

How Listed Companies Have Addressed Japan's Corporate Governance Code

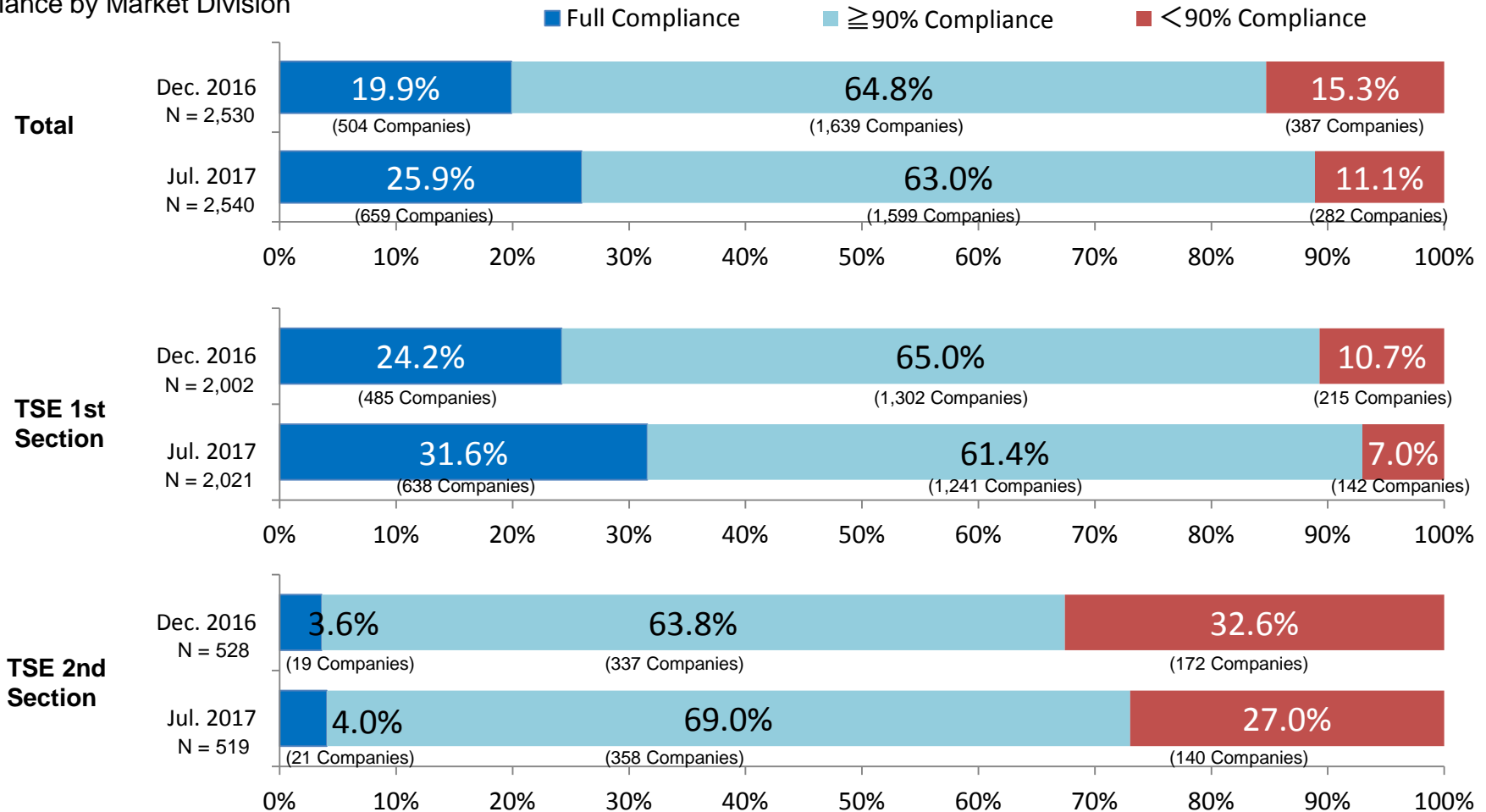
(Status as of July 14, 2017)

September 5, 2017
Tokyo Stock Exchange, Inc.

Compliance with the Code

- As of July 2017, 2,540 companies listed on the TSE 1st & 2nd Sections have disclosed their responses to the Code (+10 companies from Dec. 2016)
- Compliance/Explanation ratios are as follows: (Change from Dec. 2016)
 - Companies which have complied with all 73 principles 25.9 % (659 companies) +6.0pt
 - Companies which explained reasons for non-compliance with some principles 74.1 % (1,881 companies) -6.0pt
 - Number of principles companies complied with 90% or more 63.0 % (1,599 companies) -1.8pt
 - Less than 90% 11.1 % (282 companies) -4.2pt

Compliance by Market Division



Compliance / Explanation by Principles of the Code

- Among 73 principles, (Change from . 2016)
- Principles with which all companies have complied 7 principles +4 principles
 - Principled with which some companies provided explanations for non-compliance 66 principles -4 principles
- Compliance rate 90% or more 55 principles -3 principles
Less than 90% 11 principles -1 principle

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	Change from Dec. 2017
Chapter 1					
1	GP1	2539	1	99.96%	+0.0pt
2	P1-1	2539	1	99.96%	+0.1pt
3	SP1-1-1	2520	20	99.21%	+0.2pt
4	SP1-1-2	2540	0	100.00%	±0.0pt
5	SP1-1-3	2538	2	99.92%	+0.0pt
6	P1-2	2512	28	98.90%	+1.8pt
7	SP1-2-1	2538	2	99.92%	+0.2pt
8	SP1-2-2	2413	127	95.00%	+2.7pt
9	SP1-2-3	2499	41	98.39%	+0.4pt
10	SP1-2-4	1122	1418	44.17%	+1.9pt
11	SP1-2-5	2365	175	93.11%	+0.5pt
12	P1-3	2472	68	97.32%	+0.5pt
13	P1-4	2460	80	96.85%	+0.8pt
14	P1-5	2520	20	99.21%	+0.1pt
15	SP1-5-1	2538	2	99.92%	+0.0pt
16	P1-6	2540	0	100.00%	±0.0pt
17	P1-7	2535	5	99.80%	+0.2pt
Chapter 2					
18	GP2	2539	1	99.96%	+0.0pt
19	P2-1	2540	0	100.00%	±0.0pt
20	P2-2	2536	4	99.84%	+0.1pt
21	SP2-2-1	2513	27	98.94%	+0.4pt
22	P2-3	2532	8	99.69%	+0.0pt
23	SP2-3-1	2531	9	99.65%	+0.0pt
24	P2-4	2530	10	99.61%	+0.1pt
25	P2-5	2527	13	99.49%	+0.2pt
26	SP2-5-1	2455	85	96.65%	+1.0pt

No.	Principles	Compliance	Explanation	Compliance Rate	Change from Dec. 2017
Chapter 3					
27	GP3	2538	2	99.92%	+0.0pt
28	P3-1	2349	191	92.48%	+6.1pt
29	SP3-1-1	2536	4	99.84%	+0.5pt
30	SP3-1-2	1794	746	70.63%	+0.7pt
31	P3-2	2540	0	100.00%	+0.2pt
32	SP3-2-1	2462	78	96.93%	+1.2pt
33	SP3-2-2	2526	14	99.45%	+0.3pt
Chapter 4					
34	GP4	2538	2	99.92%	+0.1pt
35	P4-1	2527	13	99.49%	+0.6pt
36	SP4-1-1	2529	11	99.57%	+0.1pt
37	SP4-1-2	2192	348	86.30%	+1.0pt
38	SP4-1-3	2200	340	86.61%	+1.5pt
39	P4-2	2275	265	89.57%	+0.9pt
40	SP4-2-1	1800	740	70.87%	+2.3pt
41	P4-3	2526	14	99.45%	+0.4pt
42	SP4-3-1	2497	43	98.31%	+0.6pt
43	SP4-3-2	2537	3	99.88%	+0.1pt
44	P4-4	2539	1	99.96%	-0.0pt
45	SP4-4-1	2521	19	99.25%	+0.2pt
46	P4-5	2540	0	100.00%	+0.0pt
47	P4-6	2522	18	99.29%	+0.4pt
48	P4-7	2502	38	98.50%	+0.8pt
49	P4-8	2153	387	84.76%	+5.3pt
50	SP4-8-1	2270	270	89.37%	+1.7pt
51	SP4-8-2	2218	322	87.32%	+2.1pt
52	P4-9	2440	100	96.06%	+0.8pt

No.	Principles	Compliance	Explanation	Compliance Rate	Change from Dec. 2017
53	P4-10	2411	129	94.92%	+0.9pt
54	SP4-10-1	1948	592	76.69%	+2.3pt
55	P4-11	2451	89	96.50%	+2.3pt
56	SP4-11-1	2506	34	98.66%	+0.4pt
57	SP4-11-2	2539	1	99.96%	+0.0pt
58	SP4-11-3	1812	728	71.34%	+16.1pt
59	P4-12	2539	1	99.96%	+0.0pt
60	SP4-12-1	2509	31	98.78%	+0.2pt
61	P4-13	2538	2	99.92%	+0.0pt
62	SP4-13-1	2540	0	100.00%	±0.0pt
63	SP4-13-2	2540	0	100.00%	±0.0pt
64	SP4-13-3	2538	2	99.92%	+0.1pt
65	P4-14	2517	23	99.09%	+0.5pt
66	SP4-14-1	2521	19	99.25%	+0.2pt
67	SP4-14-2	2473	67	97.36%	+0.2pt
Chapter 5					
68	GP5	2537	3	99.88%	+0.0pt
69	P5-1	2515	25	99.02%	+0.5pt
70	SP5-1-1	2535	5	99.80%	+0.0pt
71	SP5-1-2	2509	31	98.78%	+0.4pt
72	SP5-1-3	2532	8	99.69%	+0.0pt
73	P5-2	2304	236	90.71%	+0.9pt

(Reference)

Average Compliance Rate by the layer of the Code Principles

Layers	Average Compliance Rate	Change from Dec. 2017
GP (General Principles)	99.93%	+0.0pt
P (Principles)	97.68%	+0.8pt
SP (Supplementary Principles)	93.41%	+1.0pt

Principles with Higher Explanation Rates

Principles that more than 20% of all companies chose to supply “explanations”

Principles	Content	No. of Companies Complying	No. of Companies Explaining	Explanation Rate	Change from Dec. 2016
SP 1-2-4	Electronic voting / English AGM notices	1,122	1,418	55.8%	-1.9pt
SP 3-1-2	Provision of English language disclosures	1,794	746	29.4%	-0.7pt
SP 4-2-1	Remuneration reflecting mid-to-long term growth	1,800	740	29.1%	-2.3pt
SP 4-11-3	Board evaluation and disclosure of summary	1,812	728	28.7%	-16.1pt
SP 4-10-1	Involvement and advice from independent directors on remuneration / nomination	1,948	592	23.3%	-2.3pt

Principle whose explanation rate dropped below 20%

Principles	Content	No. of Companies Complying	No. of Companies Explaining	Explanation Rate	Change from Dec. 2016
SP 4-8	Two or more independent directors	2,153	387	15.2%	-5.3pt

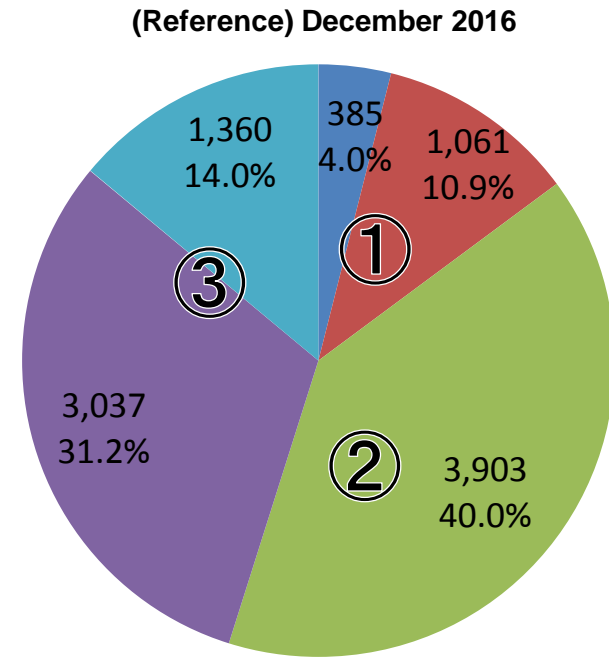
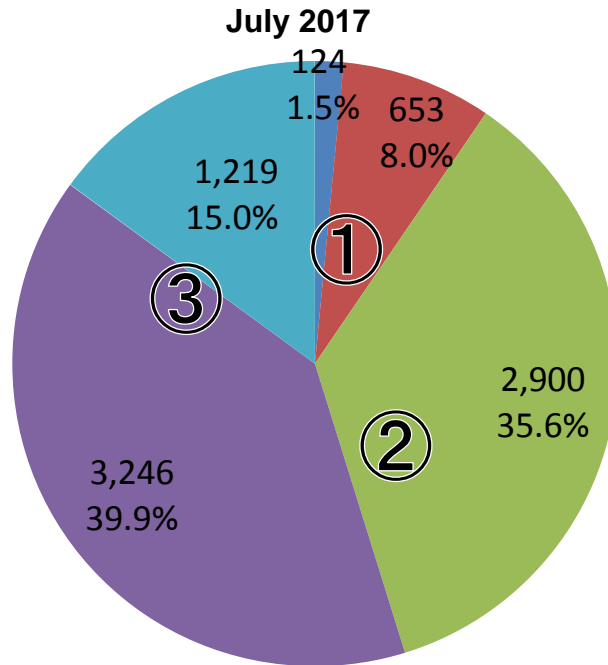
Contents of Explanations

➤ For 66 Principles, 1,881 companies have supplied a total of 8,142 “Explanations” (-1,604 from Dec. 2016)

Breakdown of Reasons for Non-compliance:

(Change from Dec. 2016)

1. Indicating their intention to comply in the future	<u>9.5%</u>	-5.3pt
2. Stating that they have yet to decide whether to comply or not	<u>35.6%</u>	-4.5pt
3. Having no plan to comply due to company-specific reasons	<u>54.8%</u>	+9.7pt



(Legend)

- Will comply in the future (timeline provided)
- Will comply in the future (no timeline provided)
- Considering whether to comply or not
- No plan to comply (due to specific circumstances)
- No plan to comply (alternative measures to be taken)

Notes on Figures

- Figures for 2017 are based on the CG Reports with a statement of “Comply or Explain” as per the Code submitted by 2,540 companies listed on TSE 1st and 2nd Section as of July 14, 2017.
- Figures for 2016 are based on the CG Reports with a statement of “Comply or Explain” as per the Code submitted by 2,530 companies listed on TSE 1st and 2nd Section as of December 31, 2016.

Market Division	No. of companies		Scope of “Comply or Explain”
	Jul. 2017	Dec. 2016	
TSE 1st Section	2,021	2,002	All 73 Principles { <ul style="list-style-type: none"> 5 General Principles (“GP”) 30 Principles (“P”) 38 Supplementary Principles (“SP”)
TSE 2nd Section	519	528	
Mothers	240	227	Only 5 General Principles
JASDAQ	753	755	
TOTAL	3,533	3,512	