Outline of Disclosure Items concerning Corporate Governance

The Financial Services Agency made amendments to Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc. so as to require listed companies to disclose the following information concerning corporate governance, after taking into consideration public comments on the proposal that we released on February 12, 2010.

I. Structure of Corporate Governance

Listed companies in Japan are currently required to disclose basic information of their corporate governance systems in their securities reports. Given that corporate governance structures are diverse across companies under the legal framework provided for in the Japanese Company Law, and that investors are increasingly attaching importance to the governance issues of companies, due consideration should be given to requiring the companies to disclose further information with respect to their corporate governance.

From this perspective, listed companies will be required to disclose the following items in securities reports:

(i) Outline of the governance system of the company and the detailed reason for selecting such particular system;

(ii) If a statutory auditor with an expert knowledge of finance and accounting is appointed, and the description of the relevant knowledge of the appointee;

(Note) A statutory auditor under the Japanese Company Law has a function of supervising management of board members (i.e., directors).

(iii) State of coordination between (a) outside directors/outside statutory auditors and (b) departments in charge of internal control and internal auditing of the company, as well as description of the functions and roles of the outside directors/outside statutory auditors in the governance of the company; and

(Note) The current rule requires a company to disclose the state of coordination among the internal auditing department, board of statutory auditors, and outside accounting auditors.

(iv) If an outside director or an outside statutory auditor is appointed, and if not, the reason for not appointing one.

(Note) The current rule requires a company to disclose personal, investment and economic relationships between outside directors/outside statutory auditors and the company in its securities report, which enables investors to analyze the independence of these members from the company.

(Note) Listed companies should disclose these new items in their securities reports for fiscal years ending on or after March 31, 2010.

II. Remuneration of Directors and Statutory Auditors

It is considered that the information concerning the remuneration for directors and statutory auditors is important for shareholders and investors as it would allow them to examine whether incentive structures for the management of the company are formed appropriately, remuneration amounts are appropriate in terms of performance, and governance situations are proper and well-balanced. From this viewpoint, we will require listed companies to disclose detailed information regarding the remuneration for directors and statutory auditors in securities reports as follows:

(i) For each of those directors/statutory auditors whose remuneration for the relevant fiscal year is JPY 100 million or more, the total amount of remuneration and his/her name, and a breakdown by the type of payments (e.g., salary, bonus, stock option, and retirement payment);

(Note) If a director/statutory auditor of a company is also a director/statutory auditor of any of the subsidiaries of the company, the remuneration amount he/she has received from such subsidiaries should be counted in the amount of the remuneration he/she has received from the company.

(ii) The total amounts of remuneration paid respectively to inside directors, inside statutory auditors, and outside directors/outside statutory auditors, and a breakdown by the type of payments for each class; and

(Note) The total amounts of remuneration paid to directors and that for statutory auditors should be disclosed under the Japanese Company Law.

(iii) The explanation of the company’s remuneration policies for its directors/statutory auditors, and the way they are decided, if such policies are put in place as of the date of filing the relevant securities report.

(Note) Listed companies should disclose these new items in their securities reports for fiscal years ending on or after March 31, 2010.

III. Cross-shareholding

There has been a tradition of reciprocal and multilateral cross-shareholding among listed companies in Japan. Some investors take the negative view that such cross-holding by companies is not an efficient investment, while others make the point that the cross-shareholding has positive aspects, such as allowing companies to maintain and explore good business relationships, and further contributing to their profitability, which are not necessarily reflected in financial statements.

Considering these situations, we will require listed companies to disclose the following items in securities reports:

I. (i) As for the shares which the company holds primarily for any strategic purposes, the number of the issues and the total amount of these issues on the latest balance sheet; and

(ii) As for the listed shares in item (i), the list of issues (a) within the top thirty largest amounts on the balance sheet of the company in either the latest or the preceding fiscal years or (b) whose amount reported on the balance sheet exceeds one percent of the capital in either the latest or the preceding fiscal years, and also the number of shares held by the company, <u>detailed description of the purpose of holding them</u>, and the amount of the shares on the balance sheet with respect to each issue.

II. As for the shares which the company holds solely for the purpose of realizing income and capital gains, the total amounts on the balance sheet of the latest and the preceding fiscal years, as well as the total amounts of dividends received, profit or loss from sales, and appraisal profit or loss for the latest fiscal year with respect to these shares, classified into listed and non-listed shares.

(Note 1) Trading securities and shares of affiliated companies held by the company are not subject to this disclosure.

(Note 2) The amendments in item I (ii) will be effective in phases as follows:

(1) In the first phase, listed companies should disclose the required information with respect to the issues (a) within the top ten largest amounts on the balance sheet of the company for the fiscal year ending on March 31, 2010 or (b) whose respective amount reported on the balance sheet exceeds one percent of the capital in that fiscal year.

In the second phase, a listed company should basically disclose the full information mentioned in item I (ii) for fiscal years ending on or after Mach 31, 2011.

c.f. In the case where the relevant listed company is a holding company, its subsidiary which holds the largest amount of shares on a consolidated basis (the “Subsidiary”), rather than the holding company which holds less shares, should be subject to the disclosure requirements for fiscal years ending on or after March 31, 2011.

(2) In the case of a bank or an insurance company, the listed company, or the Subsidiary in the case where the listed company is a financial holding company, should disclose the required information with respect to the top ten largest issues for the fiscal year ending March 31, 2010. These companies should disclose the full information mentioned in item I (ii) for fiscal years ending on or after March 31, 2011; provided, however, that for

the fiscal year ending on March 31, 2011, the requirement (b) in (1) of Note 2 will have the cap of the top fifty largest issues.

(Note 3) As to the amendments in items I (i) and II, the listed company should disclose these new items in their securities reports for fiscal years ending on or after March 31, 2010.

IV. Voting results

As to the results of resolutions at shareholders' meetings, the current rule requires listed companies to disclose whether each resolution was accepted or rejected, but not the numbers of votes for support or objection. It is expected that disclosure of situations concerning votes cast for or against will give clearer picture of the decisions made by shareholders, which will entail a better functioning of the market pressure over the management.

Therefore, we will require listed companies to disclose the number of votes cast for, against or withheld, including a separate tabulation with respect to each nominee for director/statutory auditor, without delay after the shareholders' meeting.

(Note) Listed companies should disclose without delay these new items with respect to their annual shareholders' meetings for the fiscal year ending on and after March 31, 2010 and the shareholders' meetings, including extraordinary shareholders' meetings, to be held after those annual shareholders' meetings.

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