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Introduction to Korean Depositary Receipts

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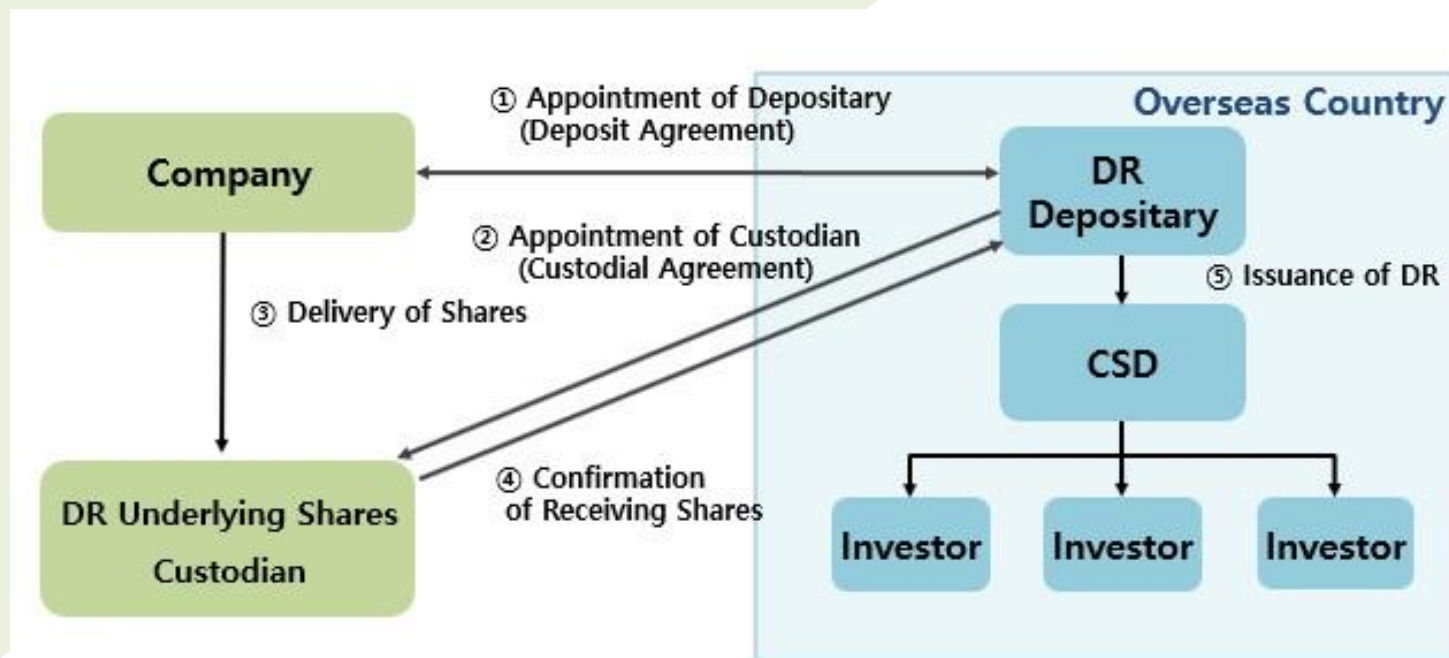
Agenda

- 1. Overview of Korean Depositary Receipts**
- 2. Merits of KDR**
- 3. Issuance and IPO of KDR**
- 4. Rights Exercise of KDR**
- 5. KDR Conversion**

1. Overview of KDR

Depository Receipt(DR)

Financial instrument issued by a depository representing underlying shares which the company has issued in the country of incorporation



1. Overview of KDR

Korean Depositary Receipts (KDR)

Depositary receipts designed for listing foreign companies' shares on the Korean markets.

KDR Depositary

In Korea, an electronic register can act as KDR depositary, and KSD is **the only register** that can issue DR in Korea pursuant to the Act.

1. Overview of KDR

KDR Issuance by Foreign Companies

Issuer	Country	Listing Date	Primary Exchange
Blockchain Group	Cayman Island	Nov. 2007	HKEx(Delisted)
B2I Japan	Japan	Oct. 2008	Non-listed
China Gaoxian	Singapore	Oct. 2010	SGX(Delisted)
SBI Mortgage	Japan	Apr. 2012	Non-listed
SBI Fintech solutions	Japan	Dec. 2012	Non-listed
Access Bio	US	May. 2013	Non-listed
Englewood Lab	US	Oct. 2016	Non-listed
Kolon TissueGene	US	Nov. 2017	Non-listed
JTC	Japan	April. 2018	Non-listed
SNK	Japan	May. 2019	Non-listed
Psomagen	US	July. 2020	Non-listed
Me2zen	Hongkong	August. 2020	Non-listed

2. Merits of KDR

Issuers' Viewpoint

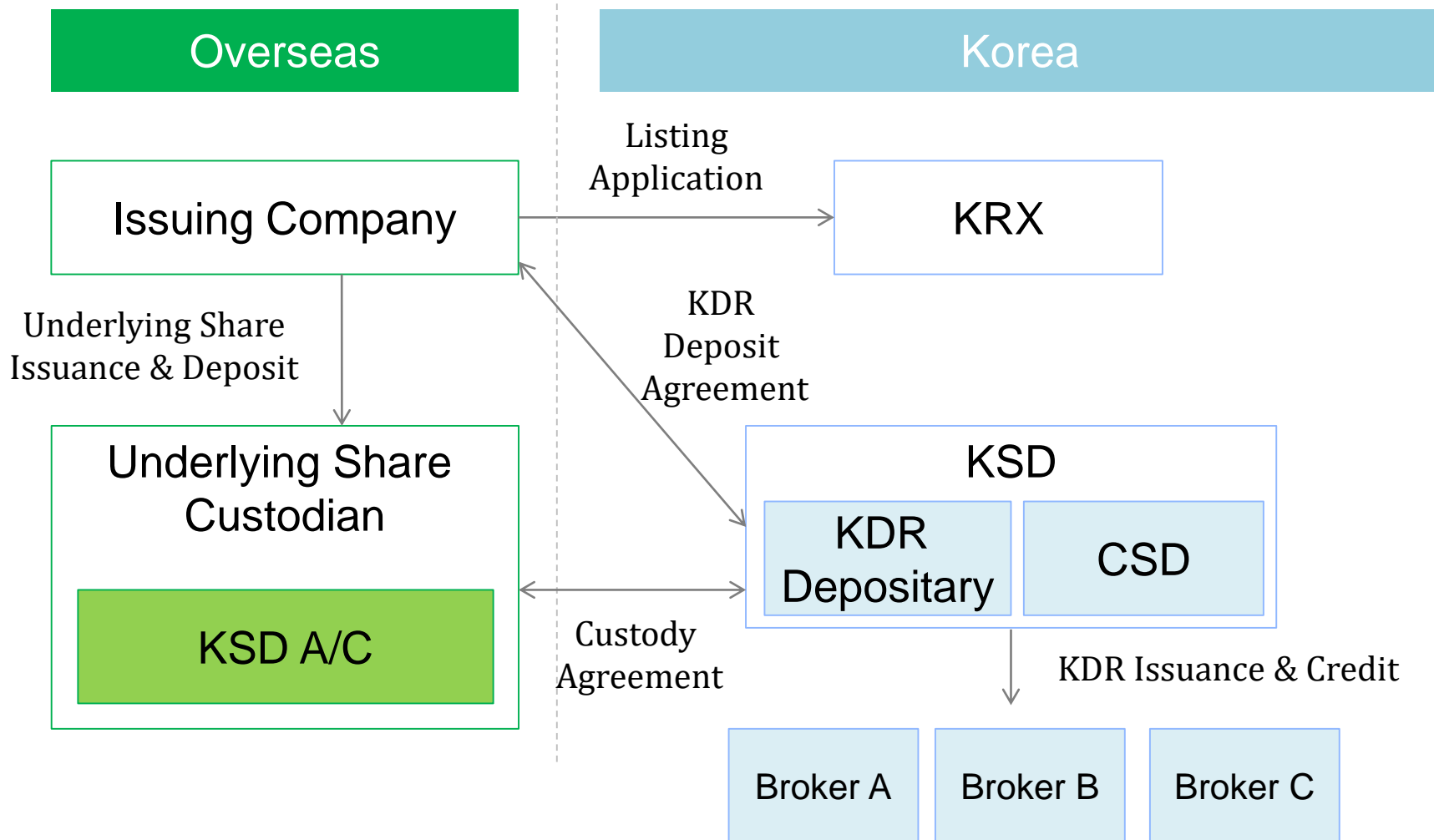
- 1 **Easy to address the conflict of laws** between the countries of incorporation and circulation
- 2 **Inexpensive costs** for seeking legal advice
- 3 **Diversification of fund-raising markets** and securing **new investors**

Investors' Viewpoint

- 1 An opportunity for **international portfolio diversification**
- 2 A possible means of **arbitrage trading**
- 3 Convenient to acquire or transfer
- 4 **No need for currency exchange**

3. Issuance and IPO of KDR

KDR Issuance Procedure & Relevant Parties



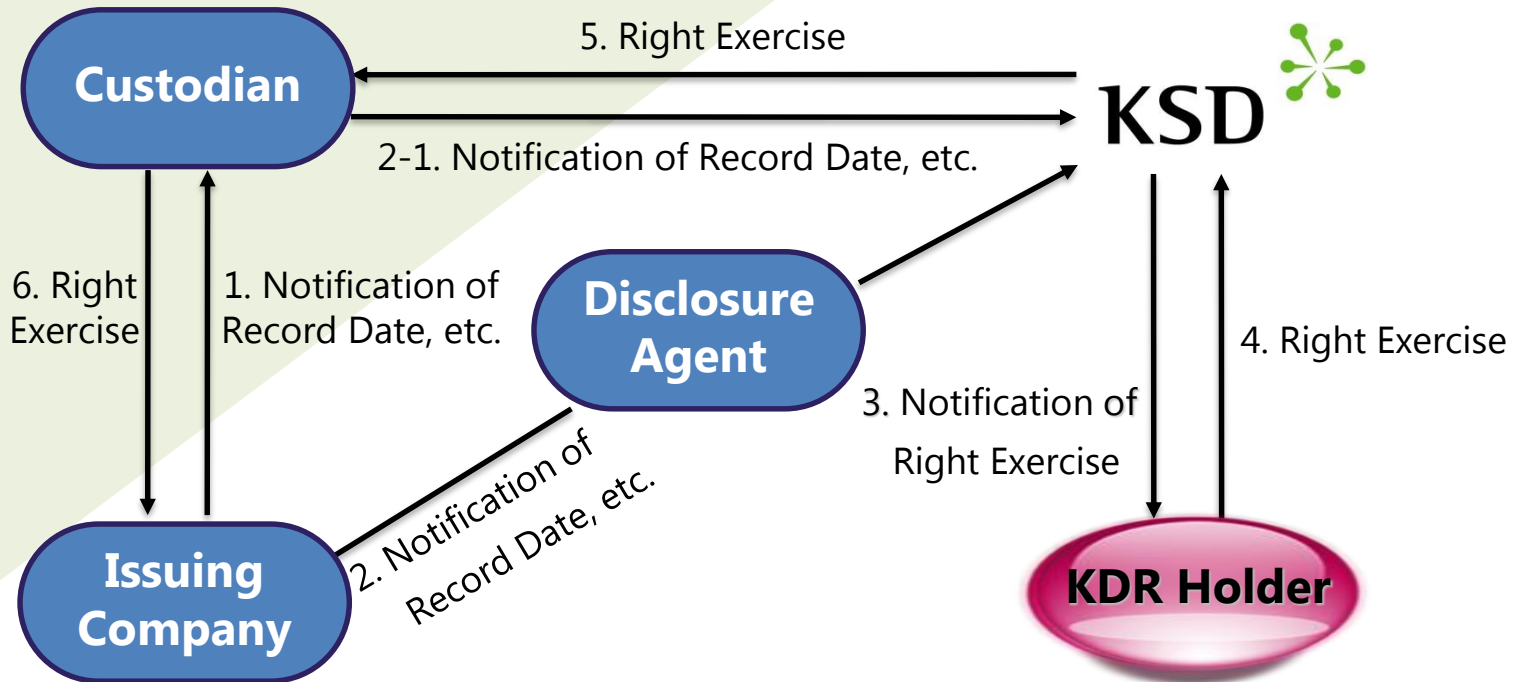
4. Rights Exercise of KDR

Indirect Right Exercise

KDR Holders can exercise rights only through KSD (Depository)
- KDR Holder → Broker → CSD → KSD → Custodian → Issuer

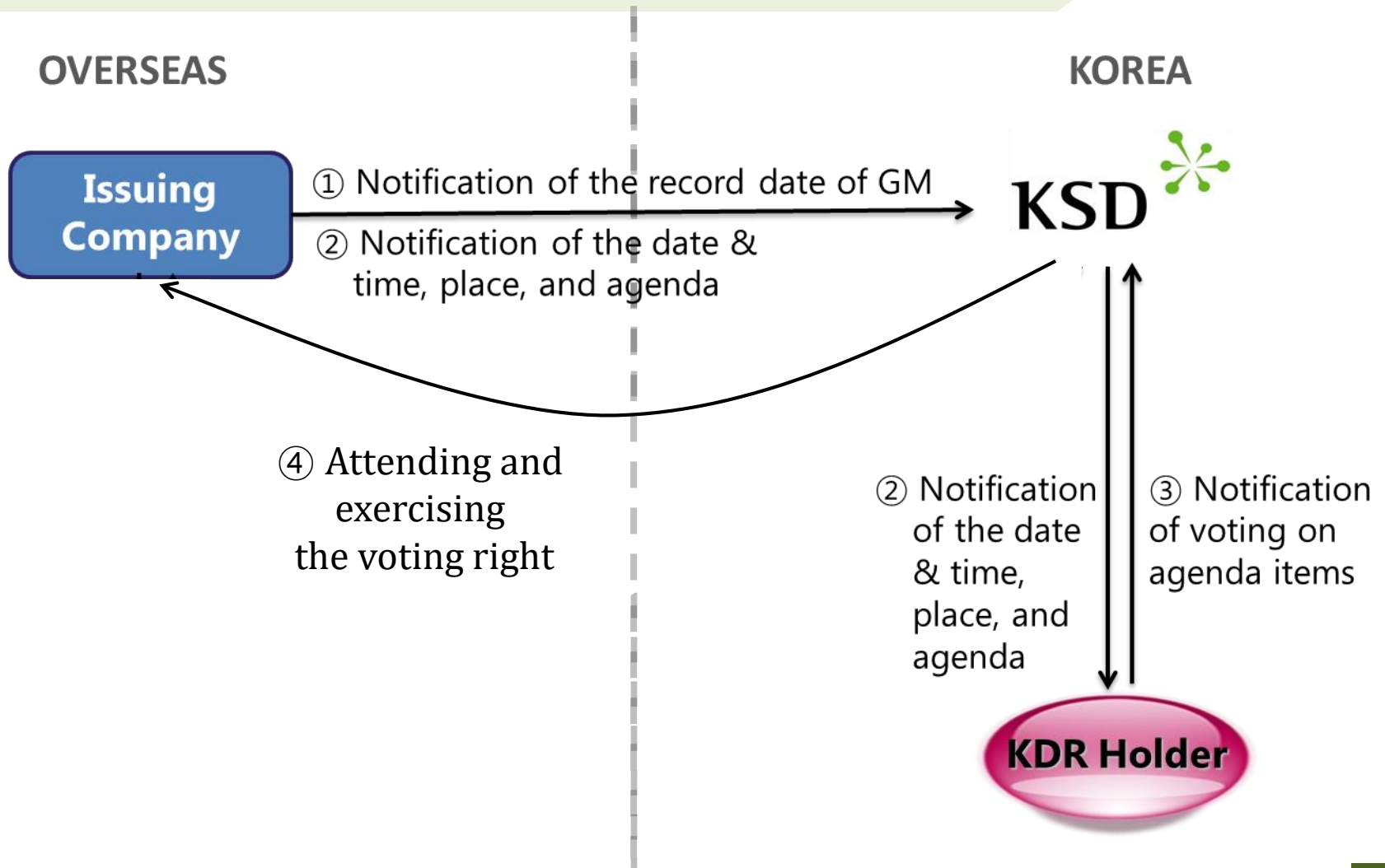
Direct Right Exercise

KDR Holders need to convert KDRs to underlying shares and exercise rights as shareholders
- Minority Shareholder Right (Shareholders' right to proposal, etc.)



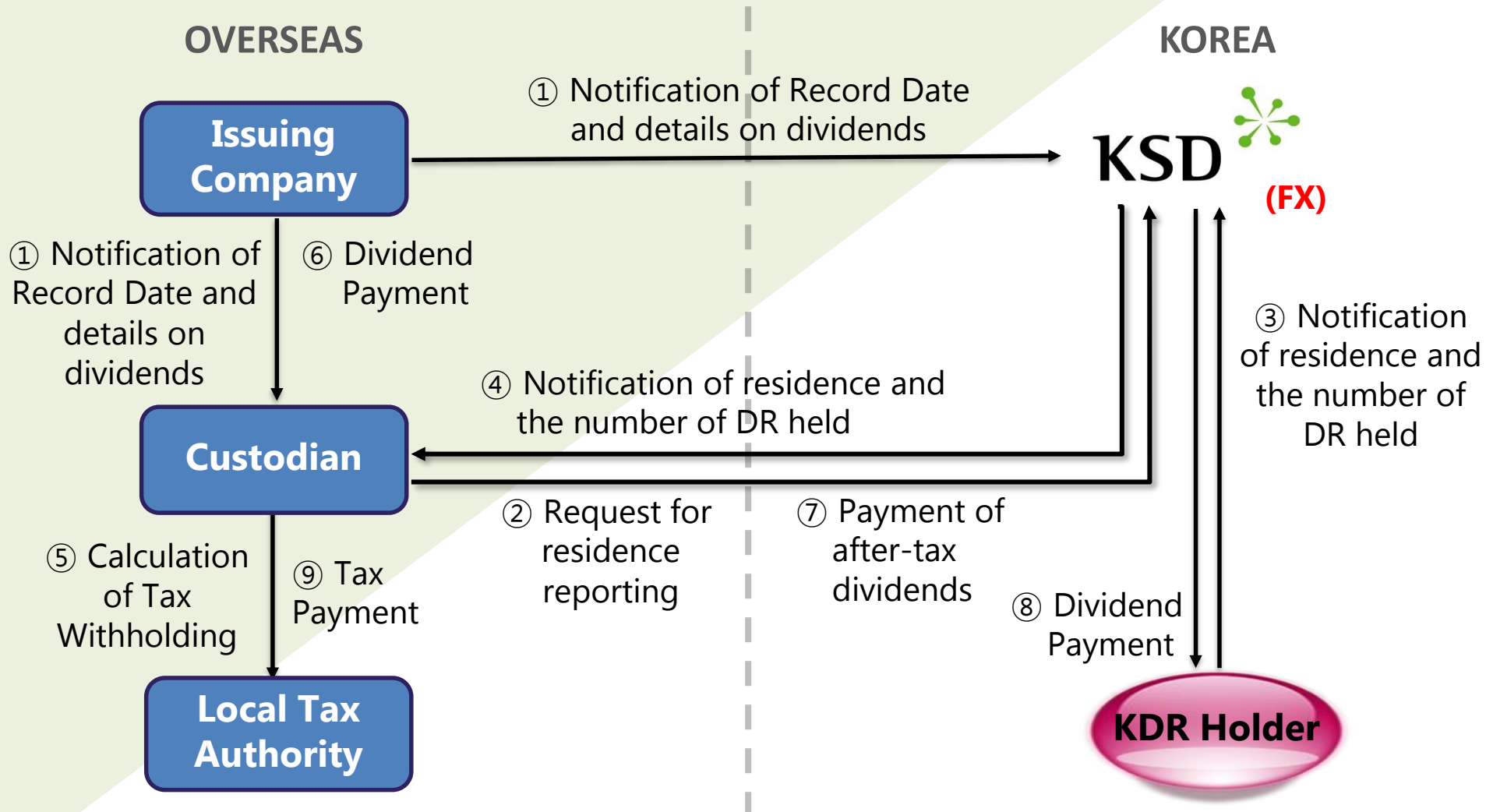
4. Rights Exercise of KDR

(1) Voting rights

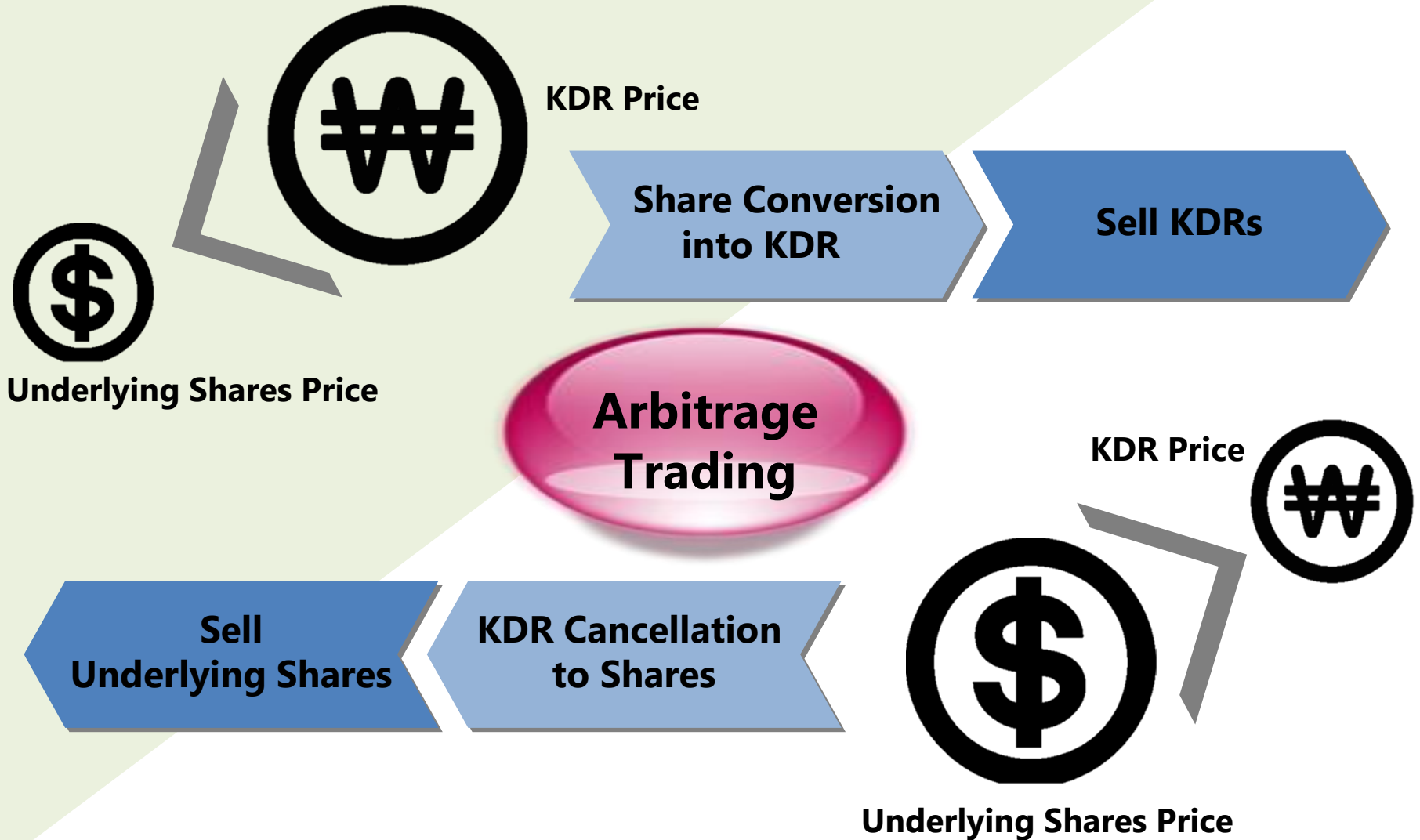


4. Rights Exercise of KDR

(2) Dividends

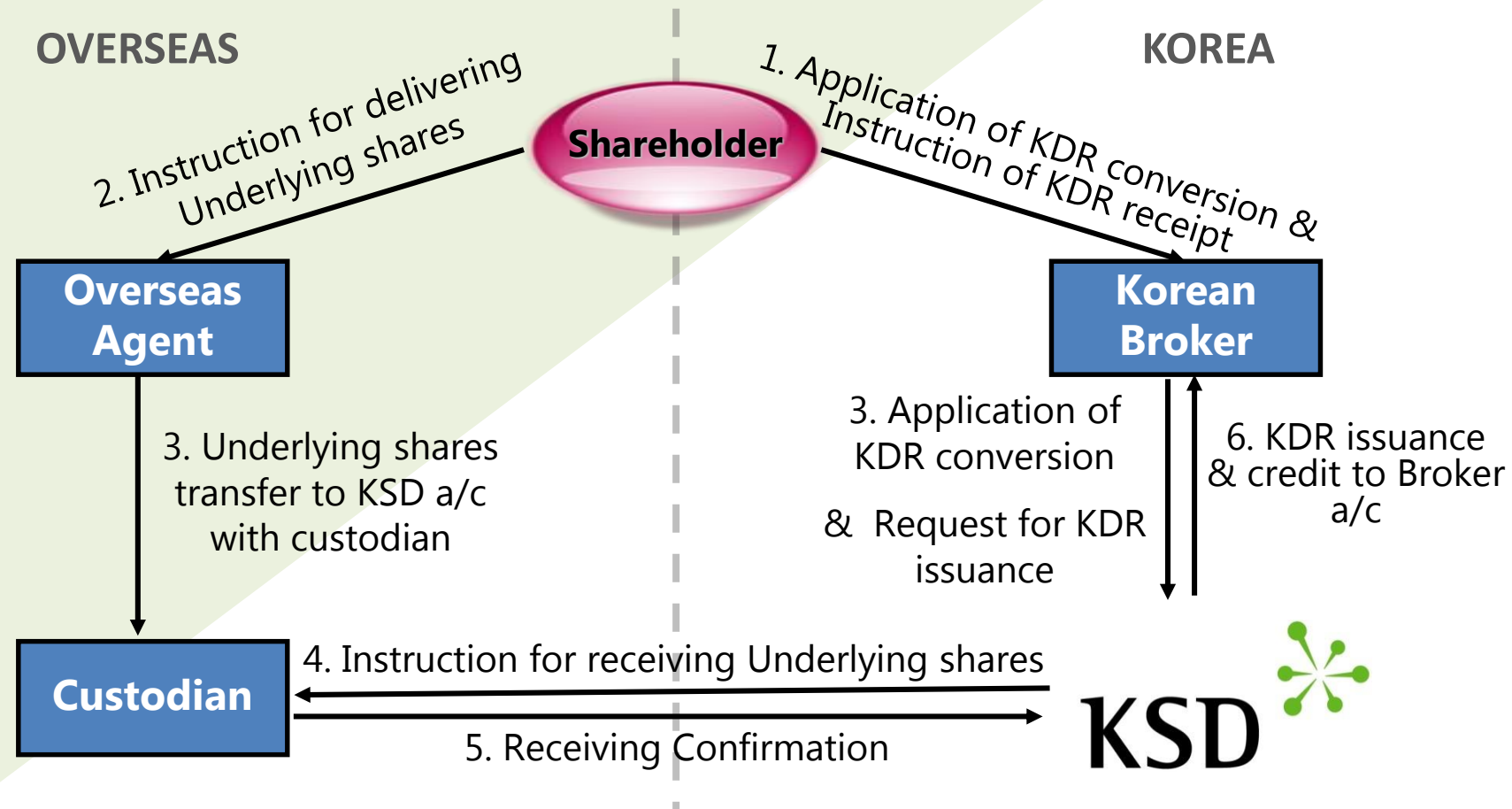


5. KDR Conversion



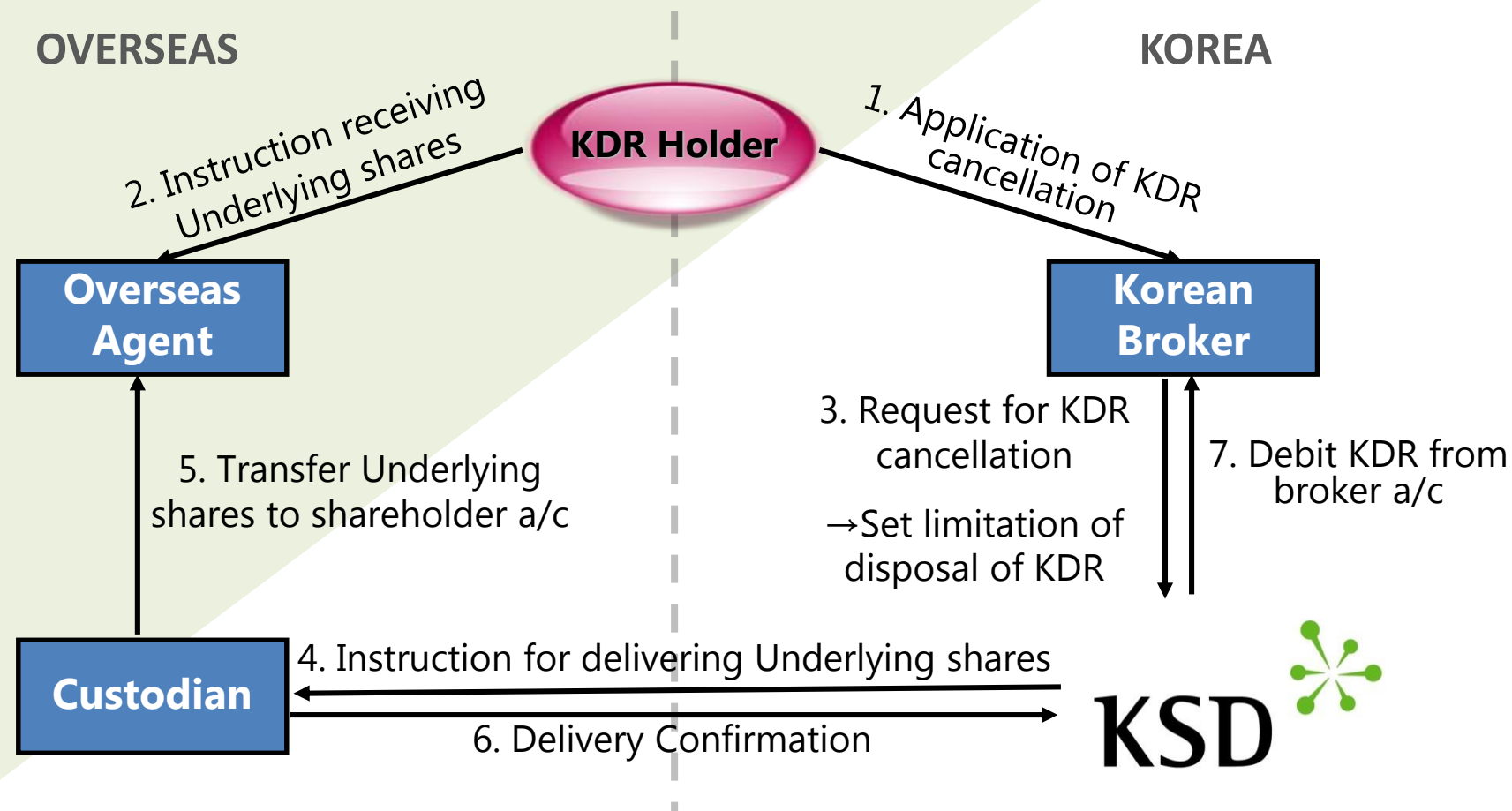
5. KDR Conversion

1. From Underlying shares to KDR (KDR issuance)



5. KDR Conversion

2. From KDR to Underlying shares (KDR cancellation)



Thank you!

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