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Challenges of raising capital in Tokyo Stock Exchange: Heads up for Indian companies

US is been all time attractor for overseas firms to raise capital through IPO's; At NYSE [New York Stock Exchange] On average of 50 plus foreign companies gets listed per year, A listing with the U.S. capital markets is and has been an extremely desired and valued among all ventures and companies, most of them even consider worth the expenditures. London Hongkong and Singapore markets are also favorites among investors and listers [Companies]. Foreign Firms listing in these countries crosses more than 20 % of overall IPO's. The recent Alibaba's IPO success in US says it all from the procedures to investors sentiment, all dots acts as welcoming carpet for foreign firms.

Tokyo Stock exchange is the third largest stock exchange in the world by aggregate market capitalization of its 2,292 listed companies with a combined market capitalization of US\$4.5 trillion. Out of all listed companies there are hardly 10 plus foreign companies listed. The last foreign firm listing was in 2012. Being the largest trading platform in Asia, hardly any foreign firm raises hands to get listed or upon knowing the challenges, tedious procedures, rules along with time, efforts and investment required, firms appears to back out!. Compared to NYSE the money spent to get listed on TSE is considered as risky investment.

The Tokyo Stock Exchange and Osaka Securities Exchange merged in 2012-13 forming as Japan Exchange (JPX) Group, aiming to be the preferred exchange in Asia. In the wake of insreasing infrastructure funding requirements TSE is actively working to provide a competitive platform against other Asian markets. To bridge the gap and lure foreign firms TOKYO AIM was set up in 2009 to provide agile and flexible market management by adopting the J-Adviser System based on the Nomad System of London AIM operated by London Stock Exchange. Even then data for foreign companies listing in TSE do not have sign of increase.

Keeping aside TSE's rigid accounting, corporate governance and listing procedures, the core issue lies with Individual investors and traders sentiment. A co-relation can be found in banking sector. In Japan Banking sector, Not many foreign banks are profitable in retailing and or do not provide services to retail customers. Most of the foreign banks have very smaller market; rather some of them have been shrinking and already closed operation in recent years. The reason behind this is Japanese Customers prefer Japanese mega banks for all their savings and banking requirements compared to foreign banks. Not only the retired and senior citizens preference is limited to Japanese institutions even youngsters prefer the known, reliable financial platform limiting the choice to domestic and home grown platforms. Thus most of the foreign banks in japan have limited services offering and been struggling to keep up the costs for the services they provide. The declining presence of foreign banks in Japan reflects a monetary market scenario as well.

Further to stress upon risk averse sentiment, during 1970's to 90's Japanese individual and institutional investors had invested heavily in US real estate, London and other few real estate markets. However starting 2000's there's nil or less Japanese outward real estate investments. The reason for declining outward real estate investments is primarily because of risk averse sentiment given to the world market fluctuations. It appears that the same risk averse is applied when trading or buying stocks of foreign companies. Unless the companies are well known and have big historical appeal for investors it seems to be on just on watching scale. Though the case for insitutional investors differs but inlines often the same as individual investors.

On a anonymous basis, One of Indian business person who started his venture in japan and extended the operations in Hong Kong and Singapore says it is more effective and easier to get listed in exchanges other than TSE. After spending 6 months of time for preparing to get listed in TSE along with money and efforts, the result was to know that his company is yet grow to be listed in TSE.

Out of all the challenges clearly a role model is yet to be established on getting foreign firm listed in TSE. Once it is done perhaps there will be rush. Many of Japanese media reports mentions TSE is orking on the new framework to support Asian requirements. Will have to wait and see for the results in upcoming months and years.

As India Japan talks have been high in the recent months, have been receiving calls, mails seeking guidance and information on getting listed, raising capital in TSE from Indian companies. While it is true that Japanese individual and

institutional investors are very keen towards India and Indian companies, will have to gauge the same interest towards capital markets. As a preset rules and regulations all stock exchanges data shows the up-to date information of all IPO's let's hope to see the increase in foreign firms including indian firms listing in TSE.

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