Partnership between Southeast Asian Startups and Japanese Companies and Possibilities of Listing on the TSE Mothers Board

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Summary

1. Japanese companies are starting to form partnerships with Southeast Asia's continually proliferating startups. Initially this trend was led mainly by young companies in the e-commerce sector, but more recently traditional large corporations are also starting to partner with Southeast Asian startups. There are two motives for the Japanese companies. First, partnering is seen as a stepping-stone for developing new markets in Southeast Asia or strengthening existing operations there. Second, partnerships allow companies to acquire cutting-edge know-how, such as mobility or blockchain technologies, or to keep up with new trends.

2. For their part, Southeast Asian startups have three main motives for partnering with Japanese companies: to acquire technologies owned by the Japanese companies, to utilize their networks, and to gain a foothold in Japan.

3. Partnering between Japanese companies and Southeast Asian startups may be a way to halt the decline in Japan's presence in Southeast Asia. Partnering leads to the development of new markets or the reinforcement of business operations in Southeast Asian markets, and Japanese companies can improve their competitiveness and raise their profiles in the region. Side-benefits that can further enhance the competitiveness of Japanese companies include (1) better awareness of challenges and business opportunities in Southeast Asia, (2) opportunities to ride the Southeast Asian wave of change, and (3) the ability to harness the growth potential of Southeast Asian companies.

4. Japanese companies can deepen their partnerships with Southeast Asian startups by providing various forms of support according to their growth stages. One way to provide this support is to introduce startups to list on the Tokyo Stock Exchange (TSE) Mothers board, which is Japan's largest stock market for startups. The lack of developed stock markets in Southeast Asia has meant that exit paths available to startups have hitherto been limited mainly to M&A.

5. By encouraging Southeast Asian startups that want to implement initial public offerings (IPOs) to list on the TSE Mothers board, Japanese companies can look forward to even stronger partnerships. If this process can be established as a continuous cycle, the growth of businesses in Southeast Asia will be supported by Japan's abundant financial resources, while Japanese investors will have opportunities to invest in high-growth companies on Japanese stock markets and make effective use of their assets. This would revitalize the TSE while deepening ties between Japan and Southeast Asia.

6. Clearly there will be significant difficulties involved in encouraging Southeast Asian startups to list on the TSE Mothers board. However, the potential benefits are likely to justify the efforts needed to overcome those obstacles.

Introduction

People in Japan have been talking about harnessing the growth of Southeast Asia for quite a while. When we think about actual initiatives, we tend to envision Japanese companies expanding into Southeast Asia. Yet there is another path, whereby Southeast Asian companies use Japan as a stepping-stone to growth, while Japan reaps benefits from that growth. Resources available in Japan include not only the technologies and networks of Japanese companies, but also the Japanese market as a target for business expansion, as well as the financial assets of Japanese individuals, which amount to ¥1,860 trillion. One possible way to access these resources is through listing on the TSE Mothers board, Japan's biggest stock market for startup companies.

Startups began to proliferate rapidly in Southeast Asia in the 2010s. While most of these startups plan exits based on M&A, some would prefer to carry out initial public offerings (IPOs) if possible. If we can offer the TSE Mothers board as a market for IPOs, and if we can establish this process as a continual trend rather than an occasional occurrence, then Japan would be able to involve itself in the processes that transform Southeast Asian startups into listed companies and eventually major corporations. In other words, by using this approach, Japan will indeed be able to harness the growth of Southeast Asia.

This article begins with an analysis of recent trends and notable developments among Southeast Asian startups. We will then trace the spread of partnering with Japanese companies and argue that Japanese companies should strengthen these partnerships and links between Japan and Southeast Asia, by encouraging Southeast Asian companies to list on the TSE Mothers board.

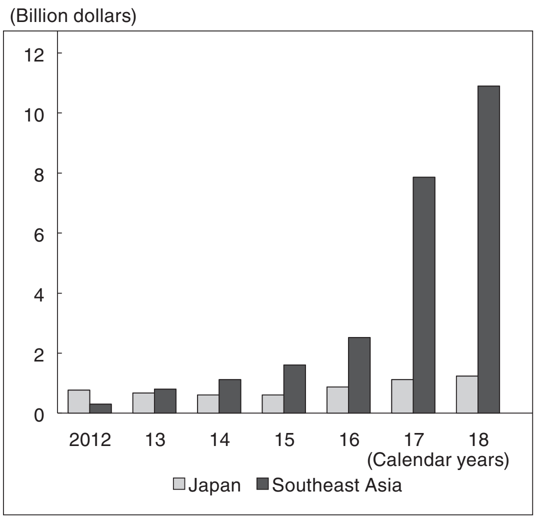
1. Partnering between Japanese Companies and Southeast Asian Startups

(1) Partnerships Growing in Recent Years

Startups began to proliferate in Southeast Asia in the early 2010s. With the spread of the Internet and smartphones, startups using these technologies to launch new business ventures are now emerging in rapid succession.

This surge in new startups in Southeast Asia is apparent from a rapid increase in the flow of venture capital (VC) investment. Statistics aggregated by Tech in Asia indicate that total VC investment in Southeast Asian startups amounted to $300 million in 2012, which was less than half of Japan's total of $800 million, as calculated by the Venture Enterprise Center. By 2018, however, VC investment in Southeast Asian startups had grown to $10.9 billion, or nine times Japan's total of $1.2 billion (Fig.1). Despite this growth, Southeast Asia still received only 3.9% of global VC invest-

Fig. 1 Venture Capital Investment in Japan and Southeast Asia

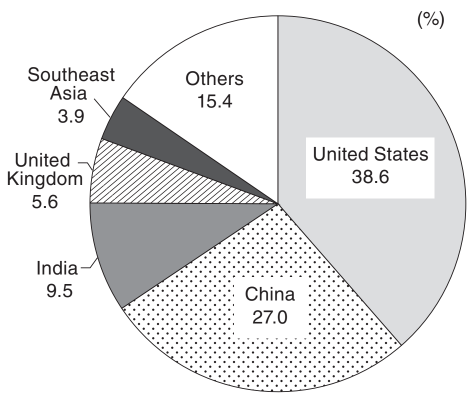


Notes: Investment in Japan has been converted into dollars using yearly average rates.
Source: Tech in Asia, Venture Enterprise Center

ment in 2018, according to statistics aggregated by YoStartups Team (Fig.2). This is far lower than the percentages for the United States (38.6%) and China (27.0%).

Traditionally most of the partnerships formed by Japanese companies in Southeast Asia were with large corporations, especially conglomerates. However, as more and more startups emerge, Japanese companies are increasingly choosing them as partners. Table 1 summarizes the main cases of collaboration between Japanese companies and Southeast Asian startups that have taken place since 2010. All of the data are based on official disclosures and include investments through affiliated companies as well as those funded directly by the companies concerned. The fact that one-half of these partnerships were formed in 2018 and 2019 confirms that there has been an upsurge of activity over the past two years (Table 1). A breakdown of these partnerships in terms of fields of business shows that initially most were in the e-commerce sector. However, around 2017 the formation of new partnerships reached a hiatus, perhaps because new participation in the operation of e-commerce sites had largely peaked. In contrast, companies have continued to form partnerships in the fintech field. This trend appears to

Fig. 2 Country/Region Shares of World Venture Capital Investment (2018)



Source: YoStartups Team, *Global Startup Funding Summary for 2018*, January 16, 2019

be influenced by the view that there are still many business opportunities in this field because of the numerous financial challenges in Southeast Asia.

Over the past two years, there has been rapid growth in partnering in fields relating to cutting-edge digital technologies and mobility, in which there had previously been little activity. Southeast Asian startups working with advanced digital technologies have partnered with various Japanese companies. Almost all of these startups are based in Singapore, and a significant number have been founded by entrepreneurs from India. One example is AntWorks, a Singapore-based startup founded by Asheesh Mehra and Govind Sandhu, both from India, to develop and supply robotic process automation (RPA) platforms. It has partnered with several Japanese companies, including SBI Holdings. Also from India are Suresh Shankar, Srikant Sastri, and Vijay Kumar Ivanturi, the founders of Crayon Data, a Singapore-based big data analysis startup that has partnered with Mitsui & Co.

Most Japanese companies investing in the mobility field have partnered with either Grab or Go-Jek. This reflects the fact that both of these startups now rank among the top five rideshare companies in the world[(1)].

There have also been changes in the lineup of Japanese companies partnering with startups in Southeast Asia. Initially, many of the Japanese companies involved were fairly young companies, especially in the e-commerce field, such as BEENOS, Rakuten, DeNA, and Start Today (now Zozo). These companies can be said to have responded quickly to the surge of new startups appearing in Southeast Asia. Specifically, as the e-commerce field led the emergence of start-ups in Southeast Asia, Japanese e-commerce firms appear to have pursued partnerships in the expectation that e-commerce activities would expand in Southeast Asia as they did in the developed economies. Awareness of Southeast Asian startups subsequently began to rise, in part because of their appearance in a growing range of industries, and the emergence of a continuing stream of unicorns. These developments led to the formation of partnerships by traditional large corporations, such as Tokyo Electric Power, Mitsui Fudosan, Dai Nip-

Table 1 Notable Examples of Partnerships between Japanese Companies and Southeast Asian Startups

Date	Japanese company	Form of partnership	Southeast Asian Startup	HQ	Estd.	Main activities
E-commerce						
2012/4	Net Price.com (now BEENOS)	Investment	Tokopedia	Indonesia	2009	Online marketplace
2013/11	Rakuten	Investment	Carousell	Singapore	2012	Flea market app
2014/1	Digital Garage	Investment	Bilna	Indonesia	2012	Baby goods e-commerce
2014/2	Irep	Capital and business partnership	Bukalapak.com	Indonesia	2011	C2C marketplace
2014/12	SBI Holdings, BEENOS, econtext Asia (Digital Garage)	Investment	Sen Do Technology	Vietnam	2014	C2C marketplace
2015/3	Opt, Aucfan	Investment	IndoTrading.com	Singapore	2012	B2B marketplace
2015/4	DeNA	Investment	Blisby	Thailand	2013	Marketplace for handmade goods
2015/6	BEENOS	Investment	Ralali	Indonesia	2013	B2B marketplace
2015/8	Transcosmos	Capital and business partnership	Hotdeal	Vietnam	2010	Daily deal site
2015/9	Start Today (now Zozo)	Capital and business partnership	WearYouWant Holdings	Singapore	2012	Fashion e-commerce site (Thailand)
2016/2	DeNA	Investment	Belazee	Malaysia	2015	Interactive commerce platform
2016/3	Start Today (now Zozo)	Investment	Fashion Valet	Malaysia	2010	Fashion e-commerce platform
2016/8	Rakuten	Investment	Carousell	Singapore	2012	Flea market app
2016/8	BEENOS, Digital Garage	Investment	Zilingo	Singapore	2015	Fashion B2C marketplace
2017/3	Istyle	Investment	Hermo	Malaysia	2012	E-commerce site for beauty goods and cosmetics
2017/11	Start Today (now Zozo)	Investment	Pomelo Fashion	Thailand	2013	Fashion e-commerce site
2018/2	Kakaku.com	Investment, acquisition as equity-method subsidiary	Love, Bonito	Singapore	2010	Fashion brands for women
2018/5	Rakuten	Investment	Carousell	Singapore	2012	Flea market app
2018/8	SBI Holdings, BEENOS, econtext Asia (Digital Garage)	Additional investment	Sen Do Technology	Vietnam	2012	C2C marketplace
2018/9	SBI Holdings, Digital Garage	Investment	Ralali	Indonesia	2013	B2B marketplace for indirect materials
2019/2	BEENOS	Additional investment	Zilingo	Singapore	2015	Fashion B2C marketplace
2019/7	BEENOS	Investment	Raena R.U.	Singapore	2018	Influencer commerce platform
Fintech						
2013/12	Rakuten, GMO	Investment	Coda Payments	Singapore	2011	Payment service gateway
2014/1	BEENOS	Investment	Nearex	Singapore	2012	Mobile payments
2014/7	BEENOS	Investment	Ayannah	Philippines	2008	Online money transfers
2014/12	Credit Saison	Capital and business partnership	Matchmove Pay	Singapore	2009	Payment solutions
2015/1	BEENOS	Investment	Paynamics Technologies	Philippines	2010	Online payments
2015/7	BEENOS	Addition investment	Nearex	Singapore	2012	Mobile payments
2016/5	NTT Docomo	Investment	Jirnexu	Malaysia	2012	Customer development/ management solutions for financial institutions
2016/8	GMO Payment Gateway	Acquisition	Macro Kiosk	Malaysia	2000	Mobile payments
2017/1	Sumitomo Mitsui Card	Collaboration	Soft Space	Malaysia	2012	Payment solutions
2017/5	Transcosmos	Capital and business partnership	Soft Space	Malaysia	2012	Payment solutions
2017/6	Kakaku.com	Investment, acquisition as equity-method subsidiary	MoneySmart.sg (official name: Catapult Ventures)	Singapore	2009	Financial comparison site for consumers
2017/12	Tokyo Century	Investment	Bumi Cakrawala Perkasa (Ovo)	Indonesia	2017	Electronic payments
2018/3	Sumitomo Mitsui Card	Capital and business partnership	Soft Space	Malaysia	2012	Payment solutions
2018/5	SBI Holdings	Investment	Jirnexu	Malaysia	2012	Customer development/ management solutions for financial institutions
2019/3	Sumitomo Corp.	Investment	CXA Group	Singapore	2013	Insurance sales platform business
2019/4	NTT Docomo	Investment	Matchmove Pay	Singapore	2009	Payment solutions
2019/7	Nomura Holdings	Investment	Omise Holdings	Singapore	2013	Payment solutions, development of crypto-assets and blockchain
2019/7	Glory	Investment	soCash	Singapore	2015	Cash withdrawal services
2019/11	NTT Communications	Investment	M-DAQ	Singapore	2010	Foreign currency utilization services

Table 1 (Contd.)

Date	Japanese company	Form of partnership	Southeast Asian Startup			
				HQ	Estd.	Main activities
Cutting-edge technology (AI, blockchain, etc.)						
2016/1	Konica Minolta	Strategic partnership	Techmetics Solutions	Singapore	2012	Robots
2016/3	Mitsui & Co.	Investment	Crayon Data	Singapore	2012	Big data analysis
2018/7	SBI Holdings	MOU on investment and establishment of joint venture	AntWorks	Singapore	2015	Development and provision of RPA platforms
2018/4	Tokyo Electric Power	MOU on joint development	Electrify Asia	Singapore	2017	Blockchain-based electric power marketplace
2018/5	DLE Group	Capital and business partnership	BlockPunk	Singapore	2018	Blockchain-based online sales platform for digital products
2018/6	Take Energy Corporation	MOU on trials and tests	Electrify Asia	Singapore	2017	Blockchain-based electric power marketplace
2018/10	Mitsui Fudosan	Investment	Omise Holdings	Singapore	2013	Payment solutions, development of crypto-assets and blockchain
2018/11	Tokyo Electric Power	Investment	Electrify Asia	Singapore	2017	Blockchain-based electric power marketplace
2019/1	Terradrone	Investment	AeroGeoSurvey	Indonesia	2016	Unmanned aerial vehicle (UAV) services
2019/2	SBI Holdings	Establishment of joint venture	AntWorks	Singapore	2015	Development and provision of RPA platforms
2019/2	Dai Nippon Printing	Capital and business partnership	BlockPunk	Singapore	2018	Blockchain-based online sales platform for digital products
2019/3	GA Technologies	Investment	AntWorks	Singapore	2015	Development and provision of RPA platforms
2019/4	Dip	Investment	AntWorks	Singapore	2015	Development and provision of RPA platforms
2019/4	SBI Holdings	Investment, establishment of joint venture	Utop	Vietnam	2019	Shared points program based on the use of blockchain technology
2019/5	Double Standard	Investment	AntWorks	Singapore	2015	Development and provision of RPA platforms
2019/5	TIS	Capital and business partnership	SQREEM Technologies	Singapore	2010	AI technologies specialized for human behavior patterns
Mobility						
2016/8	Rakuten	Investment	Go-Jek	Indonesia	2010	Ride-hailing service
2016/12	Honda Motor	Investment	Grab	Singapore	2012	Ride-hailing service
2016/12	Tokyo Century	Capital and business partnership	Grab	Singapore	2012	Ride-hailing service
2017/8	Toyota Motor, Toyota Financial Service, Aioi Nissay Dowa Insurance	Collaboration	Grab	Singapore	2012	Ride-hailing service
2018/1	Tokyo Century	Additional investment	Grab	Singapore	2012	Ride-hailing service
2018/6	Toyota Motor	Investment, expansion of collaboration	Grab	Singapore	2012	Ride-hailing service
2018/10	Toyota Tsusho	Capital and business partnership	mobilityX	Singapore	2018	MaaS business
2018/12	Yamaha Motor	Strategic business partnership	Grab	Singapore	2012	Ride-hailing service
2019/1	Tokyo Century	Additional investment	Grab	Singapore	2012	Ride-hailing service
2019/2	Mtisubishi Corp.	Investment	Go-Jek	Indonesia	2010	Ride-hailing service
2019/7	Mitsubishi Motors, Mitsubishi Corp.	Investment	Go-Jek	Indonesia	2010	Ride-hailing service
2019/7	Mitsubishi UFJ Lease & Finance	Investment	Go-Jek	Indonesia	2010	Ride-hailing service

Table 1 (Contd.)

Date	Japanese company	Form of partnership	Southeast Asian Startup	HQ	Estd.	Main activities
Others						
2013/9	Rakuten	Acquisition	Viki	Singapore	2007	Video/music streaming website
2015/6	Dentsu	Acquisition	Flexmedia	Thailand	2005	Online advertising
2015/11	Raksul	Investment	Prinzio	Indonesia	2015	Online printing
2016/3	Sysmex	Joint development	Clearbridge BioMedics	Singapore	2009	Clinical-stage tumor research/ diagnosis
2017/9	Tokyu Railways	Comprehensive business partnership	honestbee	Singapore	2015	Proxy shopping
2017/10	Aucfan	Investment	HipFlat	Thailand	2013	Real estate marketplace
2018/1	Money Forward	Capital and business partnership	Sleekr	Indonesia	2012	HR/accounting management SaaS
2018/10	Kakaku.com	Investment, acquisition as equity-method subsidiary	TabSquare	Singapore	2012	Self-ordering system for restaurants
2018/11	Creo	Capital and business partnership	Ominext	Vietnam	2012	Software development outsourcing for Japan
2019/2	Itochu	Capital and business partnership	Docquity	Singapore	2013	SNS platform for medical professionals
2019/4	Rakuten	Investment	Ecommerce Enablers	Singapore	2014	Cash-back service app
2019/4	Yoshimoto Kogyo	Investment, establishment of joint venture	iflix	Malaysia	2015	Video streaming platform
2019/4	Nikkei	Acquisition	Deal Street Asia	Singapore	2014	Emerging media
2019/7	Mitsubishi Estate	Investment, establishment of joint venture	Hmlet	Singapore	2016	Co-living house-style rental housing
2019/8	Rakuten	Investment	RedDoorz	Singapore	2015	Operation of low-cost hotels
2019/10	Marubeni	Capital and business partnership	MoBiol Holdings	Singapore	2019	Agritech

Notes: The information relates mainly to Japanese companies that have undertaken strategic investment in or collaboration with Southeast Asian startups since 2010. Companies that have invested through subsidiaries were also included. All projects listed have been officially announced.
Source: Compiled by JRI using corporate websites, etc.

pon Printing, and Toyota Motor Corporation.

As stated earlier, the examples listed in Table 1 are all based on official disclosures. There also appears to be an upward trend in the number of undisclosed partnerships. For example, Mitsui Chemicals has been supporting seed-stage and early-stage startups and conducting joint research projects with these businesses since 2017. Getting involved with these startups at an early phase is seen as the path to opportunities for partnering and acquisitions when the companies start to grow. Since it is almost impossible to predict in advance which startups will achieve significant growth, Mitsui Chemicals is pursuing partnerships with multiple startups across a wide range of fields[(2)].

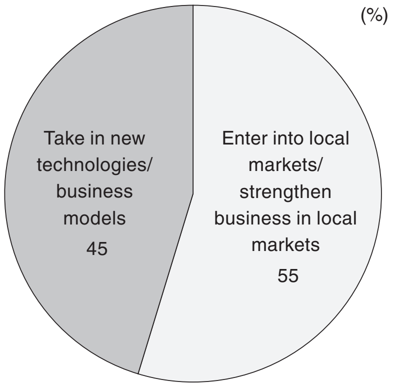
(2) Motives for Partnering

Why are Japanese companies partnering with startups in Southeast Asia? An analysis of news releases by 53 Japanese companies that have formed partnerships reveals that there are two main motives: to develop new businesses or strengthen existing businesses in Southeast Asian markets, or to acquire new technologies and business models, acquire cutting-edge technologies, and keep up with the latest trends. Of the companies studied, 55% were in the first category, and 45% in the second (Fig.3). Both categories are examined below, together with specific examples.

① Enter into local markets / strengthen business in local markets

The continual emergence of startups based on digital technologies, such as e-commerce and

Fig. 3 Reasons of Japanese Companies Partnering with Southeast Asian Startups



Notes: Categorization of 53 cases of collaboration between Southeast Asian startups and Japanese companies based on the objectives of the Japanese companies.
Source: Japan Research Institute

fintech, has prompted an increasing number of Japanese companies in the same fields to use partnering with these startups as a stepping stone for expansion into Southeast Asia, or as a way to strengthen existing business operations. Their aim is to use the knowledge and data resources of startups to overcome differences between the business environments of Japan and Southeast Asia.

A typical example of a partnership established with the aim of expanding into Southeast Asia is Money Forward's investment in Sleekr (now Mekari). Money Forward, a fintech software as a service (SaaS) company founded in 2012, decided in January 2018 to invest in Sleekr, which provides cloud-based accounting software and HR services for small- and medium- enterprises (SMEs) in Indonesia. This investment, Money Forward's first outside of Japan, resulted in the appointment of Money Forward CEO Yosuke Tsuji as a Sleekr director. Money Forward made an additional investment in July 2018. Mr. Tsuji believes that there is massive potential in Indonesia and other Southeast Asian countries and has described the investment in Sleekr as a stepping stone to overseas expansion(3).

Kakaku.com is an example of a Japanese company that was already active in Southeast Asian markets and opted for partnering as a way of enhancing its existing business operations in the region. It operates Internet-based service businesses, including the gourmet food site Tabelog.com and the Kakaku.com price comparison website. In 2011, Kakaku.com sought to expand its business with the launch of its Priceprice.com brand—an overseas version of its Kakaku.com price comparison site—in four Asian countries (the Philippines, Thailand, Indonesia and India). In 2017 it moved to expand its business operations further by investing in MoneySmart.sg (official name: Catapult Ventures), a personal finance comparison website based in Singapore. In 2018, Kakaku.com invested in Love, Bonito, a women's fashion brand based in Singapore, and TabSquare, an AI-based self-ordering system for restaurants. Through these investments, Kakaku.com is hoping to absorb Love, Bonito's know-how in such areas as online behaviors and social marketing trends relating to Asian women(4), and TabSquare's data resources concerning dining and drinking behavior of Singaporean consumers, and its insights into unique aspects of the food service industry in Asia(5).

② Take in new technologies / business models

Businesses based on the latest digital technology or new concepts, such as the sharing economy, are emerging all over the world. Japanese companies are working to acquire the know-how and technologies of startups by partnering with key players in these fields. In the past, most of these startups originated in the United States, and subsequently in China and Israel. More recently they have started to emerge in Southeast Asia, leading Japanese companies to start forming partnerships with companies in that region.

Typical of this trend is the formation of partnerships with Grab and Go-Jek by multiple Japanese companies. Connected, autonomous, shared, and electrified (CASE) technologies and the mobility as a service (MaaS) concept are driving massive changes in the automotive sector. In this environment, Japanese companies are working with

Grab and Go-Jek not only to supply vehicles, but also to develop new services through the collection and utilization of travel data. For instance, as part of its MaaS strategy, Toyota is collaborating with leading MaaS businesses around the world, including not just Uber (United States), Didi Chuxing (China) and Getaround (United States, car-sharing), but also Grab. Toyota is working in partnership with Grab to gather data on Toyota's Mobility Services Platform, which it will then utilize to develop connected services for Grab(6).

(3) Reasons of Southeast Asian Startups Partnering with Japanese Companies

What do Southeast Asian startups hope to gain from partnerships with Japanese companies?

Southeast Asian startups enter into partnerships with Japanese companies primarily to obtain support for their own growth. The leading form of support is finance, but since startups in Southeast Asia are now drawing global attention, it is relatively easy for promising companies to obtain finance. As a result, even when a startup accepts investment from a Japanese company, it will also expect to receive benefits other than finance. The following three motives emerge from an analysis of news releases relating to partnerships between Japanese companies and Southeast Asian startups, as listed in Table 1.

First, the startups want to acquire technologies owned by Japanese companies. In many fields, Japanese companies still rank high internationally in terms of their technological capabilities. Southeast Asian startups hope to solve technical issues and accelerate their growth by absorbing these technologies. For example, the Indonesian startup AeroGeosurvey, which provides unmanned aerial vehicle (UAV) services, accepted an investment from the Japanese company Terra Drone, with the aim of improving its services and expanding its range of services by incorporating Terra Drone's 3D survey know-how and cutting-edge technologies, such as light detection and ranging/laser imaging detection and ranging (LiDAR) systems, into its own products(7).

Second, Southeast Asian startups want to utilize the business networks of Japanese companies. Japanese businesses, especially large corporations, have been operating in Asia for many years and have established networks of customers and business partners. Southeast Asian startups aim to secure sales channels by using these networks. The Singapore-based company Docquity, which operates a social network platform exclusively for medical professionals, entered into a capital and business alliance with Itochu. One of its aims was to recruit new members for its platform by gaining access to Asian hospital groups, such as Singapore-based OUE Lippo Healthcare, which had already formed a capital and business alliance with Itochu(8).

Third, Southeast Asian startups see partnering with Japanese companies as a way to establish a presence in Japan. While the Japanese market is on a long-term shrinking trend due to population decline, Japan still has 130 million people, which is more than the combined populations of Singapore (5.7 million), Malaysia (30 million), and Thailand (70 million). Indonesia has the largest population in Southeast Asia at 270 million, but it has just one-fifth of Japan's nominal GDP at $1 trillion, compared with Japan's $5 trillion, while its per capita GDP of $3,900 is equivalent to one-tenth of Japan's figure of $39,000 (all figures based on World Bank statistics for 2018). The attractiveness of a market is of course determined by a variety of factors other than population and income level. However, some segments of the Japanese market are attractive to Southeast Asian startups, with the result that they actively seek to partner with Japanese companies as a way of gaining opportunities to expand into Japan.

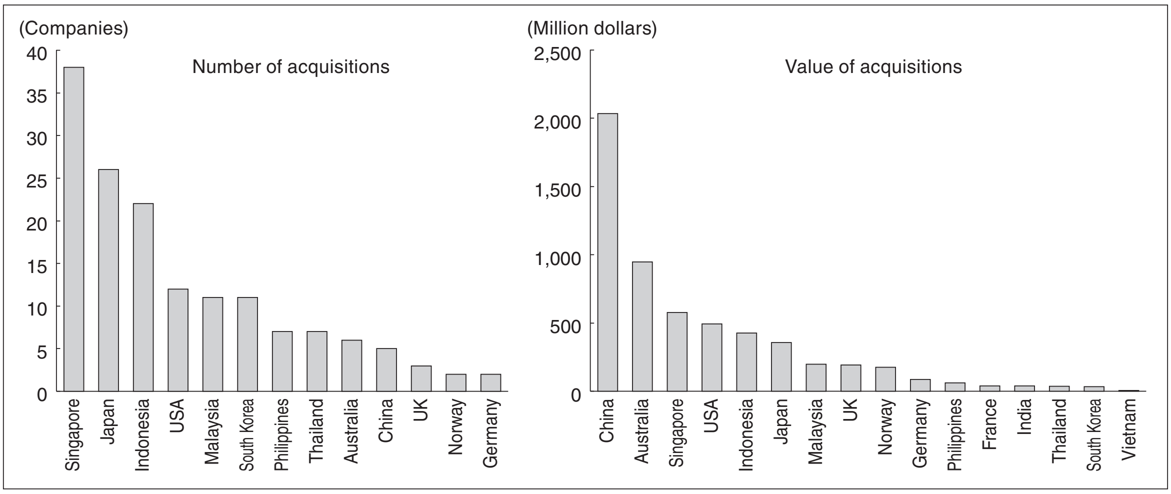
The Singapore-based startup Electrify Asia, which operates an electricity trading platform using blockchain technology, has signed a joint development agreement with Tokyo Electric Power with the aim of gaining inroads into the Japanese market. AntWorks, an RPA platform development and distribution startup also based in Singapore, accepted an investment from SBI Holdings and established a joint venture company[9] for the purpose of selling AntWorks services to domestic and foreign financial institutions and other companies, including Japanese entities, through the SBI Group's business network. Another Singapore-based startup, Crayon Data, which is involved in big data analysis, accepted an investment from Mitsui & Co., with which it also signed a business service agreement whereby Mitsui & Co. will assist with the introduction of Crayon Data products in Japan and the expansion of Crayon Data's customer base[10].

(4) Raising Japan's Profile in Southeast Asia through Partnering

Japan and Southeast Asia have built close economic ties, and the level of trust toward Japan in Southeast Asia is far higher than in other regions. However, Japan's relative presence in the region is waning, not only because of Japan's long-term economic stagnation, but also because of its inability to create global startups like Google, Facebook and Uber. In contrast, China's presence in the region is rising. China is now Southeast Asia's largest import and export partner, and direct investment from China into the region is also expanding year by year. Direct investment from China includes both investment in and acquisition of Southeast Asian startups. A breakdown of companies that have acquired startups in Southeast Asia by nationality shows that while China is far behind Japan in terms of the number of acquisitions, it is the clear leader in value terms (Fig.4, 2013-2018 totals). The statistics clearly show that Chinese companies are actively engaged in large-scale acquisitions.

One way in which Japan can prevent its position in Southeast Asia from declining further is through partnering between Japanese companies and startups in the region. As mentioned before, one of the objectives of Japanese companies in partnering with Southeast Asian startups is to develop new markets or strengthen existing businesses in the region. By achieving these goals, Japanese companies will be able to enhance their competitiveness, which will in turn help to raise Japan's presence in Southeast Asia. Partnering with Southeast Asian startups can also be expected to strengthen the Southeast Asian business operations of Japanese companies and enhance their competitiveness, primarily through the following

Fig. 4 Nationalities of Companies Acquiring Southeast Asian Startups (2013-2018)



Source: Cento, *Southeast Asia Tech Investment in 2018*, 2018 three processes.

First, Japanese companies can discover problems and business opportunities in Southeast Asia. Southeast Asian startups, with the exception of those based in Singapore, are commonly focused on problem solving. It is difficult for outsiders, especially people from developed economies like Japan, to discern problems that affect people in Southeast Asia. By interacting with Southeast Asian startups and learning about the challenges that they are trying to address, Japanese companies can gain a better understanding of the issues that exist in each country or region. Once issues are understood, it becomes easier to develop solutions. Initiatives in response to issues can help to strengthen local business operations.

Second, Japanese companies can ride the wave of change in Southeast Asia. Southeast Asia is currently undergoing a major transformation driven by digitalization. Digitalization is not unique to Southeast Asia. However, in contrast with the gradual pace of digitalization in developed economies, the process tends to occur rapidly in emerging economies, with the result that the scale of change is proportionately greater. The most obvious example of this is the rapid transition from a general reliance on cash transactions to payments via smartphone apps, skipping the stage of bank transfers and PC-based money transfers via the Internet. As digitalization moves forward in all fields, it is influencing consumer behavior and mindsets. Traditional methods are becoming untenable, while new business opportunities are emerging. Startups are in the forefront of these changes, and by partnering with them, Japanese companies can also position themselves in the front line.

Third, partnering allows Japanese companies to harness the growth potential of Southeast Asian companies. The probability of success for any given startup is extremely low, and it is difficult to predict which startups will achieve significant growth. Even so, if Japanese companies keep providing many startups with early-stage support, including technology transfers, access to their business networks, and assistance with expansion into the Japanese market, some of those startups can be expected to achieve healthy growth. Collaboration between Japanese companies and these startups can be expected to expand and deepen to acquisitions. In addition, if Japanese partners introduce startups to other Japanese companies through their business networks, the range of partnering between Japanese companies and startups can be further expanded, enabling more companies in Japan to benefit from the growth of Southeast Asian startups.

Southeast Asian startups are now attracting worldwide interest, and promising startups are likely to receive many approaches. We are told that in Silicon Valley, the startups themselves take the initiative in forming partnerships with companies, and that corporate partners are chosen by startups rather than vice versa. A similar situation is evolving in Southeast Asia, which means that Japanese companies wishing to be chosen as partners will need to demonstrate their capacity to support the growth of the startups.

2. Encouraging Listing on the TSE Mothers Board as a Way of Supporting Growth[11]

(1) Listing on the TSE Mothers Board

In deepening their collaboration with Southeast Asian startups, Japanese companies can offer a variety of support according to each startup's growth stage. One way of providing support is by inviting a startup to list on the Mothers board of the Tokyo Stock Exchange. The following five stock markets are available to startups in Japan. The number of companies listed on each is based on the latest information available as of the end of 2019.

(1) TSE Mothers (316 companies listed)
(2) TSE JASDAQ Growth (37 companies listed)[12]
(3) Sapporo Stock Exchange Ambitious (9 companies listed)
(4) Nagoya Stock Exchange Centrex (15 companies listed)

(5) Fukuoka Stock Exchange Q-Board (16 companies listed)

With the exception of the TSE Mothers board, all of these markets are extremely small. Moreover, the Ambitious market is limited to companies from Hokkaido, and the Q-Board market to Kyushu companies. For this reason, the TSE Mothers board is seen as the most appropriate choice when encouraging Southeast Asian startups to list on a market established for startups. It should be noted that the restructuring currently being considered by the Tokyo Stock Exchange is likely to result in the transfer of the Mothers and JASDAQ Growth markets to a newly created Growth market.

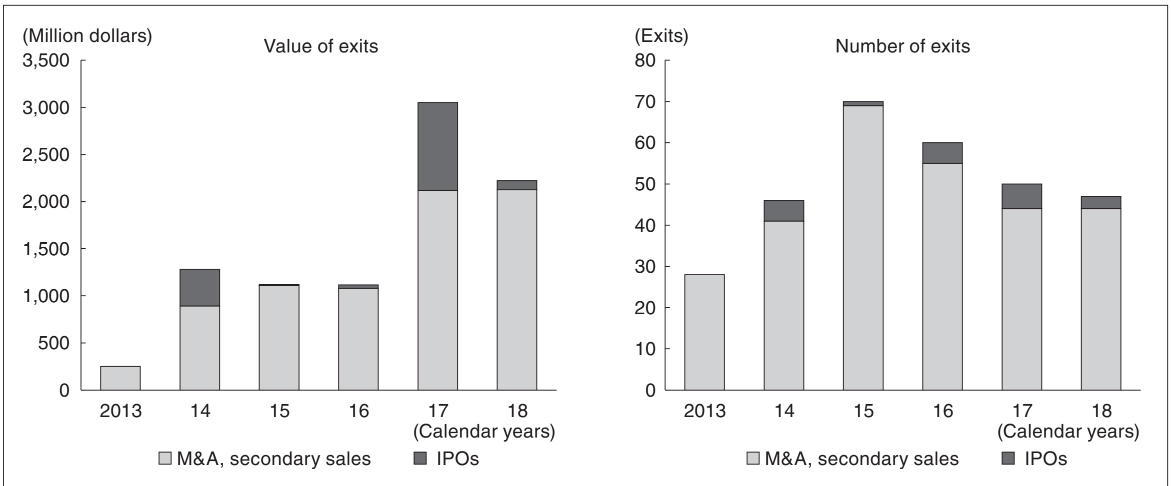
Startups began to emerge in significant numbers in Southeast Asia in the 2010s. From this we can predict that startups that received investment from external sources, such as venture capital, will be starting to think about exiting. According to a report compiled jointly by Golden Gate Ventures and the French business school INSEAD, there were 672 exits between 2015 and 2019. The number is expected to increase sharply to over 1,100 between 2020 and 2025[13].

The main exit paths are IPOs and M&A. The typical exit path for most Southeast Asian startups is M&A, and the number and value of IPOs in 2018 amounted to less than one-tenth of the figures for M&A (Fig.5). This weighting toward M&A reflects the generally underdeveloped state of Southeast Asian stock markets. Even the Singapore Stock Exchange, the most highly developed in the region, has an aggregate value of listed companies of just $687 billion, equivalent to just over one-tenth of the TSE figure of $5.3 trillion, while trading is worth only $222.4 billion, or less than one-tenth of the TSE's $6.3 trillion (all figures as of the end of 2018, Fig.6, Fig.7). The Indonesia Stock Exchange is currently working to encourage startups to list, but it will take some time before the market develops.

A Southeast Asian startup that wants to implement an IPO in this environment can list on an American market, such as NASDAQ, if it is a unicorn or is comparable in scale to a unicorn. However, the listing options for smaller companies are limited because of the extremely high threshold for listing in the United States, as will be described later.

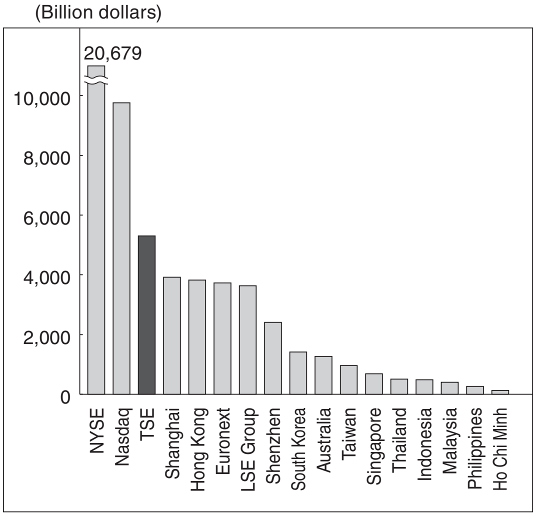
Startups should ideally be able to choose between both the M&A and IPO paths. Each has merits and demerits, and it is important to select the one that best suits the company's circumstanc-

Fig. 5 Exits by Tech Startups in Southeast Asia



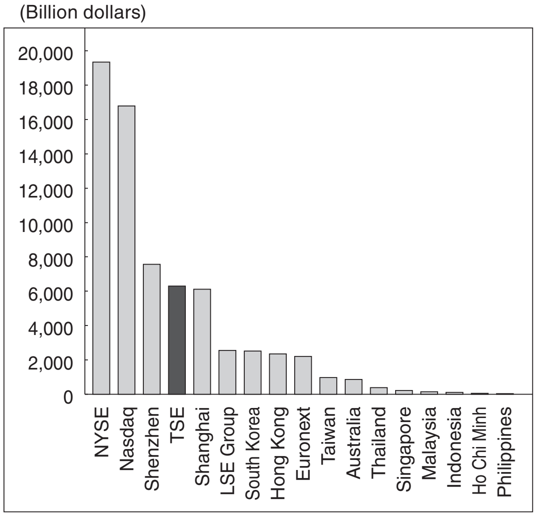
Notes: Secondary sales: Share sales to other shareholders.
Source: Cento, *Southeast Asia Tech Investment in 2018*, 2018

Fig. 6 Aggregate Value of Companies Listed on the World's Major Stock Exchanges (End of 2018)



Source: World Federation of Exchanges

Fig. 7 Value of Shares Traded on the World's Major Stock Exchanges (End of 2018)



Source: World Federation of Exchanges

es. However, Southeast Asian startups are forced to choose the M&A path, because the IPO option is too difficult. Many never even consider an IPO because of the limited number of precedents. By offering Southeast Asian startups the opportunity to list on the TSE Mothers board, it would be possible to broaden their options to include the IPO path, thereby expanding the startup ecosystem in Southeast Asia. The availability of the IPO option is also useful for startups that have continually achieved steady growth, regardless of whether or not they have received external capital, and are looking for a path to take them to the next growth stage.

Japanese companies should consider guiding these startups toward listing on the TSE Mothers board. Once startups have achieved their transformation into listed companies, Japanese companies are likely to have opportunities for even closer collaboration.

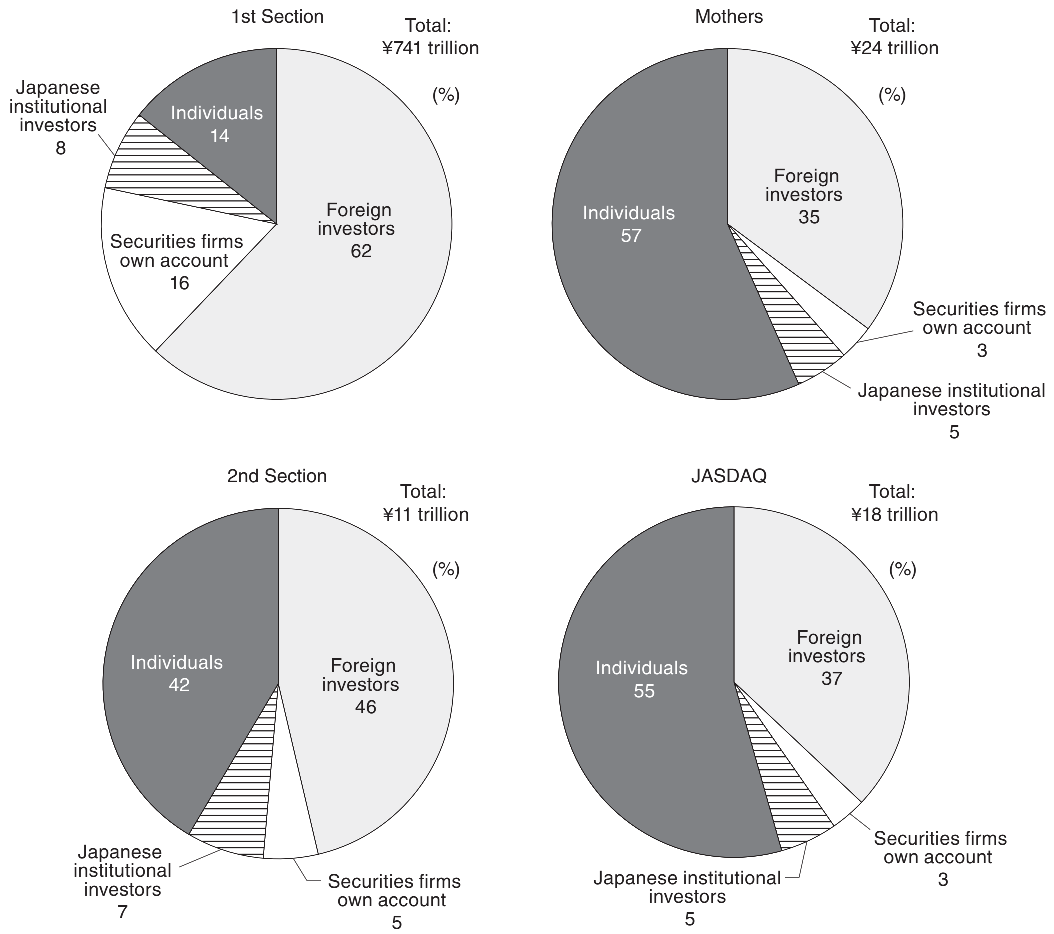
(2) Advantages of the TSE Mothers Board

What are the benefits of listing on the TSE Mothers board for Southeast Asian startups? A major advantage for startups that want to develop or strengthen links to Japanese companies or markets is the fact that listing on the TSE Mothers board helps to build credibility in Japanese society. Japanese companies commonly place great importance on track records, and the barriers to the establishment of new business relationships are generally high. The challenges are even greater for foreign companies, especially startups. By listing on the TSE Mothers board, a company can dramatically enhance its social credibility and gain major advantages in terms of developing business partners and customers.

Another advantage is that the threshold for listing on the TSE Mothers board is lower than that for Nasdaq. A company is unlikely to achieve a Nasdaq listing unless it is a unicorn or of similar scale. First, listing involves huge expenditure of funds. For example, because the United States is a litigious society, attorneys need to be deeply involved in the listing application process. That is costly. Furthermore, the majority of Nasdaq investors are sophisticated institutional investors who are unlikely to be impressed by half-measures. In short, a Nasdaq listing would be too costly for a small or medium-sized startup unless it possesses significant assets, such as innovative technologies or business models that investors find attractive.

In contrast, the TSE Mothers board was established with the aim of providing an environment for the incubation of growth companies, and even small companies can be listed. Also, 57% of investors on the TSE Mothers board are individuals, which is far higher than the 14% ratio for the first section of the Tokyo Stock Exchange and 42% for the second section (shares of the value of trading in 2018, Fig.8). Stocks listed on the TSE Mothers board have gained a reputation for high growth potential among individual investors. Also, because investors base their decisions on various factors in addition to financial data, they tend to invest aggressively in companies that can offer convincing growth narratives.

Fig. 8 Shares of Trading Value on Each TSE Market by Investor Category (2018)



Source: Tokyo Stock Exchange

3. Specific Measures and Issues Relating to Listing on the TSE Mothers Board

(1) Listing Methods

Three methods are available to foreign companies wishing to list on the Tokyo Stock Exchange, including the Mothers board. First, they can list after switching to Japanese registration. Second, they can list directly as foreign stocks. Third, they can list using foreign stock JDRs[14]. Each method has its advantages and disadvantages, as outlined below. The specific method used by each foreign company is determined by various factors, including what the company wishes to achieve, and its specific circumstances.

① Japanese Registration

When a company chooses this method, it will be listed as a Japanese rather than foreign company under the same listing criteria that are applied to Japanese companies. The shares that it issues will be treated in the same way as Japanese shares, and the company will need to meet the same governance requirements. However, there is likely to be psychological reluctance to registration as a Japanese company. Some startups, such as those registered in Singapore, may face additional issues, such as a higher corporate tax rate and the loss of incentives they had previously enjoyed.

② Direct Listing of Foreign Stocks

This method involves the direct listing of foreign companies as foreign stocks. Until the introduction of the JDR listing system, this method was used by all entities listed on the Tokyo Stock Exchange as foreign companies[15]. A disadvantage with this method is the fact that various restrictions are applied to investor transactions. In particular, investors face higher costs because of the need to establish foreign securities trading accounts, in addition to the accounts used for Japanese stocks. In addition, marketability is limited by the fact that Japanese institutional investors cannot include foreign stocks in their Japanese equity portfolios.

③ JDR Listing of Foreign Stocks

Japanese depositary receipts (JDRs) are a mechanism used to trade foreign securities in the Japanese market as marketable securities under Japanese law. First introduced in 2007, this is a relatively new listing method based on the use of the beneficiary certificate-issuing trust system, which is a kind of trust system. The biggest advantage for foreign companies that choose this method is that they can approach investors on the same playing field as Japanese companies without the need to convert to Japanese registration (Mitsubishi UFJ Trust and Banking Corporation [2019], p.23). There are several concrete advantages. First, their shares can be handled by major Japanese securities firms. Second, investors can trade their shares without establishing foreign securities trading accounts. Third, they can use trust transactions and the NISA and Junior NISA schemes through major securities firms. As a result, the available range of investors is basically the same as for Japanese shares. There are clear disadvantages, however. As with directly listed foreign shares, foreign shares listed using the JDR scheme cannot be included in the portfolios of Japanese institutional investors, and because institutional investors are unfamiliar with these shares, they find it difficult to invest in them.

(2) Problems and Advantages

Listing on the TSE Mothers board is not without problems for Southeast Asian startups. There are four main issues.

First, the cost of listing on the TSE Mothers is substantial due to the high administrative hurdles. The biggest barrier is the Japanese language. This is an obstacle not just for Southeast Asian startups, but for foreign companies in general. Once listed, companies are in principle required to provide a variety of documents, including disclosure documents, in Japanese. Companies are allowed to use English in some types of documents, but in practice they need to translate everything into Japanese because of the high proportion of individual investors in the TSE Mothers market. There is a strong possibility that this problem will be largely eliminated by improvements in automatic translation technology, but at present translation costs are a heavy burden for foreign companies. The burden is especially high for startups because of their limited financial resources.

Apart from the language barrier, the following issues are frequently cited as hurdles.

- Unless Japanese accounting standards are adopted, any accounting standards used must be approved by the Financial Services Agency(16).
- In principle, companies are required to conform to the Japanese method of reporting about internal control systems.
- It is essential to involve attorneys qualified in both Japanese law and the law of the company's home country (Singaporean law in the case of a company based in Singapore).

Second, there is the possibility that securities companies will not be able to provide adequate support, in part because of the first problem. The securities firm acting as lead underwriter is deeply involved in a company's listing process. The listing process for a foreign company, especially one that is a single listing, is far more difficult than for domestic companies. For this reason, securities firms are unlikely to take on the task unless the company is big enough to justify the costs involved.

Third, the fact that foreign companies are involved entails risks on the Japanese side. It is doubtful whether individual investors in Japan can accurately assess Southeast Asian companies. If there are problems with a Japanese listed company, investors can contact that company relatively easily. With a foreign company, however, situations could arise in which investors would be disadvantaged by their inability to contact the top management of that company or force them to disclose sufficient information.

Fourth, there are problems with the TSE Mothers board itself. The fact that even small companies can list on the TSE Mothers board is an advantage, but the small size of companies can also cause disadvantages, including high volatility, and the fact that it is difficult for institutional investors to invest in such companies. Furthermore, although the TSE Mothers board was established with the aim of providing an environment for growth, there are a significant number of companies that have achieved little growth since listing. This has recently become an issue in the United States as well.

The reason why Southeast Asian startups should be encouraged to list on the TSE Mothers board despite these drawbacks is the potential for evolution beyond providing peripheral support for partnering with Japanese companies. If this can be established as a general pattern in which Southeast Asian startups wishing to achieve listing move toward the TSE Mothers board, there will be benefits both for Southeast Asia and Japan. We can also envisage a future in which this leads to closer ties between Southeast Asia and Japan.

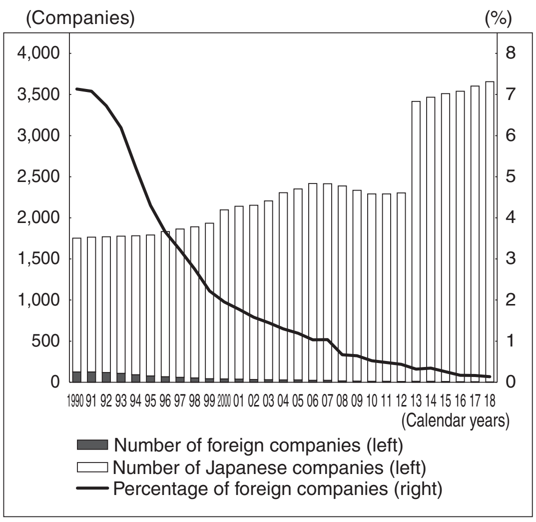
From a Southeast Asian perspective, Japan's abundant financial resources will be used to support the growth of Southeast Asian companies. In addition, startups that previously had no connection with Japan may choose the TSE Mothers board because of the advantages that it offers in terms of access to funds. That could lead to growth opportunities as the companies concerned develop links with Japanese companies and markets.

On the Japanese side, the listing of these companies provides Japanese investors with opportunities to invest relatively easily in the shares of Southeast Asian startups with high growth potential on Japanese markets. Given the high percentage of individual investors in the Mothers market, this also is an effective way to use Japan's abundant private financial assets, which amount to ¥1,860 trillion (as of June 30, 2019).

Furthermore, an increase in the number of Southeast Asian startups listed on the TSE Mothers board would also help to revitalize the Tokyo Stock Exchange. The number of foreign companies listed on the Tokyo Stock Exchange had climbed to 125 by the end of 1991, but the number started to fall after the collapse of the bubble as Japan's status as an international financial market declined during its prolonged economic stagnation. By the end of 2018 only five foreign companies were listed (Fig.9)[17]. This represents just 0.1% of the total number of listed companies and is dramatically lower than the corresponding ratios for the Singapore Stock Exchange (35.0%), the New York Stock Exchange (22.3%), Nasdaq (14.3%), and the London Stock Exchange (16.9%), as published by the World Federation of Stock Exchanges. An increase in the number of foreign companies listed results in a wider variety of listed stocks and greater market depth. In addition, the listing of Southeast Asian startups with their strong growth potential would be likely to energize trading.

The listing of Southeast Asian startups could also provide opportunities to attract institutional investors. As noted earlier, the small size of most companies listed on the TSE Mothers board is one of the reasons why it is difficult for institutional investors to invest. However, the Southeast Asian startups that are listed on the TSE Mothers board are likely to be substantial companies, since the aforementioned listing costs would be prohibitive for small enterprises. Even institutional investors would therefore be able to invest, and the growth potential of Southeast Asian startups could also be expected to heighten the motivation to invest.

Fig. 9 Foreign Companies Listed on the Tokyo Stock Exchange



Notes: The number of listed companies increased by 1,100 with the integration of the Osaka Securities Exchange cash equity market in 2013.
Source: Tokyo Stock Exchange

By encouraging Southeast Asian startups to list, it would also be possible to attract startups from India. This is because a significant number of Indian startups have their headquarters in Singapore. India has substantial human resources in high-tech fields while it is expected to overtake China to become the world's biggest country in terms of population by 2024. For these and other reasons, Indian startups are seen as even more promising than their Southeast Asian counterparts, and the ability to approach these companies would be a significant advantage.

(3) Initiatives to Encourage Listing

As discussed earlier, the four issues affecting the listing of Southeast Asian startups on the TSE Mothers board are (1) the administrative hurdles for startups, (2) the ability of securities firms to handle listings, (3) the risks inherent to foreign companies on the receiving side from a Japanese perspective, and (4) problems relating to the TSE Mothers board itself. Another problem, which results from the extremely small number of foreign companies listed on the Tokyo Stock Exchange, is a lack of awareness of the fact that foreign companies are accepted for listing on the Tokyo market. The TSE Mothers board tends not to appear on the radar as a potential listing destination for Southeast Asian startups or foreign companies in general.

However, steps are now being taken to attract foreign companies, including Southeast Asian startups, to list on the TSE Mothers board. The following are of three examples of initiatives for this purpose.

First, the Tokyo Stock Exchange has intensified its efforts to attract listings. One of the reasons why the Tokyo Stock Exchange and the Osaka Securities Exchange, both under the Japan Exchange

Group, opened a branch in Singapore in 2015 was to attract listings by foreign companies, including startups. The main targets are (1) companies with Japanese nationals in the management team, (2) companies with some form of business link with Japan, and (3) investees of Japanese venture capital. The methods used by the Tokyo Stock Exchange to approach startups include presentations at startup events in Southeast Asia, seminars for startups and investors, and visits to individual startups. Through these activities, the Tokyo Stock Exchange aims to raise awareness of the TSE Mothers board, and to build interest in listing. However, it does not intend to ease the listing criteria, since investor protection is even more important than in other markets because of the high percentage of individual investors in the TSE Mothers market.

Second, in December 2018, Spiral Ventures (established in 2013, representative: Yuji Horiguchi), a venture capital that originated in Japan and is based in Singapore, began to offer Southeast Asian startups a support service for listing on the TSE Mothers board. It reduces the burden on startups wishing to list on the TSE Mothers board by undertaking the administrative processes involved on their behalf(18). Listing support by a venture capital offers various benefits. First, the venture capital's own investees will have already been screened. Second, even if the company concerned is not an investee, the venture capital will be able to base screening on insights honed through its previous investment activities. For these reasons, startups that are likely to cause problems after listing can be eliminated to some extent.

Third, Mitsubishi UFJ Trust and Banking Corporation has identified the listing of foreign companies as a new source of business opportunities and is actively soliciting companies from Southeast Asia and many other countries to take this step. Given that listing on Tokyo Stock Exchange is not an option considered by most foreign companies, its first step is to raise awareness of the Tokyo Stock Exchange. In the case of a foreign stock JDR listing, it also handles the issuance and management of the JDRs as the JDR trustee. In addition, it provides support before and after listing for foreign stock JDR listings and company registration in Japan.

What will it take to trigger an upsurge of listing on the TSE Mothers board by Southeast Asian startups? Inviting companies that have absolutely no connection to Japan to list would be a major challenge, so the most appropriate method initially would be to approach startups that have some form of link to Japan. The Tokyo Stock Exchange has opted for this method. Realistically, it is best to target startups in Singapore, which has highly developed company laws and accounting standards. As the track record of successful listings expands, startups will become more aware of the TSE Mothers board as a potential destination for listing, while securities companies and other participants on the Japanese side will be able to accumulate know-how while reducing the cost of providing support. Once these efforts start to show tangible results, it will be possible to approach startups that have no connection with Japan or are headquartered in countries other than Singapore.

As for risks accepting foreign companies, Southeast Asian companies can to some extent overcome them by stationing Japanese staff permanently in Japan as contact points, and by providing investors with detailed information. To put it differently, Southeast Asian companies will need to establish such kind of structure in order to be accepted.

It could be argued that the problems in the TSE Mothers market need to be addressed before attempts are made to attract foreign startups. However, we cannot rule out the possibility that securities markets in Singapore and Indonesia will evolve while efforts to reform the TSE Mothers board are in still progress. If that happens, it will become more difficult to attract companies from those countries. The reform of the TSE Mothers board will therefore need to be carried out simultaneously and in parallel with efforts to attract foreign startups.

Clearly there are major challenges for Southeast Asian startups wishing to list on the TSE Mothers board. However, that is no reason to abandon efforts to attract them. Instead, all concerned need to pool their ideas and work toward the solution of these problems.

IPOs take longer than M&A and the procedures are costly. For these reasons, the M&A method is likely to remain the exit path for most Southeast Asian startups. However, we should work toward a scenario in which startups that would normally implement IPOs but have been unable to do so will shift to the TSE Mothers board. An ideal future will be that the TSE Mothers will attract unicorn-class startups that might otherwise have gone to the Nasdaq market.

Conclusions

Hitherto partnerships between Japanese companies and overseas startups have mostly been formed in the United States (Silicon Valley) or China (Shanghai, Beijing, Shenzhen). However, Southeast Asia is emerging as a new focus for partnering as companies seek to develop new markets, strengthen their business operations, acquire the latest technologies, or keep up with new trends. Behind this trend is the rapid proliferation and evolution of Southeast Asian startups.

Startups generally partner with companies as way of obtaining support for their growth. Japanese companies can provide Southeast Asian startups with various forms of support according to their growth stage. Ultimately the acquisition of the startup is one possibility, but if the startup is aiming for an IPO, then it would also be effective to provide guidance along the path to listing on the TSE Mothers board. As a listed company, the startup would then have a link with Japan. Japan’s ties with Southeast Asia could also be strengthened if this pattern can be developed into a trend that leads Southeast Asian startups to look toward the TSE Mothers board as a destination for listing.

There clearly are still problems that hinder the listing of Southeast Asian startups on the TSE Mothers board. However, the promotion of listing will be beneficial to Japan’s own national interests in the medium- to long-term future, and a combination of measures to overcome these problems with initiatives to attract listings can be expected to yield results that would fully justify these efforts.

End Notes

1. Apart from Grab and Go-Jek, the top five rideshare companies in the world include Uber Technologies (U.S.), Didi Chuxing (China), and Ani Technologies (Ola, India).

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5. Kakaku.com, *カカクコム、シンガポールの飲食店向けソリューションサービス『TabSquare』に戦略出資　アジアへの事業展開における戦略出資第3弾* [Strategic Investment by Kakaku.com in TabSquare, a Singapore-based provider of solution services for the food service industry—Phase 3 of Kakaku.com's Strategic Investment in Business Development in Asia] (news release), October 10, 2018

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10. Crayon Data, *Deep Bows, Firm Handshakes: Mitsui & Co., Ltd. Invests in Award Winning Big Data Start-Up, Crayon Data* (news release, February 24, 2016)

11. The author would like to acknowledge that the content of Part 2 reflects the valuable information and input received from Mr. Hidetoshi Nagata, General Manager and Head of Global Listings of the Tokyo Stock Exchange, Mr. Osamu Hoshi, Executive Adviser of Frontier Strategy Planning and Support Division, Mitsubishi UFJ Trust and Banking Corporation, Mr. Yuji Horiguchi, Managing Director, Chief Executive Officer and Founder of Spiral Ventures, and Mr. Chiharu Goto, Principal of Spiral Ventures.

12. JASDAQ encompasses standard as well as growth markets, with a total of 670 companies listed. However, these markets are limited to growth companies that meet specific standards in terms of size and performance.

13. Golden Gate Ventures, INSEAD, *Southeast Asia Exit Landscape*, September 2019

14. If we include the listing of Japanese subsidiaries of foreign companies, there are four methods.

15. One exception to this was the listing of the South Korean company POSCO on the First Section of the Tokyo Stock Exchange in 2005 using the American depositary receipt (ADR) format. (The company was delisted in 2015.)

16. Provided that approval is obtained from the Financial Services Agency, companies can use Japanese, American, or international accounting standards, or the standards from their home countries.

17. Other reasons for the decline in the number of foreign companies listed on the Tokyo Stock Exchange include the globalization of share trading, which has reduced the advantages of listing on multiple markets while heightening the perception that the costs are too high.

18. Specific services provided by Spiral Ventures include the preparation of listing documents in Japanese formats, and compliance processes under Japan's reporting regime for internal control systems. Spiral Ventures has hired Mr.Chiharu Goto, formerly of Deloitte Tohmatsu, who has extensive experience with the administrative aspects of IPOs, as its project principal. It is currently providing support for several listings through these services. Initially it provided the services for its own investees, but has since expanded the scope to include companies other than investees at the request of other parties. It aims to complete its first listing in 2020. Depending on the characteristics of each project, it employs two listing methods: foreign stock JDRs, and conversion to Japanese registration.

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