the prescribed prior notification regarding inward direct investment and equivalent actions is in principle not permitted to undertake the inward direct investment or equivalent actions described in the prior notification until a period of 30 days has passed since the day on which the Minister of Finance and the competent minister for the business received the prior notification.

The above is an overview; when considering corporate inversion, it is necessary to identify whether the startup's business falls under the category of a designated business sector, and in that case, to identify the shareholders (foreign investors) from whom prior notification is required. Furthermore, it is necessary to take these factors into consideration when determining the schedule for the corporate inversion.

When undertaking corporate inversion, it is normal for the Japanese corporation to make the foreign corporation its subsidiary. In conjunction with this, it is also necessary to identify whether or not foreign investment regulations are applied under the laws and regulations of the foreign corporation's country of location, and if so, what the necessary procedures are. It is therefore essential to cooperate with the appropriate local legal counsel to undertake these procedures in compliance with the law.

7. Country-Specific Issues (Legislation and Taxation)

The following provides an overview of common issues, based on five typical examples of countries or regions in which foreign corporations that undertake corporate inversion are located: (1) United States, (2) Singapore, (3) South Korea, (4) Taiwan, and (5) Cayman Islands. This overview is not comprehensive, and other countries also offer examples of potential approaches. When actually undertaking corporate inversion, therefore, it is essential to act based on appropriate advice from local legal counsel.

(1) United States

Legislation

There are a large number of startups founded in the United States, mainly in California. When corporate inversion is used to make a startup located in the United States a subsidiary of a Japanese corporation, there are cases where (1) the shareholders of the US corporation undertake in-kind contribution of the shares to the Japanese corporation, or (2) a triangular merger under US law is conducted. In the United States, it is possible to use a scheme called a "reverse triangular merger": Instead of the existing US corporation merging with the SPC as the non-surviving company, the existing US corporation merges with the SPC as the surviving company, and shares of the Japanese corporation that becomes the parent company are granted to the existing US corporation's shareholders as consideration.¹³

Taxation

In the United States, corporations engage in tax planning by locating the parent company of a US corporation in a low-tax jurisdiction using such methods as forward triangular mergers (absorption-type mergers in which shares of the merging corporation's parent company are provided as consideration) and reverse triangular mergers (absorption-type mergers in which shares of the merged corporation's parent company are provided as consideration).¹⁴

In order to discourage this, by 2004 the United States had introduced a system of disallowing deferral of capital gains tax on the transfer of domestic assets outside the country (Internal Revenue Code [IRC] Section 367) and a system of treating a foreign parent company after corporate inversion as a US corporation and taxing it (IRC Section 7874). These taxation rules to discourage corporate inversion are applied if the shareholder composition of the US corporation before the inversion and the shareholder composition of the foreign parent company after the inversion remain the same or do not change significantly, so in some cases they make it difficult to undertake a corporate inversion that

¹³ In this case, however, the taxation treatment for Japanese shareholders may not simply be the same as for a triangular merger, but could instead be formulated as a complex corporate restructuring comprising a merger combined with acquisition of treasury stock by the issuer company (JTA Report, pp. 75-76).

¹⁴ Under the Japanese Companies Act, only forward triangular mergers are allowed, and reverse triangular mergers in which the consideration comprises shares of the non-surviving company's parent company are not permitted (Article 749, Paragraph 1, Item 2 of the Companies Act).

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establishes a parent company overseas without changing the shareholder composition. With respect to the system that treats a foreign parent company as a US corporation and taxes it (IRC Section 7874), there is an exception whereby this system does not apply if the group as a whole has sufficient business activities in Japan to satisfy the Substantial Business Activity test. It is therefore necessary to consider whether this requirement is satisfied.

It is also necessary to consult a US tax advisor to carefully consider which shareholders would be subject to the system disallowing deferral of capital gains tax (IRC Section 367), and the financial impacts in that case.

(2) Singapore

Legislation

Recently, there have been many entrepreneurs starting businesses in Singapore, where regulations are flexible. When corporate inversion is used to make a Singaporean corporation a subsidiary of a Japanese corporation, there are cases where (1) the shareholders of the Singaporean corporation undertake in-kind contribution of shares to the Japanese corporation, or (2) a triangular merger under Singaporean law is conducted. However, the triangular merger method in (2) appears to be subject to certain restrictions under the Companies Act of Singapore, so it is necessary to carefully consider the advisability of implementing a triangular merger.

Meanwhile, (3) the spin-off scheme faces issues in terms of feasibility in Singapore. The Singaporean Companies Act requires that profit is used as the source of funds for dividends in kind, so the spin-off method is often difficult for startups that do not accumulate retained earnings to use.

Taxation

In many cases, capital gains taxation is not an issue for shareholders or issuer companies in Singapore, and tax hurdles appear to be lower than in other countries.

However, when shares of a Singaporean corporation are transferred, Singapore imposes a stamp duty at 0.2% of the higher of the transfer price or the net asset value, so this needs to be included as a transaction cost pertaining to the transaction.

(3) South Korea

Legislation

There are a number of methods that could be used by a Korean startup intending to undertake a corporate inversion with a view to listing its shares in Japan by making a Japanese corporation its holding company with the existing Korean corporation as the Japanese corporation's subsidiary. Methods include (1) existing shareholders of the Korean corporation undertaking an in-kind contribution of the Korean corporation's shares to the holding company established in Japan, or (2) the Korean corporation conducting a triangular merger in South Korea and granting shares of the Japanese holding company. The triangular merger method in (2) was made possible by a revision of the Korean commercial code in 2011, and a subsequent revision of the Korean commercial code in 2015 also enabled the triangular stock exchange method.

In relation to foreign investment regulations, if the Japanese corporation acting as the holding company acquires shares of the existing Korean corporation in the form of contribution in kind from the Korean corporation's shareholders, it is necessary to submit notification of acquisition of securities according to the Foreign Exchange Transactions Act of Korea (Article 18, Paragraph 1 of the Act; Article 32, Paragraph 1 of the Enforcement Decree of the Foreign Exchange Transactions Act of Korea; and Article 7-32, Paragraph 2 of the Foreign Exchange Transactions Regulations of Korea). In addition, upon establishment of a new Korean corporation that will serve as the merger subsidiary for a triangular merger, it is necessary to make a declaration of foreign investment according to the Foreign Investment Promotion Act of Korea (Article 5, Paragraph 1). Accordingly, it is important from a legal perspective to request local legal counsel to identify the necessary procedures and implement them appropriately.

In addition, given that Korean corporations typically issue share certificates and adopt a par value share system, whereas Japanese corporations do not issue share certificates and do not have a par value share system, it is advisable to ensure that these differences in legal systems and practice are properly understood by the Korean corporation's shareholders to avoid any misunderstanding.

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As mentioned above, the triangular merger method is legally possible. However, if a foreign corporation becomes the parent company of a Korean company as a result of a triangular merger, it appears that tax deferral is not permitted at either the corporation level or the level of shareholders resident in South Korea. On the other hand, in the case of the in-kind contribution scheme in method (1) above, the difference between the market value and the book value of the Korean corporation's shares contributed in kind causes taxation issues for shareholders resident in South Korea, but there are no taxation issues at the level of the Korean corporation. Therefore, if the majority of shareholders of a Korean corporation are shareholders resident in South Korea, there would be no benefit to using the triangular merger method in (2) above.

However, if the Korean corporation's shareholders include shareholders resident in Japan, and the triangular merger method in (2) above is used, it is highly likely that the tax deferral would be allowed on the premise that the merger could be regarded as similar to a merger in Japan. However, in the case of the in-kind contribution method in (1) above, tax deferral would not be permitted as it is normal under Japanese taxation for contributions in kind to be non-qualified (i.e., not treated preferentially).

(4) Taiwan

Legislation

With respect to startup corporations originating in Taiwan that are considering corporate inversion, it appears that in many cases they have in fact raised funds from investors, etc. in third countries such as the Cayman Islands, and the Taiwanese corporation operates its business as a subsidiary within that corporate structure. For such cases, please refer to the section on the Cayman Islands below regarding consideration of a scheme for corporate inversion.

In the course of corporate inversion, it is sometimes necessary to transfer shares of a Taiwanese subsidiary held by a corporation in the Cayman Islands to the Japanese corporation. In this case, in accordance with the Statute for Investment by Foreign Nationals of Taiwan, a foreign corporation or individual making an investment in Taiwan is required to apply in advance to the Department of Investment Review of the Ministry of Economic Affairs of Taiwan and obtain a foreign investment permit, pursuant to the same statute. The time needed to obtain a foreign investment permit cannot be stated categorically as it depends on the details of the application and other factors, but in some cases it takes longer than expected, so it is essential to consult with local legal counsel to take action early.

Taxation

In Taiwan, if, for example, a shareholder receives shares of a Japanese corporation as a dividend in kind, etc. from a Cayman corporation in which the shareholder holds shares, the shares may be treated as dividend income from an overseas corporation for which taxation arises. In this case, it is essential to ask a local tax advisor to confirm how to calculate the value of the Japanese corporation's shares, and the extent of the tax impact, among other matters.

(5) Cayman Islands

Legislation

The Cayman Islands, a territory of the United Kingdom, are used by startups in a number of countries including Taiwan, mentioned above, as well as China, to set up holding companies for raising funds. This may be due to the fact that the Cayman Islands are efficient for tax purposes as they do not have a corporation tax, and they have relatively flexible corporate legislation. In addition, there are attorneys specializing in Cayman law around the world who assist startups in raising funds, making the Cayman Islands an excellent country for fundraising.

For startups that have a Cayman corporation as the ultimate parent, the typical methods for using corporate inversion to place a Japanese corporation as the ultimate parent are: (1) a triangular merger, or (2) a spin-off. In particular, under the Companies Act of Cayman Islands, when a Cayman corporation distributes shares of its subsidiary as a dividend in kind, it can also use a portion equivalent to other capital surplus as a source of funds. In this case, there are no taxation issues at the Cayman corporation level, offering the benefit of making it easy to choose the spin-off method in (2) above. It is of course essential to select the appropriate scheme on a case-by-case basis informed by consultation with experts, as the triangular merger method in (1) above could be selected instead, depending on the corporation's situation.

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Taxation

As described above, there is no problem of corporation tax in the Cayman Islands, making consideration of taxation in Cayman largely unnecessary.

However, the Cayman corporation would need to carefully consider how its restructuring would be treated under the tax laws of the countries and regions where its investors are located. For example, it would need to consult with experts to address issues such as whether the triangular merger scheme in (1) above would be treated as a qualified merger in the countries or regions where its shareholders are located, and whether the spin-off scheme in (2) above would allow for tax deferral.

8. Considerations Regarding Equity Incentives Such as Stock Options

(1) Treatment of Equity Incentives Already Issued

In establishing a corporate inversion scheme, it is common—as described above—to focus on the tax impacts for existing shareholders and the issuer company, and whether it is possible to employ a scheme that avoids tax impacts as much as possible.

Not only in Japan, but all over the world, startups often attract talents by granting equity incentives such as stock options, restricted stock, and restricted stock units (RSUs); this includes the startups that consider corporate inversion, which almost always grant some kind of equity incentive.

If corporate inversion changes the capital structure so that the Japanese corporation becomes the ultimate parent, and the aim is to list the Japanese corporation, the equity incentives held by officers and employees do not function appropriately as incentives if they continue to be those issued by the foreign subsidiary. Accordingly, when undertaking corporate inversion, it is necessary to change equity incentives so that they are granted directly by the Japanese corporation.

(2) Considerations Regarding Equity Incentive Substitution and Methods of Substitution

From the perspective of existing officers and employees, an important prerequisite for corporate inversion is often that it would not change the financial value of equity incentives they have been granted or tax treatment in the countries or regions where they reside when they exercise options, etc., especially if they hold equity incentives with financial value, such as in-the-money stock options.

Overseas, there are countries and regions that have systems equivalent to the Japanese system of tax-qualified stock options (Article 29-2 of the Act on Special Measures Concerning Taxation of Japan). In the United States, for example, there is the incentive stock option (ISO) system (IRC Section 422), whereby taxation at the time of exercising stock options is deferred. For equity incentives subject to such special tax treatment, it may sometimes be necessary to maintain the same treatment even after undertaking the corporate inversion. However, it is necessary to discuss with local tax counsel the relevant issues including what requirements need to be satisfied for this purpose.

Furthermore, there are legal considerations. When granting equity incentives such as stock options in the Japanese corporation to officers and employees residing overseas, it is necessary to engage appropriate local legal counsel to examine legal considerations in advance and substitute equity incentives as required. Such legal considerations include the possible imposition of offering regulations under local securities laws or regulations, possible imposition of foreign exchange laws or regulations, or potential labor law issues.

(3) Exercise and Sale of Equity Incentives After the Restructuring

When implementing corporate inversion, many corporations consider how to make the equity incentives their officers and employees have received transferable after corporation inversion and listing take place.

In particular, startups founded overseas often have a large number of officers and employees in countries other than Japan, and in such cases, it is necessary to consider practical aspects, such as whether officers and employees located in those countries can appropriately own the shares of the Japanese corporation and arrange securities accounts to sell them.

Top Executive Interviews

Transferred from TSE Growth to TSE Prime just one year and nine months after its listing. Initially founded in Taiwan as an AI x SaaS company, it now seeks to become a global corporation following its listing on the TSE.

The logo for Appier, featuring the word "Appier" in a bold, blue, sans-serif font.

Appier Group Inc.

Dr. Chih-Han Yu



Why an AI scientist decided to start a company

Appier Group Inc. is an AI-driven software-as-a-service (SaaS) company that was initially founded in Taiwan in 2012. Following its listing on the TSE Mothers Market (currently known as the "Growth Market") in 2021, the company moved to the Prime Market after only one year and nine months. The company develops a wide range of marketing solutions for its customers, including AI-based tools that help support their business decisions so they can operate more effectively.

In the 12 years since its founding, the company has 17 offices across the Asia-Pacific region, the United States, and Europe. Its customers include Toyota Motor Philippines and Taiwan Shiseido Co., Ltd., and the company has become so well-known in its home country of Taiwan that people there often equate the name Appier with AI. Chih-Han Yu, the company's CEO and co-founder, is originally an AI scientist who helped develop the world's first self-driving car that was capable of traveling 200 miles (approx. 320 km). So why did the scientist with such a successful research background decide to enter the business sector instead?

"Before starting the company, I was a scientist in the field of artificial intelligence for about ten years. Although it was cutting-edge research in the emerging sectors of self-driving cars and autonomous robots, the technology was much too advanced to actually be practical to society. I have wanted to implement AI in a way that can directly benefit society since about 2010, but the uses for AI were still unknown to most people at the time. It was then that I realized there were not very many data-centric companies in Asia compared to the United States, so I decided to create an AI company here. I was once a student studying in America, so I had a strong desire to return home and do something that could eventually develop on the international stage. My goal was to create a company that made software intelligence easier to use for the masses and that could be a business that would make an impact on the economy while also serving as a global platform for promising Asian talent. That was my original vision when starting the company, and I feel we have gradually achieved that goal over the years."

Working toward that end, he began brainstorming with Chia-Yung Su (co-founder and current Chief Information Officer), a

fellow doctoral student in computer science and his roommate at Harvard University. He also invited Wan-Ling Lee (co-founder and current Chief Operating Officer; pictured left), whom he met at Stanford University, to the company as well.

"The first two people in the company were scientists and engineers, so they wanted somebody who could put their concepts and ideas into words and help find the best way to implement their technology into society; that's why I was asked to join the company," said Wan-Ling.

"She was conducting immunology research and had made some impressive achievements in the field. We're married now, but we were just friends at the time, and I was happy to be able to recruit such a talented employee to the company."

The group's first company focused on an AI engine for video games, but the AI agents in a type of metaverse setting were ahead of their time, which caused the company to run short on funding, eventually only having a few months worth of capital left in the bank. However, by pivoting to a company that provided marketing solutions, they were able to chart the course that led to Appier's current success. Around that time, they were presented with a significant decision to make.

"Around 2015, we started thinking about what our company should do next. We researched various options for the company's future, including whether to simply continue what we were doing. The company was still pretty small at the time, so we would go to



trade shows in the US and focus on sales from our tiny little booth. It was there that a representative from the Tokyo Stock Exchange visited us and gave us materials about how to list a company. That's how the option of us going public came about. We realized that listing on the TSE could help our business grow, so we made the decision to go public after evaluating whether we could generate a profit for our investors. It was the right choice for our company, and we are extremely grateful to the TSE for that initial offer."

A positive mindset that does not view work as a hardship

I asked if it was difficult to take the company public due to the language differences, and Wan-Ling gave a somewhat surprising answer.

"I didn't think of it in terms of being difficult; it was simply what had to be done to realize our goal of going public. We were in a vulnerable state due to being a startup, so listing the company on the TSE was a growth experience for all of us. To become a listed company that people could trust, we had to strengthen our corporate governance and internal management systems, so we were naturally willing to do whatever it took to meet the listing standards. The most important thing was for us to realize that we were doing something that we would benefit from; all of that hard work would make us a better company and organization. Every single step of the way had meaning for us, and we eventually generated results and steadily grew the company. Now that we are a listed company, our shareholders can see that we are an organization that can be trusted and has created a sustainable business."

The language differences are pretty much no problem now, and the company states that it has been able to improve its management and operations due to being listed on the TSE. That has made it not only a better organization overall by increasing its customers' trust in them, but also made it easier to hire quality personnel.

A speedy transition to the Prime Market

Chih-Han states, "We could have done well if we had remained in the Growth Market, but by moving to the Prime Market, we could raise additional funding by recruiting more institutional investors as shareholders. The Growth Market features numerous investors, but there are also those who do not pay much attention to it, meaning that the Prime Market is a much better source of funding. As such, we enlisted the help of securities companies and other institutions to begin the application process for changing our classification. Eventually, we transferred from TSE Growth to TSE Prime one year and nine months after our initial listing. I think our transition between the markets was rather quick, actually. Going through the transfer process led to the increased investment and transaction value we hoped to achieve by being listed in the Prime Market."

Fostering innovation through the hiring of capable staff

Finding talented and hard-working managers at any listed company is common, but how do they attract quality staff? This company, founded by a scientist, an engineer, and an immunologist, relied on friends during the company's early days to help find talented employees, but how have they retained them? According to Wan-Ling, retaining talented staff is the company's most important mission.

"If you wish to foster innovation, creating an environment where AI scientists and engineers can consistently create new technologies with a sense of fun and passion is important. Prepare that kind of environment to welcome your staff, and the quality personnel that you seek will come naturally. I think the most important thing is that your AI scientists and engineers be given the freedom to work on what they want to do. Even when looking at things from a business point of view, it is the people who can focus on their passions that go on to create great things. Of course, all of our employees are important, not just the AI scientists and engineers, so as long as we keep doing great things, we'll continue to bring in business and the quality talent will follow."



Placing an emphasis on ability rather than age, gender, or nationality brought a diverse range of people to the company, leading to a virtuous cycle of attracting talent. Chih-Han says that the Appier Group's diversity came about organically.

"When you're working on something, you tend not to care about people's age, gender, or nationality. That's just how we've always done things; it's our tradition. Appier has never decided that we should have a certain number of male or female employees. In actuality, I never realized how diverse we had become until someone outside the company asked me about the composition of our staff. I'd say our male-to-female ratio is about 60:40, and we have employees from nearly 30 countries. When recruiting new staff, we don't focus on anything other than their ability. We lived in the United States, so we were part of a diverse community, meaning it was only natural to adopt such concepts when forming our own company."

Appier's most important values

The nurturing of a rich corporate culture has helped maintain a lively environment within the company. There was a cute sticker containing the words "Open-minded, Direct Communication, and Ambition" on a Japanese director's computer.

"We feel these concepts are vital to our business, so we made a sticker that features them. The ability to be accepting of things without preconceived notions, the ability to directly communicate with others, and having the ambition to continually better yourself are all essential traits to have, especially open-mindedness. That's because our industry is constantly evolving, forcing us to keep abreast of what's going on in

VII. Listing on Tokyo Stock Exchange Through Incorporation in Japan (Corporate Inversion)

the industry and not rely on our preconceptions. It's imperative that we listen to the latest news and other people's opinions. In addition to that, the ability to communicate directly is necessary for doing business on a global stage. We are a rather young organization that conducts business in many different countries, so the ability to communicate directly with the other party means you can resolve issues quickly and efficiently. Lastly, we want our employees to be ambitious. We want our company to be amazing, not just ordinary, and the way to do that is to continually challenge ourselves to create only the very best technology, products, and services. I think this is a vital mentality for our employees to have," says Chih-Han.

Naturally, having ambition is about more than just the mere pursuit of profit.

"The important thing is to try and see things from other people's perspective. For example, we try to consider what our customers' best interests are. If we know that, we can work to find common ground between us. I think the same goes for them as well. By changing your perspective to that of the other person, you can begin to learn what is most important. This is constantly at the forefront when we consider the perspective of our customers, shareholders, partners, and employees. So, in an effort to continually develop talent from within, we work outside the industry to provide people with university scholarships and support various AI initiatives. Our company is constantly thinking of ways to help people learn about AI and how inviting talented people to work for us can contribute to creating a more sustainable society. While



we may not always be perfect, we are trying our best to have an impact."

Both when the company went international and then again when it was publicly listed, they were always open to embracing new possibilities from a variety of different perspectives.

"In fact, the only thing that doesn't change is that we continue to change," says Chih-Han. "Actually, I'd say that we continue to evolve," adds Wan-Ling.

"Yes, evolve. We constantly make it a point to get out of our comfort zone and move forward."

Indeed, Appier Group's evolution shows no signs of slowing down.

Interview date: November 28, 2023
(originally from the JPX website)



Top Executive Interviews

Leading the Way in Pioneering
a Sustainable Space



Astroscale Holdings Inc.

Okada Mitsunobu



Seizing Every Turning Point: The Power of Learning Shapes a Path Forward

The cosmos is something we gaze upon and romanticize. Although advances in science and technology have brought space closer than ever before, for most people, it still never intersects with their daily lives. Although it may be hard to believe it, space is more cluttered with debris than any ordinary road or highway on Earth. This is the reality of the 21st century.

The cosmos has layers, and beyond the lunar sphere lies uncharted territory. But just before that, in Earth's orbit, a multitude of satellites crisscross. Those satellites leave behind a quantity of space debris far exceeding the number of operational satellites. The debris consists of defunct satellites, fragments from exploded rockets, and remnants of weapons testing. Imagine a highway where wreckage from accidents, cars that ran out of gas, and litter discarded by people remain untouched and persist indefinitely. This is what is happening in orbit.

A Japanese venture has been quick to step forward in developing technology to remove this space debris. This company is Astroscale Holdings, founded by Nobu Okada.

Nobu, a native of Hyogo prefecture, experienced two major turning points in his life before he entered the workforce.

"The first of these turning points was joining the NASA Space Camp

junior program when I was a freshman in high school. There I met and was inspired by astronaut Mamoru Mori. After receiving a handwritten letter from Mamoru, I felt a new passion for my studies."

Nobu, who had always been interested in environmental issues, studied forest zoology in college. He vaguely imagined he would pursue an academic career. However, the second turning point came suddenly in January of his senior year. This was the Great Hanshin Earthquake, which devastated the region where he was born and raised.

"That day, I rushed over from Tokyo with food and water. The loss of people and property was immense, and I knew I had to find work immediately. After the Great Earthquake, I received assistance through government programs. After graduating, I enrolled in graduate school while buying over 60 books to study, preparing for the national civil service exam the following spring."

His ability to learn proved valuable here as well, and he began his career at the Budget Bureau of the Ministry of Finance. However, while studying abroad on a government scholarship at a U.S. graduate school, he witnessed firsthand the dynamism of the dot-com boom, which had a profound impact on him. This led to yet another turning point.

A Fresh Start: Space is Where You Will Make Your Mark*

His conviction that private companies are the ones that can truly transform society grew stronger, leading him to repay his study abroad expenses and resign. Nobu considered starting his own business but changed his mind, joining McKinsey & Company instead. After that, he served as the CFO of a venture company and also founded his own businesses, all of which were software companies.

"During the dot-com boom, I aspired to conquer the world with software. But when I actually tried it, I realized I couldn't succeed globally with software alone. I thought developing new hardware and combining it with software might open a path. While searching for that solution, I suddenly returned to the world of Mamoru Mori, whom I'd met at age 15. By then, I was nearly 40. During that period, as I struggled through my first midlife crisis, Mr. Mori's message came back to me: "Space is where you will make your mark."*

Again, the power of learning shaped the path forward.

"I attended space-related conferences to explore what was trending and inevitably arrived at the space debris problem. By April 2013, I learned that space was already littered with debris, that orbits would become unusable if this continued, and that despite the clear challenge, no one had a solution. I felt this was truly worthwhile. A week later, I launched Astroscale PTE. LTD. in Singapore, and my personal crisis was resolved."

Still, at that point, as the head of a software company, Nobu was a complete outsider to the space industry, and no engineer stepped forward to co-develop this unseen technology. He dedicated himself to reading hundreds of papers from academic conferences and learning from them. Through this process, he finally developed a hypothesis. Armed with it, he visited the authors of those papers and traveled the world. Though met with initial skepticism, numerous researchers took the time for lengthy discussions and even gave him tours of their laboratories.

"It was a tremendous learning experience, and by my third world tour, those who had been involved began to believe this might actually be possible. That was September 2014. Within six months, we decided to secure funding, build a team, and establish a factory."

This passion and commitment are reflected in the name of the company.

"Our company champions the vision of "the secure and sustainable

development of space for the benefit of future generations." While there are multiple words representing space, we chose "astro," the oldest term derived from Greek, which signifies balance. We believe achieving sustainability in space requires balancing development with environmental conservation. Thus, we resolved to become a company responsible for maintaining this balance."

Our Mission: Provide trusted and value-driven on-orbit servicing solutions

This is how the world's first private company dedicated to developing space debris removal services was formally established and successfully demonstrated its technology in space through two projects. The ultimate goal is to pass on a sustainable trajectory to the next generation,

The company's efforts extend beyond merely removing space debris. Utilizing its proprietary RPO (Rendezvous and Proximity Operations) technology to handle non-cooperative objects, it also performs on-orbit refueling of operational satellites and conducts observation and inspection of malfunctioning satellites and other objects.

"In short, the space industry has long embraced a culture of disposability. It was a world where the prefix "re-" didn't exist. In other words, no repair, no recycling, no refueling, no removal. For example, no one buys a new car, discards it when the gas runs out, and buys another. Cars, aircraft, and computers all have established value chains. They're manufactured and sold, then consumers use them, followed by maintenance and repairs, and finally disposal or reuse. But the downstream part of this chain was completely absent in the space industry. Everyone recognized the opportunity was there, yet no one could seize it because RPO technology didn't exist."

Astroscale pioneered this RPO technology and now provides a wide range of on-orbit services beyond debris removal. These include life extension, refueling, observation, and inspection. Founded to address the space debris problem, it has steadily expanded its service offerings.

The research that began with Nobu alone bore fruit through interactions with various individuals, including the aforementioned researchers. He also reunited with Mamoru Mori after founding the company.

"If I had to name another key person, it would be someone from SpaceX (the American private space company). At a conference in Germany, when I mentioned creating a company to clean up space debris, many experts (though kindly) dismissed the idea, saying "there's no market, no technology, and it's not something a private company, let alone a startup, should do." The only person who emailed me saying "you should do it" was that

person from SpaceX. Then, just three days after founding the company, I was invited to SpaceX and given a full factory tour. They told me that innovation can't happen without owning your own factory, and that insight became the cornerstone that defined our company's direction."

Commitment to Innovation: Moving Swiftly to Tackle the Challenges of Space

Today, Astroscale has grown into a global technology company with over 600 employees and factories equipped to manufacture satellites. At its founding, Japan had few engineers specializing in space technology outside of JAXA (Japan Aerospace Exploration Agency), large corporations, research institutes, graduate schools, and a handful of component manufacturers. With few looking toward a startup, they began hiring experienced professionals nearing retirement from major companies involved in JAXA missions, as well as individuals from graduate schools and research institutes who felt research alone was not enough.

"Initially, our engineers were only in their 20s and 60s, but now we've been able to recruit diverse talent across age, nationality, and background. RPO technology for non-cooperative objects is truly complex, requiring a synthesis of various technologies. It spans multiple domains, including sensor technology for detecting debris and algorithms for analyzing data. Knowledge and technology from the field of aerospace engineering are certainly necessary, but they are only a small part of the whole. Even as a diverse group of engineers, working together naturally fosters interdisciplinary learning and knowledge sharing."

This is why Nobu believes teamwork is key.

"Moreover, it's the sheer passion we share for the same vision. Everyone is deeply committed to our vision: "The secure and sustainable development of space for the benefit of future generations." Recently, our company



has been featured in various international media outlets, and I believe this has also become a source of power for our employees."

I asked what Nobu considers important in management.

"All of our core technologies are developed in-house. While part of the reason is that no other company possesses them, we believe it's crucial to constantly challenge ourselves as pioneers and see things through to completion. Following others is easier, but the deterioration of the space environment is progressing every moment, so time is simply too precious. On top of that, we have quickly established multiple global bases. We currently have offices and R&D centers in five countries, establishing systems capable of locally handling everything from design to development. While a typical startup might move on to another country after achieving success in one country, that approach won't win globally. Establishing multiple global bases is the most capital-intensive model, but we believe it yields higher returns. This strategy is already beginning to bear fruit."

Nobu also considers valuing stakeholders to be an important management issue.

"We value all of our stakeholders. Our company really does receive support from a wide range of people: the government, space agencies, shareholders, investors, partners, customers, suppliers, the media, and even the general public. To ensure these individuals understand our company accurately and continue supporting us, we consistently strive to maintain careful communication."

Listing on TSE to Secure Capital and Liquidity

Astroscale Holdings listed on Tokyo Stock Exchange's Growth Market in 2024. While relatively recent, the nature of the company's business required significant funding before it could generate revenue. Among multiple funding options, the company chose to go public.

"We raised capital seven times prior to going public. While we proceeded in stages, the decision to ultimately pursue an IPO stemmed from demand from so-called public equity investors (those who invest in publicly traded stocks), even though we had the option to choose private or public bonds."

Astroscale Holdings was founded in Singapore. Five years later, it relocated its headquarters registration and office to Japan. We asked about the reason behind this move and whether listing on other overseas markets was ever considered.

"When considering listing on Tokyo Stock Exchange, we realized it would be difficult to list while maintaining our headquarters in Singapore. We

also considered listing on other overseas markets, but our top priority was ensuring sufficient liquidity while enabling flexible fundraising. The market options narrowed significantly when focusing on those that could deliver both fundraising and liquidity. Considering our company's scale, listing on Tokyo Stock Exchange seemed the best choice. Of course, my Japanese nationality played a significant role. However, I also had concerns that if we listed on the New York Stock Exchange, we might get buried among other stocks and become difficult for investors to discover. Tokyo Stock Exchange allows us to attract overseas investors as well."

Looking back, the process of listing on TSE was also fraught with difficulties.

"The biggest challenge was that, while space-related companies are gradually gaining acceptance now, back then, when meeting investors, we had to start by explaining orbital mechanics. It was difficult to get them to properly understand our business and growth potential within the limited time available. The same applied to individual investors. We struggled to explain simply and clearly why the business opportunity existed here and gain their understanding. Incorporating this into the prospectus in a way accessible to general investors without specialized knowledge was no easy task. However, I believe we learned an immense amount during the listing review process. Even when I thought I was answering questions, there were likely many instances where my explanations fell short."

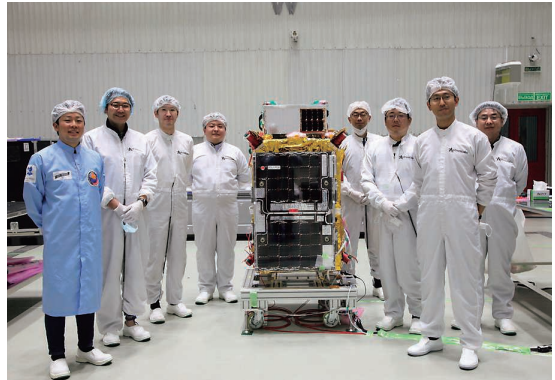
After going public, Astroscale's investor base has completely changed, and the questions and expectations raised during regular investor meetings and shareholder meetings have become a source of motivation. Nobu also feels that the increase in job applications during recruitment is likely driven by its listing.

"We have always made a point of carefully explaining matters to our stakeholders even before going public, so our approach to stakeholder communication hasn't changed much. Still, I believe going public has brought many benefits, both tangible and intangible."

Within Ten Years, Orbital Services Will Become Infrastructure

The landscape surrounding the space market is changing dramatically every few years. We asked Nobu about Astroscale's future outlook.

"Until a few years ago, there was no awareness of on-orbit services, and the market itself didn't exist. But now, our backlog is growing, and the world has changed. Through our two projects, "ELSA-d" and "ADRAS-J," we have demonstrated RPO technology for non-coopera-



tive objects. RPO technology is the fundamental capability needed to approach and provide solutions for anything hurtling around Earth at tremendous speeds."

"Now, every time we launch a satellite, we get media coverage. But if roadside assistance were dispatched on a highway on Earth, the media probably wouldn't care. We want orbital services to reach the same level of acceptance as this automotive roadside assistance by 2030. We aim to create an era within the next five years where orbital services are taken for granted. In the five years after that, we want to make orbital services infrastructure, creating a world where every satellite operator designs with this capability as a given."

In cosmic terms, five to ten years is like tomorrow. Yet, Nobu remains vigilant, knowing that unless swift action is taken, the space debris problem will worsen beyond repair.

When asked what advice he would give to entrepreneurs aiming to go public, Nobu shared the following insights:

"If you aim to grow your company, I want you to clearly envision a future where everyone can be happy. I hope that if many startups can accelerate their missions using the funds raised through IPOs, Japan will be filled with positive news. Our company is still in its early stages, so we're focused solely on moving forward at full speed."

Incidentally, on the very day I spoke with Nobu, a group of elementary school students visited the company for an educational tour. Considering that meeting Mamoru Mori during his high school years was the starting point for Nobu, I hope that among these children visiting today, more pioneers like Nobu Okada will emerge. May they create a future overflowing with bright news, both in Japan and around the world.

Interview date: August 7, 2025
(originally from the JPX website)

[Column]

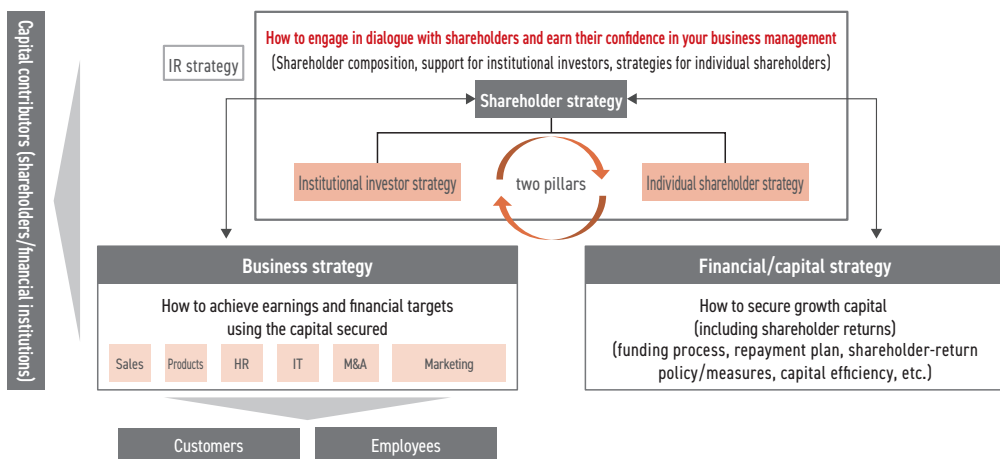
Key Points for General Meetings of Shareholders and JDR Beneficiary Briefings in Japan (Mitsubishi UFJ Trust and Banking Corporation)

For companies that engage with shareholders and JDR beneficiaries in the Japanese market, general meetings of shareholders and briefing sessions for JDR beneficiaries are seen not only as a means of fulfilling formal requirements and providing information but also as important opportunities to communicate their management perspective and overall corporate stance in a straightforward way.

Business strategies and financial and capital strategies are obviously core components for any company. For listed companies, however, the shareholder strategy is just as important. The prevailing view in Japan has seen shareholders as more than just providers of capital; they also stand as sources of support for management stability and medium- to long-term trust in the company. For a company, then, determining who it wants as shareholders and how it plans to build trust through dialogue with them sets the foundation for implementing its business and financial and capital strategies in a stable fashion.

In recent years, capital markets have raised the bar for explanations. Companies are now expected to communicate with a high degree of transparency about ESG and sustainability as well as their business and financial and capital matters. Dialogue with shareholders is not only a way to explain what the company is doing but also an important opportunity to incorporate outside perspectives and identify management issues. In that context, it has become more and more important for companies to use their general meetings of shareholders as a strategic venue for deepening dialogue with shareholders and, as they work to present mutually consistent strategies for business, finance and capital, and shareholders, commit to enhancing corporate value through ongoing relationship-building.

◆ Positioning of shareholder strategy in management strategy



Created by Mitsubishi UFJ Trust and Banking Corporation

General meetings of shareholders in Japan typically follow a set sequence: the chair declares the meeting open and explains the rules for conducting it, followed by business reports and other reports, explanations of the agenda items, a question-and-answer session, and finally the closing declaration. Explanations of the issues the company needs to address occupy an especially important place, constituting the main thrust of the meeting and representing one of the major reasons why shareholders attend. Given that the general meeting of shareholders is a valuable opportunity for a company to speak directly to shareholders about how it approaches its business and defines its management stance, giving explanations that convey the company's unique individuality and story fosters better understanding and satisfaction among shareholders. Another key part of the meeting is the question-and-answer session, the quality of which can impact assessments of the company. Many companies thus prepare

VII. Listing on Tokyo Stock Exchange Through Incorporation in Japan (Corporate Inversion)

detailed scripts in advance, including anticipated questions and model answers, and make thorough arrangements to ensure the meeting proceeds smoothly.

For companies led by foreign CEOs, deciding in advance how much of the meeting the CEO will chair personally is another key point to address. In practice, the CEO's involvement generally falls into three patterns:

◆Patterns of Conducting AGM by a Foreign National Chairperson and Division of Roles

(○: Main; ☆: Assisting role; △: Involved)

	Overview	Position	Opening	Greet-ings	Appoint-ment of deputy chair	Report on number of shares	Audit report	Busi-ness reports	Explanations of agenda items	Q&A	Answer-ing	Voting	Closing
1	The foreign national CEO serves as the chair throughout the meeting	Foreign national CEO	○			○		○	○	○	○	○	○
		Interpreter	☆			☆		☆	☆	☆	☆	☆	☆
		Japanese executive					○			○	○		
2	The foreign national CEO serves as the chair and appoints a Japanese deputy chair after the opening, and the deputy chair conducts the meeting	Foreign national CEO	○		○			△			○		
		Interpreter	☆					☆			☆		
		Japanese chair				○		○	○	○	○	○	○
		Japanese executive						○	○		○	○	
3	A Japanese executive chairs the meeting under Articles of Incorporation that allow a non-CEO executive to chair the meeting	Foreign national CEO		○							○		
		Interpreter		☆							☆		
		Japanese chair	○			○		○	○	○	○	○	○
		Japanese executive						○			○		

Created by Mitsubishi UFJ Trust and Banking Corporation

The first is an approach where the CEO chairs the meeting from opening to closing. While this approach spotlights the top executive, it also means interpreting for the CEO throughout the meeting and involves the most operational challenges. In the second approach, the CEO chairs the meeting only at the beginning and then hands over the duties to a Japanese deputy chair for the remainder. This reduces the operational burden, but the CEO's message may make a weaker impression. Third, a company might have a Japanese executive chair the meeting from the outset. This facilitates smooth, stable operations but also limits the CEO's direct involvement and presence to a higher degree than the other approaches.

Each approach has its own advantages and disadvantages. Choose the format that fits your company best. What matters most, however, is not the format itself but a consistent stance on engaging with Japanese shareholders. If the CEO personally talks about the company's direction and continues that dialogue over time, that lays the foundation for building long-term, trusting relationships with shareholders.

This emphasis on dialogue applies to listing on TSE via JDRs, as well. A company listing on TSE via JDRs typically holds its general meeting of shareholders in its home country in accordance with local laws, which means that opportunities in Japan for JDR beneficiaries to engage in direct dialogue with management are structurally limited.

Given the importance of dialogue, though, it can be very beneficial for companies to convene and utilize JDR beneficiary briefings. Having top management speak directly to the Japanese market and carefully explain their views on business strategy and governance deepens understanding and trust in the company, first of all, and can also help cultivate "fan shareholders" who identify with the company's story.

It is vital for management—even at a company using JDRs—to take a proactive approach to communicating how the company wants to engage with Japan's capital markets. Actively creating opportunities for dialogue and carefully building relationships with Japanese investors, all within the existing regulatory framework, are what lay the foundation for enhancing corporate value over the medium to long term.

VIII. Listing on the Tokyo Stock Exchange via JDRs

Higuchi Wataru, Attorney-at-Law
Anderson Mori & Tomotsune

1. What are JDRs?

Listing via JDRs (Japanese Depositary Receipts) is an approach where shares of a foreign company are transferred in trust to a trustee (a trust bank) in Japan, the trustee issues “beneficiary certificates” representing beneficial interests that mirror the rights attached to those shares, and those beneficiary certificates are listed and traded on Tokyo Stock Exchange (TSE). A JDR functions as a substitute for the shares of a foreign company that constitute the trust assets.

Legally, JDRs are generally categorized as the beneficiary certificates of beneficiary certificate-issuing trusts under the Trust Act (Article 2, Paragraph 1, Item 14 of the Financial Instruments and Exchange Act) that qualify as “securities trust beneficiary certificates” meeting certain requirements (Article 2-3, Item 3 of the Order for Enforcement of the Financial Instruments and Exchange Act).

Under the JDR scheme, the trustee holds the shares of the foreign company and becomes the shareholder of record. Holders of JDRs (beneficiary certificates), as the beneficiaries, exercise voting rights, etc. and receive dividends and other distributions through the trustee (specific treatment is set out in the trust agreement).

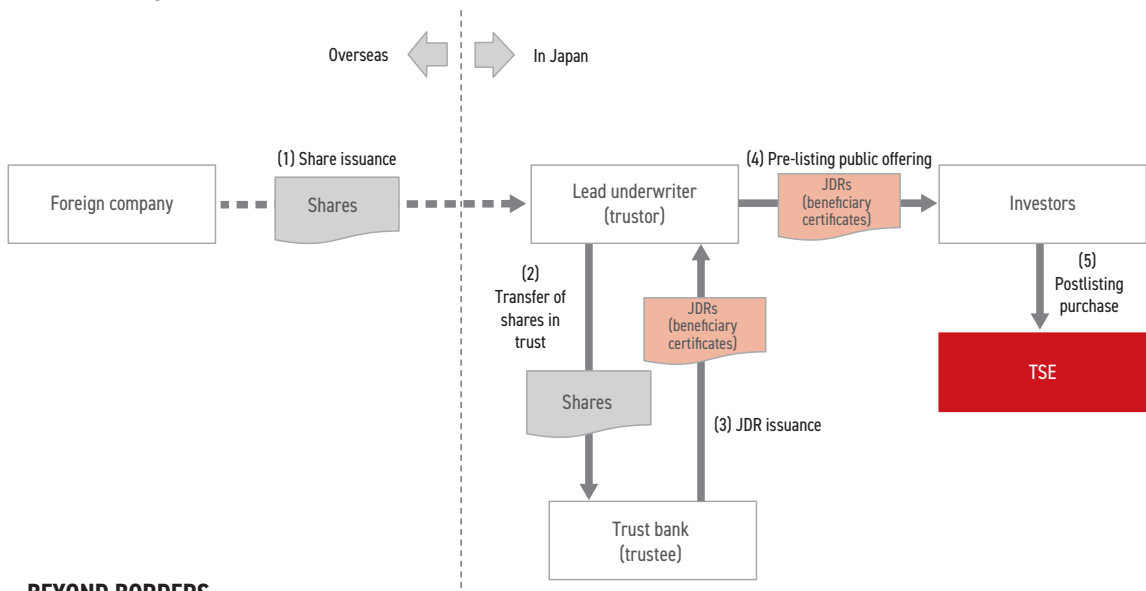
For investors, a key feature is that JDRs are classified as domestic securities. Investors can trade them through their ordinary securities accounts without opening a foreign securities trading account, and margin transactions are also available.

2. JDR Issuance Scheme

In a typical JDR scheme, the following process is envisioned:

- a. The foreign company issues shares to the lead underwriter (the trustor).
- b. The lead underwriter transfers the acquired shares to a trust bank (the trustee) and establishes a trust.
- c. The trust bank issues JDRs (beneficiary certificates) corresponding to the trust assets (shares) to the lead underwriter.
- d. The lead underwriter conducts a pre-listing public offering of the JDRs.
- e. After listing, investors trade the JDRs on TSE.

[Scheme of Foreign Stock JDR]



3. Listing via JDRs

When an issuer lists JDRs, the statutory disclosure requirements under the Financial Instruments and Exchange Act and the procedures under the listing rules are essentially the same as those for listing shares directly. Therefore, the foreign company must implement statutory disclosure as the issuer under the disclosure system and also make a listing application as the listing applicant.

4. Companies Act and Governance Framework

The Japanese Companies Act does not apply to the internal affairs of a foreign company, such as its organizational structure. Instead, the laws governing the incorporation of the foreign company apply. For example, the Companies Act 1967 (Singapore) applies to the internal affairs of a Singapore company, and the Delaware General Corporation Law applies to the internal affairs of a Delaware company. Accordingly, a foreign company issues shares and establishes its organizational structure in accordance with the law governing its incorporation. The Securities Listing Regulations do not require foreign companies to establish particular corporate bodies or secure independent directors and outside directors in relation to their organizational and governance frameworks (see Rules 436-2, 437 and 437-2 of said Regulations), either.

That said, foreign companies are required to explain and develop effective governance frameworks from the standpoint of investor protection. There is no single, universally applicable standard for the governance frameworks of foreign companies. Each foreign company needs to consider an appropriate framework in light of factors like the nature of its business, its size, and its shareholder base and also draw on the typical governance practices of listed companies in its home market. For example, a Singapore company may consider electing multiple independent directors and establishing an audit committee, compensation committee, and nomination committee that include independent directors by referring to the rules and practices of the Singapore Exchange. It is also important to design an internal audit function that fits the company's organization and other characteristics, referring to Japanese practice as necessary.

It is crucial that such a governance framework is not merely established but is also operated effectively in practice. For example, the audit committee, compensation committee, and nomination committee need to meet regularly and conduct substantive discussions and deliberations. In the underwriting examination and listing examination, emphasis is placed on the operational track record, which demonstrates that the framework has been operating effectively over a certain period. Accordingly, the company should communicate with the lead underwriter from the early stages of the listing preparation process to determine the direction of the governance framework.

In preparing for listing, a foreign company also needs to submit a "Report on Preliminary Confirmation of Listing Application" to TSE. The company shares information with, and consults with TSE in advance on, its corporate system (share system, corporate organizations, procedures for amending the Articles of Incorporation, etc.), share issuance, procedures for share-transfer registration and transfer of rights, operations of the general meeting of shareholders (convocation procedures, method for determining shareholders, methods of exercising voting rights, etc.), dividends (dividend notices, determination of shareholders, tax treatment, payment schedules, etc.), and other matters. As a result of discussions with TSE, the company may need to add or revise the necessary provisions in its Articles of Incorporation to ensure investor protection and clarify rights. While the trust agreement sets out the procedures for exercising voting rights and issuing dividend payments, the company should also discuss the actual steps with the trust bank (the trustee) in advance.

5. Tax Treatment

The following is a general summary of tax treatment as of the publication of this document. Please consult a tax professional regarding the details of eligibility requirements and procedures.

(1) Dividends

a. Individual investors

Dividends to be received by individuals are subject to withholding at the following tax rates.

Until December 31, 2047	20.315%
January 1, 2048, and later	20.15%

b. Corporate investors

Dividends to be received by corporate investors are subject to withholding at the following tax rates.

Until December 31, 2047	15.315%
January 1, 2048, and later	15.15%

Dividends are included in taxable income for corporate tax purposes and are subject to taxation. (The amount of income tax withheld at source is deducted from the corporate tax amount.)

c. Foreign taxation

In addition to the domestic taxation listed in (a) and (b) above, dividends may also be subject to taxation in the country where the foreign company is located. In such cases, taxes imposed in the foreign country qualify for relief from double taxation (foreign tax credits), thereby reducing double taxation to a certain extent. Even in cases where the foreign company's dividends are taxed in its country of residence, the applicable withholding tax rate, etc. may be reduced under a tax treaty between Japan and that country.

(2) Capital gains and losses

a. Individual investors

Capital gains on JDRs are not subject to withholding tax at source unless the investor has chosen a specified account with withholding. Such gains are instead subject to separate self-assessment taxation at the following rates.

Until December 31, 2047	20.315%
January 1, 2048, and later	20.15%

b. Corporate investors

Capital gains on JDRs are included in taxable income for corporate tax purposes and are subject to taxation. On the other hand, capital losses are included in deductible expenses for corporate tax purposes.

Top Executive Interviews

Using the power of chemistry and science to provide solutions as the first Singapore company to be listed on the Tokyo Stock Exchange



OMNI-PLUS SYSTEM LIMITED

Neo Puay Keong



A boy born in the year of Singapore's independence uses his knowledge of chemistry to build a multinational corporation

Omni-Plus System Limited is the first ever Singaporean company to be listed on the Tokyo Stock Exchange. As a materials technology company, its core competencies are in the areas of engineering plastics logistics and distribution, and plastic resin development and manufacture. The company's name comes from its dedication to providing systems that will function positively in solving its customers' problems in a wide variety of areas. Indeed, the omnipresence of plastics as a material in our modern society makes this ambition understandable. But CEO Neo Puay Keong explains that Omni-Plus System is first and foremost a solutions company.

"We have no desire to promote ourselves as a plastics company or a chemicals company. Rather, we provide solutions using chemistry and science to overcome any problem. That's why we use the infinity symbol in our company logo, while the use of the color green is to underscore our commitment to sustainability. When I first started the company, and I thought about how we would go about trying to grow into an international corporation, I wanted to make sure we did it in a sustainable way."

Neo Puay Keong was born in 1965, the year Singapore achieved independence. Throughout his childhood, he watched as his parents rebuilt their store, which had been reduced to a streetside stall by the chaos of the independence movement and the effects of the civil unrest in Indonesia in the same year, and developed it into a thriving business. Well aware of the importance of education, his parents sent him to a traditional Catholic school, where he learned the virtues of discipline and integrity. After graduating from high school, where the subject of chemistry came so easily to him that he barely needed to study at all, he proceeded to Singapore Polytechnic, where the direction of his life was ultimately decided.

"I specialized in the study of polymers at Polytechnic, and I was fortunate enough to earn an interview with Nagase Co., Ltd. There weren't many students specializing in polymers at that time, and Nagase was looking to expand its presence in Singapore and Southeast Asia. I took a job with them, where I provided not only my expertise in the latest technology, but also regional technical support. I spent some time training in Japan, to learn about the specific characteristics of each product. I was essentially hired to sell Nagase's technological expertise, but this also involved a lot of practical technical support on my part. Nagase only had a very small team in Singapore at the time, which meant that not only was I involved in

VIII. Listing on the Tokyo Stock Exchange via JDRs

dealing with the materials themselves, but I was also a key part of the company's marketing and sales activities."

Tasked with performing this wide range of duties at Nagase, Keong was eventually headhunted by Elf Atochem.

"As Singapore was one of the few countries in Southeast Asia with its own polymerization plants, Elf Atochem, a French company, had selected it as the location for its first plant outside of Europe. As part of this pioneering project, I helped grow its market share from zero to 5000 metric tons per month, and learned about factory manufacturing processes and Southeast Asian supply chains and logistics along the way. It was a wonderful experience for me. At the time, the major markets were monopolized by Japanese and American companies, which meant that Elf Atochem needed to come up with revolutionary ideas to prove its worth. To that end, we worked in tandem with universities to develop simulation software, and strove to shorten the time frames for the introduction of new molds and products into the market. We even developed mini-computers to run the simulation software. While our efforts bore no fruit at all to begin with, we knew that we wanted to make use of cutting-edge technology to drive the market forward."

Sensing demand for providing solutions to clients' problems, Keong is inspired by the Y2K bug to start his own company

Developing rapidly as a hub for multinational corporations to find a foothold in the Asian market, Singapore was the locus for increasing business activities by European, American, and Japanese companies. Keong learned a great deal from his dealings with these multinationals. But what was the catalyst that inspired him to leave a successful company and strike out on his own?

"When I visited our American and European clients, we would often discuss the problems they had, and how these could be addressed in terms of the development of new materials or new solutions. But as a major multinational corporation itself, Elf Atochem was unable to move quickly to address these concerns. It would take many years from receiving an official request before the company would be able to develop new materials. I came to understand that there was a vast gulf between what the industry was providing and what our customers really needed, and I realized that I might be able to do what it was that our clients wanted. At the time, startups were relatively rare; there were very few who were prepared to launch a new business from scratch. But I had a philosophy that differed from those of the multinationals, and I saw the provision of business solutions as the niche in the market which I could fill."

Having spotted this opportunity to start something new, Keong then came face to face with the so-called Y2K bug, in which problems with the handling of dates in computer programs led to concerns of major malfunctions as the year changed from 1999 to 2000.

"I had already had the idea of starting a business that would bridge the gap between client needs and what the industry was providing, but I saw Y2K as another such opportunity to provide solutions to client needs. The simple failure on behalf of programmers to anticipate the problems wrought by the change in date at the end of the millennium had created this huge global issue, and led companies around the world to change their hardware and software. Seeing this, I knew that it was the provision of similar solutions to practical problems which I would be able to provide."

Growth amid the hardships of pandemics and global financial recessions

As a man of action, it did not take long before Keong launched Omni-Plus System Limited in 2002. By developing a well thought-out business model, he was able to secure a number of clients from the very beginning. The first challenge was raising capital to launch the company; he did this by explaining the project to close friends and asking for their help. He then hired just one other worker to handle administrative duties, and began this ambitious undertaking from just a single desk in a small office. Despite these austere beginnings, Keong recalls with a smile the sense of satisfaction he would derive from providing solutions to meet his clients' needs, and remembers how his clients would invariably leave satisfied and grateful. Since that time, the company has managed to overcome a number of major global hurdles, from the bursting of the dot-com bubble to the international financial crisis of 2007-08, to the SARS outbreak.

"Throughout all of the crises we have faced, we have been helped by the loyalty shown to us by our clients and our suppliers. The



Singaporean government, also, has always provided professional business support, which has allowed us to work together with the authorities to overcome each challenge. This includes the recent COVID-19 pandemic, of course, but it goes all the way back to the SARS outbreak as well. These crises have always made financing very difficult, but they have also had positive effects. Our employees have invariably given everything they could to help support us in our time of need. For a long time after the company's establishment, we were unable to raise salaries, but they still worked diligently and uncomplainingly."

A decision is made to list on TSE Mothers, rather than in London or New York

It was during the COVID-19 pandemic, on the 29th of June, 2021, that Omni-Plus System finally became a listed company. When deciding where to list, Keong quickly discounted London, as its strengths in the field of finance did not provide a good match for a tech development corporation. Being based in Asia, New York also seemed inconvenient. Finally, he settled on the Tokyo Stock Exchange as a trusted, Asian-based exchange highly valued for its transparent governance.

"As a giant of the technology and chemical sectors, Japan has traditionally led Asia in terms of chemical plant development, and is home to significant know-how concerning the market. We felt that listing on the TSE would allow us to demonstrate to our potential future client base that our company, too, features superior governance and transparency. As a company that places great focus on technological development, we wanted to ensure we had efficient access to a global marketplace. After all, we know that foreign clients are always keen to support innovative technology and novel solutions."

Keong is grateful for the cooperation his company has received from financial institutions and his legal representatives throughout

the listing process. He is also aware that this achievement was only made possible as a result of coordinated assistance not only from the TSE, but also from a range of Singaporean governmental agencies including ESG (Enterprise Singapore), A*STAR (the Singapore Agency for Science, Technology and Research), and MAS (the Monetary Authority of Singapore).

"Due to the border restrictions put in place as a result of the pandemic, we had to receive entry permission from the Malaysian government as well, and ESG coordinated that for us. We have been blessed to receive such support from so many governmental institutions. Perhaps the biggest hurdle for an overseas-based company like us wishing to be listed on the Tokyo Stock Exchange is the language barrier. Naturally, there were a number of forms that needed to be filled out in Japanese, but our partners such as Mizuho Securities helped us a great deal in that regard. We were lucky to have such support to work around the language issue."

Increased trust earned by listing, and the future of the company

Keong claims that they have already benefited significantly from the company's listing. In addition to the obvious financing advantages, he says the listing has had other positive effects.

"By listing on the Tokyo Stock Exchange, we have been able to demonstrate to our stakeholders and business partners that we have sound governance and transparent business processes in place. This has made international business dealings much easier. Listing on the TSE has been a real breakthrough for us. It has allowed us to show how we operate at every step of the process, and has made it easier, for example, to negotiate with banks and other financial institutions. Our ties with Japanese corporations and our Japanese business partners have been strengthened, while our market penetration and customer awareness has also been improved, leading to the expansion of our potential client base. Before listing, if we wanted to work together with a Japanese startup on a new project, for example, we would have been forced to spend several years demonstrating what kind of company we are to our potential partners, and proving that we can be relied upon. Now that we are a listed company, however, it has become much easier for our partners to understand who we are."

The company has also been able to provide larger bonuses for its employees. More importantly, though, it has been able to show its employees that the company is being operated based on transparent HR policies. Keong sees the recruitment of high-quality staff as every bit as vital as securing new business partners.



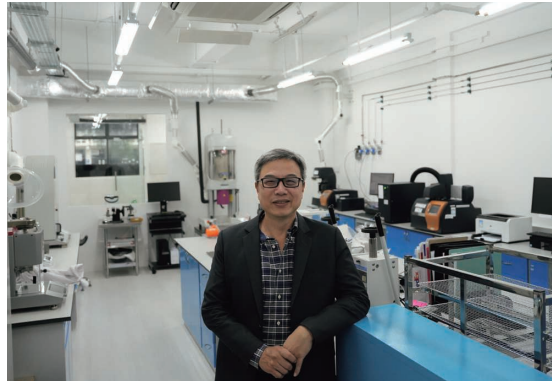
"Our employees have developed a stronger sense of company loyalty and belonging. These days, no company wants to see a dynamic where employers are pitted against employees. Employees now want to work for companies that will do right by them. They are trying to forge their own career path, and no longer see a company as merely the source of their salary. They are looking for corporate strategy and a vision for the future. Since listing on the TSE, it has become significantly easier for us to secure quality human resources, while the commitment of our employees to the company has increased. Although we are aware that in the long run, we may be providing education and training to future rivals to the company, we feel it is our social responsibility to raise the quality of our employees and of the industry as a whole."

For both shareholders and employees, the company prioritizes transparency and trust above all else. With the firm ambition to grow further and become a world leader in the industry, the company continues to work closely with ESG and A*STAR to attract new talent to the field.

"For us, recruitment is inextricably tied to our corporate strategy. Stakeholders in our company are not restricted merely to our shareholders, but also include our employees, our clients, our partners, and even the financial institutions we work with. While we strive to be transparent about everything we do, as our business deals with cutting-edge technology, NDAs cover a lot of our dealings. With confidentiality of the utmost importance, we need workers with the qualities of honesty and integrity. Trust between the company and its employees, and relationships between the company and its clients are not things that can be built overnight. In order to ask for confidentiality and the protection of intellectual property rights, we know that we first have to build strong relationships with our clients."

With 95 percent of the company's revenue derived from overseas, and 70 percent of its client base made up of multinational corporations, the company possesses the DNA shared by many Singaporean companies that makes them naturally equipped to do business overseas. There is a plan currently in progress to digitize the operation of its regional plants under the auspices of the company's Singaporean headquarters as a kind of control tower. Once this is in place, geographical restrictions will be rendered still more meaningless. The location of an engineering center in the hub of Asia that is Singapore also allows access to virtually any location on the planet.

"I want our clients to be totally satisfied with the results we provide for them. When they are, they will contribute themselves to our future successes. That's why I see passion as so important. As Asians, we



value honor and commitment, and we know that this must be shown in our actions as well as our words. When everyone approaches their tasks with commitment, passion, and responsibility, that is what will move the company forward. But even more important than that is the ability to challenge convention and the status quo. When a company can no longer rise to the challenges it faces, then it is finished. That is why we have always striven to ensure that this company moves forward to find the solutions we need."

Three simple words of advice: "Just do it!"

Company management is more like a marathon than a sprint. While he has continued to attempt to expand the capacity of the industry over a long period of time, such as through the development of biopolymers as an ESG initiative which he has worked on for over 15 years, Keong is always mindful of the need to look after his own health in order to sustainably maintain his own management quality. As he sees it, indulging in his hobbies of gardening and tea ceremony are effective methods of slowing down his mind and body to facilitate the transition from the high-speed world of technology to the slower speeds of everyday life. When asked what he would tell other Singapore-based entrepreneurs looking to list their businesses on the Tokyo Stock Exchange, he has three simple words of advice: "Just do it."

"I would advise anyone to take up the challenge. Through my own experience, I have learned that the TSE is an institution that can be relied upon wholly. Everyone involved has treated me with respect and compassion, and I'm sure the same could be said for any Singapore-based company, or any company from another country, for that matter. My advice would be that there's no time like the present. Just do it."

Interview date: January 25, 2023
(originally from the JPX website)

IX. Listing on the Tokyo Stock Exchange via Foreign Shares

Higuchi Wataru, Attorney-at-Law
Anderson Mori & Tomotsune

1. Listing via Foreign Shares

In addition to listing via JDRs, a foreign company can also list its shares (foreign shares) directly on Tokyo Stock Exchange. In this structure, Japan Securities Depository Center, Inc. (JASDEC) holds the foreign company's shares and becomes the shareholder of record. Japanese investors then exercise voting rights and other rights, and receive dividends and other distributions through JASDEC. The rights of Japanese investors are defined in JASDEC's Rules Concerning Custody and Book-Entry Transfer of Foreign Stocks, and actual day-to-day operations are carried out by the share transfer agent and the dividend-paying bank designated under those rules (both are typically the same Japanese trust bank). Accordingly, regardless of whether the company lists via JDRs or foreign shares, Japanese investors are not themselves shareholders of the foreign company. Instead, they exercise voting and other rights and receive dividends and other distributions through the shareholder of record—either the trustee (when listing via JDRs) or JASDEC (when listing via foreign shares).

For more information on custody and book-entry settlement for foreign shares, see the explanation on the JASDEC website (<https://www.jasdec.com/en/system/foreign/>).

2. Companies Act and Governance Framework

The relevant provisions for listing via foreign shares are the same as those for JDRs. Refer to Section 4 of the previous Chapter.

3. Tax Treatment

The relevant provisions for listing via foreign shares are essentially the same as those for JDRs. Refer to Section 5 of the previous Chapter.

X. Fees for Listing on the Tokyo Stock Exchange

Consumption taxes and local consumption taxes will be levied on the various fees mentioned in this chapter.

(1) Fees for Initial Listing on TSE

a. Listing Examination Fee, Initial Listing Fee, and Public Offering/Secondary Offering Fee

A foreign company, when applying for listing on Tokyo Stock Exchange (TSE), must pay fees consisting of a listing examination fee, initial listing fee, and public offering/secondary offering fee.

	When TSE is the main market			When TSE is not the main market
	Prime	Standard	Growth	
Listing Examination Fee	¥4,000,000	¥3,000,000	¥2,000,000	¥2,000,000
Initial Listing Fee	¥15,000,000	¥8,000,000	¥1,000,000	¥2,500,000 + Fixed rate fee (see next item)
Public Offering/Secondary Offering Fee(*)	Number of new shares offered × offer price × (9/10,000) Number of existing shares sold × sales price × (1/10,000)			—

*The maximum total amount of fees related to the public offering or secondary offering of shares pertaining to an initial listing application for the Growth Market shall be 19 million yen.

Furthermore, in cases where an applicant company has previously filed a listing application or preliminary application and intends to file a re-application within three years counting from the beginning date of the business year to which the most recent application date pertains (in case of the preliminary application, the date listed in the preliminary application form for listing of securities as the date on which the listing application was expected to be filed), the listing fees will be halved.

When TSE conducts a field visit or meeting, etc. at locations remote from Japan, in particular including Europe and the United States, TSE will separately charge the applicant for the amount equivalent to actual expenses incurred for the field visit and meeting purposes.

b. Initial Listing Fee for Foreign Stock, etc. with a Main Market Listing on any Overseas Exchange

The initial listing fee for foreign stock, etc. with a main market listing on any overseas exchange is computed as 2.5 million yen plus a fixed rate fee as shown in the table below:

Ratio of number of foreign shares, etc. held by individuals and legal entities having an address and residence in Japan to the total number of listed foreign shares, etc.	Initial Listing Fee
More than 5%	¥2,500,000 + Number of Listed Foreign Shares, etc. × (225/10,000) × 1/10
More than 2% and less than or equal to 5%	¥2,500,000 + Number of Listed Foreign Shares, etc. × (225/10,000) × 1/20
Less than or equal to 2%	¥2,500,000 + Number of Listed Foreign Shares, etc. × (225/10,000) × 1/50

(2) Annual Listing Fee

After the listing on TSE, listed foreign companies will pay an annual listing fee, which is the amount defined in the table below (tax excluded) plus a TDnet usage fee.

In addition, for foreign companies listed on the Growth Market, the annual listing fee pertaining to payment due dates that fall on or before the last day of the year in which three (3) years have passed since the company was listed will be half of the amount defined in the table below plus a TDnet usage fee.

Market Cap at IPO	When TSE is the main market			When TSE is not the main market
	Prime	Standard	Growth	
Less than or equal to ¥5 billion	¥960,000	¥720,000	¥480,000	¥120,000
More than ¥5 billion and less than or equal to ¥25 billion	¥1,680,000	¥1,440,000	¥1,200,000	¥240,000
More than ¥25 billion and less than or equal to ¥50 billion	¥2,400,000	¥2,160,000	¥1,920,000	¥480,000
More than ¥50 billion and less than or equal to ¥250 billion	¥3,120,000	¥2,880,000	¥2,640,000	¥600,000
More than ¥250 billion and less than or equal to ¥500 billion	¥3,840,000	¥3,600,000	¥3,360,000	¥720,000
More than ¥500 billion	¥4,560,000	¥4,320,000	¥4,080,000	¥840,000

BEYOND BORDERS

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Inquiries

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Tokyo Stock Exchange, Inc.

E-mail : global_ipo@jpx.co.jp

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