

# Fukuoka Stock Exchange

Building strong financial relations between Asia and Kyushu



Securities Membership Corporation  
Fukuoka Stock Exchange

# Fukuoka Stock Exchange Executive Message

Established in 1949, Fukuoka Stock Exchange, or FSE, is one of the six stock exchanges in Japan and operates as a securities membership corporation in Fukuoka, Kyushu (western Japan). Long-established leading enterprises in the region, such as Kyushu Electric Power <ticker:9508>, Nishi-Nippon Railroad <ticker:9031>, have been listed on FSE since its foundation. Listed companies belong to various sectors, from basic industries such as electricity, railroads, automobiles and semiconductors, to service industries such as banking and real estate.

We are proud of the fact that we have made a significant contribution to economic prosperity in Kyushu, not just as a cash equity market. To cite one example, the Kyushu IPO Promotion Program, which we launched in 2009.

Working with organizations that foster regional business, we run this program to assist promising small and medium businesses to be listed on FSE. Through this program, we are building a strong and amicable relationship with the Kyushu business community.

Economic relations between Asia and Kyushu are expanding. In view of this favorable momentum, in April 2010, FSE proudly introduced its “Foreign Stock Listing System”, which allows non-Japanese companies to be listed on FSE. We firmly believe that this system is a viable option for Asian companies wishing to explore business opportunities in Kyushu.

If you would like to inquire about FSE, please visit our website at <http://www.fse.or.jp/> or contact us via email at [info@fse.or.jp](mailto:info@fse.or.jp). We hope the following presentation will further your understanding of FSE.



President Hiroaki Okui 奥井洋輝



## FSE Outline

Address	2-14-2 Tenjin, Chuo-ku, Fukuoka City, 810-0001 Japan
Phone / Fax	+81-92-741-8231 / +81-92-713-1540
Website	<a href="http://www.fse.or.jp/">http://www.fse.or.jp/</a>
Email	<a href="mailto:info@fse.or.jp">info@fse.or.jp</a>
Establishment date	July 4 <sup>th</sup> , 1949
Security company members	26 (as of March 31 <sup>st</sup> , 2011)
President	Hiroaki Okui
Listed companies	129 (as of March 31 <sup>st</sup> , 2011)
Trading Hours	Morning Session 9:00 ~ 11:00 Afternoon Session 12:30 ~ 15:30
Holidays	Saturdays, Sundays, National Holidays December 31 <sup>st</sup> , January 1 <sup>st</sup> , 2 <sup>nd</sup> , 3 <sup>rd</sup>



## Markets at FSE

FSE consists mainly of two cash equity markets.

**Main board:** ordinary market founded in July 1949

**Q-Board:** market for small and medium companies, founded in May 2000.

Of the 129 FSE listed companies, 119 are on the Main Board and the rest are on **Q-board**, as of March 2011. Recent applicants tend to initially aim at a listing on **Q-board**, and we approve three such company listings annually on average. 86 Kyushu-based companies account for more than 60% of FSE-listed companies. With regard to performance, matched volume was 21 million shares and value of trading was ¥ 7.1 billion (approximately \$ 8.4 million) in the fiscal year ended March 2011. To promote the listing of promising regional small and medium companies, FSE substantially relaxes its listing criteria in light of the fact that applicants tend to be at an early stage of growth. For minimum numerical standards, please refer to the table below.

Principal listing criteria [*]	Main board	Q-Board
Shares Outstanding	2,000	N/A [**]
Distribution status (free float rate)	20%	N/A
Round lot for Japanese shareholders	300	200
Market capitalization (¥ billion)	1	0.3
Operating history (years)	3	1
Total assets (¥ billion)	0.3	Positive
Earnings test (¥ billion)	0.05 [***]	N/A

\* Criteria in the left table applicable to Japanese companies only.

\*\* 500 shares of public offering or secondary distribution required.

\*\*\* Net profit in most recent fiscal year.



# FSE Midterm Management Plan 2009 - 2011

Three main objectives:

- Introduction of Foreign Stock Listing System and promotion of listing on FSE by Asian corporations
- Promotion of listing on FSE by regional corporations
- Expansion of market matched volume

## Main objectives of FSE Midterm Management Plan 2009-2011

**Introduction of Foreign  
Stock Listing System  
and  
Promotion of listing on  
FSE by Asian  
corporations**

**Promotion of listing on  
FSE by regional  
corporations**

**Expansion of market  
matched volume**



## Introduction of Foreign Stock Listing System and Promotion of listing on FSE by Asian corporations

Economic relations between Asia and Kyushu are now developing rapidly. Leveraging our financial intermediary function, one of the major stock exchange roles, we have strong aspirations to accelerate this momentum.

In April 2010, FSE introduced its “Foreign Stock Listing System [\*]”, which allows non-Japanese corporations to be listed on FSE. We firmly believe that this system is a great option for overseas companies, especially for Asian corporations planning to go public and share business experience with the Kyushu business community.

On behalf of the Kyushu business community which is aiming at economic growth as a member of the nations and regions of Asia, FSE would like to extend a warm welcome to you!

\* For more detailed information on the FSE Foreign Stock Listing System, please refer to page 10.



## Promotion of listing on FSE by regional corporations

A healthy organizational management system and sound business practices are mandatory for IPO-aspiring companies. In July 2009, FSE launched the Kyushu IPO Promotion Program for promising regional start-ups planning to go public and listing on FSE within 3-5 years. This program is quite unique in view of the fact that FSE is the only Japanese exchange that provides consultation to regional businesses.

In this program, FSE and three regional small and medium business consulting organizations [\*] form a regional joint business body, which offers practical guidance for IPO preparation to participants over a period of almost two years.

- \* - Fukuoka Industry, Science & Technology Foundation
- Kyushu New Business Council
- Organization for Small & Medium Enterprises and Regional Innovation, Japan Kyushu Branch

Since its launch, 21 companies have been participating in this program and have started preparing IPO procedures.



Attendees of the program opening ceremony who decided to accept the challenge of IPO preparation.



## Expansion of Market matched volume

To Make equity trading more user-friendly for individual investors, we are pushing ahead with improvement of the trading environment by diversifying ordering methods in cooperation with FSE securities members. In addition, we sponsor the “FSE IR Fair” in order for individual investors to more freely access listed company information through voluntary disclosure.

FSE naturally values liquidity of its listed stocks. Those companies listed solely on FSE have organized the Association of Fukuoka Stock Exchange Independent Listed Companies to study ways to increase the liquidity of their stocks. In agreement with the spirit of the group, FSE provides total support.



Over 150 attended FSE IR Fair.



Association of Fukuoka Stock Exchange Independent Listed Companies website



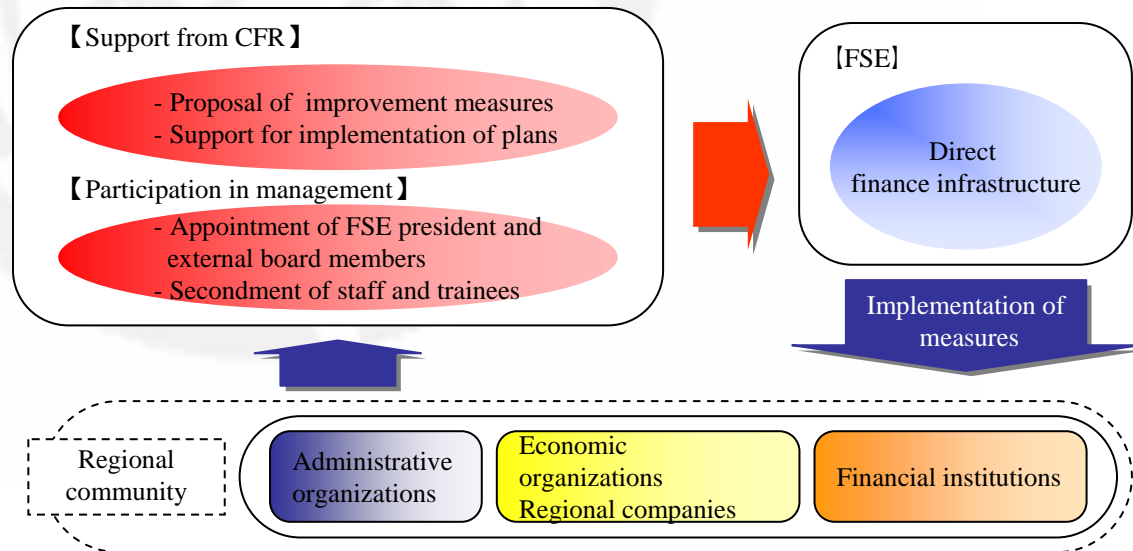
# Strong alliances with regional business community

FSE is proud of its role in the business community of promoting regional economic growth. As a provider of direct financing opportunities to the Kyushu region, we have built strong alliances with regional administrative and business organizations. The “Council for FSE Revitalization (CFR)” is an example of FSE’s cooperation with regional organizations.

## Council for FSE Revitalization

In June 1998, 31 administrative and business organizations in the Kyushu region jointly founded CFR in order to support FSE managerial actions.

The chairman of Kyushu Economic Federation, one of the biggest regional economic organizations in Kyushu, is the leader of this council. FSE makes effective use of direct and indirect support from CFR, in order to substantially improve performance.



## Kyushu IPO Promotion Program

Venture capitalists and organizations that foster small and medium companies in Kyushu eagerly support the establishment of promising venture businesses, and actively bring start-ups to a higher stage of growth. FSE maintains a close relationship with the regional economy and promotes the listing of companies supported in this way. The “Kyushu IPO Promotion Program” is a joint project being carried out by FSE and the Kyushu regional business community.

For Asian companies wishing to expand through business experience in Kyushu, listing on FSE will greatly increase the opportunity to have business relations with regional businesses.



## Introduction to Foreign Stock Listing System - Background and Purpose

Kyushu is more accessible to Asia than any other areas in Japan, from both geographical and historical points of view. Mutual economic relations between Kyushu and Asia are at a level higher than ever before. Administrative organizations such as Fukuoka Prefectural Government, Fukuoka Municipal Government and related public organizations, are also taking similar steps to form alliances with Asian nations and regions, and are steadily proceeding to build an integrated Asian economic sphere with Kyushu.

In April 2010, FSE, the only Kyushu-based stock exchange, introduced a “Foreign Stock Listing System”, which allows non-Japanese companies to be listed either on the FSE main board or on **Q-Board**. We firmly believe that this system is a viable option for Asian companies wishing to expand into Kyushu.

Again, on behalf of the Kyushu business community, which is aiming at economic growth as a member of the nations and regions of Asia, FSE would like to extend a warm welcome to you!



# Foreign Stock Listing System Outline

	Detail
Applicable markets	Main board / <b>Q-Board</b>
Issuable securities	stock, depository receipt (DR), beneficiary certificate (JDR)
Requirements for all applicants	<ul style="list-style-type: none"> <li>- Minimum numerical standards for non-Japanese securities are practically the same as for Japanese ones.</li> <li>- In the process of application review, FSE will take into account laws and accepted business practices in home country or region of applicant.</li> </ul>
Official language of listing application	Japanese
Official accounting standards	Japanese GAAP / Non-Japanese GAAP, including IFRS[*] * Pursuant to the Financial Instruments and Exchange Act and related laws and regulations, non-Japanese GAAP used in filing documents is applicable only in cases where the commissioner of the Financial Services Agency approves the GAAP as one under which the public interest or protection of investors would not be impaired.
Especially for <b>Q-Board</b> applicants	Filing of “Memorandum on business execution plan in and around Kyushu region[*]” with FSE * “Business execution plan in and around Kyushu region” refers to trading, investing, and forming alliances in the region.
Miscellaneous	<ul style="list-style-type: none"> <li>-Appointment of agent responsible for filing documents with Financial Services Agency</li> <li>-Submission of legal opinion about legality of home-country laws to Financial Services Agency</li> </ul>
Trading system	Arrowhead (Tokyo Stock Exchange)
Clearing and settlement organizations	Transfer of funds : Japan Securities Clearing Corporation (JSCC) Delivery of securities : Japan Securities Depository Center, Inc. (JASDEC)



## Principal Listing Criteria for Non-Japanese Securities

	Main board	Q-Board
Shares outstanding	2,000	500 shares of public offering or secondary distribution required
Round lot for Japanese shareholders	300	200
Distribution Status	Top 10 or specific investors must not possess an over-large number of shares outstanding	N/A
Market capitalization at time of listing	¥ 1 billion	¥ 300 million
Consolidated total assets at end of last fiscal year	¥ 300 million	Positive
Consolidated net profit for last 1 year	¥ 50 million	N/A
Operating history	At least 3 years	At least 1 year
Audit opinion	No material misstatements on securities report for last 2 years	No material misstatements on securities report for listing application
	Unqualified or qualified opinion on securities report for year before last, unqualified opinion for last year	Qualified opinion on securities report for listing application acceptable, but unqualified opinion on securities report for last year is a particular requirement
	In principle, unqualified opinion on securities report for last year	
Transfer of shares	Mandatory for there to be no restriction	
Miscellaneous	<ul style="list-style-type: none"> <li>•Securities should be practically tradable through Japanese clearing and settlement organizations.</li> <li>•DR applicant should have deposit agreement with Japanese trust and banking corporation.</li> <li>•JDR applicant should use appropriate format, including wavy mosaic patterns and watermarks, for beneficiary certificate.</li> </ul>	



## Relaxed listing criteria

To promote listings of promising regional small and medium companies, FSE substantially relaxes its listing criteria for both main board and **Q-Board**, as compared to other Japanese equity markets.

Principal listing criteria [*]	FSE <b>Q-Board</b>	TSE Mothers	FSE main board	TSE main board section 2
Requirement for applicant	Business execution plan in and around Kyushu region	Small / medium company	-	-
Round lot shareholders	200	300	300	800
Public offering	500	500	N/A	N/A
Shares outstanding	( 500 shares of public offering or secondary distribution )	2,000	2,000	4,000
Market capitalization of tradable shares	¥ 300 million	¥ 500 million	¥ 1 billion	¥ 1 billion
Distribution status (ratio of tradable shares to shares outstanding)	N/A	25%	20%	30%
Market capitalization at time of listing	¥ 300 million	¥ 1 billion	¥ 1 billion	¥ 2 billion
Consolidated net profit for last 1 year	N/A	N/A	¥ 50 million	¥ 4 billion
Consolidated total assets at end of last fiscal year	Positive	N/A	¥ 300 million	¥ 1 billion
Operating history	At least 1 year	At least 1 year	At least 3 years	At least 3 years

\* The criteria in the table above are applicable to Japanese companies only.



## Reasonable FSE listing fees

	Primary listing		Secondary listing from foreign market	
	Main Board	Q-Board	Main Board	Q-Board
Application fee ( ¥ million )	1	0.5	1	0.5
Registration fee ( ¥ million )	3	1.5	1.5	0.75
Annual fee ( ¥ million )	0.06 at minimum [*]		0.06 at minimum [*]	
Additional issuance fee	2-10 thousandths of issue price		0.01-10 thousandths of issue price	

•Additional fee may apply according to the number of securities listed.

### 【Reference : Tokyo Stock Exchange listing fees】

	Primary listing		Secondary listing from foreign market
	Main board Section 1, 2	Mothers	
Application fee ( ¥ million )	4	2	2
Registration fee ( ¥ million )	12	1	2.5 at minimum
Public offering and secondary distribution fees	Public offering : 9-10 thousandths of total value Secondary distribution : 1-10 thousandths of total value		N/A
Annual fee ( ¥ million )	0.72 ~ 4.32	0.48 ~ 4.08	0.12 ~ 0.84
Additional issuance fee	1-10 thousandths of issue value		-
Additional listing fee	8-10 thousandths of issue price		0.018-10 thousandths of issue price



# Listing procedures



**Instruction from IPO consultant (Generally underwriting securities company) mainly about:**

- Managerial maintenance
- Guidance on listing application documents preparation

**Underwriter due diligence in securities offering**

**Preparation of listing application documents to FSE**

**FSE review of listing application documents**

**FSE hearing for applicant executives**

**FSE field investigation (if needed)**

**Approval by FSE president**

**Public announcement on FSE approval of listing application**

**Registration statement examination by Financial Services Agency**

**Resolution procedures by board members on :**

- Securities issuance
- Issue price

**Execution of public offering and distribution by underwriter**

**FSE confirmation on actual distribution status of financing**

