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Following Dissolution of Parent-Subsidiary Listing, are Quasi-Controlled Listed Companies Next?

Investors focus on discussions regarding Quasi-Controlled Listed Companies

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Summary

- Attentions are on moves on the stock market where, in association with the dissolution of a parent-subsubsidiary listing, subsidiaries are made into wholly owned subsidiaries through tender offers, or the parent company sells its holdings of shares of the subsidiary to another company. There are concerns on the part of investors regarding the risk of structural conflict of interest in association with parent-subsubsidiary listings between the parent company, which is the controlling shareholder, and shareholders other than the controlling shareholder.
- A study group is now being held on the Tokyo Stock Exchange (TSE) regarding how to deal with this issue, called the “Study Group to review Minority Shareholder Protection and other Framework of Quasi-Controlled Listed Companies.” Quasi-Controlled Listed Companies are listings with shareholders who have substantial control based on the holdings of voting rights of listed companies (“Quasi-Controlling Shareholder”). There are concerns regarding the problem of minority shareholder interest in association with Quasi-Controlled Listed Companies.
- Much attention is being paid by investors to these discussions on the TSE. Depending on which way the discussions go, they could encourage a move toward dissolving parent-subsubsidiary listings, while at the same time leading to take-over bids (TOB) of Quasi-Controlled Listed Companies by Quasi-Controlling Shareholders, or the sale of Quasi-Controlled Listed Companies.
- Considerations regarding the rationale behind listing companies with Quasi-Controlling Shareholders are of particular interest. If the thinking behind various listings were to be clearly indicated, companies would likely be found whose Quasi-Controlled Listed Companies makes no sense. In this case, Quasi-Controlling Shareholder and Quasi-Controlled Listed Companies will be compelled to make some sort of corporate decision. It is also likely that investors would act even before that point.

Attention

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

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