Cross-Border Listings Guide - Tokyo Stock Exchange

Principal listing and maintenance requirements and procedures

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# Principal listing and maintenance requirements and procedures

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

The TSE does not consider any jurisdictions of incorporation or industries to be unacceptable for a listed company.

*Financial tests for initial listing*

There is no difference in financial requirements between a foreign company and a domestic company, or between a primary and secondary listing.

For a listing on the Prime Market, the company's expected aggregate market capitalization as of the listing day must be at least ¥25 billion (approximately US$177.50 million). The company's net assets (shareholders' equity) must be at least ¥5 billion (approximately US$35.50 million). In addition, the company must meet either of the following requirements:

*Profit for the two most recent years*. The total amount of profits in the last two years must be at least ¥2.5 billion (approximately US$17.75 million).

*Market capitalization and sales*. The company's total market capitalization must be at least ¥100 billion (approximately US$710.00 million), with sales of ¥10 billion (approximately US$71.00 million) or more in the most recent year.

For a listing on the Standard Market, the company's net assets (shareholders' equity) must be larger than zero. In addition, as for the profit test, the total amount of profits in the last one year must be at least ¥100 million (approximately US$710,000).

*Other requirements for listing*

*Operating history*. A foreign company is required to have continuously carried out its business for three full fiscal years before the date of its listing application.

*Corporate form*. A foreign company does not need to adopt a specific type of corporate organization. The soundness of corporate management and the effectiveness of corporate governance and internal control system, however, will be examined, as discussed in Section 5 below.

*Financial statements*. In order to be listed:

A "false statement" must not have been made in any of the year-end financial statements for the last two years or in any quarterly financial statements for a quarterly accounting period ending in the current year.

A CPA must have opined that the financial statements represented the company's financial position "fairly," on "unqualified terms" or "fairly" albeit on "qualified terms" in an audit report attached to the financial statements for the next-to-last full business year.

A CPA must have opined that the financial statements represented the company's financial position "fairly," on "unqualified terms" in an audit report attached to the financial statements for the most recent full business year, as a general rule.

*Ownership*. A company seeking a primary listing must have by the time of listing at least:

800 or more shareholders worldwide, in the case of a listing on the Prime Market.

400 or more shareholders worldwide, in the case of a listing on the Standard Market.

*Minimum price, escrow and "lock-in."* A listed foreign company is not required to have or maintain a minimum trading price for its securities, and in connection with the listing, the TSE does not require any shares to be placed in escrow (or otherwise be restrained from being traded, such as through "lock-in" or "lockup" arrangements). However, on an initial listing, the underwriters will typically require that the directors and major selling shareholders agree to a "lock-in" arrangement.

*Public float*. The company must satisfy public float requirements in order to list its securities, as follows:

[Link to Table](https://resourcehub.bakermckenzie.com/en/-/media/crossborder-listings-handbook/files/2024-update-10th-edition/tokyo---principal-listing.pdf?sc_lang=en)

*Sponsors and advisers*. A company that applies for a listing is not required to appoint a sponsor, though it is common for a securities company that is a TSE participant to act as a professional adviser to an applicant company during the preparation phase and as the lead underwriter of the issuance of new securities at the time the listing is made.

*Interviews*. A foreign company must conduct one or more interviews with the TSE, including the management interview.

*Book-entry transfer*. If listed securities are not already subject to the custody and book-entry transfer operation for foreign stocks or the book-entry transfer operation of the Japan Securities Depository Center, Inc., they are expected to become so by the time of listing. In addition, the company may need to enter into a deposit agreement for foreign stock depositary receipts and/or other agreements pertaining to an initial listing application.

*Continued listing requirements*

*Public float / Ownership*. Even after the listing, a listed company must satisfy public float / ownership requirements applied at the time of initial listing for each market as described above.

*Trading Volume*. For a company listed on the Prime Market, the average daily trading amount for the calendar year needs to be ¥20 million or more (approximately US$142,000), and for a company listed on the Standard Market, the average monthly trading volume for the calendar year needs to be 10 units or more.

*Net Asset*. A listed company must maintain net assets (shareholders' equity) of more than zero for both the Prime Market and Standard Market.

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