Cross-Border Listings Guide - Tokyo Stock Exchange

Overview of exchange

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# Overview of exchange

[Last updated: 1 January 2024, unless otherwise noted]

The Tokyo Stock Exchange (commonly referred to as the TSE) has five markets:

The Prime Market.

The Standard Market.

The Growth Market.

The TOKYO PRO Market.

The TOKYO PRO-BOND Market.

Prior to the market restructuring, which became effective on 4 April 2022, the TSE had four market divisions, namely, "First Section", "Second Section", "Mothers" and "JASDAQ". These market segments have been reorganized into "Prime Market", "Standard Market" and "Growth Market". There has been no change to "TOKYO PRO Market" and "TOKYO PRO-BOND Market" as a result of this market restructuring. This market restructuring was conducted for the following reasons: (i) the concept of each market segment was vague and not convenient for many investors, and (ii) the criteria for transferring to the First Section from the other market segments were less strict than the criteria for initial listing on the First Section, and thus the system did not encourage active enhancement of corporate value after listing.

The TOKYO PRO-BOND Market was established in 2011 as a new debt securities market for professional investors. Market participants in the TOKYO PRO-BOND Market are limited to "specified investors," which include non-Japanese residents. The term "specified investors" also includes: (i) Japanese banks, insurance companies and other qualified institutional investors; (ii) listed companies; (iii) joint-stock corporations with at least ¥500 million (approximately US$3.55 million) in capital; and other approved corporations, together with approved individuals.

To be listed on the TOKYO PRO-BOND Market, the securities must be designed as transferrable only among the eligible market participants. For that purpose, certain transfer restriction agreements must be incorporated in the bonds or the transaction documents. TOKYO PRO-BOND Market would be convenient for cross-border issuers in the following respects:

The listing procedure is simple and could be completed in a relatively short time.

Japanese language disclosure documents are not required and English disclosure documents may be used.

After the offering, continuous disclosure requirements (the filing of annual and semi-annual securities reports) are largely exempted. Only a limited simple disclosure under the listing regulations of the TSE is required.

EDINET disclosure (filing for public viewing) and printing and distribution of hardcopy prospectus is not required.

As of the end of December 2023, the aggregate market capitalization of listed securities on the TSE was ¥867,406 billion (approximately US$6.16 trillion). This represents an increase of 15.2% since December 2021, when an aggregate market capitalization stood at ¥753,020 billion (approximately US$5.35 trillion).

Each of the Prime Market, Standard Market and Growth Market is for domestic and foreign-listed companies, and companies from all industry sectors may be listed. None of these markets specializes in or encourages listings by particular types of companies. The TSE does not make any specific distinction between primary and secondary listings.

As of the end of December 2023, there were 1,657 companies (January 2022: 1,477) with equity securities listed on the Prime Market, along with 1,621 for the Standard Market; 565 for Growth Market and 90 for TOKYO PRO Market. Of these, 6 (January 2022: 6) were foreign companies.

In Japan, two main regulators are normally involved in the proposed listing on the TSE. They are the TSE and the Kanto Local Finance Bureau (KLFB). The TSE takes the lead role in regulating companies seeking admission to the TSE markets and supervising those companies once they are listed. The KLFB performs a lead role in the registration of the offering of securities and reviewing the disclosure documents. During the listing process, the Listing Division of the TSE is the primary point of contact for listing applicants and their advisers. The Listing Division vets materials submitted by listing applicants for compliance with the TSE's listing rules and prospectus requirements under the local company and securities laws. The KLFB does not actively participate in the listing approval process, but, if it appears to the KLFB that the disclosure materials of a listing applicant contain false or misleading information, the KLFB can intervene in the applicant's offering.

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