

Summary of Deliberations on “Listing System Improvement Action Plan 2009 (Matters to consider for actual implementation)”

March 31, 2010

Tokyo Stock Exchange, Inc.

Advisory Group on Listing System Improvement

The Advisory Group on Listing System Improvement (hereafter the “advisory group”) was established by Tokyo Stock Exchange, Inc. (hereafter the “TSE”) in September 2006 for the purpose of improving the listing system based on highly transparent discussions and examinations which reflect opinions of a wide range of stakeholders in the course of comprehensive improvements to the listing system being implemented from 2006.

In fiscal year 2009, the advisory group held 6 meetings to deliberate mainly on the “matters to consider for actual implementation” in the “Listing System Improvement Action Plan 2009” since the same plan was drawn up in September 2009.

The following table contains the content of deliberations and the conclusion reached by the advisory group.

It is desired that the TSE improve conditions by implementing measures in light of the content of deliberations by the advisory group.

I Improving conditions to enhance the corporate governance of listed companies

Item	Matters to consider for actual implementation (deliberation items)	Content of deliberations and conclusion by the advisory group
The structure of board of directors	<ul style="list-style-type: none">From the perspective of further securing the confidence of shareholders, investors and others, with the aim of enhancing disclosure relating to the details of their governance system and the reason for selecting such a system, the TSE will consider options such as presenting a compilation of case studies of good disclosure practices.	<ul style="list-style-type: none">Based on the revisions to the listing regulations, etc., in light of the implementation of the measure which requires listed companies to resubmit corporate governance reports, by around March 31, 2010, it is appropriate for the TSE to continue to consider presenting a compilation of case studies of disclosure practices, and other additional measures.

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	<ul style="list-style-type: none">• Taking into account recent trends, the TSE will consider revisions to the Principles of Corporate Governance for Listed Companies, clarification of their positioning in the TSE regulations, and a review of description items in the corporate governance report.	<p>[Revision of the Principles of Corporate Governance for Listed Companies]</p> <ul style="list-style-type: none">• The positioning of the Principles of Corporate Governance for Listed Companies should remain unchanged from the time of its establishment, and the said principles should be a common basis of understanding (common philosophy) between listed companies and their shareholders/investors and not recommend specific measures. Therefore, henceforth, in cases where the TSE requests or recommends listed companies to implement specific measures, it is appropriate for the TSE to define such measures in the code of corporate conduct.• With regards to revisions to the Principles of Corporate Governance for Listed Companies to be made in light of the revision of OECD principles in 2004 and discussions in the wake of the financial crisis, it is appropriate for the TSE to monitor and remain updated on future developments while considering actions where necessary.

(Reference Translation)

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		<p>[Review of description items in the corporate governance report]</p> <ul style="list-style-type: none"> • Considering user convenience (facilitating understanding and ensuring data continuity), burden on persons who prepare the corporate governance reports, and coordination with other financial instruments exchanges, it is appropriate for the TSE to consider implementation of the review, including drafting forms and additional system development, on or after 2011.
<p>Independence of outside directors and auditors</p> <p>Selection of independent directors/auditors</p>	<ul style="list-style-type: none"> • In a situation where a conflict of interest may arise between the management of the listed company and its shareholders, depending on the case, the role expected of independent directors/auditors may vary. The TSE will consider presenting the expected role of independent directors/auditors in each situation. 	<ul style="list-style-type: none"> • As part of a corporate governance framework desired of all listed companies, the TSE requests listed companies to secure an independent director(s)/auditor(s) for the purpose of protecting the interests of general shareholders. However, if this rule becomes a formality and is applied against its intended purpose, not only will shareholders/investors lose trust in listed companies, but also the domestic securities market as a whole will lose both domestic and foreign credibility. Thus there is a concern that such a situation will become a factor in reducing the global competitiveness of the Japanese economy. • It is appropriate for the TSE to persist in requesting a suitable response from individual listed companies in consideration of

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		<p>the idea behind the implementation of the independent director/auditor system. This is based on the premise that the TSE needs to strive to facilitate and disseminate a proper understanding of the idea behind the system, and the role expected of independent director(s)/auditor(s), amongst independent director(s)/auditor(s) of listed companies and all parties related to listed companies.</p> <ul style="list-style-type: none"> From the viewpoint of facilitating understanding of and promoting the establishment of the system, the advisory group compiled a summary of the importance and role expected of independent directors/auditors (Appendix “The Expected Role of Independent Directors/Auditors”).
Disclosure by listed companies of ballot results at general shareholder meetings	<ul style="list-style-type: none"> The TSE will consider making a set of rules relating to the disclosure of ballot results for each resolution at a general shareholder meeting, taking into account the developments for revisions in laws and regulations. 	<ul style="list-style-type: none"> In consideration of the evaluation that the recommendations made in April 2009 (constructing a framework to allow shareholders easy access to ballot results for resolutions) have now been realized in statutory disclosure through extraordinary reports as well as the significance of such information in making investment decisions and the burden of disclosure on listed companies, the advisory group finds it inappropriate to uniformly require listed companies to perform timely disclosure for such content.

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		<ul style="list-style-type: none">• Furthermore, when reviewing corporate governance report forms, etc. on or after 2011, it is appropriate for the TSE to reflect this item in the description where necessary, while considering both aspects of increasing the ease of information use by shareholders/investors and reducing the burden of disclosure on listed companies.
Promoting the use of electronic voting platforms	<ul style="list-style-type: none">• With respect to promoting the use of electronic voting platforms, the TSE will consider measures, including requiring certain listed companies to use such platforms.	<ul style="list-style-type: none">• From the viewpoint of enhancing corporate governance of listed companies by means of encouraging dialogue with institutional investors, electronic voting platforms are effective in improving the framework for the exercise of voting rights such as allowing an institutional investor to have sufficient time to consider the agenda. It is appropriate for the TSE and the operator of such electronic voting platform, ICJ, Inc., to continue promoting the use of such platform.• Currently, the issue of improving frameworks to facilitate the exercise of voting rights by beneficial shareholders are not clearly addressed in “framework improvement to facilitate exercise of voting rights” in the code of corporate conduct (items desired to be observed) prescribed by the TSE. It is appropriate for the TSE to take measures to clarify this.

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Response to subsidiary listings in light of recent trends	<ul style="list-style-type: none">In light of the recent circumstances surrounding subsidiary listings, the TSE will reexamine what the listing of subsidiaries should be like.	[Desired form of subsidiary listings] <ul style="list-style-type: none">In light of the fact that no major issues have arisen after the advisory group examined the issue of subsidiary listings in 2007 and the TSE implemented measures thereafter, it is appropriate for the TSE to continue to steadily implement current measures.In addition, the issue of a conflict of interest resulting from company structure is not limited to subsidiary listings but is also an issue that exists in companies which have a controlling shareholder. Therefore, with respect to listed subsidiaries, it is appropriate for the TSE to take steps as described in the matters described in “Development of rules to prevent abuse of rights by parent companies” below, as well as continue to coherently improve listing conditions.From the above, based on the assumption that the TSE continues to sufficiently understand problems, etc. related to this issue and takes appropriate measures, at this point, the advisory group does not see a pressing need to change the direction set (by the same) in 2007.

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	<ul style="list-style-type: none">In light of the above examination, regarding the listing of subsidiaries, the TSE will consider the development of effective rules, such as requiring the selection of outside directors and auditors who will sufficiently consider the interests of minority shareholders who are not from the parent company or fellow subsidiary, to appropriately manage conflicts of interest, and effectively prevent abuse of rights by the parent company.	<p>[Development of rules to prevent abuse of rights by parent companies]</p> <ul style="list-style-type: none">At present, there is a great need for the protection of general shareholder interests, in particular, in cases of third party allotment, etc., and the TSE has prescribed individual items to be observed in the code of corporate conduct. It is appropriate for the TSE to examine adding provisions to improve conditions for the protection of minority shareholders to deal with cases such as stock transfers, etc. aimed at squeezing out minority shareholders (through privatization), and significant transactions with the controlling shareholder.It is appropriate for the TSE to continue examining this issue as needed in light of various developments such as discussions at the Legislative Council of the Ministry of Justice, the state of operation of recently implemented systems and frameworks such as the independent director/auditor system, and various cases of companies which have controlling shareholders.

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Response to cross shareholdings	<ul style="list-style-type: none">• Taking into account developments in revisions to laws and regulations, the TSE will consider establishing a system for the disclosure of the cross shareholding situation that is based on expressed or implied mutual or multilateral agreements.	<ul style="list-style-type: none">• With respect to the disclosure of the shareholding situation by listed companies, there are discussions on two issues. One is the issue that the function of governance by shareholders may lose substance due to the hollowing-out of capital and voting rights, etc. The other is the risk that a listed company's administration is greatly affected by market fluctuation.• With the revision in laws and regulations, listed companies are now required to disclose matters related to shares for investment in the "status of corporate governance" section of the annual securities report, etc. With respect to whether listed companies should be required to disclose similar content in timely disclosure related to financial statements, it is appropriate for the TSE to consider a trade-off between the speed of disclosure and the significance of the information for making investment decisions.• Similar to the situation for disclosure of ballot results of general shareholder meetings, when reviewing corporate governance report forms, etc. on or after 2011, it is appropriate for the TSE to reflect this item in the description where necessary, while considering both aspects of increasing the ease of information use by shareholders/investors and reducing the burden of disclosure on listed companies.

II Improving the system and practices pertaining to timely disclosure in light of changes in circumstances

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Promote more effective and efficient disclosure in light of enhancements/changes to disclosure system and changes in investor needs in recent years	<ul style="list-style-type: none">• Taking into account the situation after the introduction of the quarterly reporting system, from the perspective of achieving swift disclosure with respect to timely disclosure of quarterly financial statements, the TSE will consider a review aimed at improving efficiency and effectiveness of business practices.	<ul style="list-style-type: none">• The Sectional Committee on Corporate Disclosure (chaired by Professor Etsuro Kuronuma of Waseda University's Graduate School of Law) under the advisory group has examined the issue from the perspective of knowledgeable persons that include academics and those who prepare and use disclosure documents, and compiled the results of the discussions in “Report by the Sectional Committee on Corporate Disclosure under the Advisory Group on Listing System Improvement - How Listing Rules and Regulations should be in light of Timely Disclosure of Quarterly Financial Results and Voluntary Adoption of IFRS”
Response to introduction of IFRS	<ul style="list-style-type: none">• In light of the fact that both domestic and foreign listed companies may voluntarily use IFRS from the financial period ending March 2010, the TSE will make necessary review on the existing listing system (e.g., criteria for profit used to determine disclosure of corporate information) and disclosure format of earnings digest, etc. so that they can apply to companies which use IFRS as well.• In conjunction with the fact that both domestic and foreign listed companies will be allowed to voluntarily use of IFRS, the TSE will consider taking necessary actions on the range of	<ul style="list-style-type: none">• The advisory group will take the content of the report mentioned above as the result of its examination, and expect that the TSE will appropriately develop the listing rules and regulations in the future in accordance with the content of the report.

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	the voluntary use as well as listing examination criteria, etc. so that IFRS can be used in the new listing examinations.	

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