



Listed Companies' Progress Responding to the Revised Corporate Governance Code

May 16, 2022
Tokyo Stock Exchange, Inc.

*This English translation is for reference purpose only.

Key items added to the Revised Code (June 2021)

Board Independence

- Appointing at least one-third of independent directors, or majority where necessary [4.8] ★
- Strengthening nomination/remuneration committee, disclosing policies/mandates/roles of the committees [4.10.1] ★
- Disclosing necessary skills in light of management strategy in an appropriate form such as “skill matrix” [4.10.1, 4.11.1]
- Appointing independent directors having management experience in other companies [4.11.1]

Diversity

- Presenting policies and voluntary measurable goals for ensuring diversity in middle managerial position (i.e. promoting women, foreign nationals and midcareer hires) [2.4.1]

Sustainability

- Developing a basic policy and disclosing its sustainability initiative [2, 2.3.1, 3.1.3, 4.2.2]
- Enhancing the quality and quantity of climate-related disclosure based on TCFD recommendations or equivalent [3.1.3] ★

Others

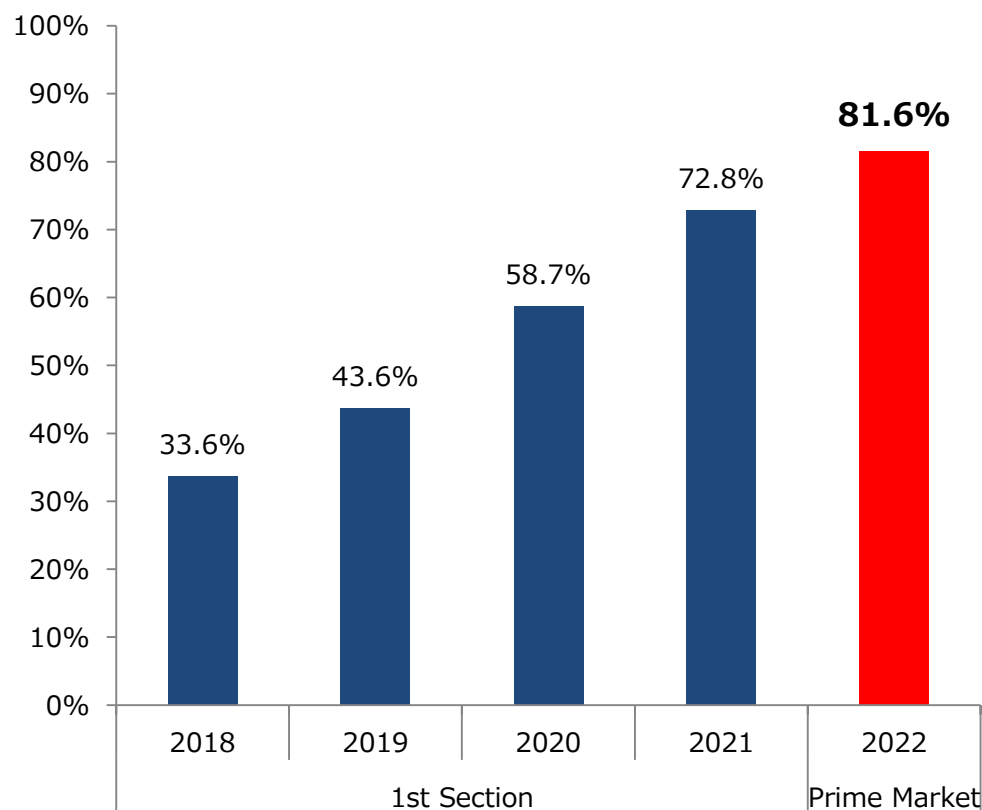
- Promoting disclosure in English and use of electronic voting platform [3.1.2, 1.2.4] ★
- For companies with controlling shareholders, one-thirds of independent directors (majority in the case of Prime Market ★) or establishing special committee for reviewing conflict of interest [4.8.3]
- Presenting a basic policy/review status on business portfolio [5.2.1]
- Strengthening cooperation with internal audit department [4.3.4, 4.13.3], Expanding dialogue with shareholders [5.1.1]

★ is the principle for the Prime Market

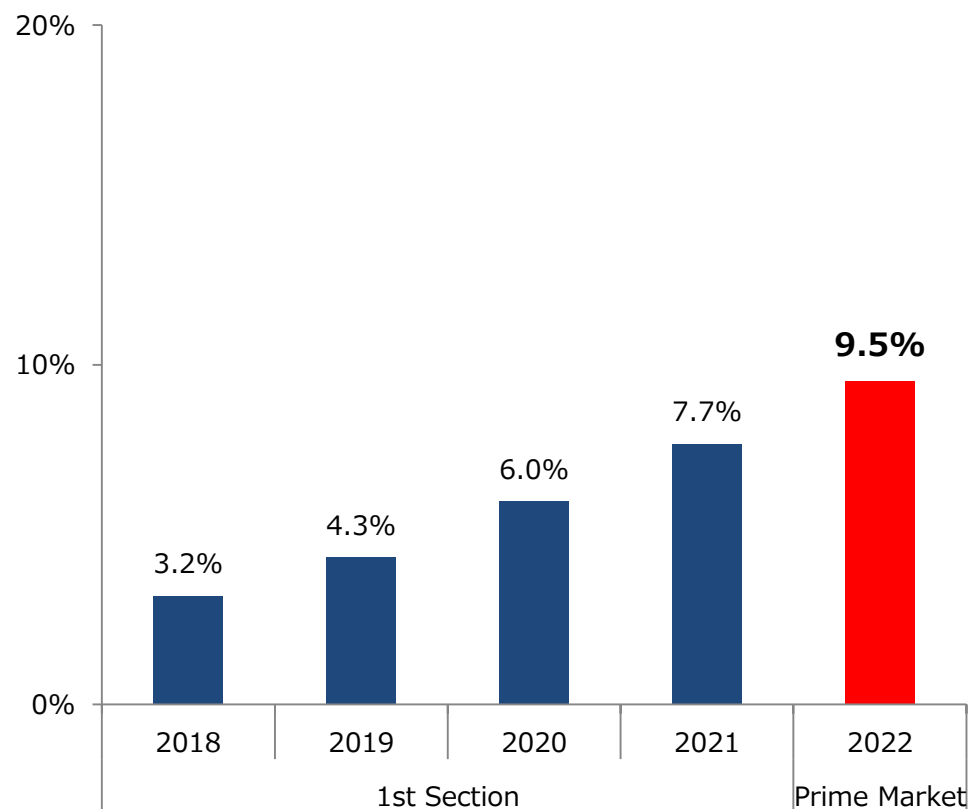
【P 4.8】 Propotion of Independent Directors in the Prime Market

- **80%+ companies** appoint 1/3 or more independent directors.

【Companies with 1/3 or more Independent Directors】



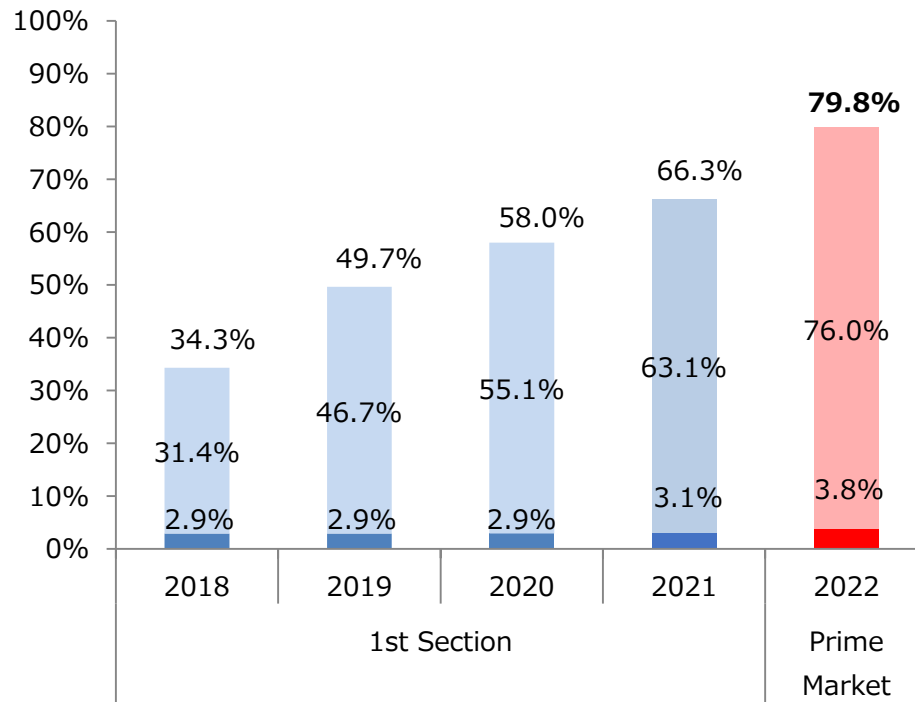
【Companies with Majority Independent Directors】



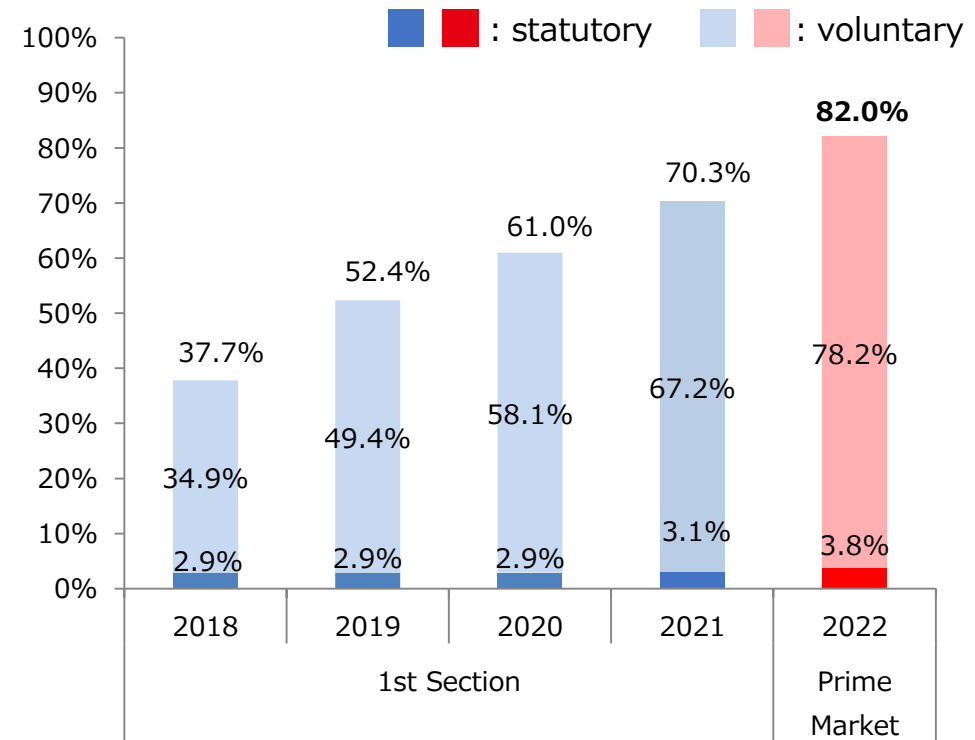
(Note) For 2022, TSE compiled data on Corporate Governance Reports as of April 14.

- **80% of companies** at Prime Market have established statutory or optional Nomination / Remuneration Committees.

【Companies with nomination committee】



【Companies with remuneration committee】

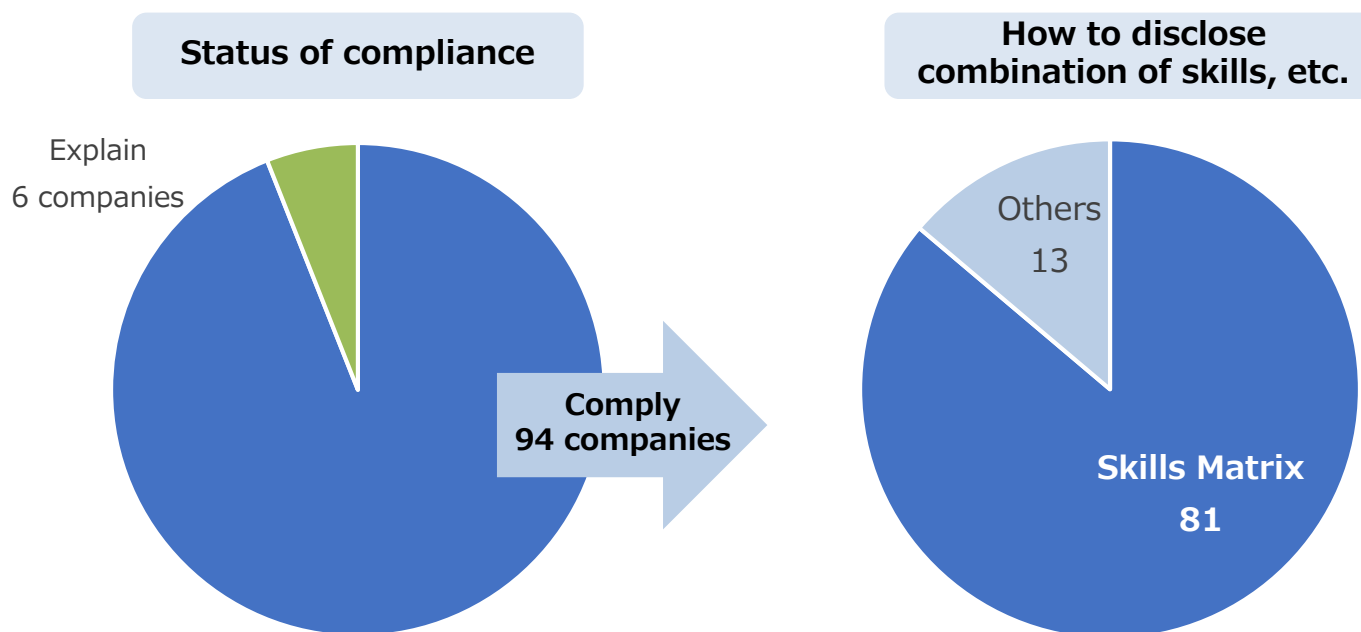


(Note) For 2022, TSE compiled data on Corporate Governance Reports as of April 14.

【SP 4.11.1】 Enhancing Board Function /Necessary Skills

- Approx. 70% of companies in the former 1st Section comply with SP 4.11.1
- For companies choosing “explain”, many are stating they are considering to disclose in the future.
- Many companies are disclosing combination of directors’ **skills by using skills matrix**.

【Progress on Supplementary Principle 4.11. 1 (TOPIX100, end of December 2021) 】

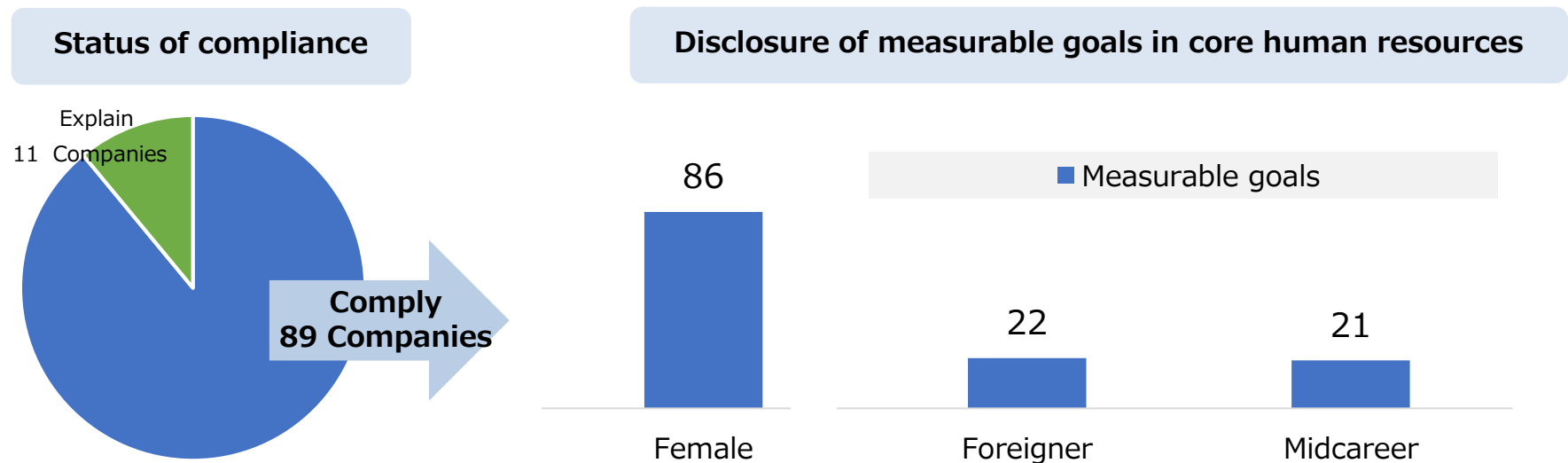


Source : Prepared by TSE from “How Listed Companies Have Addressed Japan’s Corporate Governance Code (Status as of December 2021)”

【SP 2.4.1】 Ensuring Diversity in Core Human Resources

- **Approx. 70%** of companies in the former 1st Section comply with SP2.4.1
- There appears to be **wide range of progress** on setting goals for promoting women, foreign nationals, and midcareer hires

【Progress on Supplementary Principle 2.4.1 (TOPIX100, end of December 2021)】

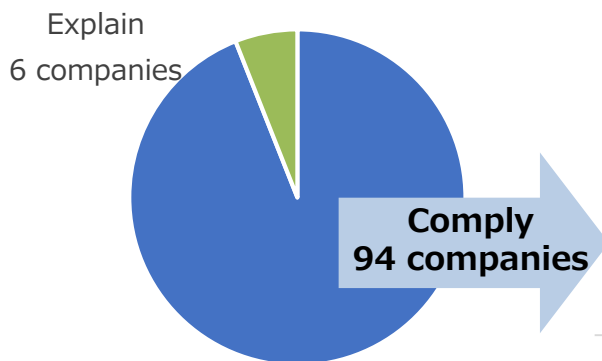


Source : Prepared by TSE from "How Listed Companies Have Addressed Japan's Corporate Governance Code (Status as of December 2021)"

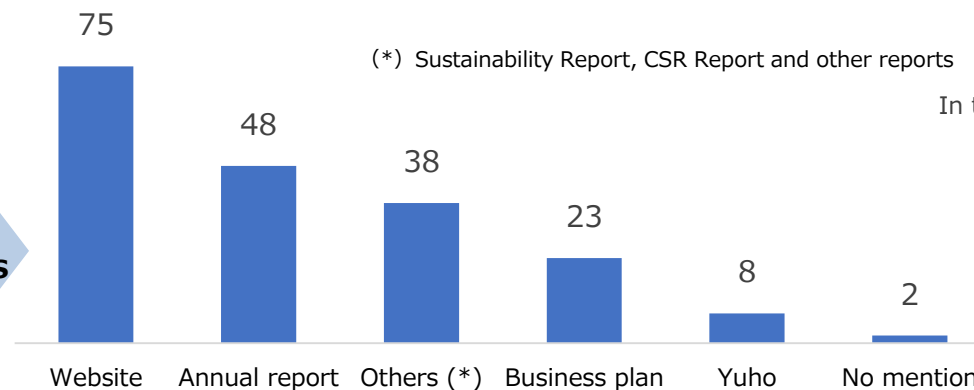
- **90%+ companies** express compliance with SP2.3.1 recognizing sustainability as important management issues and addressing those matters.
- On the other hand, **60-80%** are actually formulating a basic sustainability policy and disclose their initiatives.
- In many cases, disclosures relating to SP3.1.3 refer **to other statutory or voluntary disclosure materials**.
- **76 out of TOPIX100** companies have implemented Disclosures based on TCFD.

【Progress on Supplementary Principle3.1.3 (TOPIX100)】

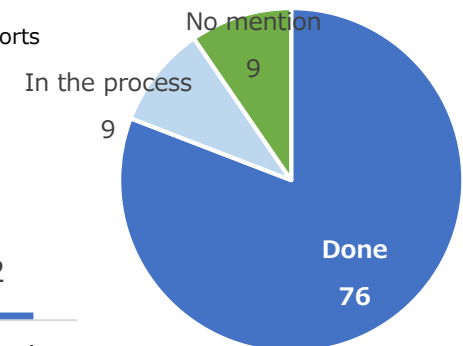
Status of compliance



References for sustainability initiatives, human capital, and intellectual property investment



TCFD Disclosure

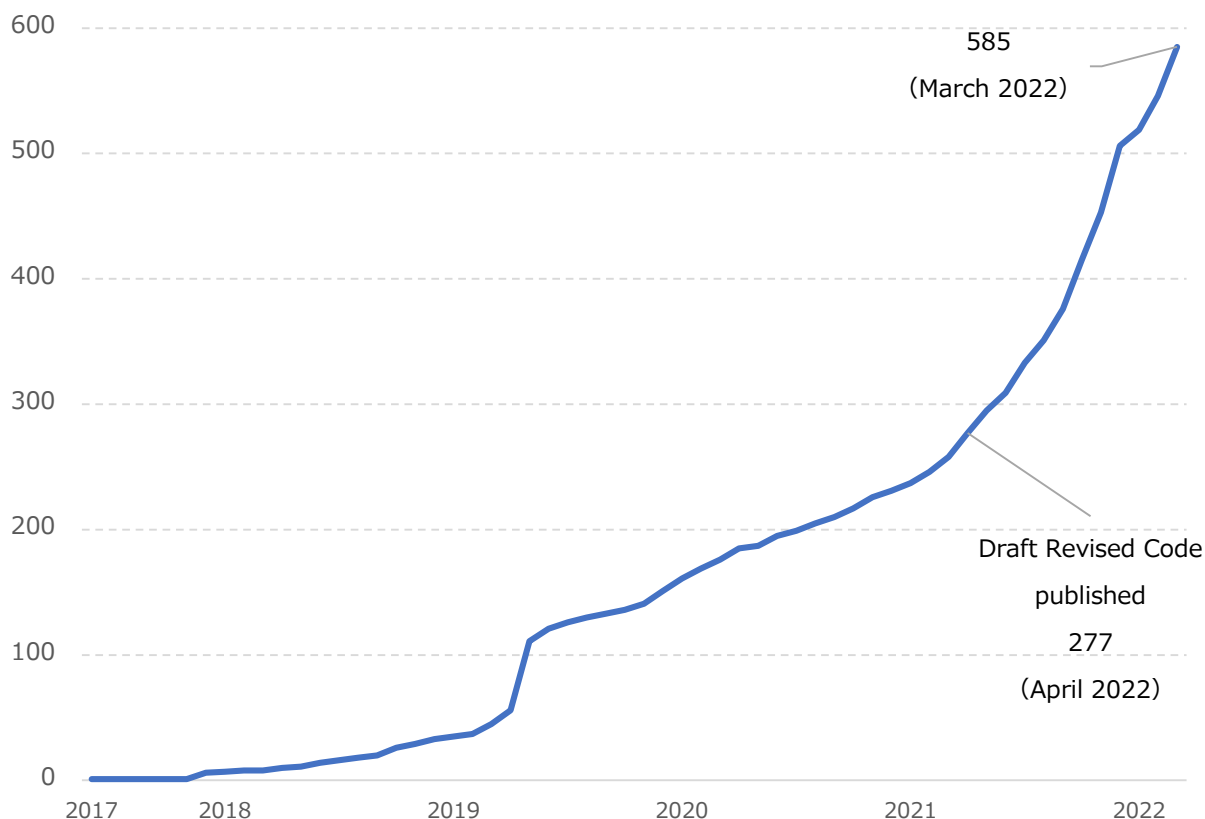


Source : Prepared by TSE from "How Listed Companies Have Addressed Japan's Corporate Governance Code (Status as of December 2021)"

(Reference) Listed Companies supporting TCFD

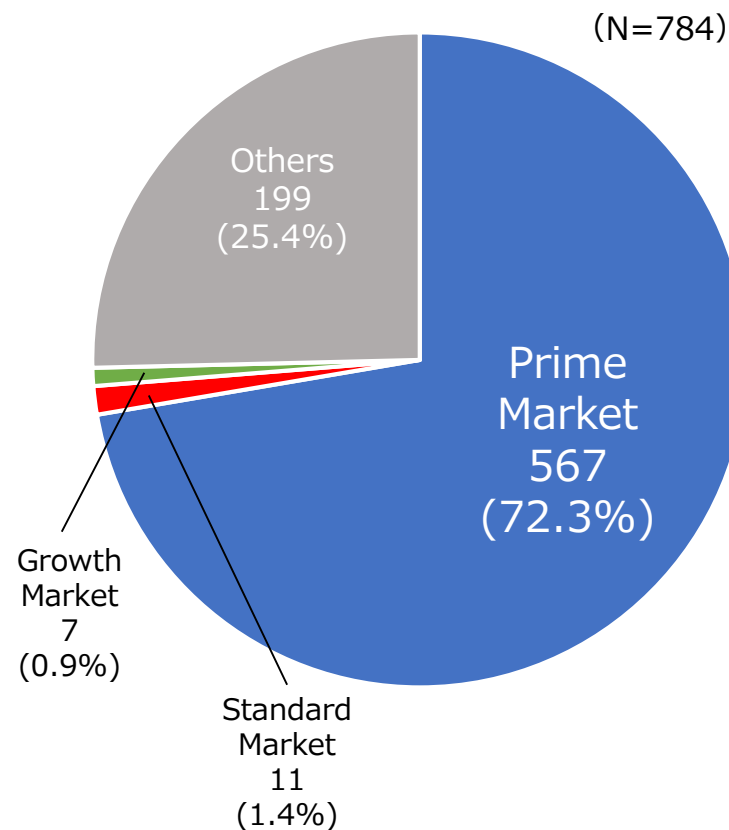
- Triggered by the revision of the Code, listed companies supporting TCFD have been **increasing especially at Prime Market**.

【Number of TSE-listed companies supporting TCFD】



Source : Prepared by TSE from TCFD website

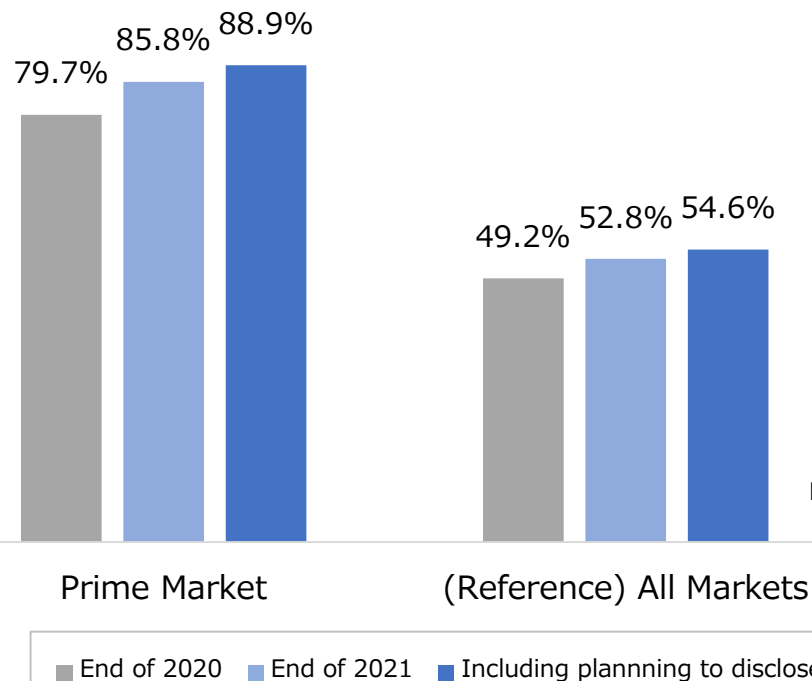
【Breakdown of TCFD supporting organizations (end of March 2022)】



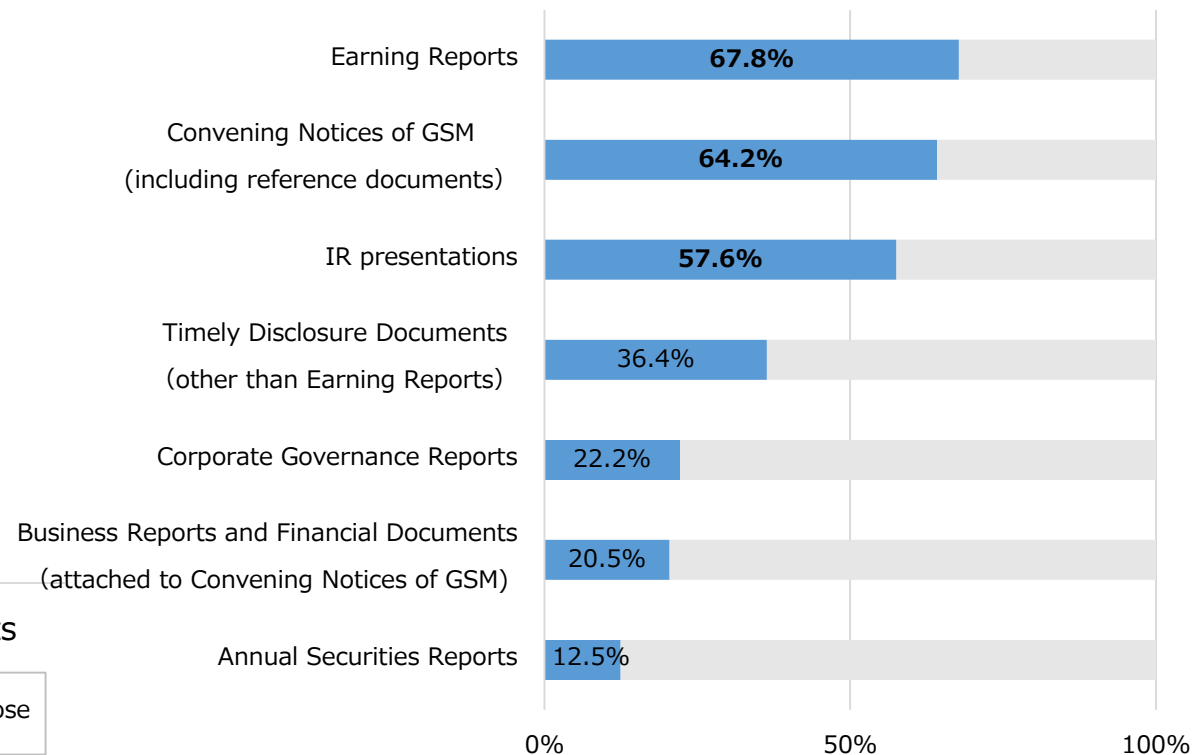
- Disclosure in English is progressing, **especially at Prime Market.**

【Status of English Disclosure (Companies selecting Prime Market)】

Proportion of Companies implementing Disclosure in English



Proportion by Disclosure Materials (end of December 2021)



Source : Prepared from TSE “English Disclosure Implementation Status Survey”

English Disclosure Implementation Rate (end of December 2021)

Market Segment	Market Capitalization (JPY tril.)	Number of Companies	Timely Disclosure Documents			Notices of General Shareholders Meetings	IR Presentations	Corporate Governance Reports	Annual Securities Reports
				Earnings Reports	Other Documents				
Companies Selecting Prime Market	720.1	1,840	35.2%	67.8%	36.4%	64.2%	57.6%	22.2%	12.5%
Companies Selecting Standard Market	23.8	1,475	2.6%	12.9%	2.8%	6.2%	6.2%	0.9%	1.0%
Companies Selecting Growth Market□	8.9	456	10.1%	19.5%	10.7%	6.1%	19.1%	2.6%	2.0%
All Sections	752.7	3,771	19.4%	40.5%	20.1%	34.5%	32.8%	11.5%	6.7%

English Disclosure Implementation Rate (end of December 2021, including those planning to disclose)

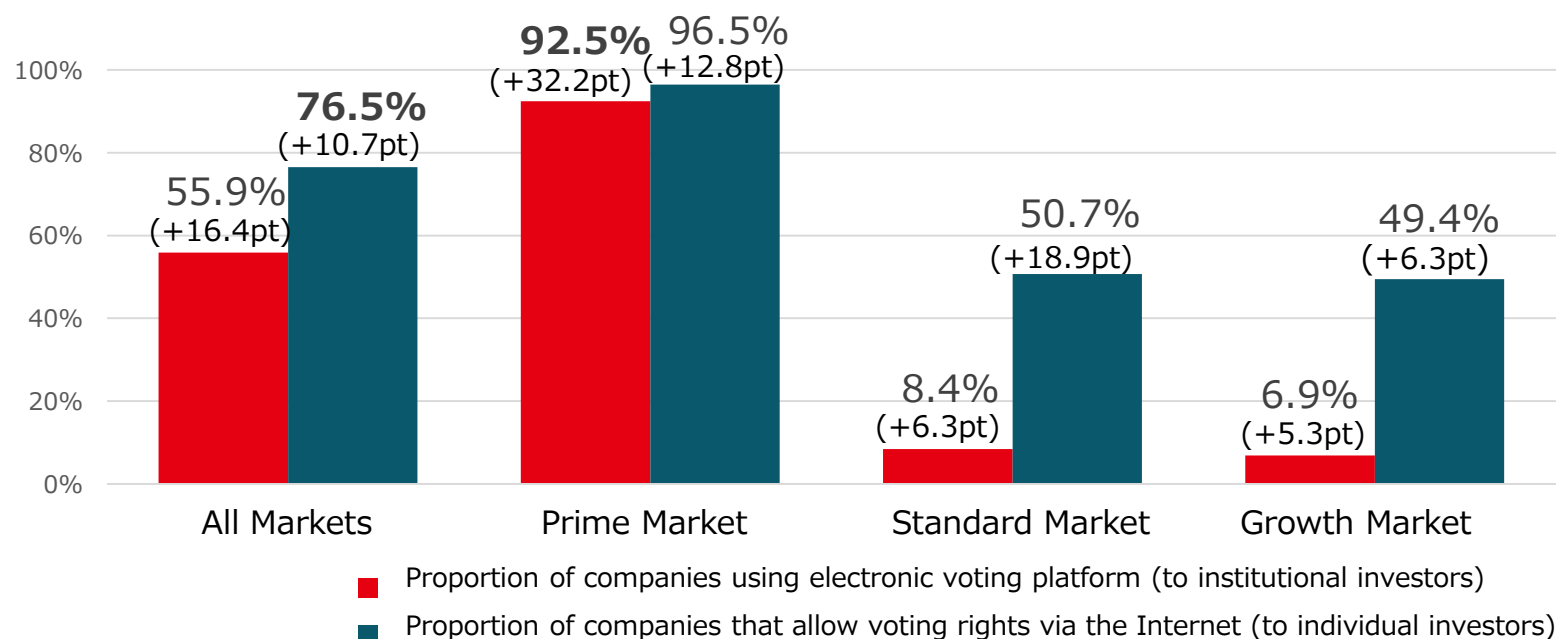
Market Segment	Market Capitalization (JPY tril.)	Number of Companies	Timely Disclosure Documents			Notices of General Shareholders Meetings	IR Presentations	Corporate Governance Reports	Annual Securities Reports
				Earnings Reports	Other Documents				
Companies Selecting Prime Market	720.1	1,840	37.0%	73.3%	38.0%	71.4%	59.6%	24.8%	14.1%
Companies Selecting Standard Market	23.8	1,475	2.6%	13.2%	2.8%	7.1%	6.2%	1.1%	1.2%
Companies Selecting Growth Market□	8.9	456	11.0%	20.6%	11.6%	7.0%	19.7%	3.7%	2.6%
All Market Segments	752.7	3,771	20.4%	43.4%	21.1%	38.5%	33.9%	13.0%	7.7%

Source : TSE, "Corporate Governance Reports and English Disclosure Implementation Status Survey as of December 2021"

(Note) The number of companies disclosing timely disclosure documents in English is the number of companies that responded that they are disclosing both earnings reports and other timely disclosure materials in English. The same applies to subsequent slides..

- **Significant increase in the use of electronic voting platform to institutional investors is expected at Prime Market.**
- Additionally, more companies are expected to allow individual investors to exercise their voting rights via the Internet.

【Electronic exercise of voting rights (year-on-year comparison)】



Source : TSE, "Scheduled Dates for Annual General Shareholders Meetings of TSE listed companies"

(Note 1) Year-on-year comparison for the Prime Market, Standard Market, and Growth Market is compared to the 1st Section, the sum of the 2nd section and JASDAQ Standard, and the sum of Mothers and JASDAQ Growth in last year's survey.

(Note 2) The survey covered 2,301 TSE-listed companies with fiscal year ending March, and 1,771 respondents (1,004 Prime Market listed companies, 680 Standard Market listed companies, and 87 Growth Market listed companies) .