

## Tokyo Stock Exchange propels rights issues by amending regulations

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### Speedread

In December 2009, the Tokyo Stock Exchange announced various changes to the regulations applicable to listed companies. One of the most notable amendments relates to rights issues and provides more flexibility to companies wishing to increase their share capital.

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On 22 December 2009, the Tokyo Stock Exchange (TSE) announced changes to the regulations applicable to listed companies in respect of:

Corporate governance.

Prompt disclosure.

Accounting standards.

The amendments became effective on 30 December 2009.

One of the most notable amendments relates to rights issues.

The TSE has had listing standards for new share subscriptions since May 2006 when the new Company Law became effective. Those listing standards required, among other things, that there be a one-to-one relationship between the number of new share subscriptions and the number of shares to be issued. The TSE has now removed this requirement, providing more flexibility to companies who wish to increase their capital.

Notwithstanding the above amendment, the procedures to increase capital by issuing subscriptions for new shares to existing shareholders are still more complex than procedures to increase capital by obtaining funding from new shareholders.

For example, when a company issues new share subscriptions to current shareholders, the shareholders may execute their rights and obtain new issued shares or transfer the right to the market. The new share subscriptions transferred to the market may be purchased by third party investors or by a securities company at its own risk, creating complexities for the company.

A major electric company that recently increased its capital, considered using the above new share subscription; however, it ultimately decided against using that rights issue because to the complexity.

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