



# **Status of Response to Revision of the Corporate Governance Code Flash Report (as of December 31, 2018)**

February 21, 2019  
Tokyo Stock Exchange Inc.



# Target of aggregation

- The figures for December 2018 have been aggregated based on disclosures on the status of response to the code in corporate governance reports submitted by companies listed on the first and second sections (2,621 companies) of the TSE by December 31, 2018.
- The figures for July 2017 that were used for comparison have been aggregated based on disclosures on the status of response to the code in corporate governance reports submitted by companies listed on the first and second sections (2,540 companies) of the TSE by July 14, 2017.

[Status of disclosure on status of response to the code by market segment]

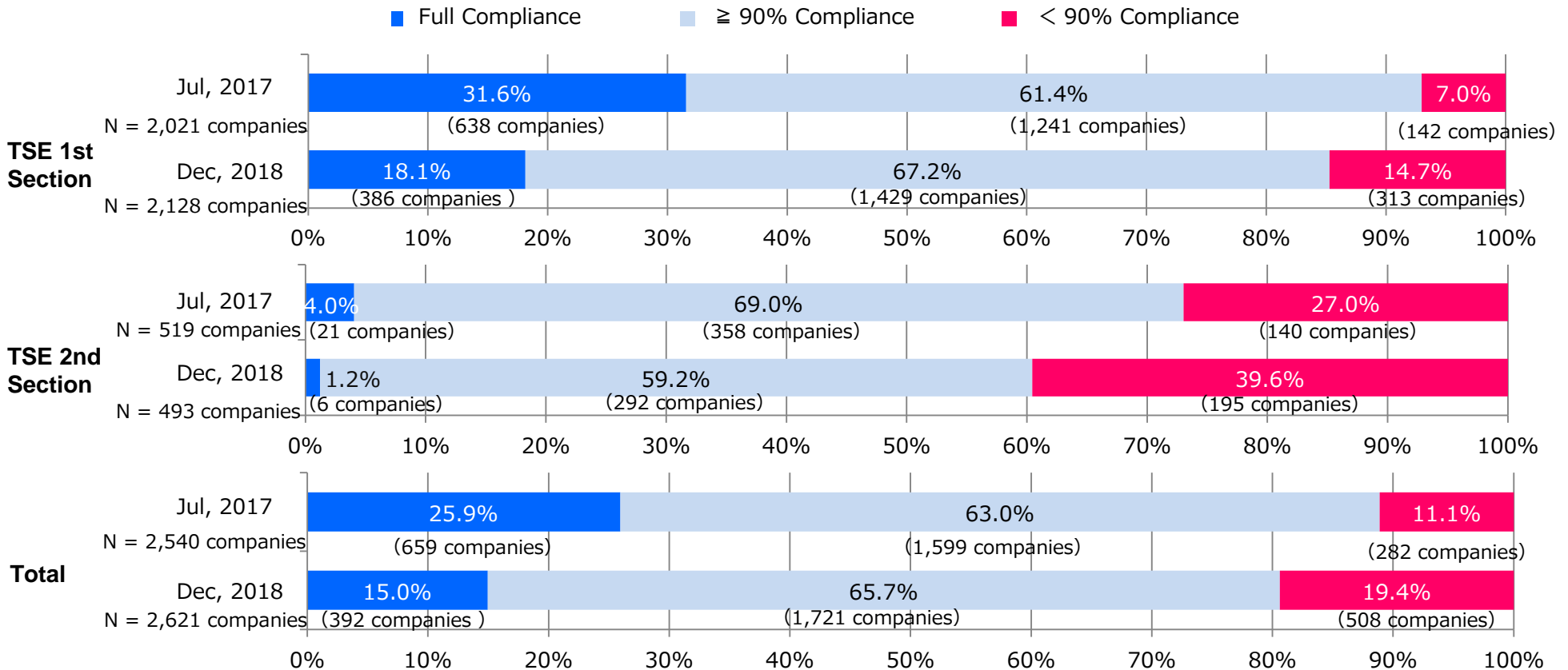
Market segment	Number of disclosing companies		Scope of compliance or explanation
	December 2018	July 2017	
First Section	2,128 companies	2,021 companies	All 78 principles { General Principles: 5 Principles: 31 principles Supplementary Principles: 42 principles
Second Section	493 companies	519 companies	
Mothers	275 companies	240 companies	General Principles: 5 principles
JASDAQ	725 companies	753 companies	
Total	3,621 companies	3,533 companies	

# Status of compliance or explanation

➤ In the First Section,

(Compared to July 2017)

- ✓ Companies that are in compliance with all 78 principles: **18.1%** (386 companies) **-13.4pt**
- ✓ Companies that are in compliance with at least 90% of principles: **85.3%** (1,815 companies) **-7.7pt**
- Less than 90%: **14.7%** (313 companies) **+7.7pt**



# Status of compliance with newly established and revised principles

Principle	Summary of newly established and revised principles	Compliance rate (compared to July 2017)		
		1st Section	2nd Section	Total
Principle 1-4	Disclosure of policies and approaches regarding the reduction of cross-shareholdings, assessment of whether or not to hold individual cross-shareholdings and disclosure of this assessment, establishment and disclosure of specific standards on voting rights	86.5% (-10.7pt)	82.8% (-12.6pt)	85.8% (-11.0pt)
Supplementary Principles 1.4.1	Prohibition of hindering with sales of cross-shareholdings through means such as implying a possible reduction of business transactions	99.4% (New)	99.8% (New)	99.5% (New)
Supplementary Principles 1.4.2	Ensuring the economic rationale of transactions with cross-shareholders	99.7% (New)	99.6% (New)	99.7% (New)
Principle 2.6	Support as sponsor companies to ensure that corporate pension funds perform their roles as asset owners and management of conflicts of interest	95.5% (New)	93.5% (New)	95.1% (New)
Principle 3.1	Disclosure of the policies and procedures for the dismissal of the senior management and explanations with respect to the individual dismissals	92.7% (-1.5pt)	86.0% (+0.5pt)	91.5% (-0.9pt)
Supplementary Principle 3.1.1	Documentation including disclosures in compliance with relevant laws and regulations	99.6% (-0.3pt)	99.4% (-0.4pt)	99.5% (-0.3pt)
Supplementary Principle 4.1.3	Involvement in the establishment and implementation of a succession plan for the CEO and other top executives and oversight on the systematic development of succession candidates	70.4% (-17.3pt)	60.6% (-21.4pt)	68.6% (-18.0pt)
Supplementary Principle 4.2.1	Design of remuneration system in accordance with objective and transparent procedures for the remuneration of management and determining actual remuneration amounts	69.9% (-5.1pt)	48.9% (-5.6pt)	66.0% (-4.9pt)
Supplementary Principle 4.3.2	Appointment of the CEO in accordance with objective, timely, and transparent procedures	84.2% (New)	78.7% (New)	83.2% (New)
Supplementary Principle 4.3.3	Establishment of objective, timely, and transparent procedures for the dismissal of the CEO when it is determined that the CEO is not adequately fulfilling the CEO's responsibilities	86.4% (New)	83.6% (New)	85.8% (New)
Principle 4.8	Appointment of a sufficient number of independent directors at companies that believe they need to appoint at least one-third of directors as independent directors	91.4% (+2.1pt)	69.4% (+1.9pt)	87.2% (+2.5pt)
Supplementary Principle 4.10.1	Establishment of independent advisory committees such as an optional nomination committee or remuneration committee to which independent directors make significant contributions	52.1% (-27.2pt)	31.8% (-34.6pt)	48.3% (-28.4pt)
Principle 4.11	Constitution of board that achieves both diversity, including gender and international experience, and appropriate size, and the appointment of persons with appropriate experience and skills as well as necessary knowledge on finance, accounting, and the law as <i>kansayaku</i>	69.9% (-27.0pt)	64.5% (-30.3pt)	68.9% (-27.6pt)
Principle 5.2	Articulation of cost of capital and review of business portfolio	82.7% (-10.4pt)	67.1% (-14.4pt)	79.8% (-10.9pt)

# Status of compliance with all principles (First Section)

Principle	Compliance rate	Compared to July 2017	Principle	Compliance rate	Compared to July 2017	Principle	Compliance rate	Compared to July 2017	Principle	Compliance rate	Compared to July 2017
General Principle 1	99.95%	0.0pt	Principle 2.3	99.7%	0.0pt	Supplementary Principle 4.3	98.0%	-0.6pt	Principle 4.13	99.4%	-0.5pt
Principle 1.1	100.0%	0.0pt	Supplementary Principle 2.3.1	99.7%	+0.1pt	4.3.1			Supplementary Principle 4.13.1	100.0%	0.0pt
Supplementary Principle 1.1.1	99.3%	+0.1pt	Principle 2.4	99.6%	0.0pt	4.3.2	84.2%	New	4.13.2	100.0%	0.0pt
1.1.2	99.9%	-0.1pt	Principle 2.5	99.9%	+0.3pt	4.3.3	86.4%	New	4.13.3	100.0%	0.0pt
1.1.3	100.0%	+0.1pt	Supplementary Principle 2.5.1	97.7%	+0.3pt	4.3.4	99.95%	+0.1pt	Principle 4.14	99.4%	+0.2pt
Principle 1.2	99.7%	+0.7pt	Principle 2.6	95.5%	New	Principle 4.4	99.9%	-0.1pt	Supplementary Principle 4.14.1	99.6%	+0.4pt
Supplementary Principle 1.2.1	99.9%	-0.1pt	General Principle 3	99.9%	0.0pt	Supplementary Principle 4.4.1	99.5%	+0.2pt	4.14.2	98.6%	+0.8pt
1.2.2	97.9%	+0.9pt	Principle 3.1	92.7%	-1.5pt	Principle 4.5	99.95%	0.0pt	General Principle 5	99.9%	0.0pt
1.2.3	99.1%	0.0pt	Supplementary Principle 3.1.1	99.6%	-0.3pt	Principle 4.6	99.5%	0.0pt	Principle 5.1	99.4%	0.0pt
1.2.4	52.7%	+0.9pt	3.1.2	78.9%	-0.2pt	Principle 4.7	99.5%	+0.2pt	Supplementary Principle 5.1.1	99.9%	0.0pt
1.2.5	95.8%	+0.9pt	Principle 3.2	100.0%	0.0pt	Principle 4.8	91.4%	+2.1pt	5.1.2	99.4%	0.0pt
Principle 1.3	98.2%	+0.2pt	Supplementary Principle 3.2.1	98.3%	+0.2pt	Supplementary Principle 4.8.1	93.6%	+1.5pt	5.1.3	99.7%	0.0pt
Principle 1.4	86.5%	-10.7pt	3.2.2	99.7%	+0.2pt	4.8.2	91.8%	+1.8pt	Principle 5.2	82.7%	-10.4pt
Supplementary Principle 1.4.1	99.4%	New	General Principle 4	99.9%	0.0pt	Principle 4.9	98.0%	+0.8pt			
1.4.2	99.7%	New	Principle 4.1	99.2%	-0.4pt	Principle 4.10	92.9%	-2.9pt			
Principle 1.5	99.8%	+0.2pt	Supplementary Principle 4.1.1	99.6%	-0.1pt	Supplementary Principle 4.10.1	52.1%	-27.2pt			
Supplementary Principle 1.5.1	99.95%	0.0pt	4.1.2	88.8%	-0.7pt	Principle 4.11	69.9%	-27.0pt			
Principle 1.6	100.0%	0.0pt	4.1.3	70.4%	-17.3pt	Supplementary Principle 4.11.1	96.1%	-2.8pt			
Principle 1.7	99.9%	0.0pt	Principle 4.2	91.6%	+0.4pt	4.11.2	99.9%	0.0pt			
General Principle 2	99.95%	0.0pt	Supplementary Principle 4.2.1	69.9%	-5.1pt	4.11.3	82.5%	+6.6pt			
Principle 2.1	99.6%	0.0pt	Principle 4.3	99.5%	+0.1pt	Principle 4.12	99.8%	-0.2pt			
Principle 2.2	99.9%	+0.1pt				Supplementary Principle 4.12.1	99.3%	0.2pt			
Supplementary Principle 2.2.1	99.4%	+0.3pt									

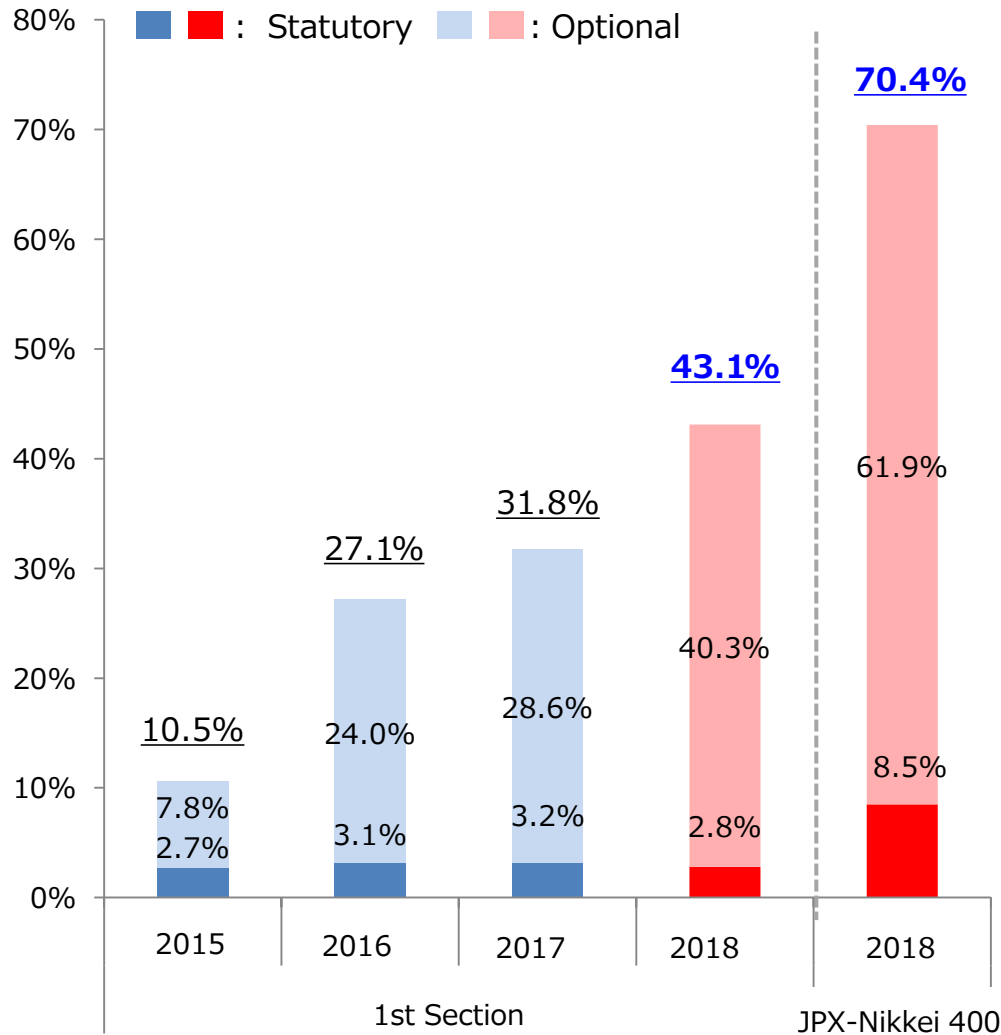
Compliance rate of 100%

Compliance rate of 90% or above

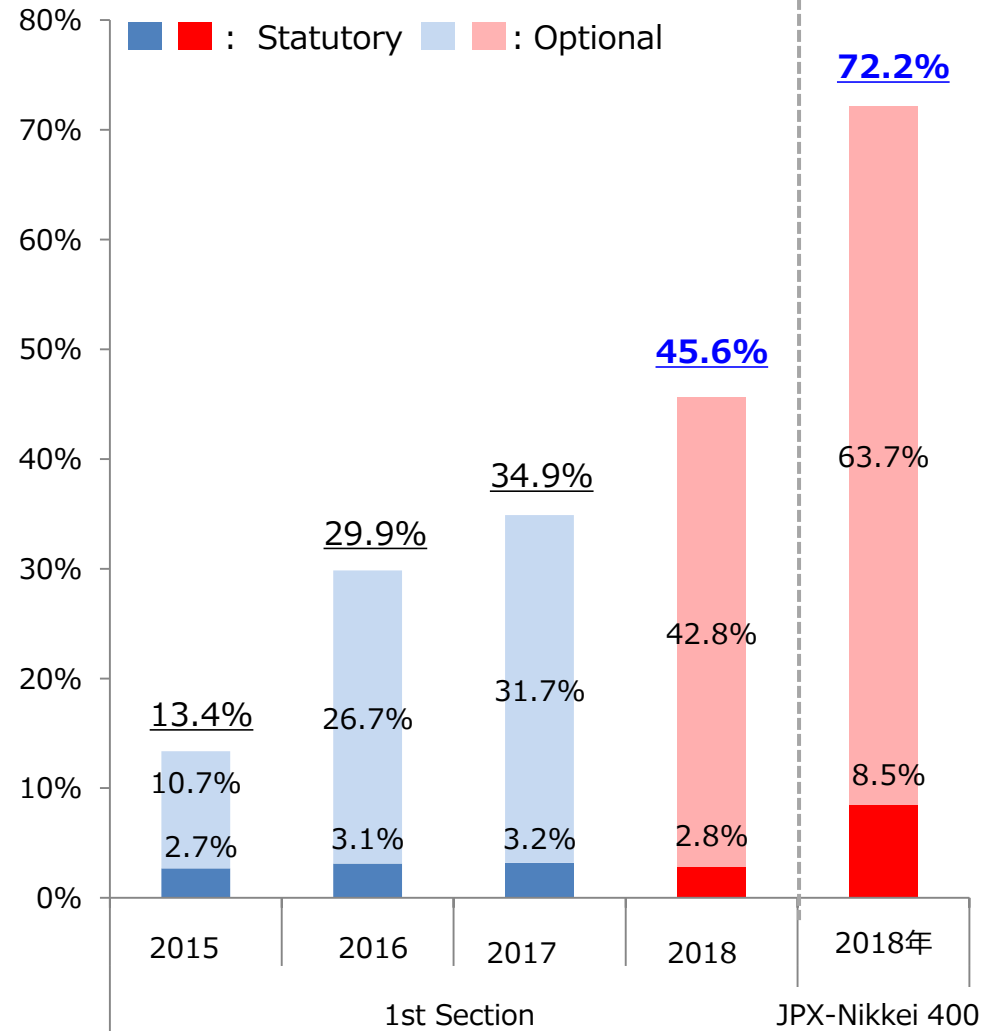
Compliance rate of under 90%

# Establishment of Nomination / Remuneration Committees

## Nomination Committees



## Remuneration Committees



# (Table) Status of Nomination/Remuneration Committee Establishment

	Number of Companies	Nomination Committee (Statutory / Optional)		Remuneration Committee (Statutory / Optional)	
		Number	Ratio	Number	Ratio
1st Section	2,128	918	43.1%	970	45.6%
		(+276)	(+11.3%)	(+265)	(+10.7%)
2nd Section	493	75	15.2%	80	16.2%
		(+28)	(+6.2%)	(+26)	(+5.9%)
Mothers	275	10	3.6%	20	7.3%
		(+3)	(+0.8%)	(+8)	(+2.4%)
JASDAQ	725	22	3.0%	28	3.9%
		(+9)	(+1.4%)	(+11)	(+1.7%)
<b>Total</b>	<b>3,621</b>	<b>1,025</b>	<b>28.3%</b>	<b>1,098</b>	<b>30.3%</b>
		<b>(+316)</b>	<b>(+8.2%)</b>	<b>(+310)</b>	<b>(+8.1%)</b>
JPX-Nikkei 400	399	281	70.4%	288	72.2%
		(+54)	(+13.4%)	(+49)	(+12.1%)

\* Change from July 2017 indicated in parentheses.

## 【Supplementary Principle 4.10.1】

If the organizational structure of a company is either Company with Kansayaku Board or Company with Supervisory Committee and independent directors do not compose a majority of the board, in order to strengthen the independence, objectivity and accountability of board functions on the matters of nomination and remuneration of the senior management and directors, the company should seek appropriate involvement and advice from independent directors in the examination of such important matters as nominations and remuneration by establishing independent advisory committees under the board, such as an optional nomination committee and an optional remuneration committee, to which independent directors make significant contributions.