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Essence of the Tokyo Stock Exchange Restructuring: Tougher on Corporations than Expected

Hurdles get higher for new listings, market transition, and maintaining listings

Policy Research Dept.
Atsushi Kamio

Summary

- The Tokyo Stock Exchange has announced its "Overview of the Market Structure Review: Outline of the New Market Segments." There are no significant changes in market classifications or concepts from the *Financial System Council Capital Market Working Group Final Report by the Expert Study Group on the Structure of Capital Markets in Japan* published by the Financial Services Agency (FSA) at the end of last year. The three markets are the Prime Market, the Standard Market, and the Growth Market (both provisional names). Transition to the new market is scheduled for April 1, 2022.
- New listing and maintenance standards are indicated for each market, along with concrete categories including liquidity, governance, operating results and financial position. Currently listed companies are required to choose their markets independently in accordance with the listing maintenance criteria. In addition, changes in the definition of shares in circulation are under consideration. Cross-shareholdings may be excluded from shares in circulation.
- Companies listed on the first section of the stock market that aim to be listed on the Prime Market but fail to meet the listing maintenance criteria can utilize transitional measures, but the conditions which must be met are the announcement of plans and the disclosure of progress toward achieving the listing maintenance criteria. Markets judge whether a listing is good or bad, and companies need to take actions to improve their corporate value more than ever before.
- Revision of the current system is also anticipated prior to the transition to the new market. Relaxed standards have been applied for promotion from Mothers and others to the first section of the market, which may be revised in July this year. On the other hand, it is anticipated that companies making losses will be able to list on the first section of the market.

Attention

This report is a summary translation. The official document is only in Japanese.