

Listing on the Tokyo Stock Exchange

Role of Accounting Firm

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Summary of Statutory Requirements

Statutory requirements for IPO applicants are summarised as follows:

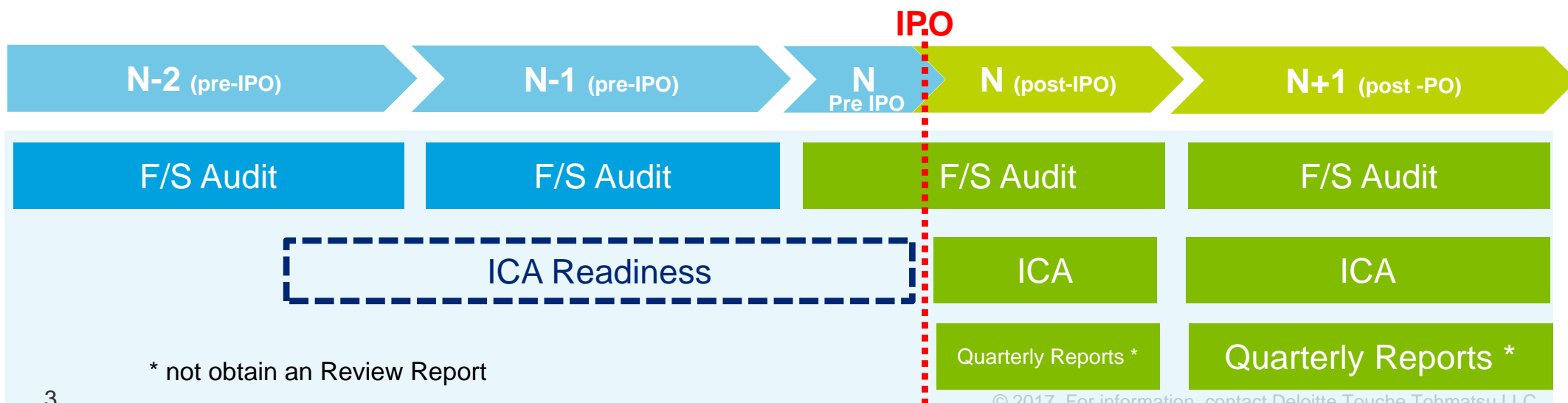
Pre-IPO: Financial Statements Audits for two fiscal years

Post-IPO: Financial Statements Audit, Internal Control Audit (“ICA”) and Quarterly Reports

Notes

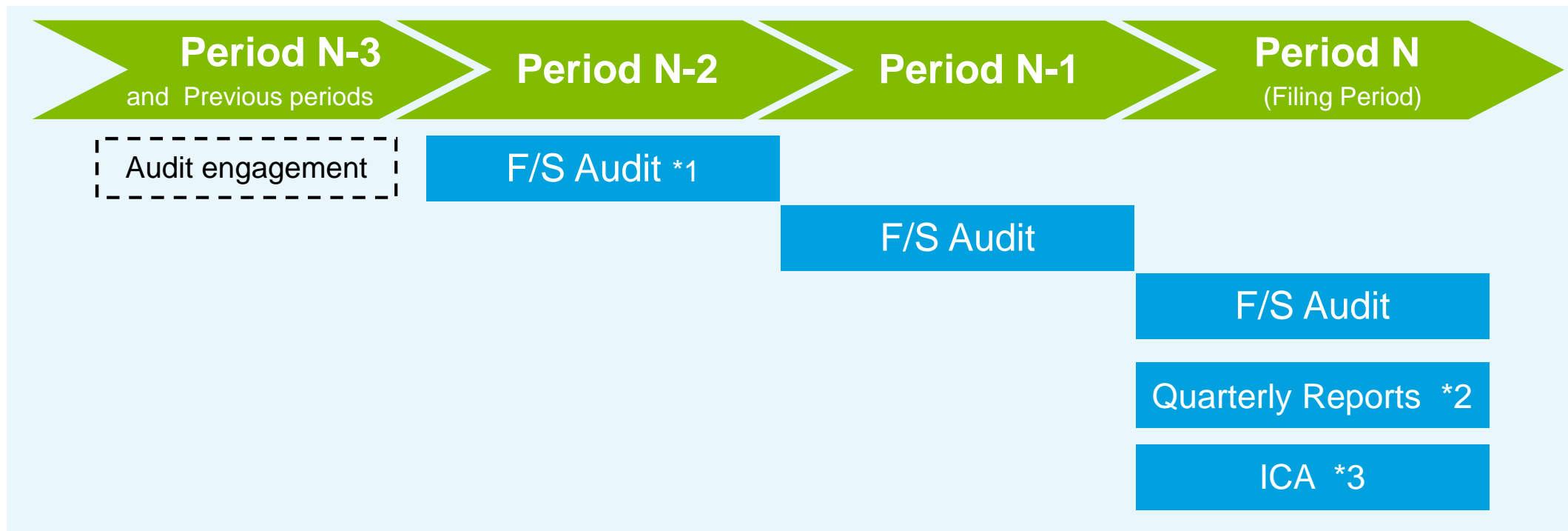
Financial Instrument and Exchange Act (“FIEA”) does not require internal control report to be included in IPO registration documents (security registration statement).

Whereas in the period IPO completed, the company is required to file internal control report, which is subject to ICA, pursuant to FIEA. Hence, it is important to prepare for ICA even before IPO. Also, during Tokyo Stock Exchange(TSE) assessment, it is often said that they expect internal control of IPO applicants to be designed and implemented up to the standard required of a public company under J-SOX. We therefore strongly recommend our clients to commence ICA readiness work during N-1 or before as illustrated in the table below. In case of listing on Mothers(Emerging Market), ICA will not be required up to three years from the timing of being public company Mothers.



Financial Statements Audit ("F/S Audit")

Unqualified audit opinions for the latest two fiscal years are normally required.



*1. In Japan, it is not very common these days to audit retrospectively prior financial statements.

*2. Not obtain an Review Report

*3. In case of listing on Mothers (Emerging Market), ICA will not be required up to three years from the timing of being public company Mothers.

Financial Statements Audit ("F/S Audit")

When US companies make offerings in Japan, SEC Filing is required in the home country (i.e. US). The financial statements filed with SEC can be used for the offerings in Japan.

Statutory Disclosure (FIEA)

a. Accounting Standard

- US-GAAP (SEC) is applicable.
 - Foreign companies are allowed to submit disclosure documents (limited to those which are actually disclosed in home country according to its laws and regulations) if these documents are deemed not inadequate in consideration of the public interest and investor protection by the Commissioner of Financial Services Agency. US-GAAP will be applicable for you given that you will file these documents with the SEC.

b. Audit Opinion

- An audit opinion by a US audit firm is acceptable (i.e. An audit opinion by public accountants or an audit firm in Japan is not required).
- However, it is necessary for an auditing firm to submit an advance notice to Financial Services Agency, so as to be approved as a foreign audit firm.

Internal Control Audit 1/2

Item	Descriptions
Requirement	<p>Following two points are required for all public companies pursuant to the FIEA.</p> <ol style="list-style-type: none">1) Filing of Internal Control Report (Report where public company assesses its structure ensuring appropriateness of financial statements and other related information)2) Audit for Internal Control Report by CPAs or auditing firm
Exemption	<p>In case of listing on Mothers(Emerging Market), ICA will not be required up to three years from the timing of being public company Mothers.</p>

Internal Control Audit 2/2

a. Necessary actions to address J-SOX (US-SOX)

- Disclosure based on US-SOX is acceptable.
 - Internal Control Report is required to be disclosed regardless of whether there is a regulation on Internal Control Report in your home country and/or other countries. Even though Internal Control Audit under US-SOX is not required in US for a certain period by application of JOBS-Law, Internal Control Audit under J-SOX is required for the period if necessary in Japan.
 - When similar documents are disclosed in your home country and/or other countries and these documents are deemed not inadequate in consideration of the public interest and investor protection by the Commissioner of Financial Services Agency, US companies have a option to file an Internal Control Report under US-SOX instead of J-SOX

Quarterly Reports 1/2

Item	Descriptions
Requirement	<p>Following two points are required for all public companies pursuant to the Financial Instruments and Exchange Act.</p> <ol style="list-style-type: none"><li data-bbox="580 671 1420 724">1) Filing of Quarterly Security Report<li data-bbox="580 794 2157 847">2) Review of Quarterly Financial statements by CPAs or auditing ^{A28} firm

Quarterly Reports 2/2

a. Quarterly Disclosure

- Foreign companies are required to disclose a Quarterly Report regardless of whether there is a regulation on Quarterly Report in your home country etc. (US companies are required to disclose Form 10-Q in US.)
- However, Review is not required by US law and also US companies generally do not obtain a Review Report on the Quarterly Report.

A30

A31

スライド 9

A30 作成者, 2017/09/30

A31 開示はされていないが、実務上は四半期で作業しているがその取扱いは？。
作成者, 2017/09/30

Disclosure Rule 1/2

a. SEC Filing

- Because it is difficult for US companies to ensure that only US citizens purchase their securities, generally S-1 Filing is selected.
- Disclosure obligations (e.g. 10-K, 10-Q and 8-K) are continuously imposed after IPO.
- Communication costs might increase as the SEC's representative may not be familiar with US companies which conduct IPO in foreign countries.
- English-Language Disclosure
 - The English-Language Disclosure System is applicable as you file disclosure documents with SEC. However, the English-Language Disclosure is generally considered as not acceptable when financing because the English-Language Disclosure makes investment solicitation difficult in light of the principle of suitability.

Disclosure Rule 2/2

a. SEC Filing

- Differences between SEC Filing and Statutory Disclosure under the FIEA
 - In general, disclosure items under SEC Filing are also to be disclosed under statutory disclosure. On the other hand, disclosure items under statutory disclosure are also to be disclosed under SEC Filing. Therefore a company is to disclose items required by both SEC Filing and statutory disclosure, and so items necessary to be disclosed are extensive compared to listing only in the US.
 - For details of the differences, please refer to an appendix of “Comparison table” in "Creation Guidelines for Foreign Company Reports, etc.” compiled by the Research Group on Creation Guidelines for Foreign Company Reports.

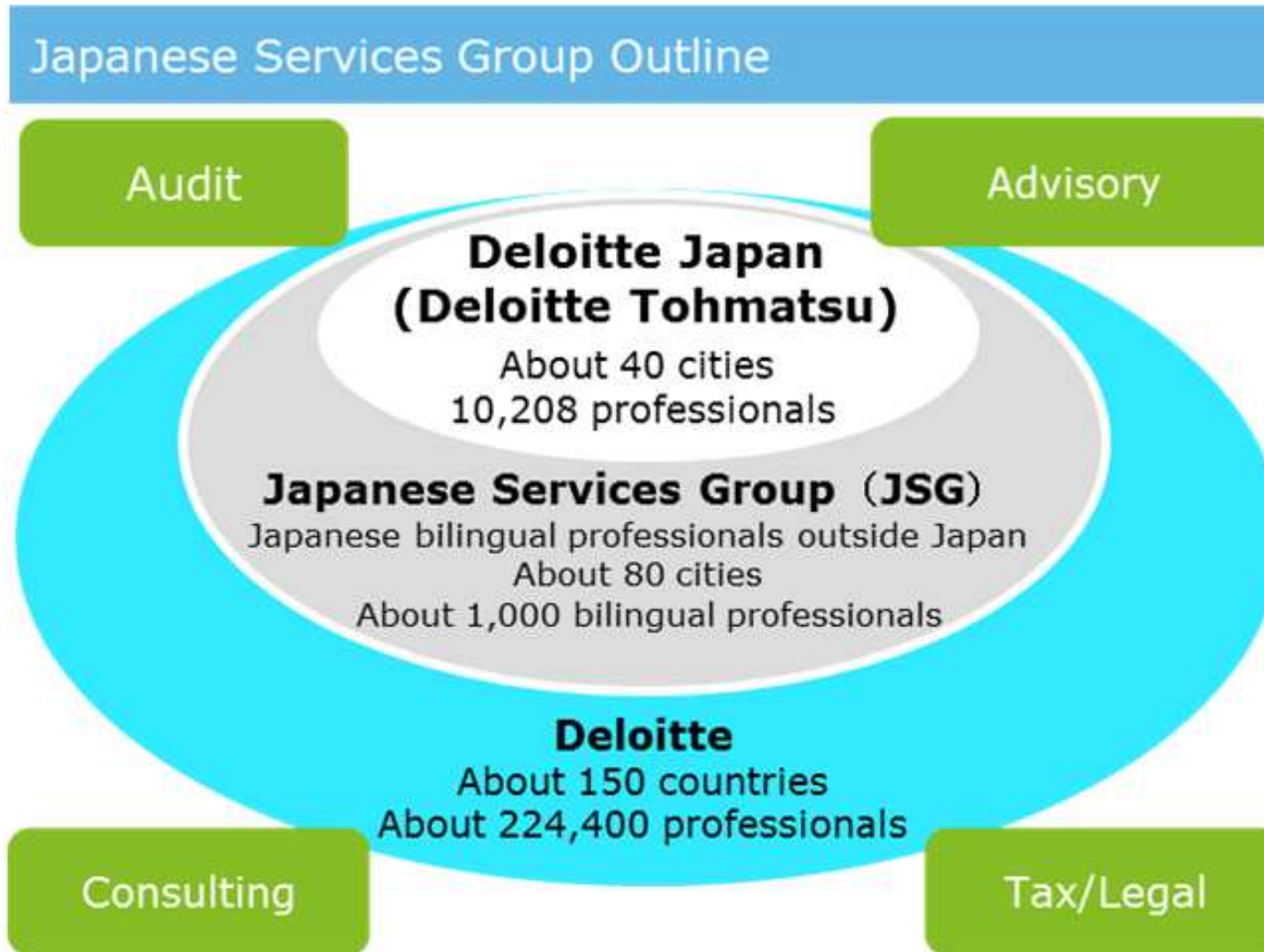
b. Timely Disclosure (Rules of Stock Exchange)

Timely disclosure in Japanese language is required as a resolute requirement for insider trading regulation is disclosure in Japanese language.

c. Other Documents to be submitted/disclosed (Rules of Stock Exchange)

4. Profile of Tohmatsu Group and Deloitte Group

About Deloitte Touche Tohmatsu

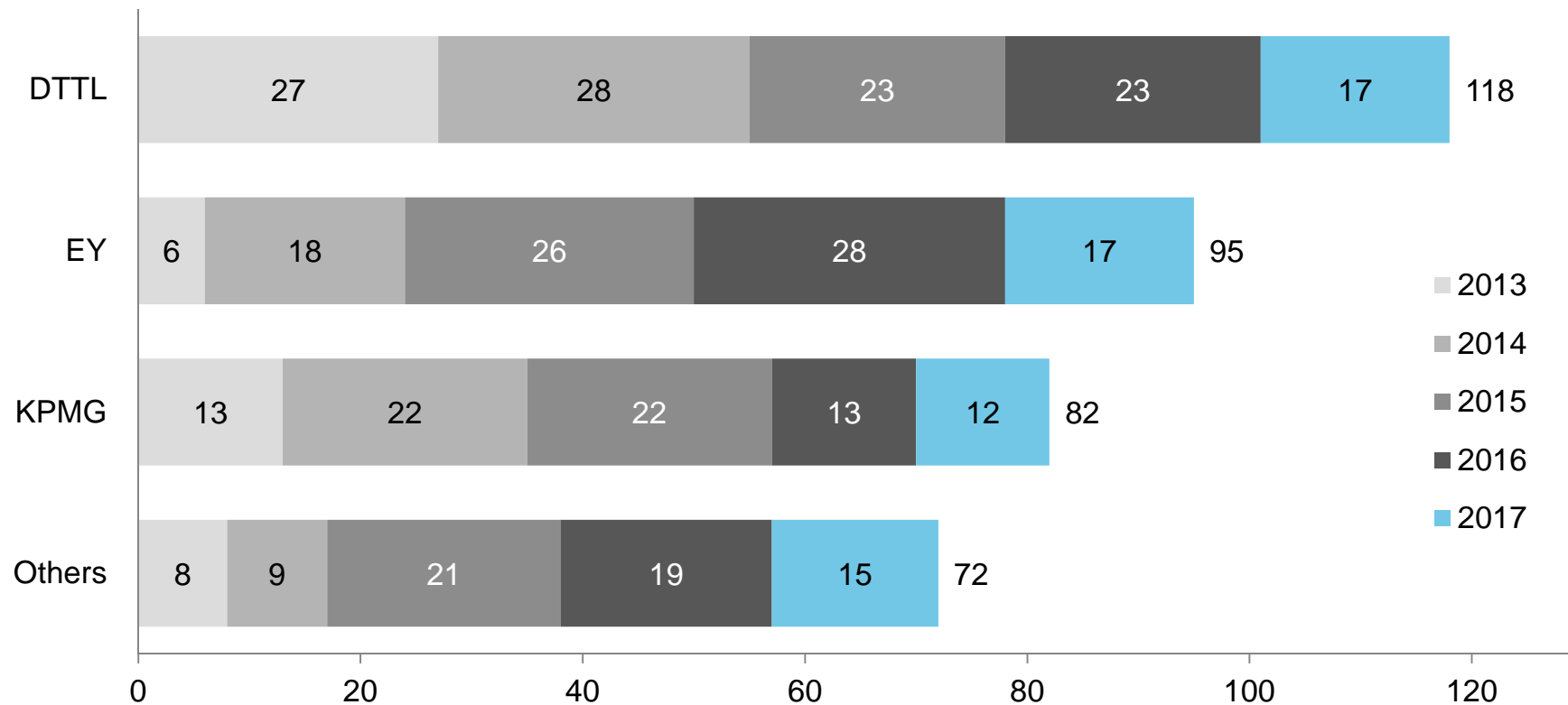


Deloitte Tohmatsu: as of September 2016
JSG : as of August 2016

Ranking for Initial Public Offering (IPO) Advisory Services

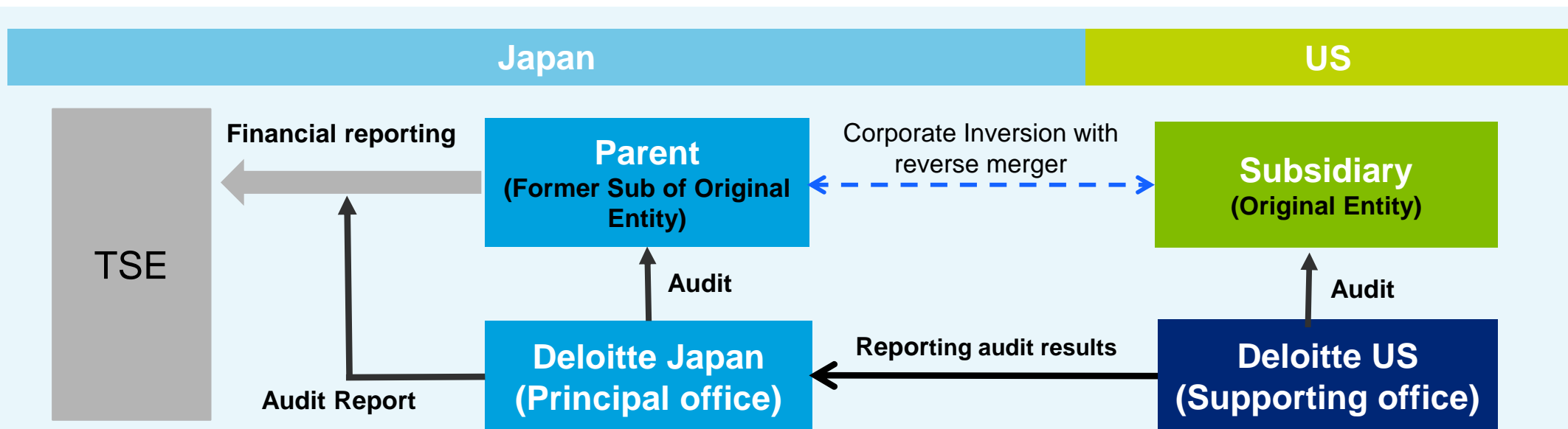
Deloitte Japan offers IPO support services to help organizations reach public offering status. These range from a short review and advisory services for IPO preparation to comprehensive audit services. In addition, we have also developed venture business support to help promote growth for young businesses from set-up to creating the optimum operational model for the management.

Number of IPO companies by audit firm



Listed on TSE with Corporate Inversion

An US domestic company relocated its legal domicile to Japan while retaining its material operation in the US, and listed its shares on the Tokyo Stock Exchange.



(Benefit)

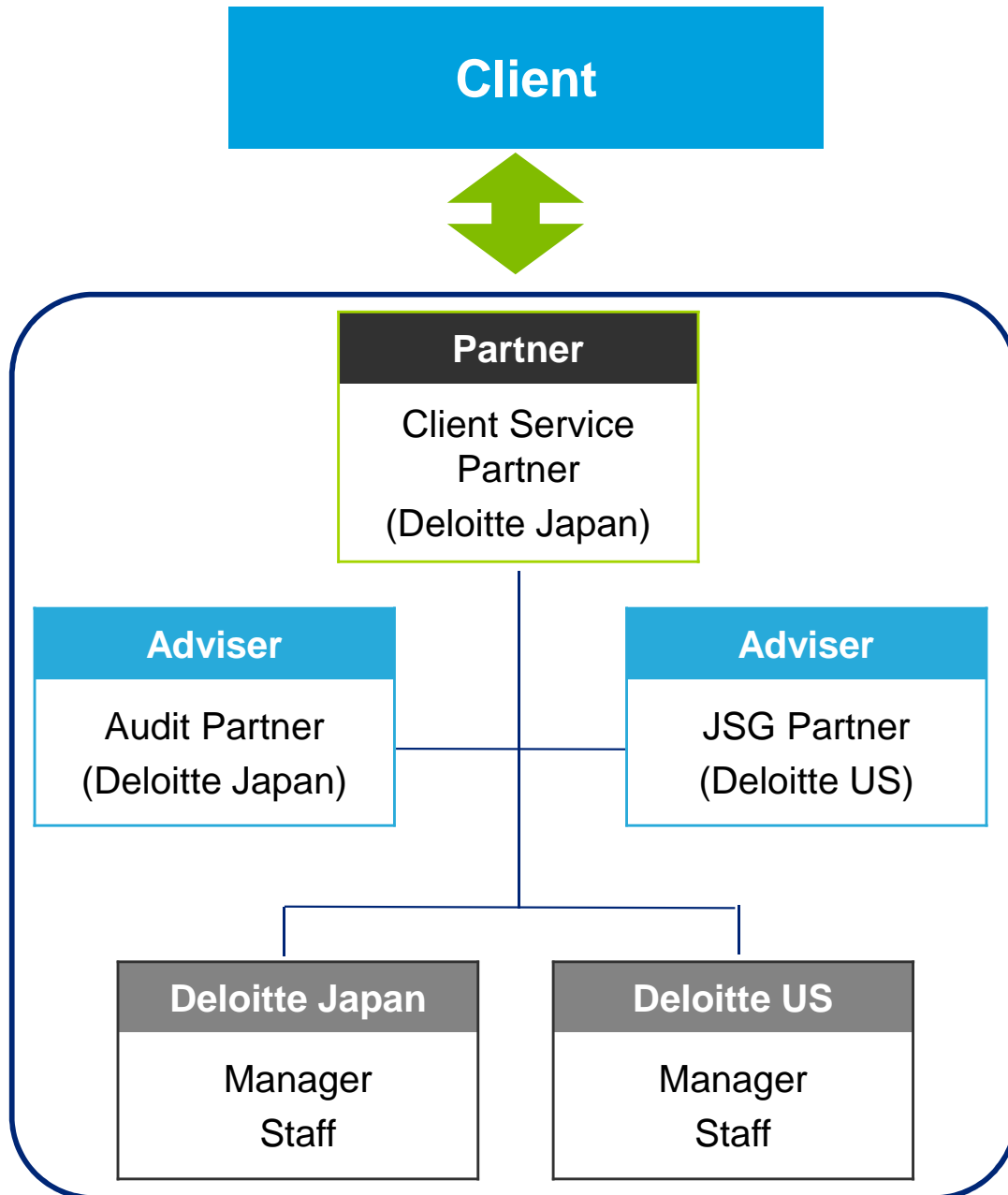
The group is not required for SEC filing.

(Consideration)

In some cases the corporate Inversion may be a trigger of US Tax Inversion.

Under this taxation, US tax authority assumes the Parent located in Japan as a US corporation who is liable for taxes on that same income in the US.

Structure of Audit Service Team



Roles and Responsibilities

Partner

- Responsible for whole client services
- Lead Cross-boarder audit team

Adviser

- Support the partner
- Coordination of Deloitte US and Deloitte Japan

Project Team

- Client services including audit and IPO readiness

JSG : Japanese Service Group

Deloitte Group Professionals

Deloitte Touche Tohmatsu



Hirohisa Kato
Partner
Certified Public Accountant

- Hirohisa has 24 years of experience serving Japanese-owned companies with Deloitte Touche Tohmatsu in Japan and the United States of America.
- He worked at Deloitte Dallas office through 2002 to 2007. For the period he served as an audit manager and also was the liaison between clients and Deloitte professional services teams assembled for resolving tax related issues, transfer pricing, or assisting M&A transactions or reorganizations.
- Based on his back ground above, he is currently specialized in providing attest services to cross-border clients, which achieved or are preparing IPO in US, Taiwan, Korea, Singapore and Japan.

Deloitte Group Professionals

Deloitte Touche Tohmatsu



Atsushi Iwamura
Partner
Certified Public Accountant

- He has more than 15 years experiences regarding IPO advisory services. He has been involved in some symbolic Japanese IPOs as project manager. In those projects, he has supported to implement internal management systems and also give advice for related document preparation, finance, global offering and IR.
- In addition, he has extensive skills and experiences in governance, risk management, accounting (including IFRS) · IR, internal control and internal audit. Utilizing those experiences, he has provided advice and support on improving the internal management system for global manufacturing industry recently.
- His primary industry is retail ,TMT and manufacturing.



Atsushi Usuda
Senior Manager
Certified Public Accountant and US CPA

- Atsushi Usuda is a Senior Manager at Deloitte Touche Tohmatsu LLC, and has been with the firm for over 10 years. He is a trilingual Certified Public Accountant for both, Japan and the United States (Washington State), and has experience performing audits in accordance to J-GAAS and U.S. GAAS for companies with foreign subsidiaries involved in Manufacturing, Consumer Business, Healthcare, IT, Construction, Venture Capital, and Finance.
- He was an expatriate for 4 years at Deloitte & Touche LLP's Indianapolis office where he served U.S. subsidiaries of Japanese parent companies in the Manufacturing and Distribution industry.
- He also has specialized experience serving Asian (specifically in China, Taiwan, and Hong Kong) cross-border projects which he contributed to using his skills in both, English and Mandarin Chinese to assure compliance with Japanese/local regulations.



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