

1 June 2022 (No. of pages:2)

Japanese report: 20 Apr 2022

Significance of the Reorganization of the Tokyo Stock Exchange and Future Issues

Considering the expiration date of the transitional measures and additional reconsiderations of TOPIX

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Summary

- New markets in the Prime, Standard, and Growth categories have commenced on the Tokyo Stock Exchange (TSE). A rethinking of TOPIX is also underway.
- Market reorganization and the rethinking of TOPIX can be regarded as responding to the problems pointed out by market participants, such as the ambiguity of the concept of market segmentation, and the problems of not sufficiently fulfilling expected roles in terms of motivating companies to increase sustainable value.
- In particular, raising the listing maintenance standards to the same level as the new listing standards raised the hurdle for corporations to maintain their listings. The revised maintenance standards are not lower than those of the U.S. market.
- The expectation is that companies will be encouraged to take actions aimed at sustained enhancement of corporate value.
- However, there are also issues such as the lack of explicit timing for the conclusion of transitional measures due to market reorganization, and the fact that the selection criteria for TOPIX constituent stocks is still low.
- A scenario will emerge in which a basic policy for transitional measures will be decided within the year 2022, and the deadline for termination will be clarified by the time of the 2024 Corporate Governance Code revision.
- Other changes that should be considered include raising the selection criteria for TOPIX, and the selection of new issues several times a year.

Attention

This report is a summary translation. The official document is only in Japanese, included in the DIR Research Quarterly Review (Vol.46).