

How Listed Companies Have Addressed Japan's Corporate Governance Code

(Status as of the end of December 2015)

January 20, 2016
Tokyo Stock Exchange, Inc.

How Listed Companies Have Addressed the CG Code

- Japan's CG Code came into effect on June 1, 2015
 - Listed companies that hold their AGMs in June must submit "Corporate Governance Reports" including non-compliance explanations in a timely manner. (The deadline is set to December of the first year of implementation.)

- As of the end of December 2015, 2,485 companies submitted CG reports with a statement of "Comply or Explain" as per the Code.

Market Division	No. of companies	Scope of "Comply or Explain"
TSE 1st Section	1,476	All 73 Principles <ul style="list-style-type: none"> 5 General Principles ("GP") 30 Principles ("P") 38 Supplementary Principles ("SP")
TSE 2nd Section	382	
Mothers	105	Only 5 General Principles
JASDAQ	522	
TOTAL	2,485	

- We analyzed 1,858 companies in the 1st and 2nd Sections.

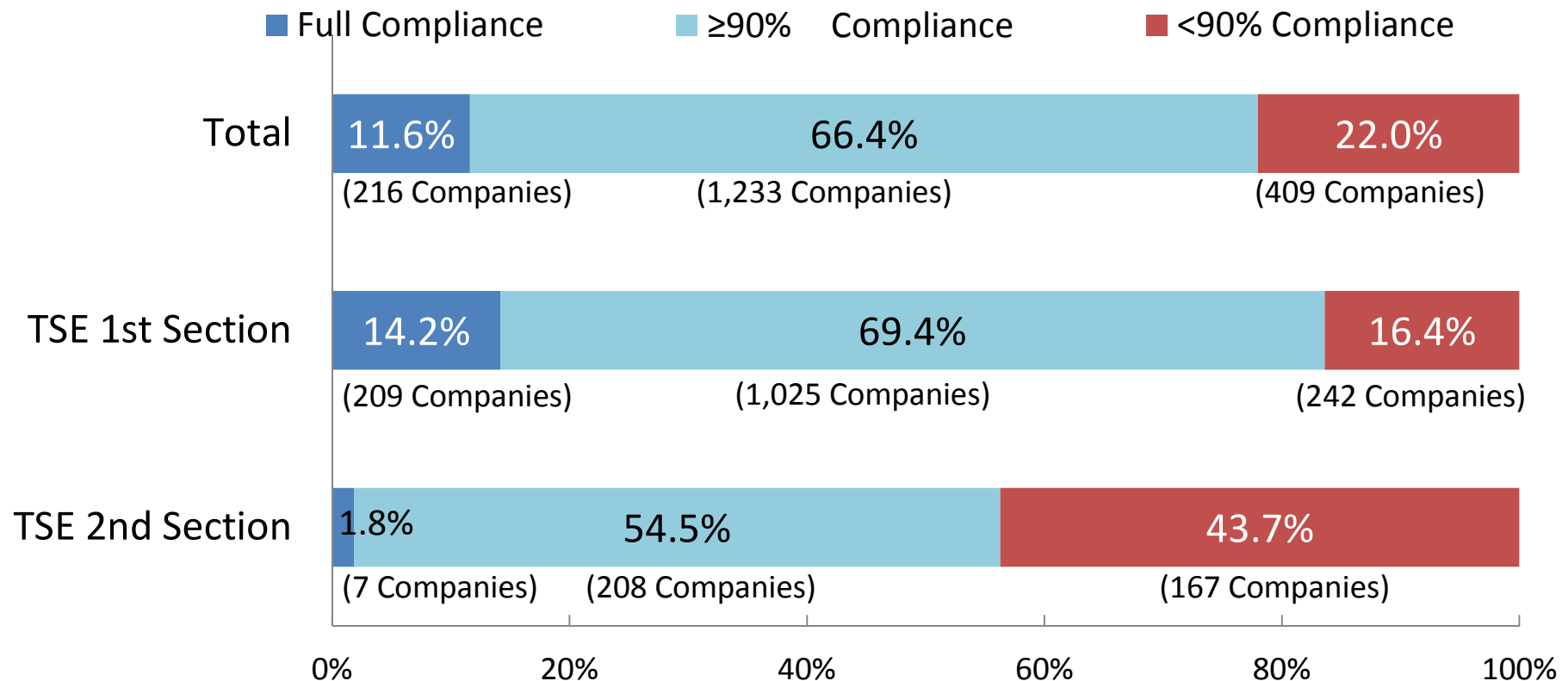
Companies in Full Compliance

➤ Out of 1,858 Companies

- 11.6% (216 companies) declared compliance with all of the Principles
- 88.4% (1,642 companies) explained non-compliance for some of the Principles

Out of these 1,642 companies: 66.4% (1,233 companies) comply with no less than 90% of the Principles
22.0% (409 companies) comply with less than 90% of the Principles

Compliance by Market Division



Compliance / Explanation by Principles of the Code


➤ For 73 Principles of the Code,

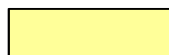
- All companies have complied with 6 Principles
- Some companies have complied with or supplied explanations for 67 Principles

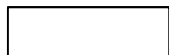
For these 67 Principles of the Code,

At least 90% of the companies have complied with 52 Principles

Less than 90% of the companies have complied with 15 Principles

 Principles all companies have complied with

 Principles ≥90% of companies have complied with

 Principles <90% of companies have complied with

No.	Principles	Compliance	Explanation	Compliance Rate
Chapter 1				
1	GP1	1858	0	100%
2	P1-1	1856	2	99.9%
3	SP1-1-1	1827	31	98.3%
4	SP1-1-2	1857	1	99.9%
5	SP1-1-3	1856	2	99.9%
6	P1-2	1848	10	99.5%
7	SP1-2-1	1847	11	99.4%
8	SP1-2-2	1490	368	80.2%
9	SP1-2-3	1788	70	96.2%
10	SP1-2-4	820	1038	44.1%
11	SP1-2-5	1719	139	92.5%
12	P1-3	1796	62	96.7%
13	P1-4	1708	150	91.9%
14	P1-5	1840	18	99.0%
15	SP1-5-1	1855	3	99.8%
16	P1-6	1857	1	99.9%
17	P1-7	1845	13	99.3%
Chapter 2				
18	GP2	1858	0	100%
19	P2-1	1857	1	99.9%
20	P2-2	1852	6	99.7%
21	SP2-2-1	1810	48	97.4%
22	P2-3	1854	4	99.8%
23	SP2-3-1	1852	6	99.7%
24	P2-4	1849	9	99.5%
25	P2-5	1841	17	99.1%
26	SP2-5-1	1750	108	94.2%

No.	Principles	Compliance	Explanation	Compliance Rate
Chapter 3				
27	GP3	1856	2	99.9%
28	P3-1	1336	522	71.9%
29	SP3-1-1	1850	8	99.6%
30	SP3-1-2	1379	479	74.2%
31	P3-2	1858	0	100%
32	SP3-2-1	1667	191	89.7%
33	SP3-2-2	1821	37	98.0%
Chapter 4				
34	GP4	1855	3	99.8%
35	P4-1	1854	4	99.8%
36	SP4-1-1	1848	10	99.5%
37	SP4-1-2	1582	276	85.1%
38	SP4-1-3	1600	258	86.1%
39	P4-2	1652	206	88.9%
40	SP4-2-1	1288	570	69.3%
41	P4-3	1830	28	98.5%
42	SP4-3-1	1793	65	96.5%
43	SP4-3-2	1851	7	99.6%
44	P4-4	1857	1	99.9%
45	SP4-4-1	1810	48	97.4%
46	P4-5	1858	0	100%
47	P4-6	1823	35	98.1%
48	P4-7	1749	109	94.1%
49	P4-8	1069	789	57.5%
50	SP4-8-1	1530	328	82.3%
51	SP4-8-2	1497	361	80.6%
52	P4-9	1723	135	92.7%

No.	Principles	Compliance	Explanation	Compliance Rate
53	P4-10	1752	106	94.3%
54	SP4-10-1	1311	547	70.6%
55	P4-11	1761	97	94.8%
56	SP4-11-1	1821	37	98.0%
57	SP4-11-2	1845	13	99.3%
58	SP4-11-3	676	1182	36.4%
59	P4-12	1851	7	99.6%
60	SP4-12-1	1821	37	98.0%
61	P4-13	1849	9	99.5%
62	SP4-13-1	1858	0	100%
63	SP4-13-2	1858	0	100%
64	SP4-13-3	1857	1	99.9%
65	P4-14	1823	35	98.1%
66	SP4-14-1	1839	19	99.0%
67	SP4-14-2	1816	42	97.7%
Chapter 5				
68	GP5	1855	3	99.8%
69	P5-1	1833	25	98.7%
70	SP5-1-1	1853	5	99.7%
71	SP5-1-2	1827	31	98.3%
72	SP5-1-3	1850	8	99.6%
73	P5-2	1656	202	89.1%

Principles with Higher Explanation Rates

➤ Companies have supplied explanations for the following Principles at a higher rate.

Principle	Content	No. of Companies Complying	No. of Companies Explaining	Explanation Rate
SP 4-11-3	Board evaluation and disclosure of summary	676	1,182	63.6%
SP 1-2-4	Electronic voting / English AGM notices	820	1,038	55.9%
P 4-8	Two or more independent directors	1,069	789	42.5%
SP 4-2-1	Remuneration reflecting mid-to-long term growth	1,288	570	30.7%
SP 4-10-1	Involvement and advice from independent directors on remuneration / nomination	1,311	547	29.4%
P 3-1	Disclosure on corporate governance i) Company objectives, business strategies, and business plans; ii) Basic views and guidelines on corporate governance based on each of the principles of the Code; iii) Board policies and procedures in determining the remuneration of senior management and directors; iv) Board policies and procedures in the appointment of senior management and nomination of directors and <i>kansayaku</i> candidates; v) Explanations with respect to individual appointments and nominations based on iv).	1,336	522	28.1%
SP 3-1-2	Provision of English language disclosures	1,379	479	25.8%

* The above table takes into account Principles that more than 20% of all companies chose to supply “explanations” for.

Contents of Explanations

➤ For 67 Principles, 1,642 companies have supplied a total of 8,996 “Explanations”.

Breakdown of Reasons for Non-compliance:

1. Approx. 30% indicate their intention to comply in the future.
2. Approx. 45% state that they have yet to decide whether to comply or not.
3. Approx. 25% have no plan to comply due to company-specific reasons.

No plan to comply

(alternative measures to be taken)

Will comply in the future

(timeline provided)

No plan to comply

**(due to specific
circumstances)**

Will comply in the future

(no timeline provided)

**No decision on
whether to
comply or not**

