

How Listed Companies Have Addressed Japan's Corporate Governance Code

(Status as of July 2016)

September 13, 2016
Tokyo Stock Exchange, Inc.

How Listed Companies Have Addressed the CG Code

- Japan's CG Code came into effect on June 1, 2015.
- As of July 14, 2016, 3,164 companies submitted CG reports with a statement of "Comply or Explain" as per the Code.

Market Division	No. of companies	Change from Dec 2015	Scope of "Comply or Explain"
TSE 1st Section	1,797	+321	All 73 Principles { 5 General Principles ("GP") 30 Principles ("P") 38 Supplementary Principles ("SP")
TSE 2nd Section	465	+83	
Mothers	197	+92	Only 5 General Principles
JASDAQ	705	+183	
TOTAL	3,164	+679	

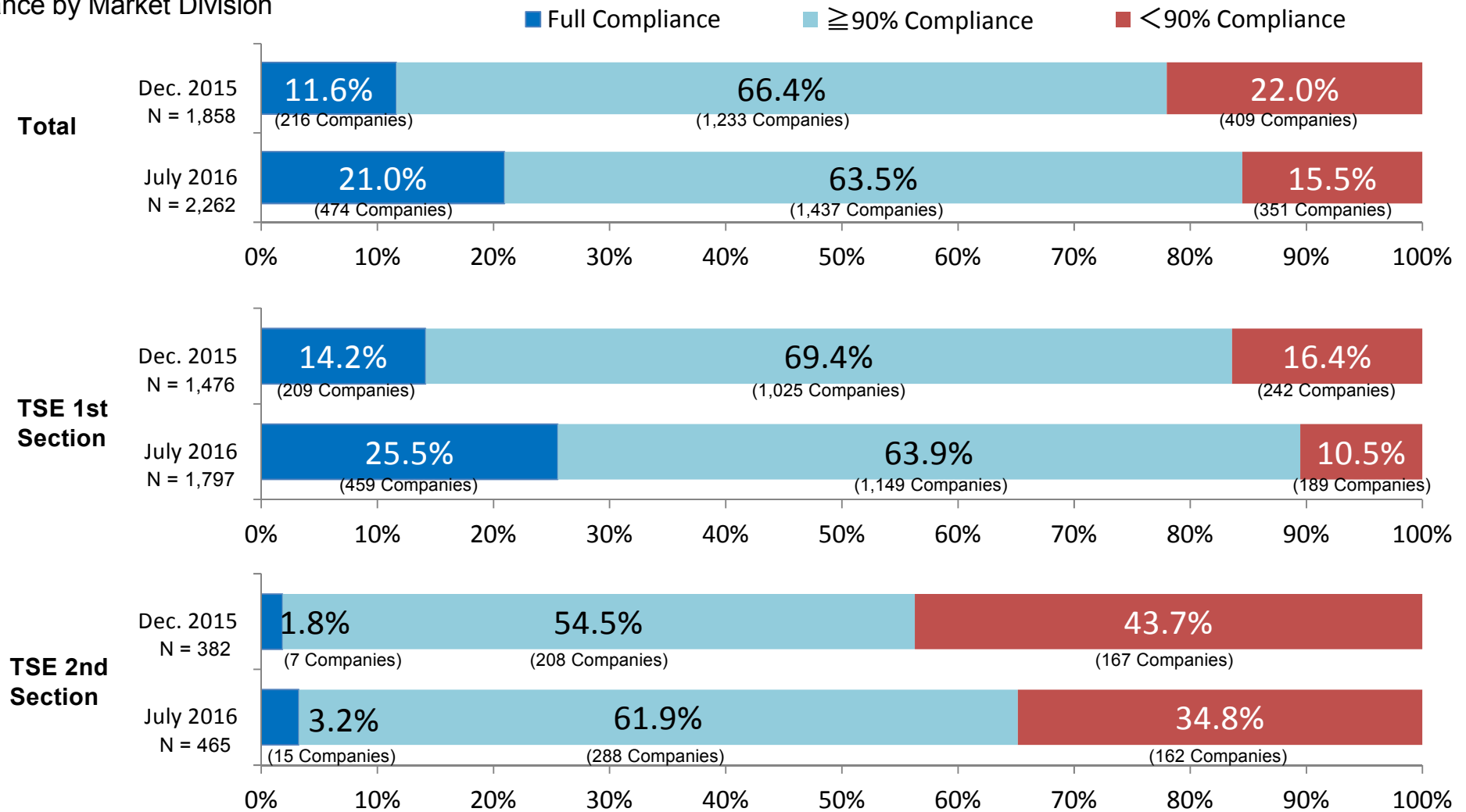
- We analyzed 2,262 companies listed on the TSE 1st & 2nd Sections as follows.

Compliance with the Code

- As of July 2016, 2,262 companies listed on the TSE 1st & 2nd Sections have disclosed their responses to the Code (+404 companies from Dec. 2015)
- Compliance/Explanation ratios are as follows: (Change from Dec. 2015)

● Companies which have complied with all 73 principles		<u>21.0 % (474 companies)</u>	+9.4pt
● Companies which explained reasons for non-compliance with some principles		<u>79.0 % (1,788 companies)</u>	-9.4pt
Number of principles companies complied with	90% or more	<u>63.5 % (1,437 companies)</u>	-2.9pt
	Less than 90%	<u>21.5 % (351 companies)</u>	-6.4pt

Compliance by Market Division



Compliance / Explanation by Principles of the Code

- Among 73 principles, (Change from Dec. 2015)
- Principles with which all companies have complied **4 principles** **-2 principle**
 - Principled with which some companies provided explanations for non-compliance **69 principles** **+2 principle**
- Compliance rate
- 90% or more **57 principles** **+5 principles**
 - Less than 90% **12 principles** **-3 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. 2015
Chapter 1					
1	GP1	2261	1	99.96%	-0.0pt
2	P1-1	2260	2	99.91%	+0.0pt
3	SP1-1-1	2237	25	98.89%	+0.6pt
4	SP1-1-2	2261	1	99.96%	+0.0pt
5	SP1-1-3	2259	3	99.87%	-0.0pt
6	P1-2	2182	80	96.46%	-3.0pt
7	SP1-2-1	2256	6	99.73%	+0.3pt
8	SP1-2-2	2073	189	91.64%	+11.5pt
9	SP1-2-3	2214	48	97.88%	+1.6pt
10	SP1-2-4	1001	1261	44.25%	+0.1pt
11	SP1-2-5	2100	162	92.84%	+0.3pt
12	P1-3	2193	69	96.95%	+0.3pt
13	P1-4	2159	103	95.45%	+3.5pt
14	P1-5	2242	20	99.12%	+0.1pt
15	SP1-5-1	2260	2	99.91%	+0.1pt
16	P1-6	2261	1	99.96%	+0.0pt
17	P1-7	2250	12	99.47%	+0.2pt
Chapter 2					
18	GP2	2262	0	100.00%	±0.0pt
19	P2-1	2262	0	100.00%	+0.1pt
20	P2-2	2256	6	99.73%	+0.1pt
21	SP2-2-1	2229	33	98.54%	+1.1pt
22	P2-3	2257	5	99.78%	-0.0pt
23	SP2-3-1	2254	8	99.65%	-0.0pt
24	P2-4	2249	13	99.43%	-0.1pt
25	P2-5	2247	15	99.34%	+0.3pt
26	SP2-5-1	2165	97	95.71%	+1.5pt

No.	Principles	Compliance	Explanation	Compliance Rate	Change from Dec. 2015
Chapter 3					
27	GP3	2259	3	99.87%	-0.0pt
28	P3-1	1943	319	85.90%	+14.0pt
29	SP3-1-1	2239	23	98.98%	-0.6pt
30	SP3-1-2	1626	636	71.88%	-2.3pt
31	P3-2	2255	7	99.69%	-0.3pt
32	SP3-2-1	2156	106	95.31%	+5.6pt
33	SP3-2-2	2240	22	99.03%	+1.0pt
Chapter 4					
34	GP4	2257	5	99.78%	-0.1pt
35	P4-1	2230	32	98.59%	-1.2pt
36	SP4-1-1	2250	12	99.47%	+0.0pt
37	SP4-1-2	1954	308	86.38%	+1.2pt
38	SP4-1-3	1950	312	86.21%	+0.1pt
39	P4-2	2014	248	89.04%	+0.1pt
40	SP4-2-1	1587	675	70.16%	+0.8pt
41	P4-3	2241	21	99.07%	+0.6pt
42	SP4-3-1	2211	51	97.75%	+1.2pt
43	SP4-3-2	2258	4	99.82%	+0.2pt
44	P4-4	2262	0	100.00%	+0.1pt
45	SP4-4-1	2236	26	98.85%	+1.4pt
46	P4-5	2261	1	99.96%	-0.0pt
47	P4-6	2238	24	98.94%	+0.8pt
48	P4-7	2208	54	97.61%	+3.5pt
49	P4-8	1783	479	78.82%	+21.3pt
50	SP4-8-1	1975	287	87.31%	+5.0pt
51	SP4-8-2	1927	335	85.19%	+4.6pt
52	P4-9	2148	114	94.96%	+2.2pt

No.	Principles	Compliance	Explanation	Compliance Rate	Change from Dec. 2015
53	P4-10	2121	141	93.77%	-0.5pt
54	SP4-10-1	1694	568	74.89%	+4.3pt
55	P4-11	2116	146	93.55%	-1.2pt
56	SP4-11-1	2229	33	98.54%	+0.5pt
57	SP4-11-2	2259	3	99.87%	+0.6pt
58	SP4-11-3	1245	1017	55.04%	+18.7pt
59	P4-12	2258	4	99.82%	+0.2pt
60	SP4-12-1	2230	32	98.59%	+0.6pt
61	P4-13	2259	3	99.87%	+0.4pt
62	SP4-13-1	2262	0	100.00%	±0.0pt
63	SP4-13-2	2261	1	99.96%	-0.0pt
64	SP4-13-3	2260	2	99.91%	-0.0pt
65	P4-14	2226	36	98.41%	+0.3pt
66	SP4-14-1	2240	22	99.03%	+0.1pt
67	SP4-14-2	2206	56	97.52%	-0.2pt
Chapter 5					
68	GP5	2258	4	99.82%	-0.0pt
69	P5-1	2230	32	98.59%	-0.1pt
70	SP5-1-1	2256	6	99.73%	+0.0pt
71	SP5-1-2	2226	36	98.41%	+0.1pt
72	SP5-1-3	2254	8	99.65%	+0.1pt
73	P5-2	2039	223	90.14%	+1.0pt

(Reference)

Average Compliance Rate by the layer of the Code Principles

Layers	Average Compliance Rate	Change from Dec. 2015
GP (General Principles)	99.89%	-0.0pt
P (Principles)	96.74%	+1.4pt
SP (Supplementary Principles)	92.54%	+1.6pt

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. 2015
SP 1-2-4	Electronic voting / English AGM notices	1,001	1,261	55.7%	-0.1pt
SP 4-11-3	Board evaluation and disclosure of summary	1,245	1,017	45.0%	-18.7pt
SP 4-2-1	Remuneration reflecting mid-to-long term growth	1,587	675	29.8%	-0.8pt
SP 3-1-2	Provision of English language disclosures	1,626	636	28.1%	2.3pt
SP 4-10-1	Involvement and advice from independent directors on remuneration / nomination	1,694	568	25.1%	-4.3pt
P 4-8	Two or more independent directors	1,783	479	21.2%	-21.3pt

Principle whose explanation rate dropped below 20%

Principle	Content	No. of Companies Complying	No. of Companies Explaining	Explanation Rate	Change from Dec. 2015
P 3-1	<p>Disclosure on corporate governance</p> <ul style="list-style-type: none"> i) Company objectives, business strategies, and business plans; ii) Basic views and guidelines on corporate governance based on each of the principles of the Code; iii) Board policies and procedures in determining the remuneration of senior management and directors; iv) Board policies and procedures in the appointment of senior management and nomination of directors and <i>kansayaku</i> candidates; and v) Explanations with respect to individual appointments and nominations based on iv). 	1,943	319	14.1%	-14.0pt

Contents of Explanations

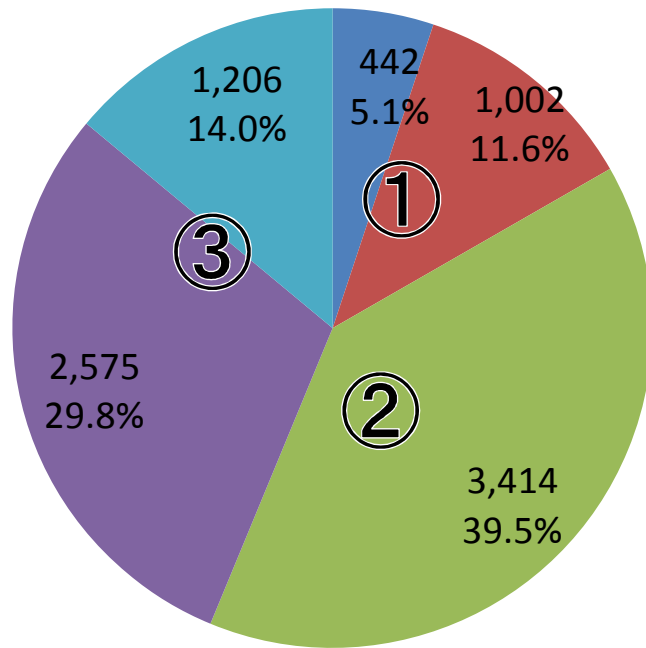
➤ For 69 Principles, 1,788 companies have supplied a total of 8,639 “Explanations” (-357 from Dec. 2015)

Breakdown of Reasons for Non-compliance:

(Change from Dec. 2015)

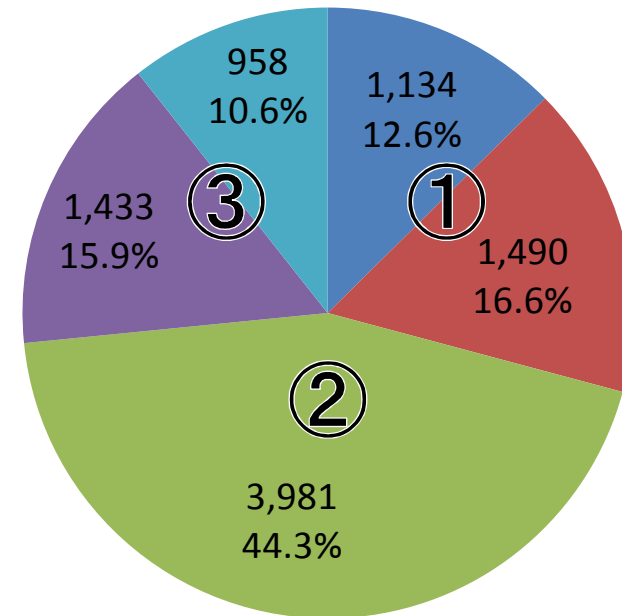
1. Indicating their intention to comply in the future	16.7%	-12.5pt
2. Stating that they have yet to decide whether to comply or not	39.5%	-4.8pt
3. Having no plan to comply due to company-specific reasons	43.8%	+17.3pt

July 2016



N = 8,639

(Reference) December 2015



N = 8,996

(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)