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EVERYTHING YOU ALWAYS WANTED TO KNOW ABOUT CORPORATE SPLITS IN JAPAN (BUT WERE AFRAID TO ASK)

By Stephen D. Bohrer and Tatsuya Tanigawa

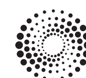
Stephen D. Bohrer is a Foreign Law Partner at Nishimura & Asahi and a leader of the firm's Cross-Border Transactions Group. Tatsuya Tanigawa is a Partner at Nishimura & Asahi. Both are resident in the firm's Tokyo office. Contact: s_bohrer@jurists.co.jp or t_tanigawa@jurists.co.jp.

A corporate split is to Japanese M&A as *dashi* is to Japanese cuisine—both are ubiquitously used and considered fundamental elements in their respective spaces, but their precise composition is not well understood. Over the last two years, approximately 220 Japanese publicly-traded companies have announced plans to engage in a corporate split, including such blue chips as Hitachi, Panasonic, Shiseido, Sony, and Takeda Pharmaceutical. A corporate split can be an efficient and effective tool to segregate businesses in order to (i) sell a specific business to a third party, (ii) contribute a specific business to form a new joint venture company, or (iii) internally transfer a specific business to effect a corporate reorganization. An underlying theme of most corporate splits is that management can more effectively guide business operations if their attention is focused on similar (and not divergent) companies. If properly structured, a corporate split even can be completed on a tax-free basis.

Despite their widespread use, a dearth of English language literature exists to provide deal makers with the requisite knowledge to successfully conclude a corporate split in Japan. This article aims to fill this gap by providing an in-depth analysis of the mechanics, issues to consider and nuances of corporate splits, and concludes with a sample timetable to help sequence the various steps that must occur to properly effect a corporate split under Japanese law.

What Is a Corporate Split?

A corporate split is a divestiture effected by operation of Japanese corporate law. A "corporate split," a "spin-off" and a "demerger" are all synonymous for the same process under Japanese corporate law—hiving off a company's assets and liabilities into a separate and discrete legal entity (either an existing company or a newly established company). A corporate split resembles a corporate merger; however, a corporate split allows the transfer of assets and liabilities by operation of law to another entity instead of combining the two entities into one. A corporate split can be structured as tax-free. While corporate splits typically involve the transfer of a target business given the time and expense involved to complete such a transaction, there is no threshold amount of assets and liabilities that must be subject to a corporate split (unless tax-free status is desired).



Corporate split variants and tax-free achievement are each discussed immediately below:

Types of corporate splits. Corporate splits come in two flavors—an "incorporation type" corporate split (*shinsetsu bunkatsu*) and an "absorption type" corporate split (*kyushu bunkatsu*). Under an "incorporation type" corporate split, the subject assets and liabilities are transferred to a newly established wholly-owned subsidiary of the seller that is created by operation of law upon the closing of the corporate split. This form of corporate split is often suitable for basic businesses or when a buyer wants to acquire a newly formed entity upon the closing of the transaction to avoid assuming hidden liabilities. Annex A-1 (see next page) depicts a basic incorporation type corporate split. Under an "absorption type" corporate split, a newly established or an existing company will be used to house the subject assets and liabilities and the transfer is completed after certain transaction milestones are accomplished. This form of corporate split is most suitable if the business to be transferred requires operating licenses or permits (since applications for such authorizations can be made by the established company before the target business is transferred, with closing conditioned on the receipt of such authorizations). Annex A-2 depicts a basic absorption type corporate split.

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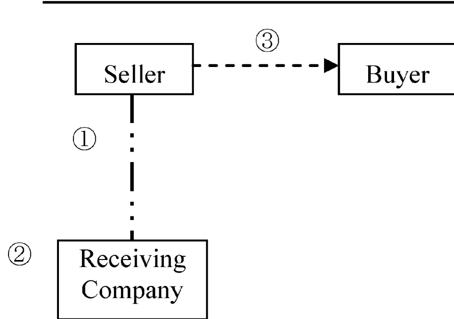
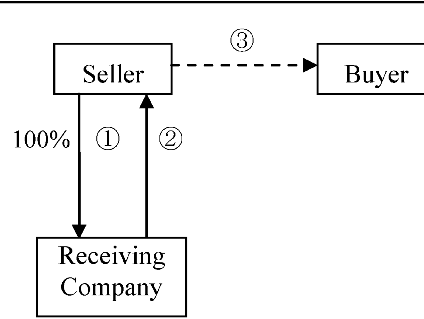
Annex A-1 Basic Incorporation Type Corporate Split	**Annex A-2 Basic Absorption Type Corporate Split**
	
Steps	**Steps**
① Seller executes a corporate split plan	① Receiving Company, an existing wholly-owned subsidiary of the Seller, and the Seller enter into a corporate split agreement (*note that Receiving Company also can be unaffiliated with the Seller*)
② Receiving Company is established as a wholly-owned subsidiary of the Seller upon the closing of the corporate split plan, with target assets and liabilities transferred to the Receiving Company as of such date	② Once the closing conditions are satisfied, target assets and liabilities are transferred to the Receiving Company in exchange for additional Receiving Company shares (*though such new share allotment is not required if the Receiving Company is wholly-owned by the Seller*)
③ Receiving Company shares are sold by the Seller to a third-party Buyer pursuant to a stock purchase agreement	③ Receiving Company shares are sold by the Seller to a third-party Buyer pursuant to a stock purchase agreement

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The entity to which the subject assets and liabilities will be transferred under either an incorporation type corporate split or an absorption type corporate split is referred to in this article as the "receiving company." If a corporate split will be used to make a divestiture to an unrelated third party buyer, then the shares of the receiving company can be sold to the buyer immediately after the consummation of the corporate split. Practitioners also should note that Annexes A-1 and A-2 are not the sole ways in which the flow of consideration can be sequenced in a corporate split.

Tax-free corporate splits. A corporate split can be structured as a tax-free "qualified corporate split" in order for the seller to avoid the recognition of a capital gain on the assets that it transfers in the transaction. While an ordinary/taxable corporate split can involve just a few discrete assets or liabilities, a "business" must be transferred in a tax-free qualified corporate split. A "business" is not defined under the corresponding provisions of Japanese corporate law that deal with corporate split mechanics, so practitioners often rely on judicial precedents that in general define a "business" as a group of assets and liabilities that are organized and integrated for the purpose of conducting a common activity resulting in goodwill (*e.g.*, customer or supplier relationships, business opportunities or business know-how).

In addition to transferring a "business," various other factors must be taken into account to earn tax-free qualified corporate split status, including (i) if the receiving company opts to use shares as the consideration in exchange for the target business, only shares of the receiving company or its direct parent company can be used and there must be an expectation that the seller will hold such shares for a period of time, (ii) approximately 80% of the target business employees must be expected to be engaged in the target business after the corporate split, (iv) the principal assets and liabilities related to the target business must be transferred to the receiving company upon the corporate split, (v) a mutual connection must exist between the target business and a business of the receiving company, and (vi) the size of the target business must not be smaller than one-fifth or larger than five times that of a business housed in the receiving company that has a connection with the target business (based on specified factors) or at least one senior director of the target business and at least one senior director of the receiving company must be expected to take office as a senior director at the receiving company after the corporate split. Generally speaking, an inverse relationship exists between the number of factors that must be satisfied and ownership percentage - as the seller's ownership percentage increases in the receiving company, the number of factors that must be satisfied to effect a tax-free qualified corporate split decreases. It also goes without saying that the foregoing factors are vague and open to interpretation, so counsel should be instructed at an early stage if tax-free status is desired.

If a corporate split will be undertaken as part of an overall plan to sell the target business to an unrelated third party buyer (*i.e.*, Step 3 in each of Annexes A-1 and A-2), then effecting a tax-free qualified corporate split is not possible.

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Major Advantages of a Corporate Split Over Other Transfer Schemes

As an alternative to a corporate split, specified assets and liabilities can be transferred and assumed by a buyer through an asset sale transaction (often referred to in Japan M&A parlance as a "business transfer" or *jigyo jyoto*). The major advantages of a corporate split over a business transfer include:

- various assets, liabilities, contracts, and other obligations can be transferred without third-party consent (subject to certain limitations, as discussed below in "Possible Third Party Consents—Anti-assignment Clause Analysis");
- a seller can transfer all of the employees primarily engaged in a target business without the need to obtain their individual consent (subject to certain limitations, as discussed below in "Potential Hurdles to Completing a Corporate Split—Employee Consultations");
- if numerous contracts are eligible for transfer under a corporate split, then significant time and effort can be saved for the deal team, since consent discussions can be eliminated and contract counter-parties will have little foundation to renegotiate terms in connection with the transfer;
- the registration tax payable on transferred real property is generally lower; and
- a court-appointed appraiser to value the transferred assets can be avoided even if stock is used as the consideration (which is especially helpful as the valuation process can take many months and the economics of the transaction can be jeopardized if an appraiser returns an unexpected valuation).

While assets, liabilities, contracts, and other obligations can be transferred by operation of law under a corporate split, licenses and permits are normally not automatically transferable to a third party (*ergo*, the use of an "absorption type" corporate split, as discussed above in "What is a Corporate Split?—Types of corporate splits"). The receiving company will need to apply for fresh licenses and permits in order to operate the target business (unless it already operates in the same industry as the target business and happens to possess the requisite licenses). This may require negotiating finesse with local regulators if the enabling statute requires the receiving company to possess certain assets before a license can be granted (so a "chicken or the egg" dilemma may arise if the requisite assets will not be transferred until the corporate split is consummated).

Principal Documentation and Disclosure Requirements

A corporate split agreement (in an absorption type corporate split), a corporate split plan (in an incorporation type corporate split), and a stock purchase agreement (when the seller will sell the receiving company housing the transferred assets and the assumed liabilities to a third party buyer as part of the overall transaction) are the principal documents used to complete a transaction involving a corporate split. Of course, various other ancillary agreements may be necessary, such as transition services agreements, secondment agreements, supply agreements, senior executive employment agreements, and intellectual property licensing agreements.

The main body of a corporate split agreement/

plan normally tracks a standard form and is typically not heavily negotiated since the arrangement will be available for public inspection by interested third parties (so sensitive disclosures are intentionally omitted and contained in another transaction document). However, in a corporate split involving an unrelated third party as the ultimate buyer, the annexes that list the assets, liabilities, contracts, and other obligations to be transferred under the corporate split are heavily scrutinized by the buyer in order to confirm that all of the desired assets will be transferred and no undesired liabilities will be assumed by the receiving company. The business and legal teams often will work closely together to make such determination, with legal counsel also assessing whether (i) the description of the transferred assets and liabilities is sufficiently exact to avoid subsequent disputes, (ii) any catch-all transfer language, such as the use of "solely relates" or "primarily relates" with respect to the relation between the target business and the transferred assets and the assumed liabilities is necessary under the circumstances, and (iii) appropriate non-compete waiver language is included to overcome the application of a statutory non-compete under Japanese corporate law that may apply to the seller post-closing.

The stock purchase agreement should contain more detailed representations and warranties relating to the corporate split and the assets that will be transferred and the liabilities that will be assumed. For example, the seller should represent and warrant that the corporate split will be conducted in accordance with the corporate split agreement/plan and Japanese law, all assets and liabilities solely related/primarily related to the target business will be transferred to and assumed by the receiving company as of the closing date (assuming the corporate split involves the transfer of a target business), and the corporate split will not harm any creditors. In addition, the stock purchase agreement should contain corporate split-related closing conditions, such as the seller has not received any objections from major creditors concerning the corporate split and the various corporate split representations and warranties are accurate as of the closing date.

A variety of information stipulated under Japanese corporate law must be made publicly available in connection with a corporate split (typically by storing the relevant information in an office room open for public inspection). For example, prior to the closing of the corporate split the seller must make publicly available the full corporate split agreement/plan, the matters that were considered to support the reasonableness of the valuation of the transferred assets and the assumed liabilities, financial statements of the seller and the receiving company, and a description of any material developments occurring after the execution date of the corporate split agreement/plan. Disclosure obligations continue for six months after the closing of the corporate split, with the seller and the receiving company required to make available for inspection disclosures concerning whether any creditors objected to the transaction and whether any shareholders exercised their appraisal rights.

Possible Third-Party Consents

As mentioned above, a principal advantage of a corporate split is that non-governmental third party consents are normally not required in order to complete the transaction. To definitively determine whether any third party consents are required, the deal team should (i) analyze the anti-assignment provisions in the material contracts

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of the target business, and (ii) determine whether the shareholders of the seller or the receiving company need to approve the corporate split.

Anti-assignment clause analysis. Many Japanese commercial contracts contain broadly drafted clauses prohibiting the assignment of the agreement to a third-party. For example, the anti-assignment clause in a typical Japanese commercial contract might simply state that the "agreement and the rights of a party hereunder may not be assigned without the consent of the other party." While many common law jurisdictions adopt the view that an acquisition resulting by operation of law (such as a corporate split) is not considered an "assignment" or "transfer" and, therefore, the agreement can be assumed without the counter-party's consent (unless an anti-assignment clause expressly stipulates that the arrangement cannot be assigned or transferred by "operation of law" or otherwise), the same analysis does not apply under Japanese law.

Due to the absence of applicable Japanese legal precedents and the lack of consensus among noteworthy Japanese legal scholars on the scope of anti-assignment clauses, many Japanese legal practitioners take the view that most Japanese-law governed contracts can be assigned regardless of any restrictions under an anti-assignment clause, but an assigning party will be exposed to a damage claim if the contract's anti-assignment clause is breached. The foregoing analysis leads to a focus on the magnitude of an assigning party's potential damage exposure rather than whether an actual assignment or transfer of contractual rights occurred under Japanese law, and results in a *de facto* prohibition on certain assignments if the assigning party will be exposed to a large damage claim (as under such circumstances it would be prudent for it to obtain the counter-party's prior consent to transfer). Accordingly, legal counsel should be brought into a corporate split transaction at an early stage to develop a position towards third-party consent requirements, which evaluation will often consider the assigning party's damage exposure by examining the language of the anti-assignment clause, the history of the negotiations under the subject contract, whether the receiving company (or the buyer, if applicable) is a competitor of the counter-party under the subject contract, the renewal terms of the subject contract, and the nature of the services to be provided under the subject contract.

A different analysis applies if the agreement to be assigned is governed by non-Japanese law. Legal counsel will need to consider whether the laws of the foreign jurisdiction allow the receiving company to assume the subject agreement by operation of law under an arrangement similar to a corporate split. If the subject jurisdiction prohibits such assumption or does not have a scheme sufficiently similar to a corporate split for comparative purposes, then the transaction parties could face a very difficult decision of whether to transfer the subject agreement to the receiving company without obtaining the counter-party's consent.

Shareholder approval requirements. The approval of two-thirds or more of the voting rights of the seller's shareholders is required if the book value of the transferred assets represents more than 20% of the book value of the seller's total assets. A similar super-majority shareholder approval is required for the receiving company under an "absorption type" corporate split if (i) the book value of the consideration to be paid

represents more than 20% of the book value of the receiving company's net worth, or (ii) a sufficient number of shareholders inform the receiving company that they object to the transaction (which number can range from shareholders holding one-ninth to one-sixth of the receiving company's outstanding voting rights, depending on the quorum requirements specified in the receiving company's articles of incorporation). The need to obtain shareholder approval could make the proposed corporate split impractical if the seller or the receiving company is a publicly traded company without a large controlling shareholder and undesirable due to the length of time to obtain it and the potential costs that the seller and the receiving company could incur if dissenting shareholders exercise their appraisal rights (as discussed below in "Potential Hurdles to Completing a Corporate Split—Appraisal Proceedings").

Potential Hurdles to Completing a Corporate Split

While a corporate split can be completed without the need to obtain third party consents, the interests of various stakeholders must be addressed. In particular, the seller will need to (i) consult with employees whose employment relationship will be transferred to the receiving company to garner their support for the transaction, (ii) deal with objections raised by creditors to the corporate split, and (iii) partake in appraisal proceedings if shareholders validly object to the corporate split.

Employee consultations. Under Japanese labor laws, persons who are "primarily engaged" in a business that is subject to the corporate split and who are identified in the corporate split agreement/plan as employees to be transferred will have their employment relationship transferred by operation of law to the receiving company upon the consummation of the corporate split, but such employees may have a claim against the receiving company if their employment conditions will be worse after the transfer. Accordingly, the following key employee-related matters require special attention when undertaking a corporate split:

Identifying the employees to be transferred. A seller cannot unilaterally determine who will be transferred under the corporate split. Employees who are primarily engaged in the target business can object (and demand a transfer) even if the corporate split agreement/plan stipulates that they will not be transferred. Similarly, if the corporate split agreement/plan provides for the transfer of employees who are *not* primarily engaged in the target business, such persons can object and demand that their employment relationship remain with the seller. A "business" is not defined under Japanese labor laws, so practitioners often rely on the same judicial precedents used when evaluating whether a corporate split can be structured on a tax-free basis (as discussed above in "What is a Corporate Split?—Tax-free corporate splits").

The seller must give employees of the target business at least 13 days to lodge an objection. Whether employees who do not devote their full attention to the target business would fall under the definition of persons "primarily engaged" in the target business depends on a variety of factors set forth in Japanese labor regulations, including an assessment of the time spent on matters relating to the target business by the subject employee and the role/responsibility of the subject employee.

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The receiving company or buyer (as applicable) should be actively involved in determining which employees are transferred with the target business, because making such a determination is susceptible to gamesmanship by the seller despite Japanese guidelines that discourage misconduct. Specifically, so long as the seller obtains the consent of the subject employees, a seller could use the corporate split as an opportunity to transfer workers unrelated to the target business in an effort to reduce dead-weight, or could fail to transfer key employees related to the target business because such persons would be instrumental to the seller's other operations.

Ensuring that employment conditions remain substantially the same. A receiving company usually offers the target business employees approximately the same base salary, bonus program, perks provided under employee work rules, and pension benefits available to them immediately prior to the corporate split. A receiving company does not need to completely or entirely replicate the terms of employment because it is permitted under Japanese law to make "reasonable" changes to the terms of employment available to the target business employees. However, such exception does not truly provide a receiving company with great flexibility to make material changes to the terms of employment available to the target business employees because "reasonable" is not defined clearly under Japanese law and judges on Japan's specialized labor courts are typically pro-employee. A receiving company, therefore, should consult with legal counsel if it intends to make material changes to the base salary, bonus program, perks provided under employee work rules, or pension benefits available to the target business employees after their transfer to the receiving company.

Continuing the pension benefits for the transferred employees can lead to unexpected traps because in many cases pension plans pre- and post-closing cannot be split within the same plan. A seller, therefore, may need to provide pension transition services covering the transferred employees for months after the closing due to the length of time it may take and the complexity of completing the pension rectification exercise (as the deal team will face great pressure to close if all other closing conditions have been satisfied).

A receiving company also should note that complying with the compensation maintenance requirements of a corporate split can lead to internal tension if the target business employees will receive a greater overall compensation package than the existing employees of the receiving company or the buyer (if applicable). Thus, the receiving company and the buyer may need not only to comfort the target business employees but also may need to dissuade existing employees from demanding equivalent pay or otherwise disrupting the workplace environment.

Creditor objections. Creditors whose loans will be assumed by the receiving company and creditors of the seller may lodge objections to a corporate split, which are each discussed immediately below.

Creditors whose loans will be assumed by the receiving company. Creditors whose loans will be assumed by the receiving company may object for a number of reasons, such as the receiving company has a substantial amount of senior debt or *pari passu* debt, a bad credit history, a poor reputation or uncertain business prospects. Thus, the seller is required to notify those creditors whose loans will be assumed by the receiving company about the proposed corporate split and

allow such creditors a minimum of 30 days to object to the loan assumption. If a creditor timely objects, then the seller must either discharge the obligations owed to the creditor or furnish adequate collateral to serve as security for the obligations owed to the creditor, unless the seller can demonstrate that the corporate split will not harm the creditor.

To satisfy the creditor notice requirement discussed immediately above, the seller must place a notification in the "official gazette" (*kampo*) and send individual notices to each known applicable creditor. A direct creditor notification requirement could be problematic for the seller if the pool of creditors is large or there are strategic concerns about sending notices directly to creditors. Fortunately, a fix exists. Except where the creditor has or could have a tort claim against the seller, a seller does not need to send individual notices to creditors if the seller's articles of incorporation permit it to satisfy its individual notification requirements either through publication in a daily newspaper or placement of an electronic public notice (*denshi kokoku*) and notification is completed in accordance with such requirements. Thus, the deal team should review the seller's articles of incorporation to determine the required public notification method and adjust the timetable for the corporate split if an amendment to the seller's articles of incorporation is desired to permit a different individual notification method.

Creditors of the seller. Creditors of the seller also may have concerns if a corporate split will result in the transfer of a substantial portion of the assets of the seller while only a small portion of the liabilities of the seller will be transferred, or if the seller does not receive adequate compensation under the corporate split. In addition to initiating a fraudulent conveyance claim, amendments to Japanese corporate law that became effective in 2015 provide creditors with a further protection—if a seller's creditor is harmed by a corporate split (*e.g.*, the seller is unable to repay the creditor in full) and the parties to the corporate split were aware of this potential harm, then such creditor may make a claim directly against the receiving company since presumably that entity will have more funds to satisfy the creditor's claims since it received various assets from the seller.

Appraisal proceedings. Appraisal rights are available to shareholders who are entitled to object to the corporate split due to the size of the transaction. Specifically, shareholders of the seller are entitled to object if the book value of the transferred assets subject to the corporate split represents more than 20% of the book value of the seller's total assets, and shareholders at the receiving company level are entitled to object if the book value of the consideration to be paid in the corporate split represents more than 20% of the book value of the receiving company's net worth.

To exercise appraisal rights, a shareholder must inform the seller/the receiving company within a statutory 20-day window prior to the effective date of the corporate split that it wishes to exercise its appraisal rights, and the shareholder must vote against the corporate split (if the shareholders are required to approve the corporate split). In this regard, note that shareholder approval at the receiving company level is not required despite the value of the transaction meeting the applicable net worth threshold if there is a 90% or more capital ownership rela-

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tionship between the seller and the receiving company (*i.e.*, the seller owns 90% or more of the outstanding voting rights in the receiving company, or a 90% or more controlled subsidiary, though not technically the receiving company, transfers assets and liabilities under a corporate split to its parent company).

Under Japanese corporate law, objecting shareholders who exercise their appraisal rights are entitled to receive a "fair price" for their repurchased shares. Japan's Supreme Court ruled in 2011 that if a corporate split does not result in an increase in corporate value (*e.g.*, a corporate split involving the transfer of a target business to a receiving company that is a wholly-owned subsidiary of the seller), then an objecting shareholder should not be entitled to any premium and the appraisal valuation should be based on the fair value of the subject shares as of the date the objecting shareholder exercised its appraisal rights. Depending on the circumstances, therefore, shareholders may have little economic incentive to exercise their appraisal rights.

Piecing It All Together: Corporate Split Timeline

Undertaking a corporate split in Japan is complex and requires a fine attention to details. A corporate split normally takes approximately two months to complete (and will take even longer if shareholder approval is required for a transaction party that is a publicly traded company). Thus, the amount of time required to complete a corporate split can be a disadvantage to using this structure, unless other acquisition structures would require a similar amount of time to complete or require lengthy regulatory consents or licenses (so the time incurred to complete the corporate split mechanics would not cause an additional delay).

Determining the closing date for a corporate split presents a unique challenge. In particular, the effective date for the corporate split must be stated in the corporate split plan/agreement. If the stated closing date turns out to be incorrect, then a notice must be disseminated to third parties in accordance with the method specified in the seller's articles of incorporation (as discussed above in "Potential Hurdles to Completing a Corporate Split—Creditor Objections") to inform them about the new closing date at least one day prior to the then existing closing date (if the closing date will be delayed) or one day prior to the new closing date (if the closing date will be accelerated). As such, the transaction parties will face a conundrum if it is difficult to know in advance when the closing conditions for a transaction will be satisfied.

Annex B provides a short-form indicative timeline for a seller undertaking an incorporation type corporate split where the seller is a privately held company and shareholder approval is required to complete the corporate split (and such shareholder approval will be obtained through a written consent). The timeline for a corresponding absorption type corporate split is similar. Of course, the indicative timeline should be adjusted for the dynamics of a particular transaction.

Annex B
Short-Form Indicative Timeline for Incorporation Type Corporate Split

Date	Description	Comments
X-55	Approval of the corporate split plan and related transaction documents by seller's board of directors.	
X-54	Commencement of discussions with representatives of the employees of the seller to obtain their understanding and support for the corporate split (e.g., consultation at every work place with the labor unions, or a representative of a majority of the employees).	Seller should commence these discussions before discussing the transaction with the individual employees (as outlined immediately below).
X-47	Commencement of discussions with the individual employees of the target business.	Seller should expect multiple discussions with employees, so these discussions should commence well in advance of the effective date of the corporate split.
X-47	Reservation of space in the "official gazette" (*kampo).*	As publication in the "official gazette" is a popular way to satisfy public notification requirements, an advance reservation is essential.
X-47	Application for monitoring of electronic public notice (assuming that electronic public notice is permitted in the seller's articles of incorporation).	This assumes that the seller's articles of incorporation permit such notification method.
X-40	Official notification of the corporate split to the individual employees of the target business and other employees to be transferred.	Notification should be provided two weeks and a day prior to the date of the shareholders' meeting to approve the corporate split. Seller's employees should have at least 13 days to dissent against the corporate split.
X-40	Public notice of the corporate split in the "official gazette" and by electronic public notice.	At least a one-month objection period should be allotted to seller's creditors between the date of public notice and the effective date of the corporate split.
X-40	Commencement of Pre-Corporate Split Disclosure.	This date should be the earliest of (i) the date of the public notice, (ii) the date of notice to shareholders, and (iii) the date two weeks prior to the shareholders' meeting to approve the corporate split or the date of the board of director's proposal to its shareholders to obtain their written consent to approve the corporate split, as the case may be.
X-26	Expiration of the period during which the employees of the target business and other persons to be transferred can object to the transfer or non-transfer of their employment under the corporate split.	
X-21	Notification of the corporate split to the seller's shareholders,	
X-8	Expiration of the one-month period during which the seller's creditors can object to the corporate split.	The period during which the creditors can object to the corporate split should expire no later than one day immediately prior to the effective date of the corporate split.
By X-1	Proposal by seller's board of directors meeting to obtain shareholders' written consent for the corporate split.	
By X-1	Written consent of the seller's shareholders to approve the corporate split.	
X-1	Expiration of the period during which the seller's shareholders can exercise their appraisal rights.	
X	**Effective date of the corporate split and the incorporation of the receiving company.**	**The effective date should be coordinated to occur on the same date as the satisfaction of the closing conditions under the stock purchase agreement.**
X+6 months	Expiration of Pre- and Post-Corporate Split Disclosure requirements.	

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