

Material 3

Provisional
Translation

Required Governance for Companies Listed on the “Prime Market”

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Financial Services Agency

Required governance for companies listed on the “Prime Market”

Based on the “Prime Market” concept of “commitment to sustained growth and medium- to long-term improvement of corporate value with a focus on constructive dialogue with investors,” it is necessary to examine the governance required for companies listed on the “Prime Market”.

- In requiring even higher level of corporate governance for companies listed on the “Prime Market”,
 - It is necessary to consider whether to adopt a “comply or explain” approach, compliance requirement, or a combination thereof according to the items.
 - When defining the content of the code, it is necessary to consider whether to write two sets of rules in one code or to create multiple codes.
 - It is necessary to examine what specific items should be required from what perspectives as the content of even higher level of corporate governance.

<Possible perspectives (Examples)>

- Perspective of governance in response to the possible changes on business brought by the rapid progress of digitalization
- Perspective of governance expected by domestic and foreign investors
- Perspective of promoting constructive dialogue with investors

<Major items pointed out by the Expert Study Group on Capital Markets (Example)>

- ✓ Number of independent directors on the Board and independence of advisory committees on the Board, based on the concept of a market that be an investable market from the perspective of international institutional investors
 - Appointment of at least one-third of independent directors as required by many institutional investors in the Proxy Voting Policy / Guidelines
 - Appointment of a majority of independent directors, which is the standard outside of Japan
- ✓ Establishment of a nomination committee and remuneration committee (standard outside of Japan)
- ✓ Disclosure in English to deepen communication with domestic and foreign investors
etc.