

Comparison of Listing Venues Forum 2015

Considerations of TSE Listing

June 2015

PricewaterhouseCoopers Aarata (Japan)

Agenda

I. Introduction

II. Considerations for US companies to list on TSE

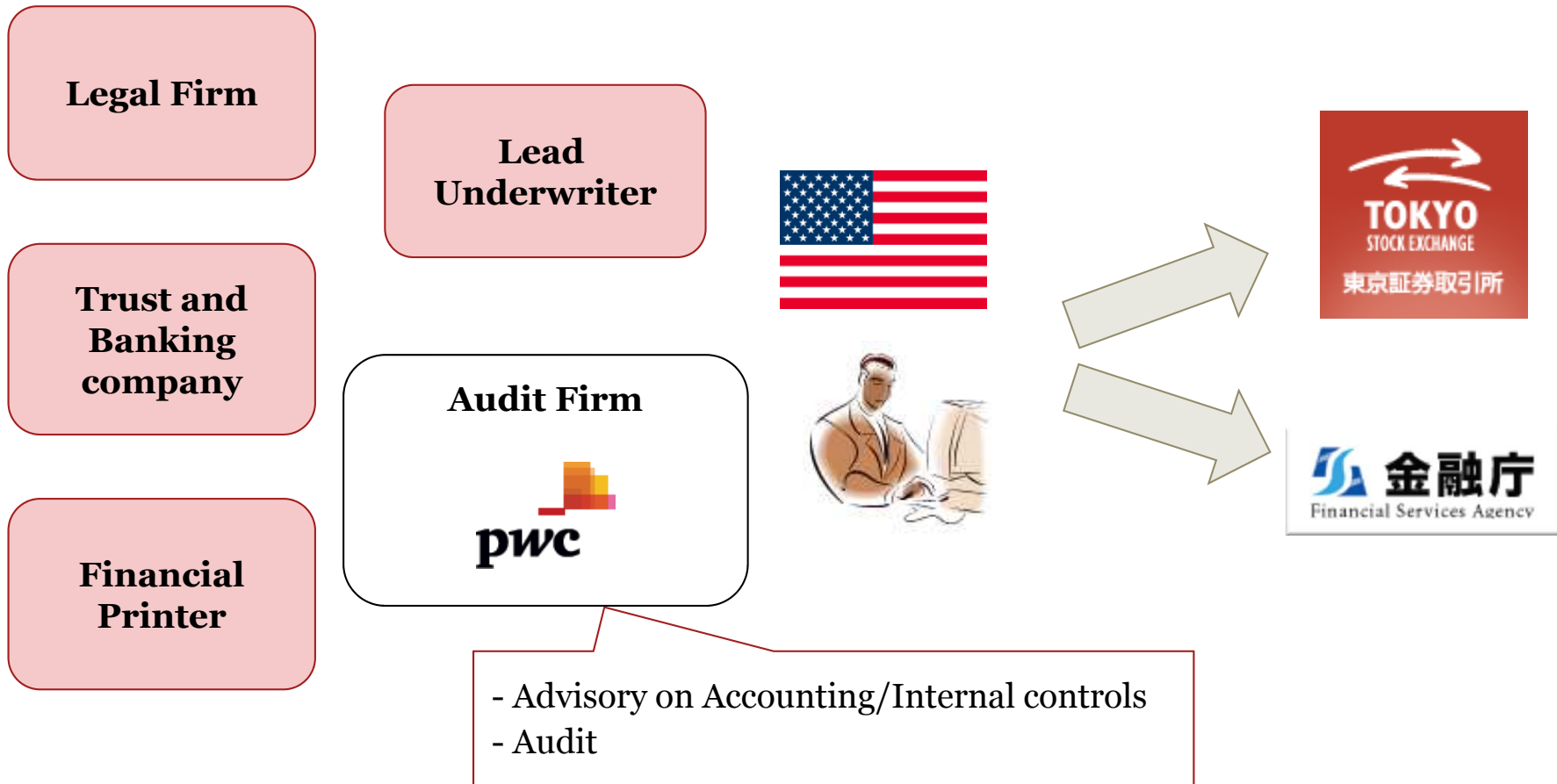
III. IPO Readiness

Appendix – PwC Profile

I. Introduction

- Roles of each party involved in an IPO
- What to do for IPO

Roles of each party involved in an IPO



What to do for IPO

Area	Main items to follow up
Operating strategies	-Goals, Business concept, - Strategy planning, - Code of conduct
Capital Management	- Financing, - Composition of shares
Affiliated companies/ Special interest person	- Reasonableness of transactions with such parties, -Approval process
Compliance	- Laws and regulations, - No relationship with antisocial forces
Profit management	- 3 years mid-term plan, - Budget plan (PL, BS, CF), -Budget management (budget-actual comparison)
Corporate Governance	- Governance structure, - Board of Directors, - Audit committee/Supervisory Board, -Validity of remuneration, - Minutes/resolutions
Internal audit	- Setting up division/team, -Execution
Business operation /Internal controls	- Business flow/process, - Segregation of Duties, - Regulations, - J-SOX documents
IT	- Significant impact on various area, - Long process
Appropriate financial statement	- Group accounting policies, - Accounting treatment, -Financial Reporting Cycle, - Timely disclosure, - Audit

II. Considerations for US companies to list on TSE

- Financial statements to be disclosed
- Accepted accounting principles in Japan
- Key accounting matters for IPO
- Internal control report (J-SOX)
- Case study
- Required GAAP adjustment for consolidation

Financial statements to be disclosed

Type	Disclosure	Audit ^{*3}
Consolidated financial statements	2 years ^{*1, *2}	Required ^{*2}
Stand-alone financial statements	5 years ^{*2}	Last 2 years to be audited ^{*2}

***1:** Highlight information should be disclosed for last 5 years in principle, unless it is not practical.

***2:** Foreign companies have an option to disclose consolidated/stand-alone financial statements for last 3 years with audit opinions. In that case, stand-alone financial statements for last 5 years are not necessary to disclose.

***3:** In cases of foreign companies, an audit opinion issued by a foreign audit firm, etc is deemed as eligible, as long as it is consistent with the audit opinion in Japan. In that case, it is necessary to file a prior notification to the Financial Services Agency (“FSA”) in order to be approved as “eligible foreign audit firm, etc.”.

Accepted accounting principles in Japan

Principle	Japan GAAP or IFRS (for consolidated FS) (only Japan GAAP for stand-alone FS)
Exception ①	US SEC registrants are permitted to use US GAAP with a confirmation by Japanese FSA.
Exception ②	<p>The GAAP that both conditions below are met:</p> <ol style="list-style-type: none">1. Financial statements prepared on the basis of the GAAP are <u>published</u> in its country or another country.2. The Commissioner of Japanese FSA approves to use the GAAP. <p>Note: Approval by the Commissioner of the FSA will be made on a case-by-case basis, however, in cases where a foreign company submits financial statements that were approved by the Commissioner of the FSA in the past, the procedure to obtain approval could be simplified. For the information, Taiwan GAAP has been approved in the past.</p>

Key accounting matters for IPO

Area	Accounts	Key Issues
BS items	Accounts receivable, Loan receivable	- Valuation (Allowance for doubtful accounts)
	Inventory	- Stocktaking - Valuation (impairment/provision for slow moving stocks)
	Fixed assets	- Inspection - Impairment (indication, CF projection)
	Investment (inc. in group companies)	- Impairment
	Other assets	- Temporary accounts
	Provision	- Completeness - Estimation (e.g. Provision for bonuses)
	Accounts payables, Accruals, Other liabilities	- Unrecorded liabilities
	Deferred tax	- Deferred tax accounting (Calculation, Valuation on deferred tax assets)
PL items	Revenue	- Revenue recognition - Cut off
	Cost of sales, Selling, General and Administrative Expenses	- Distinction between COGS and SG&A

Internal control report (J-SOX)

Listed companies are required to submit an Internal Control Report each year, together with Annual Securities Report.

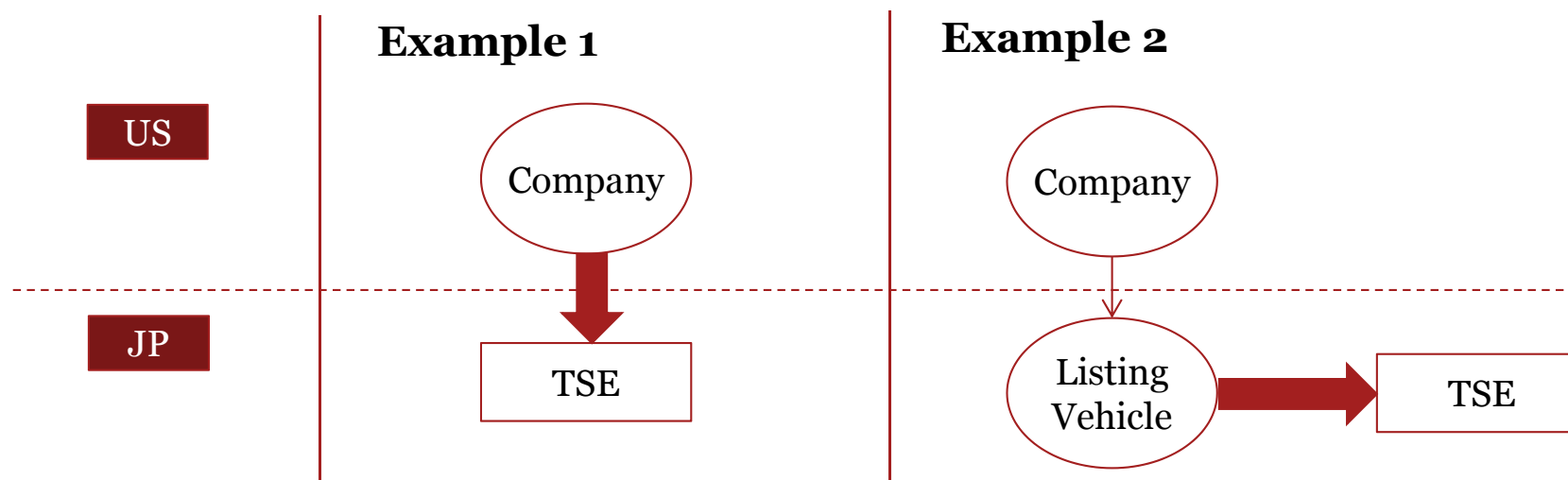
	Internal Control Report	Internal Control Audit
Offering Disclosure	Not applicable	Not applicable
Continuous Disclosure	Required *1	Required *1 Exception: first 3 years after IPO *2

*1: There is an exception that a foreign issuer may submit an Internal Control Report disclosed in the home country or third country which is audited by an auditing firm, etc. to the Japanese authority as eligible Internal Control Report in certain cases.

2: Exemption from Internal Control Audit (J-SOX audit) for the first 3 years after IPO is not applicable to the companies whose share capital exceeds JPY 10 billion (USD 83M) or liabilities exceed JPY 100 billion (USD 833M)*.

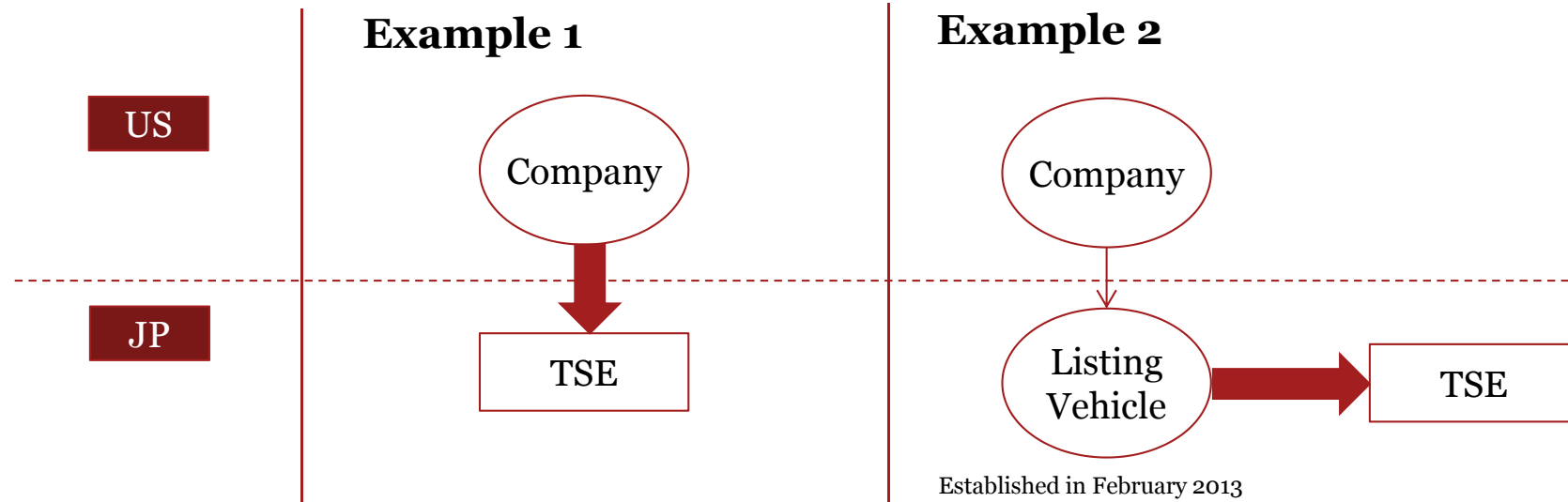
* USD 1 = JPY 120

Case study (1/3)



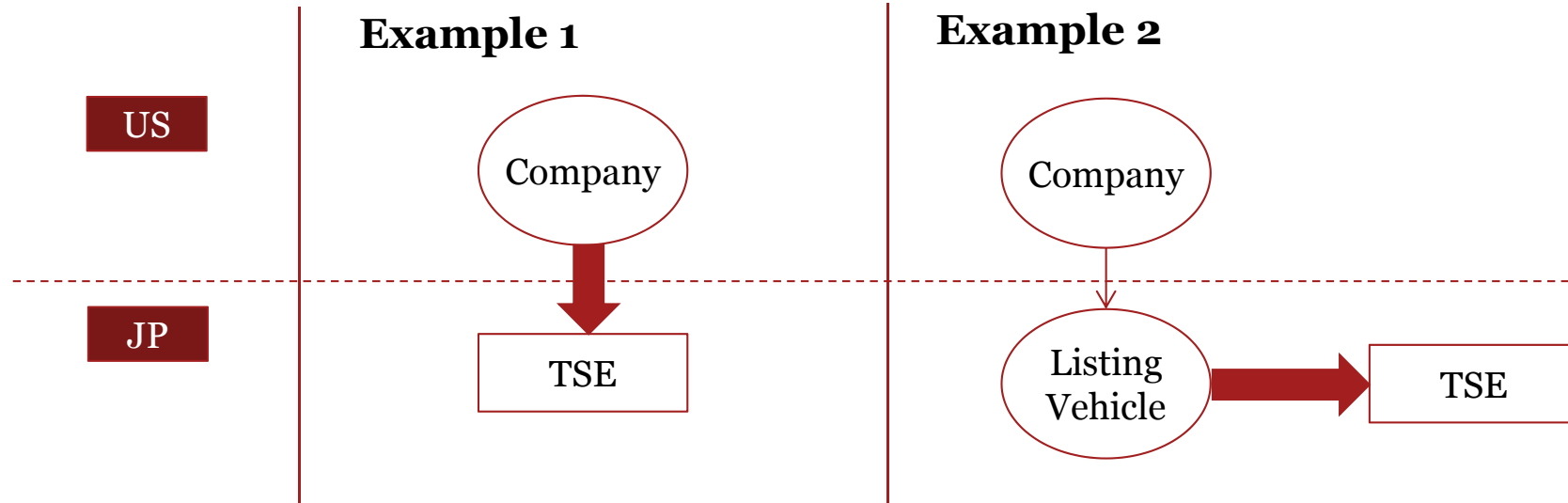
Items	Example 1	Example 2
Company Name	Acucela Inc.	Sanbio Company Limited.
Industry	Bio Pharma	Bio Pharma
Listing Date	February 13, 2014	April 8, 2015
Market Cap. at IPO	JPY 81.9B (USD 682M)*	JPY 87.2B (USD 726M)*
Fund Raise	JPY 19.0B (USD 158M)*	JPY 14.9B (USD 124M)*
Financial Data	December 31, 2012 (12 months)	October 31, 2014 (9 months- 3Q)
Sales	USD 46M (JPY 5.5B)*	JPY 3.1B (USD 25M)*
Profits	USD 4M (JPY 0.5B)*	JPY 1.9B (USD 15M)*
Net Assets	USD 25M (JPY 3.0B)*	JPY 0.1B (USD 0.8M)*

Case study (2/3)



Items	Example 1	Example 2
SEC Filing	S1 Form	Not applicable
J-FSA Filing	Required	Required
Financial Disclosure	<ul style="list-style-type: none"> ➤ 5 years financial information (FY2008, FY2009, FY2010, FY2011 and FY2012) 	<ul style="list-style-type: none"> ➤ 1 years financial information of listing vehicle (FY2014 stand-alone and consolidated) ➤ 5 years financial information of US Company (FY2010, FY2011, FY2012, FY2013 and FY2014)

Case study (3/3)



Items	Example 1	Example 2
GAAP	US GAAP (Major GAAP differences are disclosed)	Japan GAAP (Under Japan GAAP consolidation rule, it is accepted to consolidate its subsidiaries' US GAAP financial statements with minor GAAP adjustments.)
J-SOX after listing	US SOX framework (audited)	Not yet announced. (will be J-SOX framework, but audit is optional.)

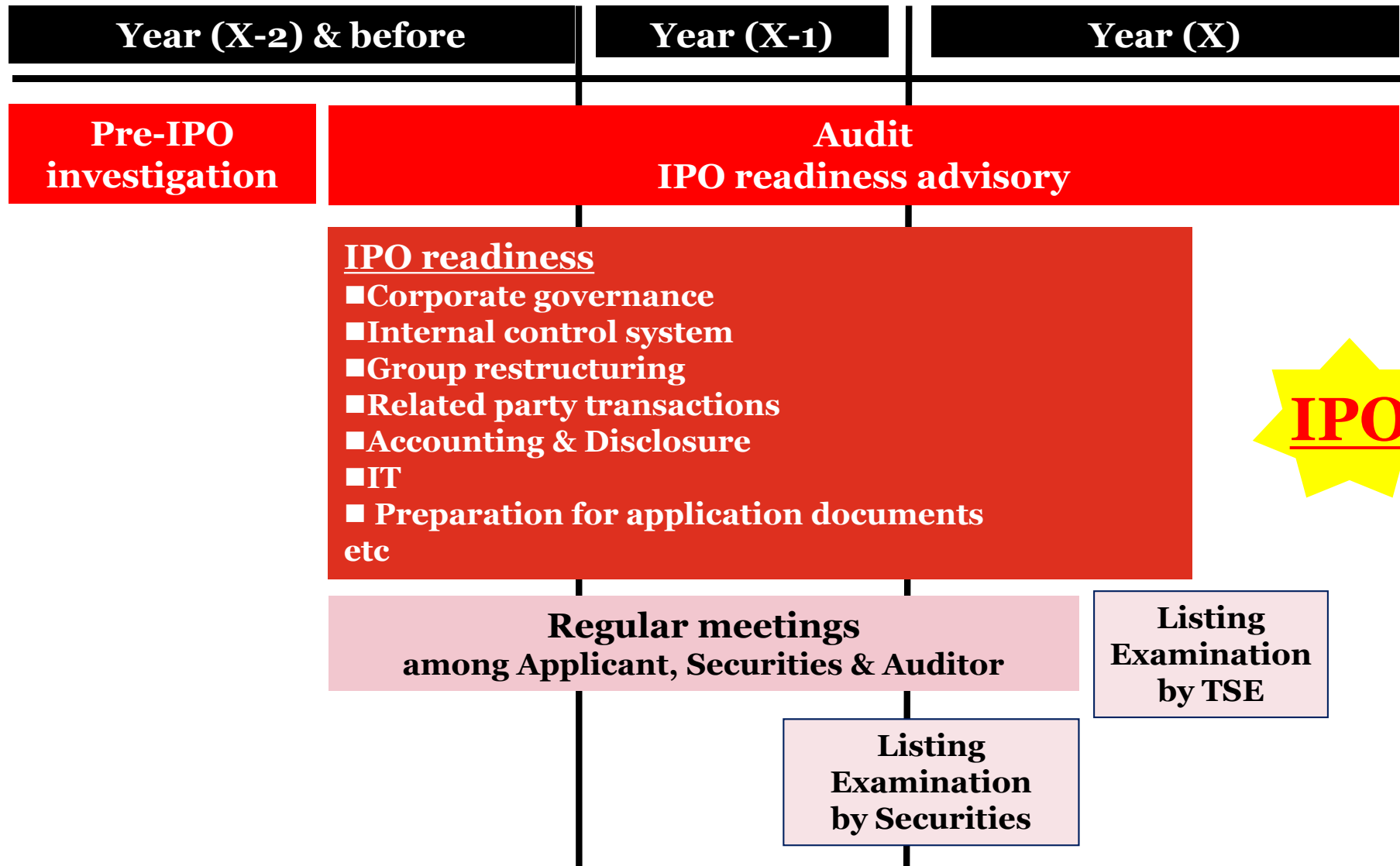
Required GAAP adjustment for consolidation

Items	Description
Goodwill	Under Japan GAAP, goodwill is amortized within 20 years.
Pension	Actuarial Gains/Losses are expensed through P/L.
R&D	R&D identified under Japan GAAP are recognized as expenses, but not capitalized.
Investment Properties	Investment Properties are not re-valuated at fair value.
Minority Interests	Minority interests in the subsidiary financial statements are adjusted for the consolidation process.

IV. IPO Readiness

- Typical IPO roadmap in Japan
- IPO Readiness Advisory

Typical IPO roadmap in Japan



IPO readiness advisory 1/2

PwC provides;

Assurance services

&

IPO advisory services, which include

IPO strategic advisory,

Group restructuring advisory,

Corporate governance & internal control advisory,

Accounting advisory,

IT advisory

etc.

IPO readiness advisory 2/2

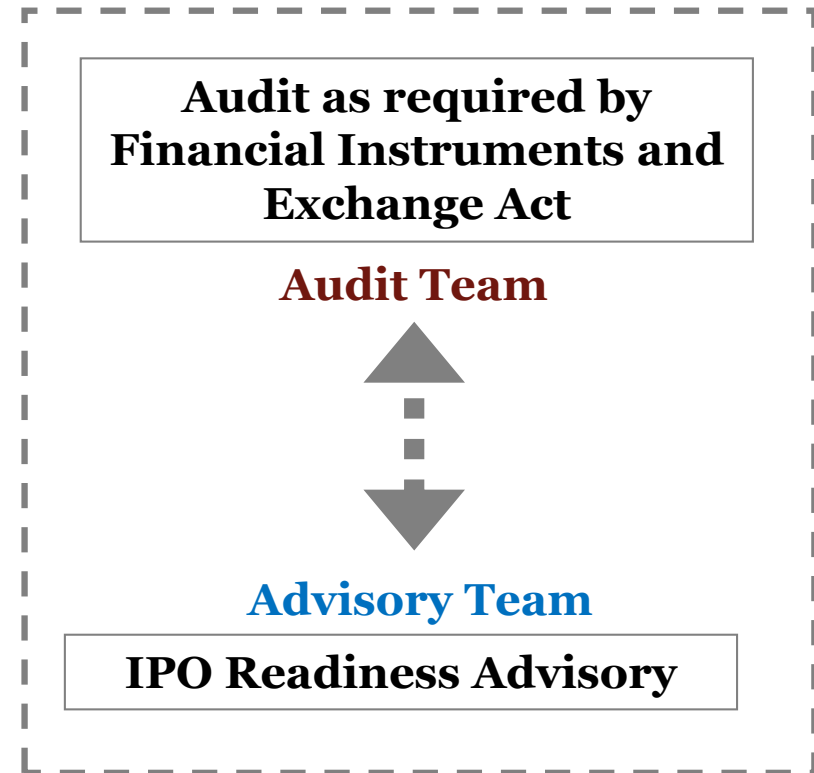
Pre-IPO Investigation

– Areas of attention for IPO

- business plan
- internal control system (including J-SOX)
- accounting policy
- budget control etc.

Integrated Team:

Audit Team + Advisory Team



Appendix - PwC Profile

About PwC Global

PwC is one of the largest professional services networks in the world.

PwC * helps organisations and individuals create the value they're looking for. We're a network of firms in 157 countries with over 195,000** people who are committed to delivering quality in assurance, tax and advisory services. Tell us what matters to you and find out more by visiting us at www.pwc.com.



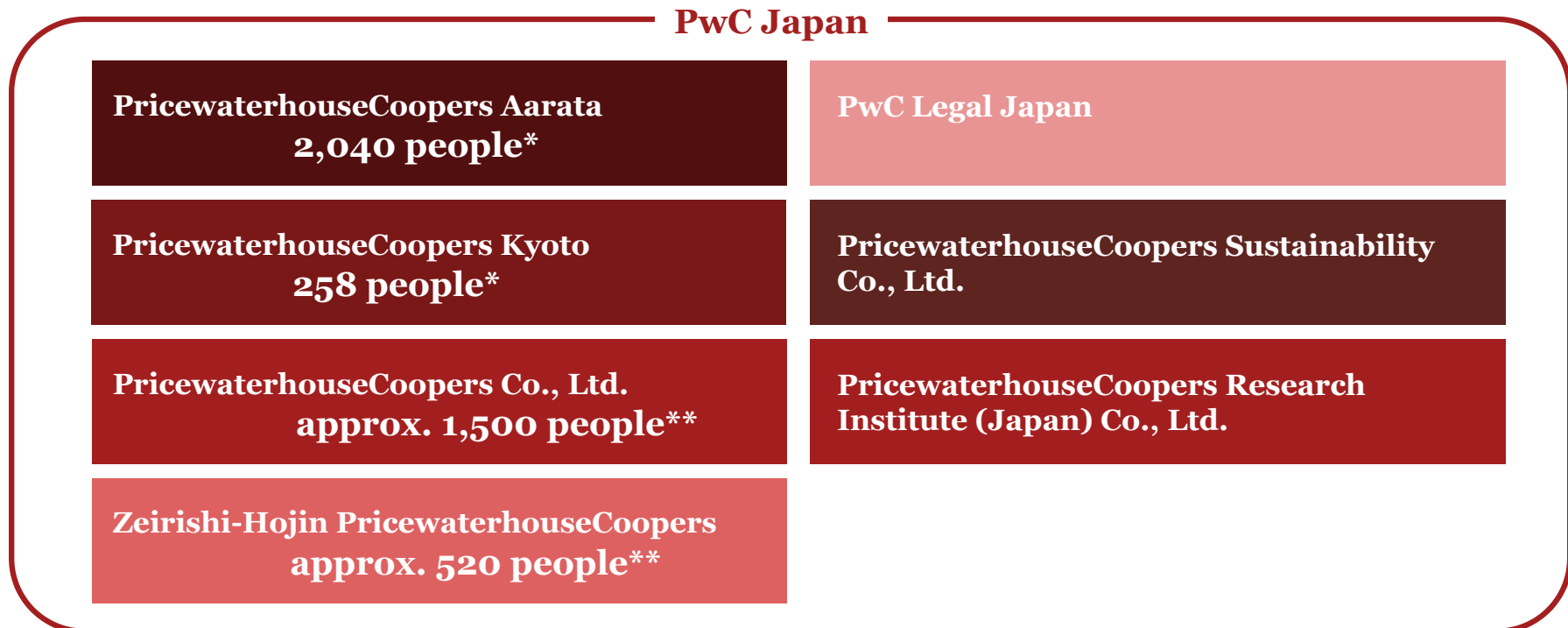
* "PwC" refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity.

** Incl. support staff (as of 30 June, 2014)

About PwC Japan

PwC network in Japan

PwC Japan represents the member firms of the PwC global network in Japan and their subsidiaries. Each firm of PwC Japan undertakes its business as an independent and separate corporate entity. To address complex and diversified business challenges, PwC Japan consolidates expertise of assurance, advisory, tax and legal services as well as enhances its structure in order to cooperate organically. As a professional service network with a total number of more than 4,000* partners and staff, PwC Japan provides quality client services to meet their needs and expectations.



About PwC Japan

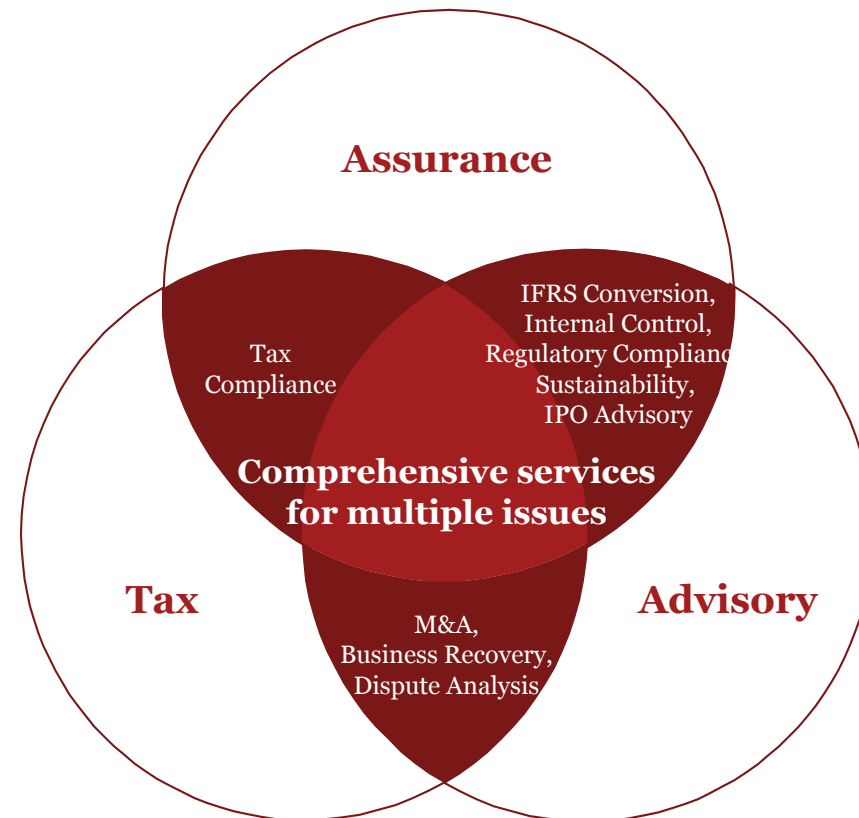
We offer clients total service as “One Firm”

Each entity is a member firm of the PwC global network in Japan, or their specified subsidiary, operating as a separate legal entity.

To address complex and diversified business challenges, PwC Japan consolidates expertise of assurance, advisory, and tax professional services as well as enhances its structure in order to cooperate organically.

By utilising the PwC global network, we offer comprehensive professional services for multiple issues with a view to helping Japanese and foreign companies gain a competitive edge in global markets.

PricewaterhouseCoopers Aarata
PricewaterhouseCoopers Kyoto



Zeirishi-Hojin
PricewaterhouseCoopers

PricewaterhouseCoopers
Co., Ltd.

About PwC Japan Service Line

To solve challenges focused on issues specific to each industry, we organise teams by industry.

Manufacturing, Retail, Services

Automotive/Chemicals/Industrial manufacturing
Pharmaceuticals & life sciences
Retail & consumer/Engineering & construction
Transportation & logistics/Energy, utilities & mining
Technology/Communications/Entertainment & media
Hospitality & leisure/Trading /Real Estate



Finance

Financial Services
Banking & capital markets
Asset management
Insurance



Government and Public services

Government & Public Services
(Including International Institutions,
NPOs & NGOs and Education)
Healthcare



**Assurance/Financial Reporting Advisory
Risk Assurance**

PricewaterhouseCoopers Aarata

PricewaterhouseCoopers Kyoto

Deal Advisory/Consulting

**PricewaterhouseCoopers
Co., Ltd.**

Tax Compliance/Tax Consulting

**Zeirishi-Hojin
PricewaterhouseCoopers**

General Corporate/International

PwC Legal Japan

Thank you!

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