

Inquiry on Initial Public Offering (IPO) Pricing Process, etc.

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Japan Fair Trade Commission

1. Purpose of Inquiry

For startups, Initial Public Offering (IPO), namely, listing on a stock exchange initially, is not only a way to enhance their publicity, credit capability, their internal governance and motivation of their staffs, but also an important method of fund procurement.

In “Action Plan of the Growth Strategy” (June 18, 2021 Cabinet Decision), it is pointed out regarding IPOs in Japan that the price at which shares begin to be traded in the market (opening price) is much higher than the price at which startups sell their shares to investors (offering price); therefore, there is no direct benefits for startups and they could have more proceeds with the same number of new shares, whilst investors who acquired new shares issued at offering price immediately gain marginal profits. In light of this, the Action Plan recommends that the government will inquire issues regarding IPO pricing process and reform it. In addition, a similar recommendation is mentioned in “Outline of Emergency Proposal Toward the Launch of a *New Form of Capitalism* that Carves Out the Future” (November 8, 2021 Secretariat of New Form of Capitalism Realization Headquarters Decision).

Setting offering prices in proportion to company values of startups and demands, etc., can make it easier for startups to procure necessary funds for the growth of their businesses. This leads to developing an environment promoting their growth in the markets and, consequently, to activating the whole economy of Japan, which is desirable from the viewpoint of competition policy.

Based on the above understandings, the Japan Fair Trade Commission has inquired (i) actual situation of IPO pricing process, (ii) actual situation of variety of options for listing and (iii) the Antimonopoly Act issues regarding trade practices in IPOs for the purpose of examining possible causes of the phenomenon that opening price is much higher than offering price in perspective of competition policy and the Antimonopoly Act.

2. Results of Inquiry

The results of the inquiry are available only in Japanese.