

# **How Listed Companies Have Addressed Japan's Corporate Governance Code**

(Status as of the end of December 2015)

January 2016  
Tokyo Stock Exchange, Inc.

# How Listed Companies Have Addressed the CG Code

- Japan's CG Code came into effect on June 1, 2015
  - Listed companies that hold their AGMs in June must submit “Corporate Governance Reports” including non-compliance explanations in a timely manner. (The deadline is set to December of the first year of implementation.)
  
- As of the end of December 2015, 2,485 companies submitted CG reports with a statement of “Comply or Explain” as per the Code.

Market Division	No. of companies	Scope of “Comply or Explain”
TSE 1st Section	1,476	All 73 Principles <ul style="list-style-type: none"> <li>{ 5 General Principles (“GP”)</li> <li>30 Principles (“P”)</li> <li>38 Supplementary Principles (“SP”)</li> </ul>
TSE 2nd Section	382	
Mothers	105	Only 5 General Principles
JASDAQ	522	
<b>TOTAL</b>	<b>2,485</b>	

- We analyzed 1,858 companies in the 1st and 2nd Sections.

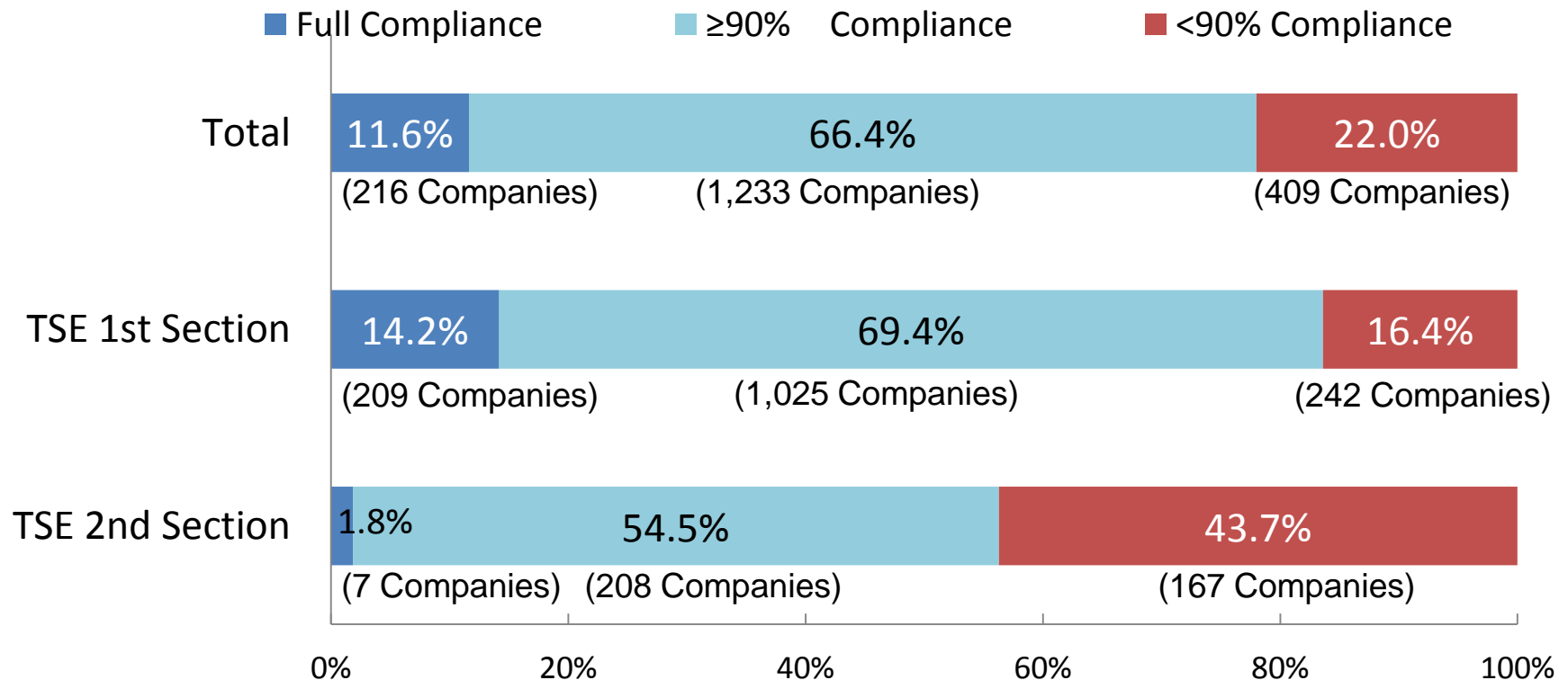
# Companies in Full Compliance

➤ Out of 1,858 Companies

- 11.6% (216 companies) declared compliance with all of the Principles
- 88.4% (1,642 companies) explained non-compliance for some of the Principles

Out of these 1,642 companies: 66.4% (1,233 companies) comply with no less than 90% of the Principles  
22.0% (409 companies) comply with less than 90% of the Principles

## Compliance by Market Division




# Compliance / Explanation by Principles of the Code

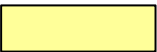
- For 73 Principles of the Code,
  - All companies have complied with 6 Principles
  - Some companies have complied with or supplied explanations for 67 Principles

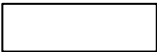
For these 67 Principles of the Code,

At least 90% of the companies have complied with 52 Principles

Less than 90% of the companies have complied with 15 Principles

 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
<b>Chapter 1</b>				
1	GP1	1858	0	100%
2	P1-1	1856	2	99.9%
3	SP1-1-1	1827	31	98.3%
4	SP1-1-2	1857	1	99.9%
5	SP1-1-3	1856	2	99.9%
6	P1-2	1848	10	99.5%
7	SP1-2-1	1847	11	99.4%
8	SP1-2-2	1490	368	80.2%
9	SP1-2-3	1788	70	96.2%
10	SP1-2-4	820	1038	44.1%
11	SP1-2-5	1719	139	92.5%
12	P1-3	1796	62	96.7%
13	P1-4	1708	150	91.9%
14	P1-5	1840	18	99.0%
15	SP1-5-1	1855	3	99.8%
16	P1-6	1857	1	99.9%
17	P1-7	1845	13	99.3%
<b>Chapter 2</b>				
18	GP2	1858	0	100%
19	P2-1	1857	1	99.9%
20	P2-2	1852	6	99.7%
21	SP2-2-1	1810	48	97.4%
22	P2-3	1854	4	99.8%
23	SP2-3-1	1852	6	99.7%
24	P2-4	1849	9	99.5%
25	P2-5	1841	17	99.1%
26	SP2-5-1	1750	108	94.2%

No.	Principles	Compliance	Explanation	Compliance Rate
<b>Chapter 3</b>				
27	GP3	1856	2	99.9%
28	P3-1	1336	522	71.9%
29	SP3-1-1	1850	8	99.6%
30	SP3-1-2	1379	479	74.2%
31	P3-2	1858	0	100%
32	SP3-2-1	1667	191	89.7%
33	SP3-2-2	1821	37	98.0%
<b>Chapter 4</b>				
34	GP4	1855	3	99.8%
35	P4-1	1854	4	99.8%
36	SP4-1-1	1848	10	99.5%
37	SP4-1-2	1582	276	85.1%
38	SP4-1-3	1600	258	86.1%
39	P4-2	1652	206	88.9%
40	SP4-2-1	1288	570	69.3%
41	P4-3	1830	28	98.5%
42	SP4-3-1	1793	65	96.5%
43	SP4-3-2	1851	7	99.6%
44	P4-4	1857	1	99.9%
45	SP4-4-1	1810	48	97.4%
46	P4-5	1858	0	100%
47	P4-6	1823	35	98.1%
48	P4-7	1749	109	94.1%
49	P4-8	1069	789	57.5%
50	SP4-8-1	1530	328	82.3%
51	SP4-8-2	1497	361	80.6%
52	P4-9	1723	135	92.7%

No.	Principles	Compliance	Explanation	Compliance Rate
53	P4-10	1752	106	94.3%
54	SP4-10-1	1311	547	70.6%
55	P4-11	1761	97	94.8%
56	SP4-11-1	1821	37	98.0%
57	SP4-11-2	1845	13	99.3%
58	SP4-11-3	676	1182	36.4%
59	P4-12	1851	7	99.6%
60	SP4-12-1	1821	37	98.0%
61	P4-13	1849	9	99.5%
62	SP4-13-1	1858	0	100%
63	SP4-13-2	1858	0	100%
64	SP4-13-3	1857	1	99.9%
65	P4-14	1823	35	98.1%
66	SP4-14-1	1839	19	99.0%
67	SP4-14-2	1816	42	97.7%
<b>Chapter 5</b>				
68	GP5	1855	3	99.8%
69	P5-1	1833	25	98.7%
70	SP5-1-1	1853	5	99.7%
71	SP5-1-2	1827	31	98.3%
72	SP5-1-3	1850	8	99.6%
73	P5-2	1656	202	89.1%

# Principles with Higher Explanation Rates

➤ Companies have supplied explanations for the following Principles at a higher rate.

Principle	Content	No. of Companies Complying	No. of Companies Explaining	Explanation Rate
SP 4-11-3	Board evaluation and disclosure of summary	676	1,182	63.6%
SP 1-2-4	Electronic voting / English AGM notices	820	1,038	55.9%
P 4-8	Two or more independent directors	1,069	789	42.5%
SP 4-2-1	Remuneration reflecting mid-to-long term growth	1,288	570	30.7%
SP 4-10-1	Involvement and advice from independent directors on remuneration / nomination	1,311	547	29.4%
P 3-1	Disclosure on corporate governance 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; v) Explanations with respect to individual appointments and nominations based on iv).	1,336	522	28.1%
SP 3-1-2	Provision of English language disclosures	1,379	479	25.8%

\* The above table takes into account Principles that more than 20% of all companies chose to supply “explanations” for.

# Contents of Explanations

➤ For 67 Principles, 1,642 companies have supplied a total of 8,996 “Explanations”.

Breakdown of Reasons for Non-compliance:

1. Approx. 30% indicate their intention to comply in the future.
2. Approx. 45% state that they have yet to decide whether to comply or not.
3. Approx. 25% have no plan to comply due to company-specific reasons.

**No plan to comply**

**(alternative measures to be taken)**

**Will comply in the future**

**(timeline provided)**

**No plan to comply**

**(due to specific  
circumstances)**

**Will comply in the future**

**(no timeline provided)**

**No decision on  
whether to  
comply or not**

