

Appointment of Independent Directors and  
Establishment of Nomination and Remuneration Committees  
by TSE-Listed Companies

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Tokyo Stock Exchange, Inc.  
August 2, 2021



# 1 . Appointment of Independent Directors

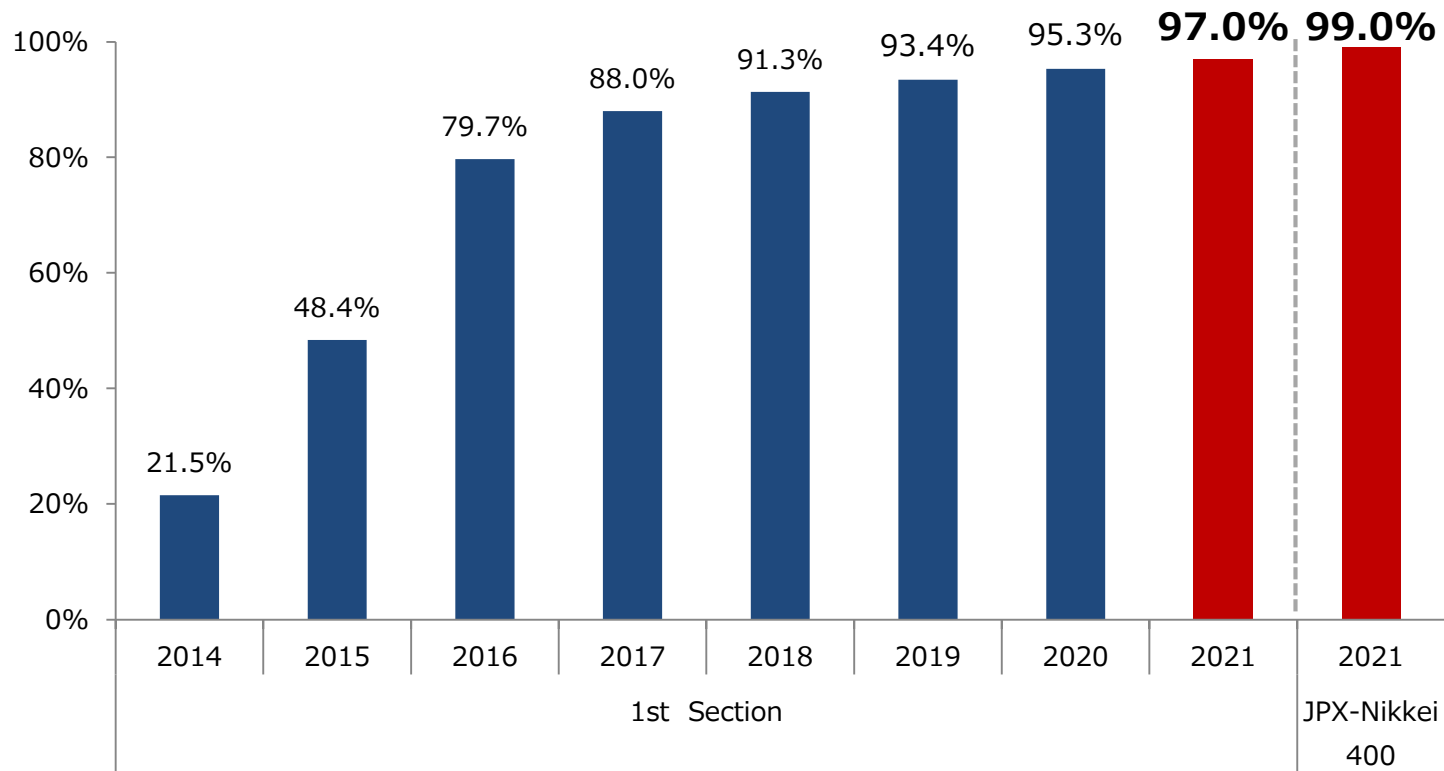
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## Companies with two or more Independent Directors

- **97.0%** of the 1st Section and **99.0%** of the JPX-Nikkei 400 companies appoint two or more independent directors.

[Ratio of 1<sup>st</sup> Section Companies with two or more Independent Directors]

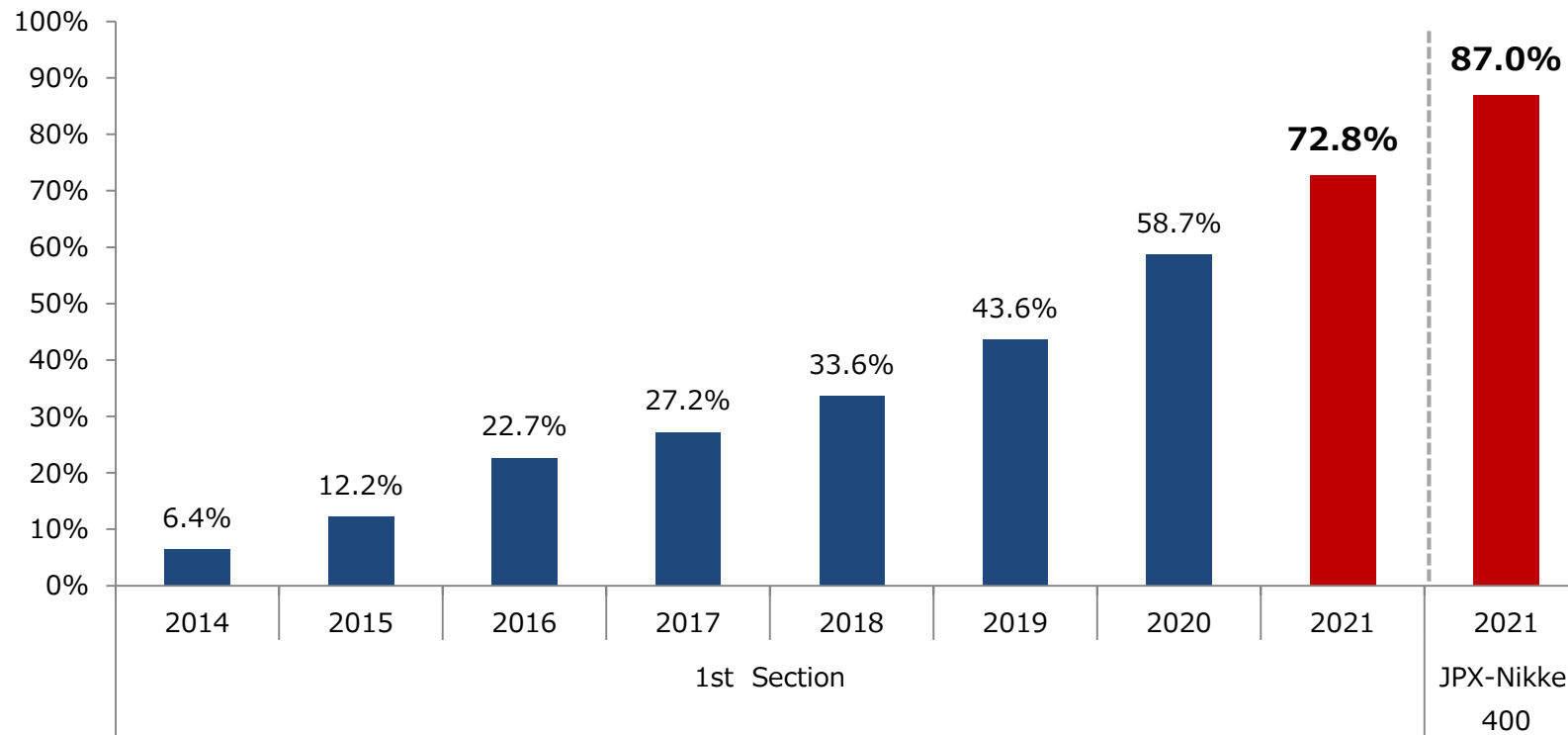




## Companies with 1/3 or more Independent Directors

- **72.8%** of the 1st Section Companies and **87.0%** of the JPX-Nikkei 400 companies appoint 1/3 or more independent directors.

[Ratio of 1<sup>st</sup> Section Companies with 1/3 or more Independent Directors]

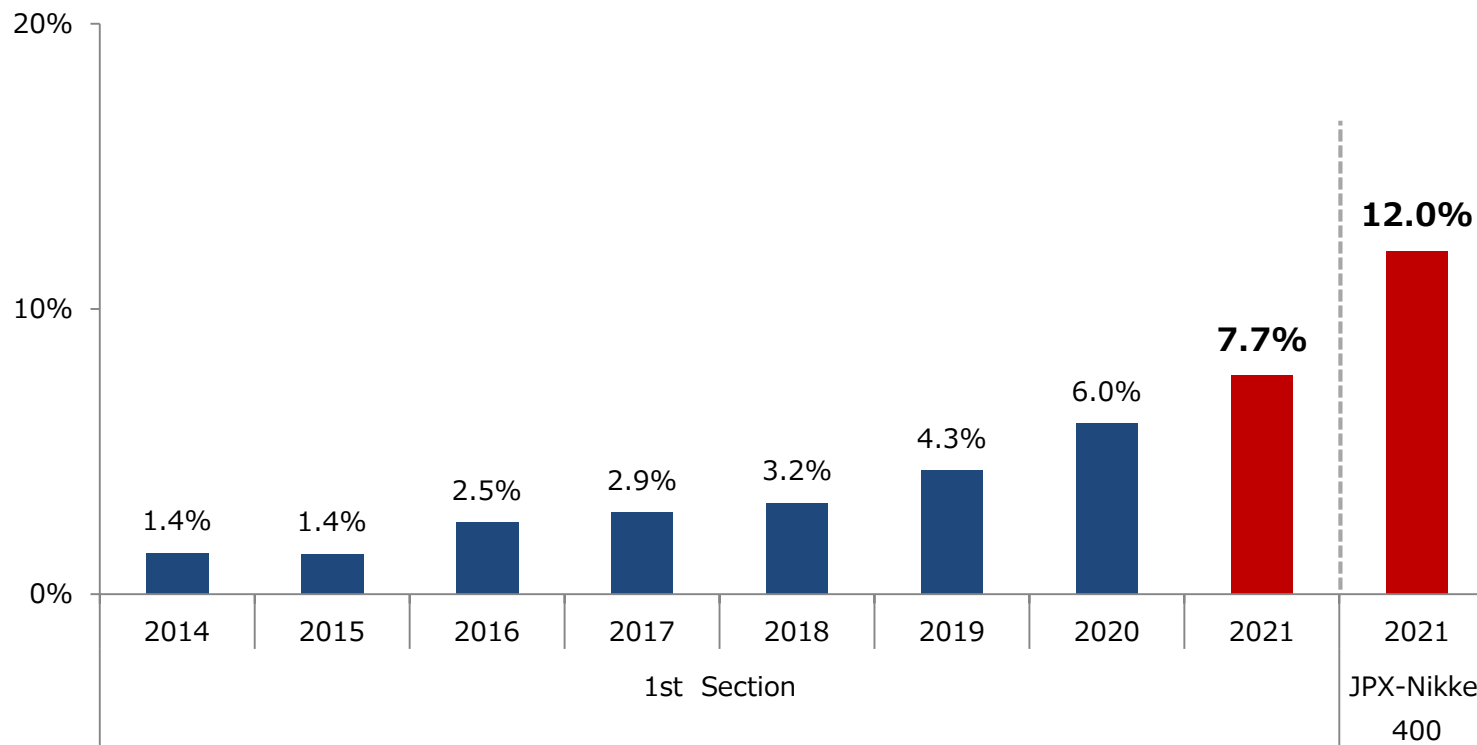




# Companies with Majority Independent Directors

- **7.7%** of the 1st Section Companies and **12.0%** of the JPX-Nikkei 400 companies appoint majority independent directors.

[Ratio of 1<sup>st</sup> Section Companies with Majority Independent Directors]



## (Table) Appointment of Independent Directors

	Number of Companies	Companies with two or more Independent Directors		Companies with 1/3 or more Independent Directors		Companies with Majority Independent Directors	
		Number	Ratio	Number	Ratio	Number	Ratio
1 <sup>st</sup> Section	2,191	2,126	97.0%	1,595	72.8%	168	7.7%
		(+56)	(+1.7%)	(+319)	(+14.1pt)	(+38)	(+1.7pt)
2 <sup>nd</sup> Section	473	360	76.1%	195	41.2%	14	3.0%
		(+3)	(+1.7%)	(+25)	(+5.8pt)	(+3)	(+0.7pt)
Mothers	372	212	57.0%	182	48.9%	37	9.9%
		(+29)	(+0.9%)	(+33)	(+3.2pt)	(+13)	(+2.5pt)
JASDAQ	699	346	49.5%	200	28.6%	16	2.3%
		(+70)	(+10.0%)	(+44)	(+6.3pt)	(+1)	(+0.2pt)
<b>Total</b>	3,735	3,044	81.5%	2,172	58.2%	235	6.3%
		(+158)	(+3.0%)	(+421)	(+10.5pt)	(+55)	(+1.4pt)
JPX-Nikkei 400	399	395	99.0%	347	87.0%	48	12.0%
		(+5)	(+0.5%)	(+53)	(+12.7pt)	(+10)	(+2.4pt)

\* Change from 2020 indicated in parentheses.



## (Table) Number of Outside/ Independent Directors per Company

	Number of Companies	Directors	Number of Independent Directors			Number of Outside Directors				
		Average	Average	1	2	3 or more	Average	1	2	3 or more
1 <sup>st</sup> Section	2,191	8.9	3.2	61	679	1,447	3.3	32	594	1,564
				2.8%	31.0%	66.0%		1.5%	27.1%	71.4%
2 <sup>nd</sup> Section	473	7.6	2.1	102	234	126	2.5	66	208	197
				21.6%	49.5%	26.6%		14.0%	44.0%	41.6%
Mothers	372	6.1	1.9	149	112	100	2.2	116	120	134
				40.1%	30.1%	26.9%		31.2%	32.3%	36.0%
JASDAQ	699	7.0	1.6	270	220	126	2.0	240	251	196
				38.6%	31.5%	18.0%		34.3%	35.9%	28.0%
<b>Total</b>	3,735	8.1	2.6	582	1,245	1,799	2.9	454	1,173	2,091
				15.6%	33.3%	48.2%		12.2%	31.4%	56.0%
JPX-Nikkei 400	399	10.2	4.0	4	43	352	4.1	2	38	359
				1.0%	10.8%	88.2%		0.5%	9.5%	90.0%

\* Percentages in lower rows are the ratios to the number of companies in each section.



## 2. Establishment of Nomination and Remuneration Committees

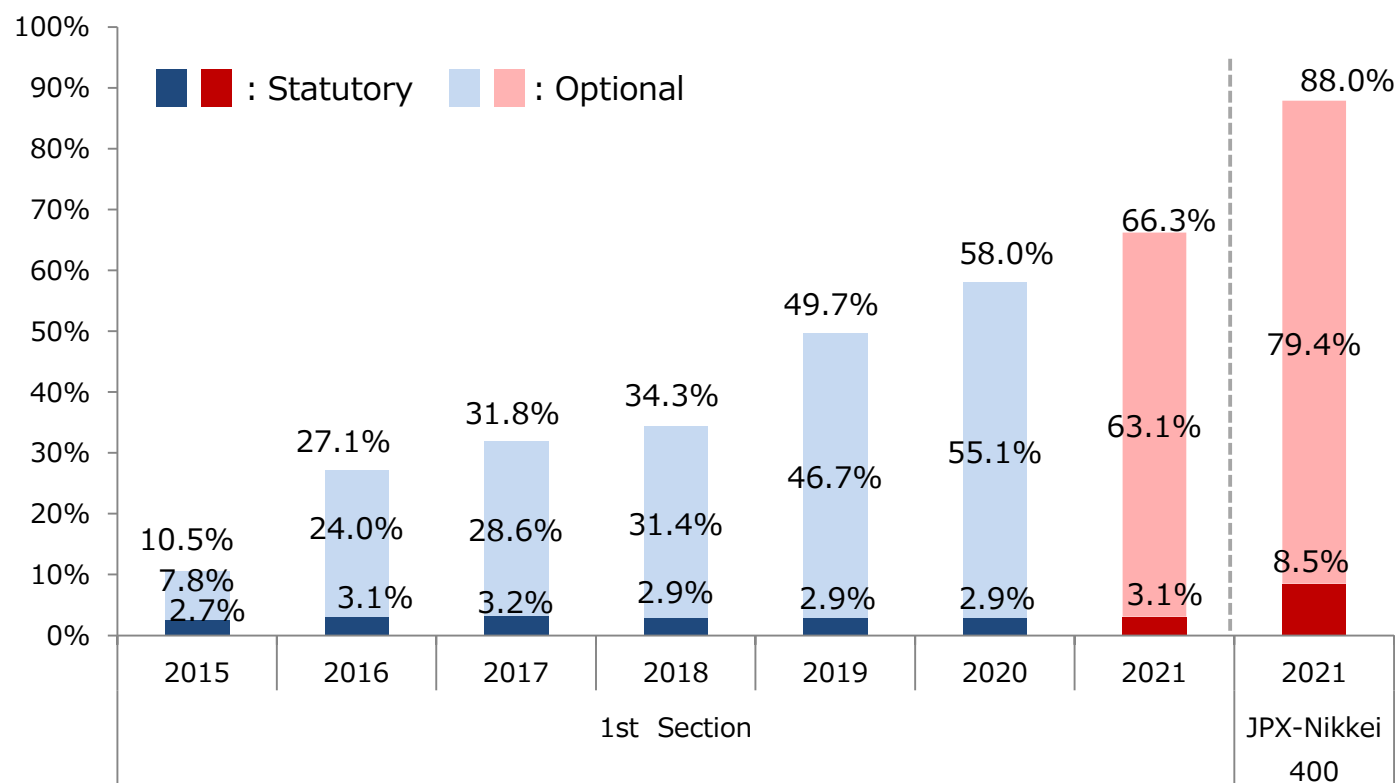
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# Establishment of Nomination Committees

- **66.3%** of the 1st Section Companies and **88.0%** of the JPX-Nikkei 400 companies have established statutory or optional Nomination Committees.

[Ratio of 1<sup>st</sup> Section Companies with Nomination Committee]

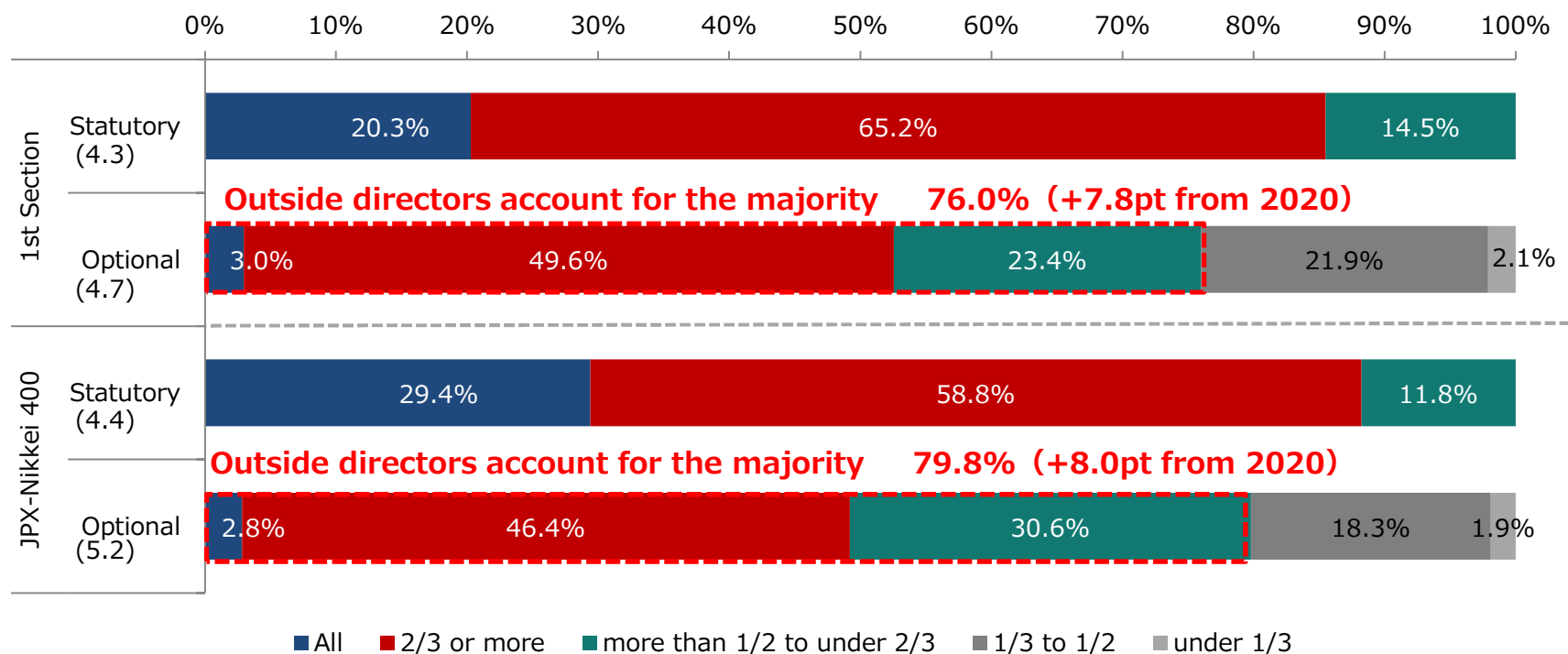




## Ratio of Outside Directors in Nomination Committees

- **76.0%** of optional Nomination Committees established by the 1st Section companies and **79.8%** of optional Nomination Committees established by the JPX-Nikkei 400 companies have majority outside directors.

[Ratio of Outside Directors in Nomination Committees]

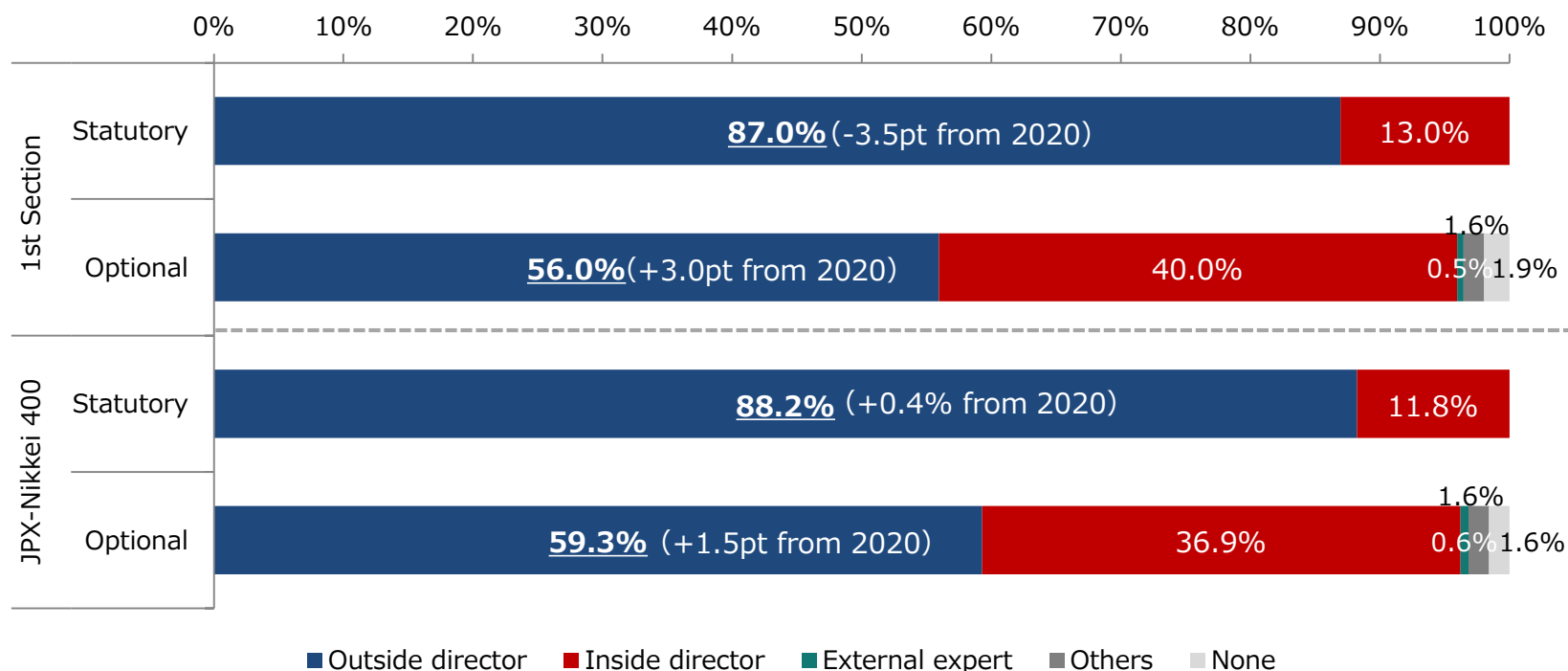


\* Average number of members of Nomination Committees indicated in parentheses

# Attributes of Chairpersons of Nomination Committees

- The statutory Remuneration Committees of **87.0%** of the 1st Section companies and **88.2%** of the JPX-Nikkei 400 companies appointed outside directors as the chairpersons.
- The optional Remuneration Committees of **56.0%** of the 1st Section companies and **59.3%** of the JPX-Nikkei 400 companies appointed outside directors as the chairpersons.

[Attributes of Chairpersons of Nomination Committees]

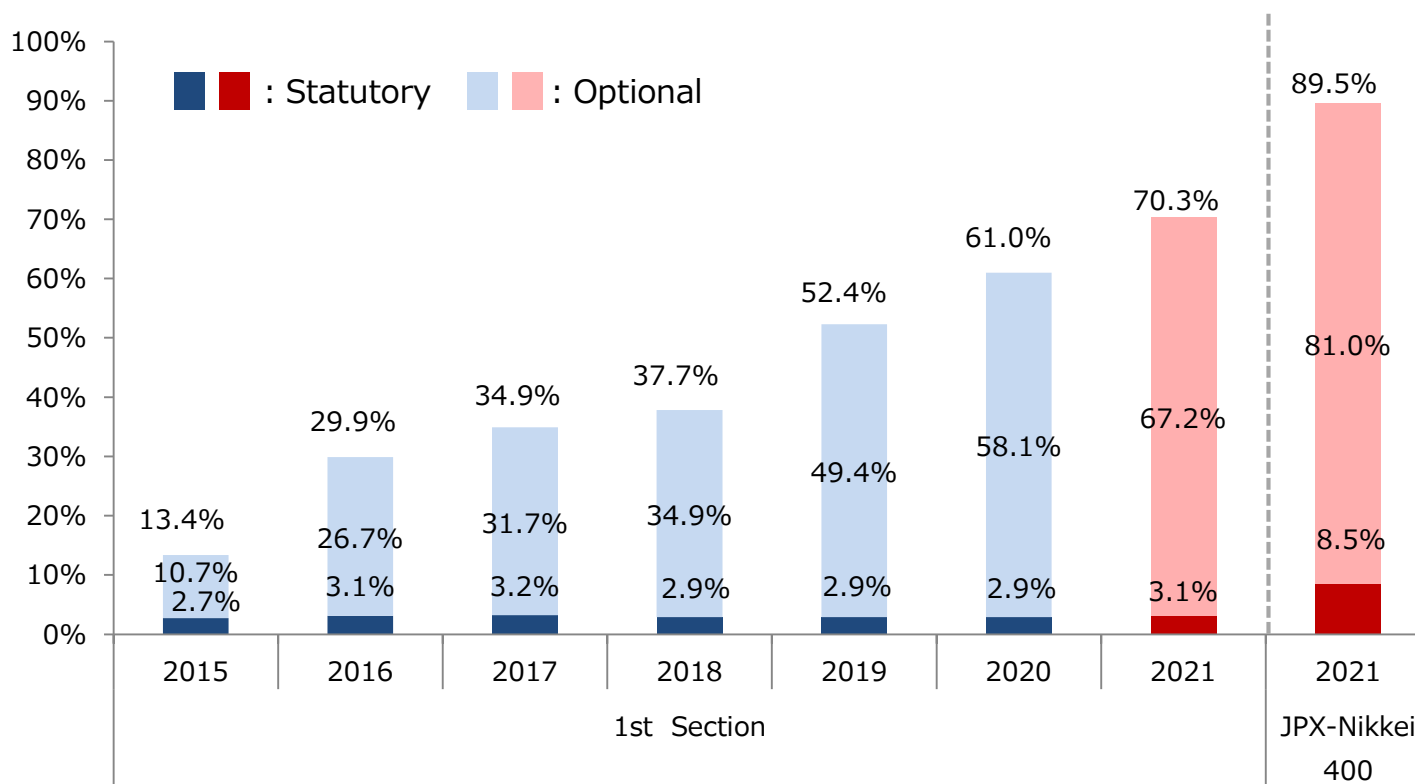




## Establishment of Remuneration Committees (1<sup>st</sup> Section)

- **70.3%** of the 1<sup>st</sup> Section Companies and **89.5%** of the JPX-Nikkei 400 companies have established statutory or optional Remuneration Committees.

[Ratio of the 1<sup>st</sup> Section Companies with Remuneration Committee]

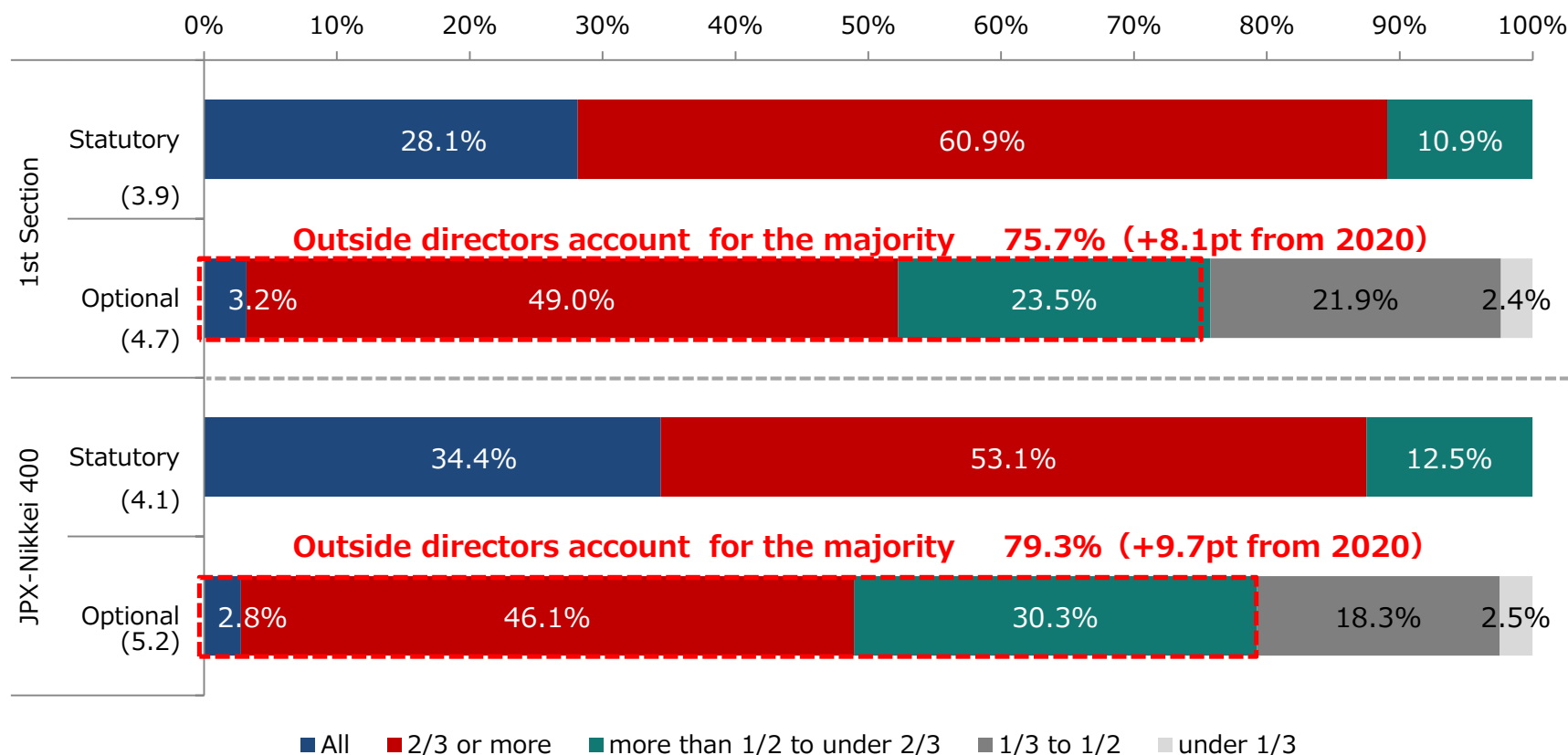




# Ratio of Outside Directors in Remuneration Committees

- **75.7%** of optional Remuneration Committees established by the 1st Section companies and **79.3%** of optional Remuneration Committees established by the JPX-Nikkei 400 companies have majority outside directors.

[Ratio of Outside Directors in Remuneration Committees]

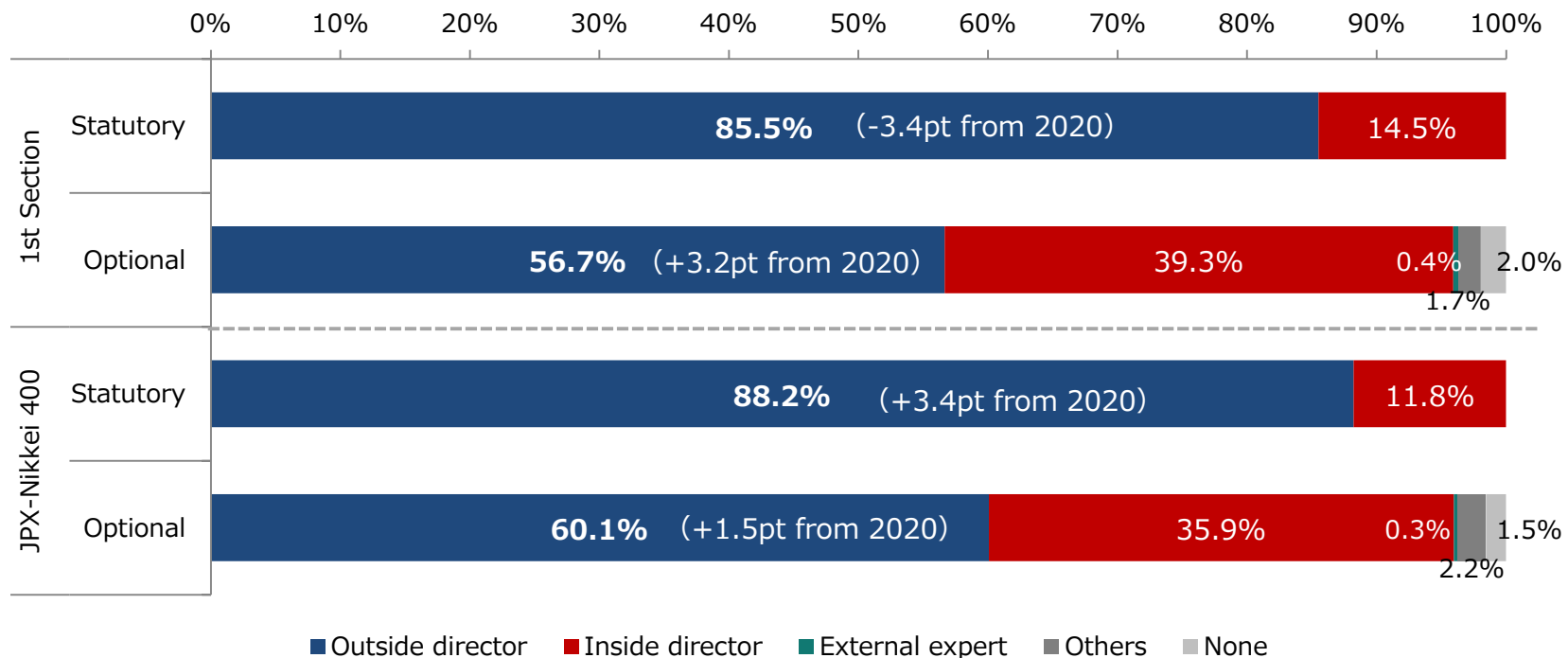


\* Average number of members of Remuneration Committees indicated in parentheses

# Attributes of Chairpersons of Remuneration Committees

- The statutory Remuneration Committees of **85.5%** of the 1st Section companies and **88.2%** of the JPX-Nikkei 400 companies appointed outside directors as the chairpersons.
- The optional Remuneration Committees of **56.7%** of the 1st Section companies and **60.1%** of the JPX-Nikkei 400 companies appointed outside directors as the chairpersons.

[Attributes of Chairpersons of Remuneration Committees]





(Table) Status of Nomination/Remuneration Committee Establishment

	Number of Companies	Companies with Nomination Committee (Statutory and Optional combined)		Companies with Remuneration Committee (Statutory and Optional combined)	
		Number	Ratio	Number	Ratio
1st Section	2,191	1,452	66.3%	1,541	70.3%
		(+193)	(+8.3pt)	(+215)	(+9.3pt)
2nd Section	473	146	30.9%	157	33.2%
		(+22)	(+5.1%)	(+24)	(+5.5pt)
Mothers	372	44	11.8%	80	21.5%
		(+16)	(+3.2pt)	(+35)	(+7.7pt)
JASDAQ	699	74	10.6%	108	15.5%
		(+31)	(+4.4pt)	(+49)	(+7.1pt)
<b>Total</b>	3,735	1,716	45.9%	1,886	50.5%
		(+262)	(+6.4pt)	(+323)	(+8.0pt)
JPX-Nikkei 400	399	351	88.0%	357	89.5%
		(+24)	(+5.4pt)	(+22)	(+4.9pt)

\* Change from 2020 indicated in parentheses.

## (Table) Organizational Form based on Japanese Companies Act

	Number of Companies	Companies with Three Committees		Companies with Supervisory Committee		Companies with <i>Kansayaku</i> Board	
		Number	Ratio	Number	Ratio	Number	Ratio
1st Section	2,191	69	3.1%	750	34.2%	1,372	62.6%
		(+6)	(+0.2pt)	(+88)	(+3.8pt)	(-75)	(-4.0pt)
2nd Section	473	4	0.8%	173	36.6%	296	62.6%
		(±0)	(+0.0pt)	(+2)	(+1.0pt)	(-9)	(-1.0pt)
Mothers	372	4	1.1%	104	28.0%	264	71.0%
		(-1)	(-0.5pt)	(+19)	(+1.9pt)	(+28)	(-1.4pt)
JASDAQ	699	4	0.6%	210	30.0%	485	69.4%
		(±0)	(+0.0pt)	(+22)	(+3.1pt)	(-22)	(-3.1pt)
<b>Total</b>	3,735	81	2.2%	1,237	33.1%	2,417	64.7%
		(+5)	(+0.1pt)	(+131)	(+3.0pt)	(-78)	(-3.1pt)
JPX-Nikkei 400	399	34	8.5%	98	24.6%	267	66.9%
		(+1)	(+0.2pt)	(+19)	(+4.6pt)	(-17)	(-4.8pt)

\* Change from 2020 indicated in parentheses.





# (Reference) Japan's Corporate Governance Code (Revised)

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## **Principle 4.8 Effective Use of Independent Directors**

Independent directors should fulfill their roles and responsibilities with the aim of contributing to sustainable growth of companies and increasing corporate value over the mid- to long-term. Companies listed on the Prime Market should therefore appoint at least one-third of their directors as independent directors (two directors if listed on other markets) that sufficiently have such qualities.

Irrespective of the above, if a company listed on the Prime Market believes it needs to appoint the majority of directors (at least one-third of directors if listed on other markets) as independent directors based on a broad consideration of factors such as the industry, company size, business characteristics, organizational structure and circumstances surrounding the company, it should appoint a sufficient number of independent directors.

## **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 (including succession plan) and remuneration of the senior management and directors, the company should seek appropriate involvement and advice from the committees, including from the perspective of gender and other diversity and skills, in the examination of such important matters as nominations and remuneration by establishing an independent nomination committee and remuneration committee under the board, to which such committees make significant contributions.

In particular, companies listed on the Prime Market should basically have the majority of the members of each committee be independent directors and should disclose the mandates and roles of the committees, as well as the policy regarding the independence of the composition.

### **Notes on Figures**

- Figures for each year are based on the Corporate Governance Reports of listed companies as of the following days.

2014 : July 14, 2014

2015 : July 14, 2015

2016 : July 14, 2016

2017 : July 14, 2017

2018 : July 13, 2018

2019 : July 12, 2019

2020 : August 14, 2020

2021 : July 14, 2021

### **What is an “Independent Director”?**

- An outside director that is designated by each listed company as an independent director under the TSE listing rules.
- To protect the interests of general shareholders, TSE requires listed companies to designate highly independent outside directors/ auditors as “independent directors”/“auditors.”