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# One of the Criteria for Adoption by New TOPIX Will Be the Level of Governance

**Selection standards include qualitative factors as well as market capitalization of tradable shares**

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## Summary

- When the Tokyo Stock Exchange is migrated to the new market segment in April 2022, TOPIX will also be reviewed accordingly. Currently, TOPIX is for all companies listed on the 1<sup>st</sup> Section of the TSE, but the new TOPIX is expected to use selection criteria based on liquidity and governance conditions. In addition, there is a strong likelihood that the selection process will take place once or twice a year, with some issues being replaced.
- The detailed definition of the liquidity criterion to be adopted for the new TOPIX has not been disclosed at this time, but market capitalization of ¥10 billion in market capitalization of tradable shares is being targeted. As for governance, items such as the number and percentage of independent outside directors may be used.
- According to the screening of companies currently listed on the First and Second Sections of the Market, approximately 1500 companies will be selected with market capitalization of at least ¥10 billion in market capitalization of tradable shares and two or more independent outside directors. If the ratio of independent outside directors is set at one-third or more and the same totals are used, about 900 companies will be selected.

## Attention

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