

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

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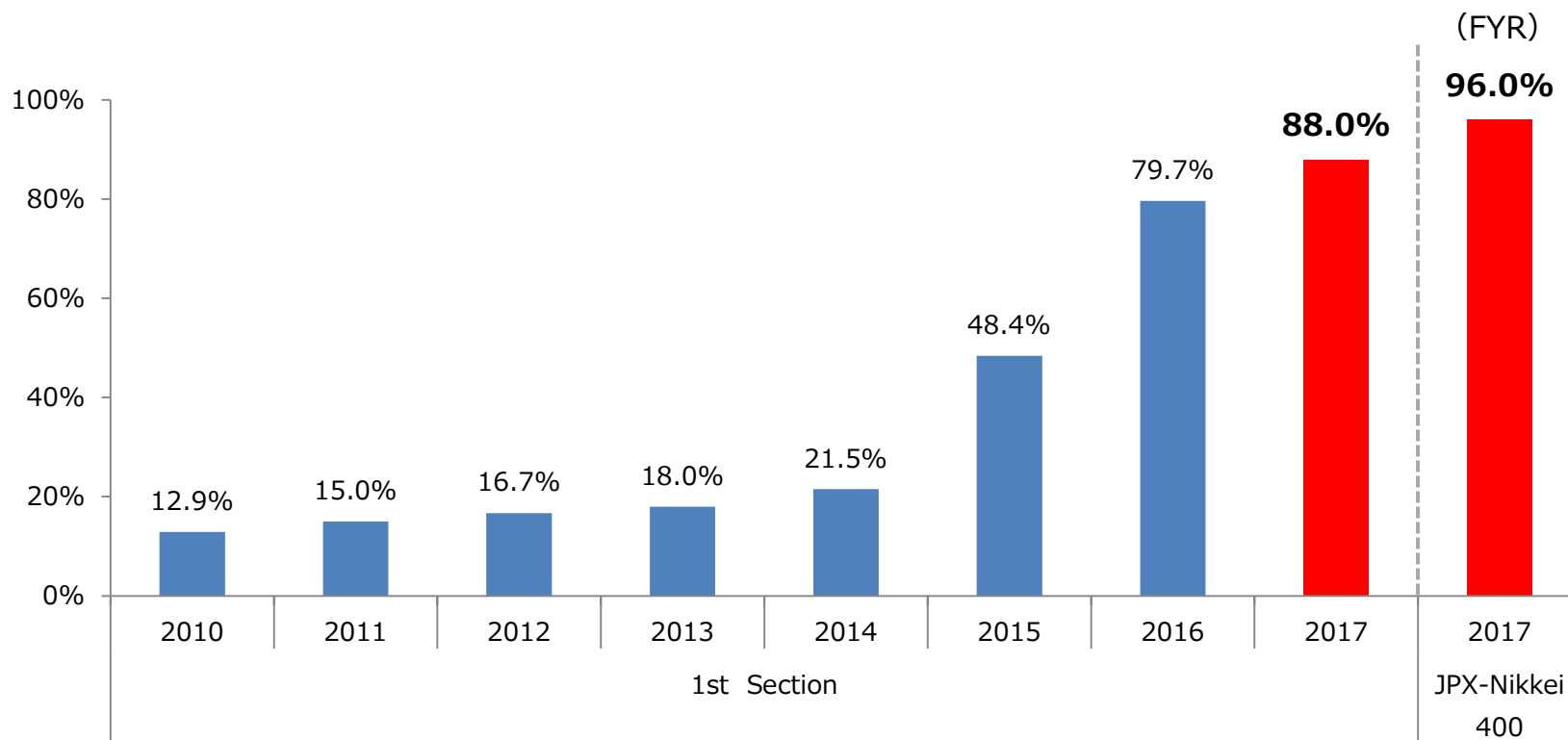


Tokyo Stock Exchange, Inc.  
July 26, 2017

# Companies with two or more Independent Directors

- 88.0% of the 1st Section Companies appoint two or more independent directors.
- 96.0% of the JPX-Nikkei 400 companies appoint two or more independent directors.

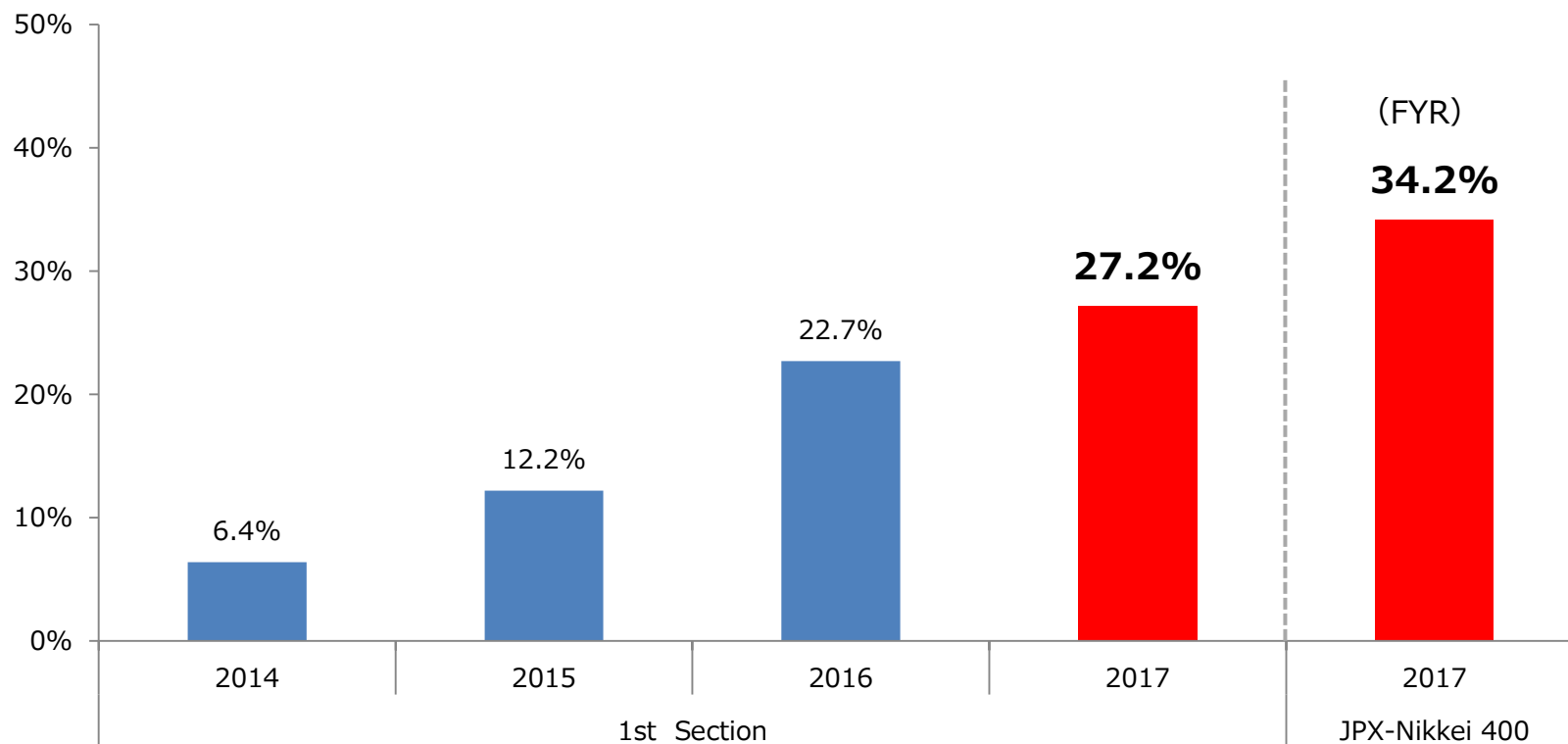
[Ratio of 1<sup>st</sup> Section Companies with two or more Independent Directors]



# Companies with 1/3 or more Independent Directors

- 27.2% of the 1st Section Companies appoint 1/3 or more independent directors.
- 34.2% 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]



# (Table) Appointment of Independent Directors

	Number of Companies	Companies with two or more Independent Directors		Companies with 1/3 or more Independent Directors	
		Number	Ratio	Number	Ratio
1 <sup>st</sup> Section	2,021	1,778	88.0%	549	27.2%
		(+212)	(+8.3%)	(+103)	(+4.5%)
2 <sup>nd</sup> Section	523	331	63.3%	98	18.7%
		(+31)	(+7.3%)	(+2)	(+0.8%)
Mothers	241	87	36.1%	69	28.6%
		(+17)	(+6.2%)	(+15)	(+5.6%)
JASDAQ	752	202	26.9%	92	12.2%
		(+19)	(+3.2%)	(+8)	(+1.3%)
<b>Total</b>	3,537	2,398	67.8%	808	22.8%
		(+279)	(+7.4%)	(+128)	(+3.5%)
JPX-Nikkei 400	398	382	96.0%	136	34.2%
		(+21)	(+5.8%)	(+21)	(+5.4%)

\* Change from previous year indicated in parentheses.

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

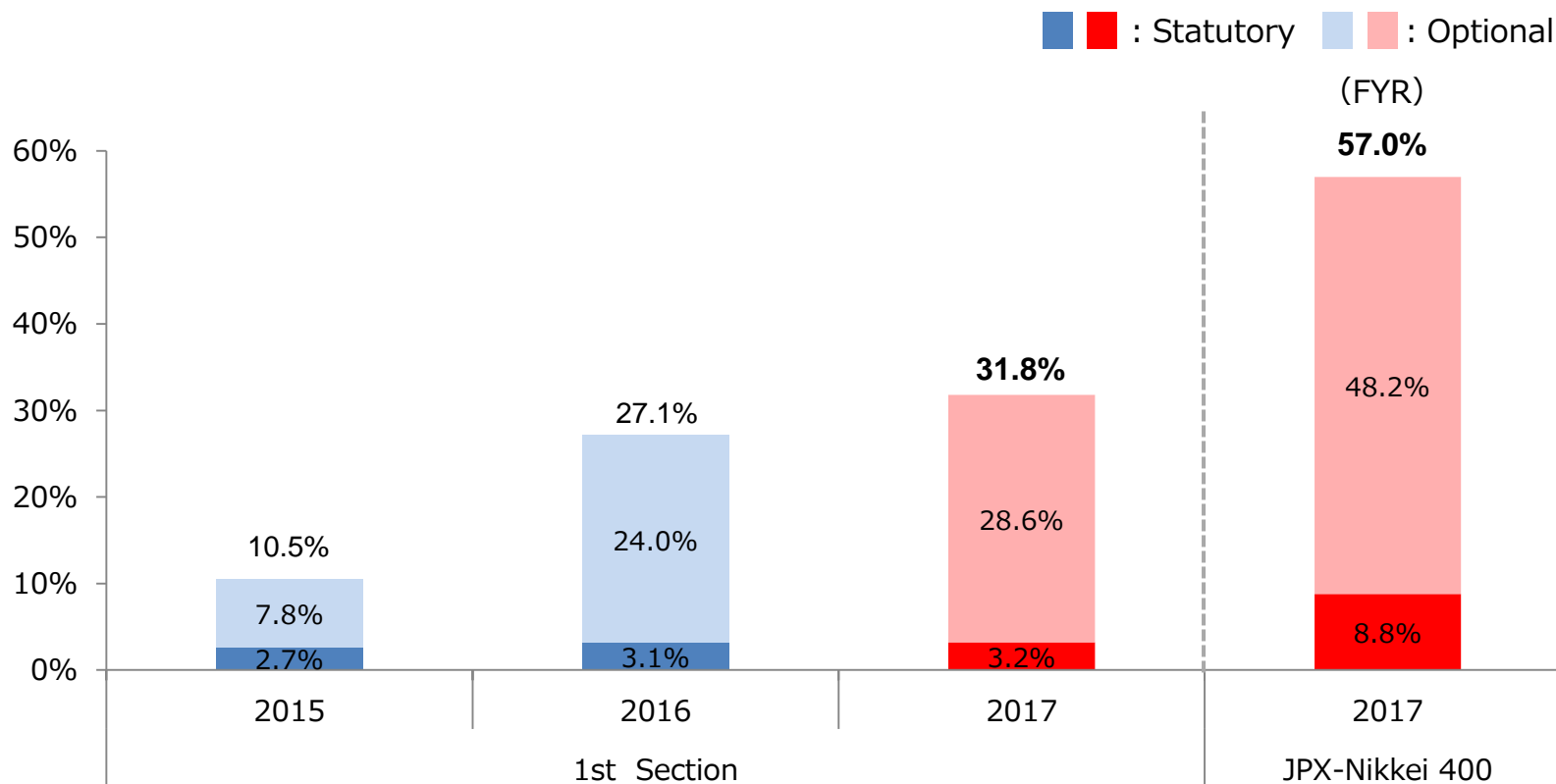
	Number of Companies	Directors	Number of Independent Directors							Number of Outside Directors						
		Average	Average	None	1	2	3 or more	1/3 or more	More than half	Average	None	1	2	3 or more	1/3 or more	More than half
1st Section	2,021	9.31	2.34	24	219	1,157	621	549	58	2.57	9	154	1,023	835	712	89
				1.2%	10.8%	57.2%	30.7%	27.2%	2.9%		0.4%	7.6%	50.6%	41.3%	35.2%	4.4%
2nd Section	523	7.80	1.74	30	162	259	72	98	7	2.08	6	125	264	128	169	13
				5.7%	31.0%	49.5%	13.8%	18.7%	1.3%		1.1%	23.9%	50.5%	24.5%	32.3%	2.5%
Mothers	241	5.96	1.37	38	116	54	33	69	7	1.84	16	100	66	59	104	26
				15.8%	48.1%	22.4%	13.7%	28.6%	2.9%		6.6%	41.5%	27.4%	24.5%	43.2%	10.8%
JASDAQ	752	6.84	1.09	199	351	148	54	92	9	1.54	77	361	196	118	173	27
				26.5%	46.7%	19.7%	7.2%	12.2%	1.2%		10.2%	48.0%	26.1%	15.7%	23.0%	3.6%
<b>Total</b>	3,537	8.33	1.92	291	848	1,618	780	808	81	2.23	108	740	1,549	1,140	1,158	155
				8.2%	24.0%	45.7%	22.1%	22.8%	2.3%		3.1%	20.9%	43.8%	32.2%	32.7%	4.4%
JPX-Nikkei 400	398	10.67	2.91	1	15	168	214	136	23	3.09	0	9	151	238	157	27
				0.3%	3.8%	42.2%	53.8%	34.2%	5.8%		0.0%	2.3%	37.9%	59.8%	39.4%	6.8%

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

# Establishment of Nomination Committees

- 31.8% of the 1st Section Companies have established statutory or optional Nomination Committees.
- 57.0% of the JPX-Nikkei 400 companies have established statutory or optional Nomination Committees.

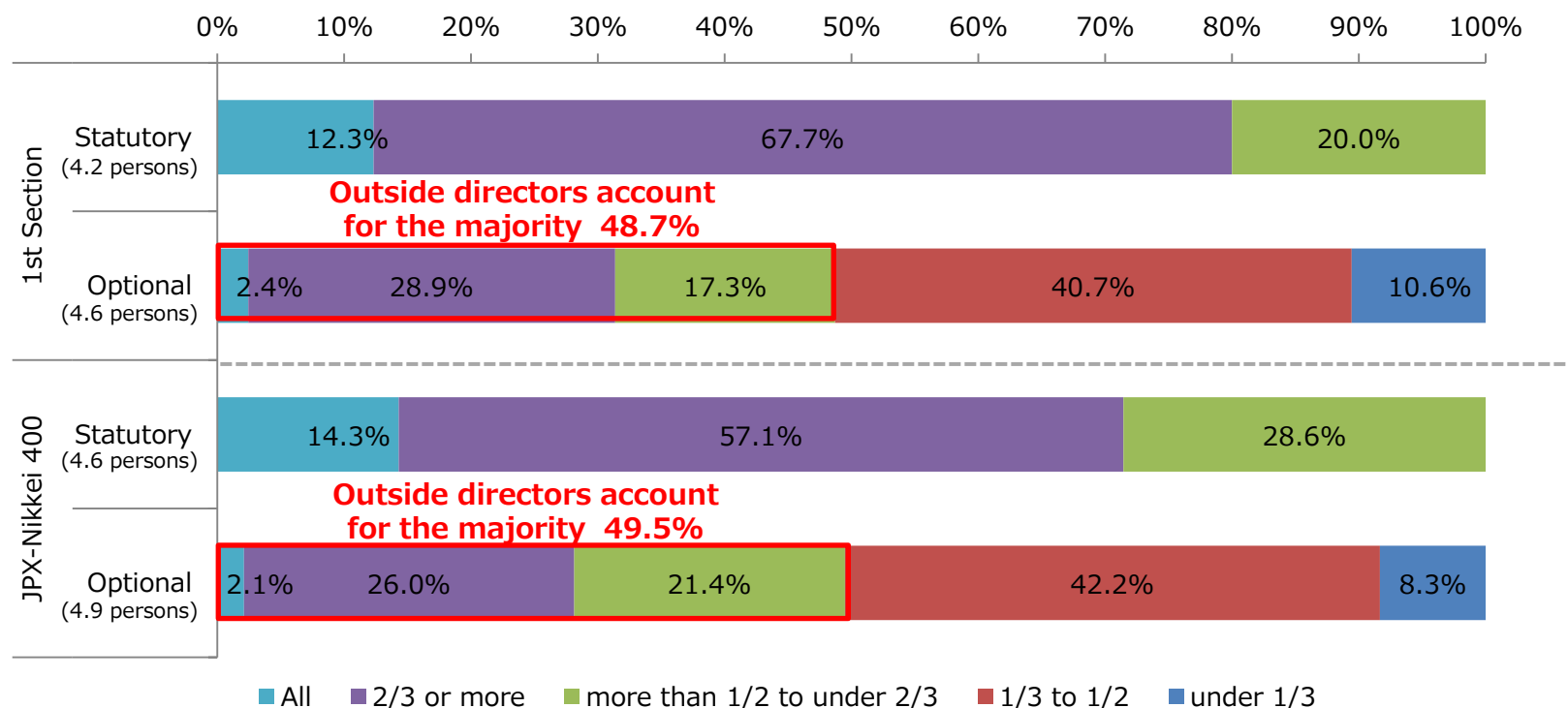
[Ratio of 1<sup>st</sup> Section Companies with Nomination Committee]



# Ratio of Outside Directors in Nomination Committees

- 48.7% of optional Nomination Committees established by the 1st Section companies have majority outside directors.
- 49.5% of optional Nomination Committees established by the JPX-Nikkei 400 companies have majority outside directors.

[Ratio of Outside Directors in Nomination Committees]

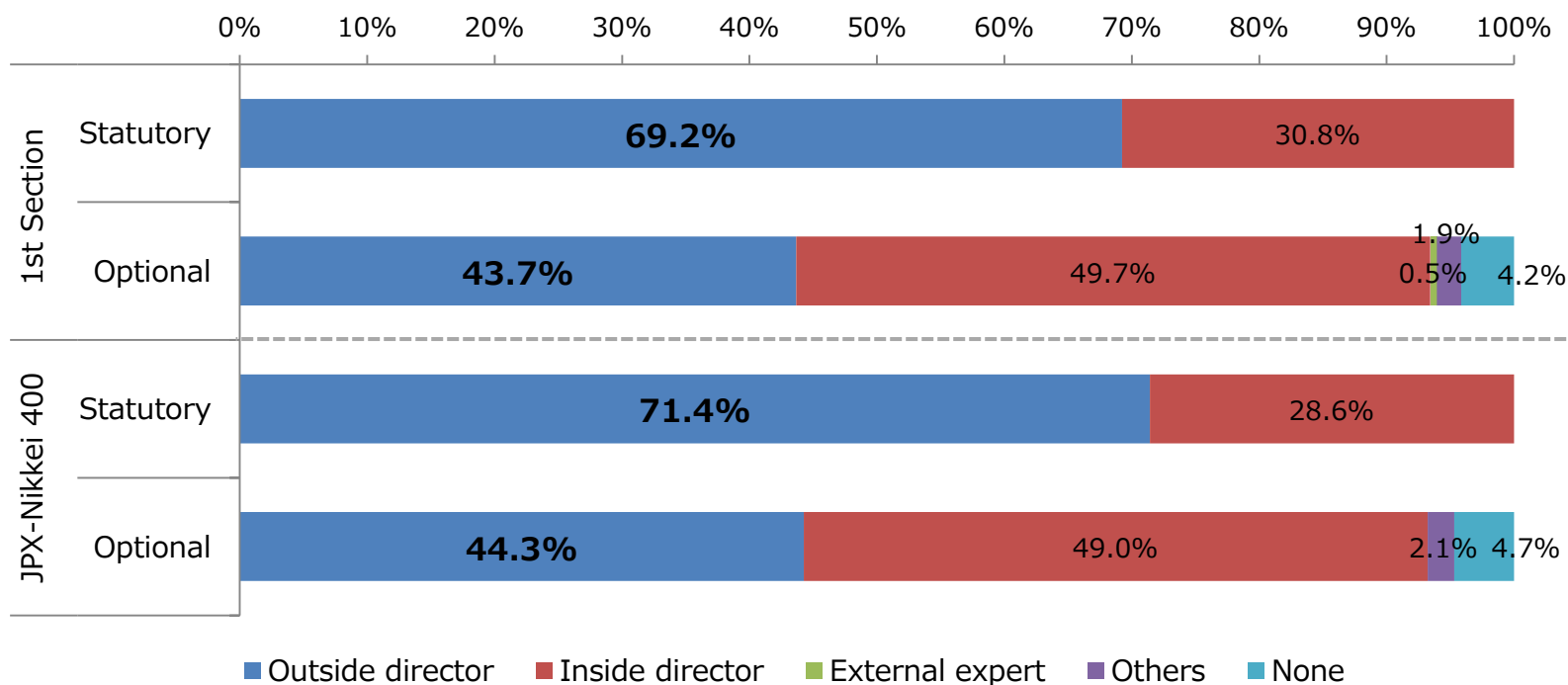


\* Average number of committee members indicated in parentheses.

# Attributes of Chairpersons of Nomination Committees

- About 70% of statutory Nomination Committees established by the appoint 1st Section companies and the JPX-Nikkei 400 companies outside directors as the chairpersons.
- More than 40% of optional Nomination Committees established by the appoint 1st Section companies and the JPX-Nikkei 400 companies appoint outside directors as the chairpersons.

[Attributes of Chairpersons of Nomination Committees]

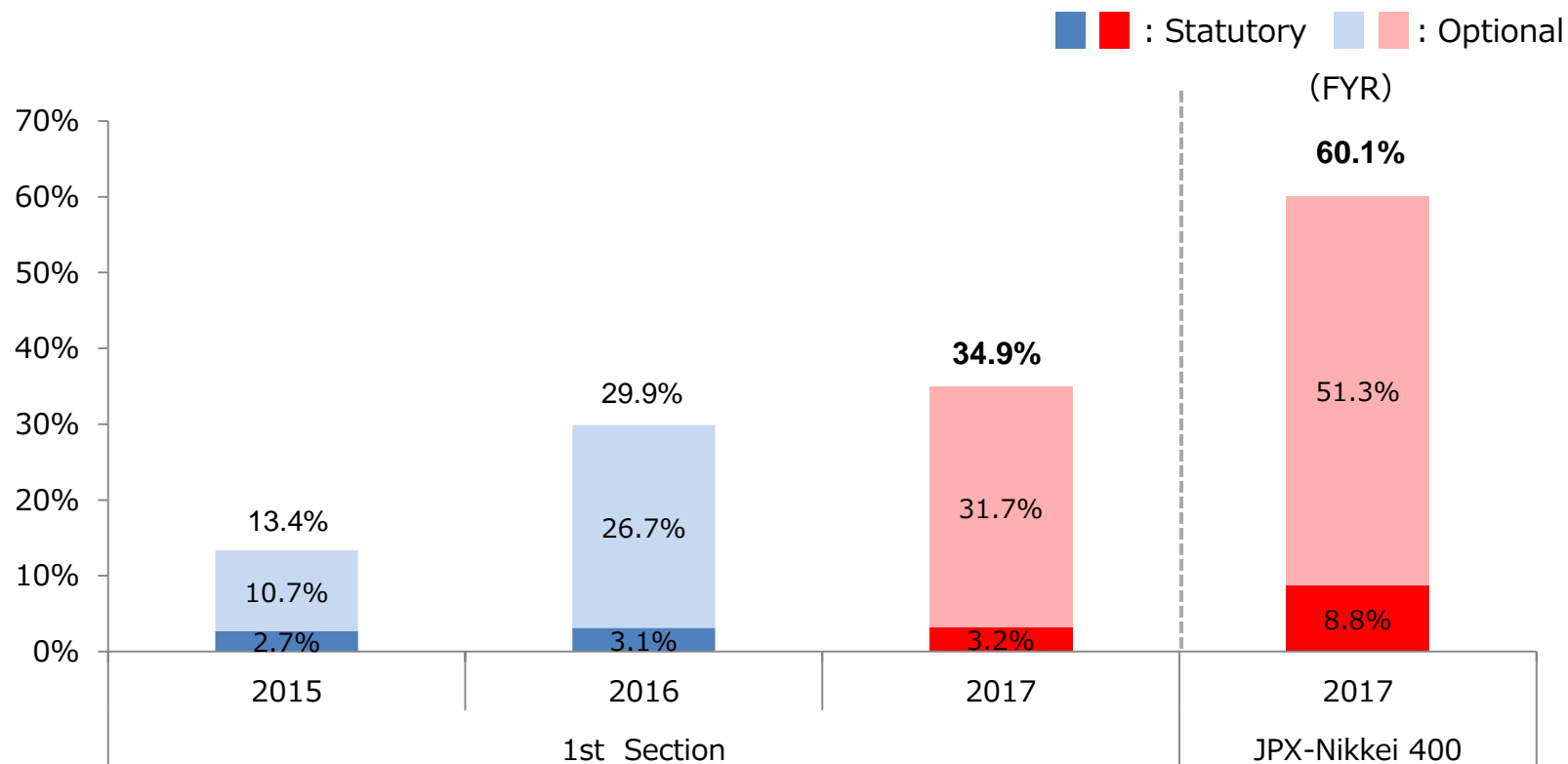




# Establishment of Remuneration Committees

- 34.9% of the 1st Section Companies have established statutory or optional Remuneration Committees.
- 60.1% of the JPX-Nikkei 400 companies have established statutory or optional Remuneration Committees.

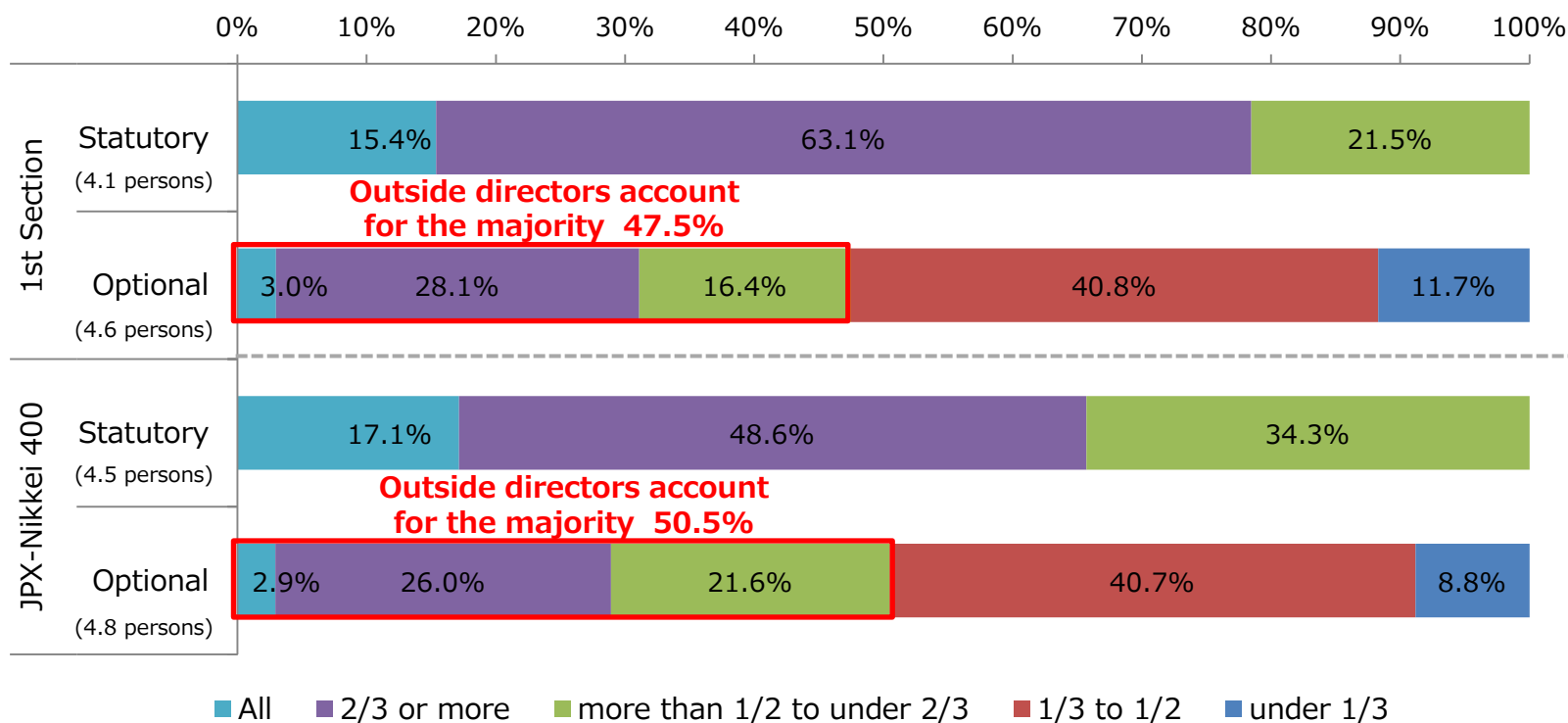
[Ratio of 1<sup>st</sup> Section Companies with Remuneration Committee]



# Ratio of Outside Directors in Remuneration Committees

- 47.5% of optional Remuneration Committees established by the 1st Section companies have majority outside directors.
- 50.5% of optional Remuneration Committees established by the JPX-Nikkei 400 companies have majority outside directors.

[Ratio of Outside Directors in Remuneration Committees]

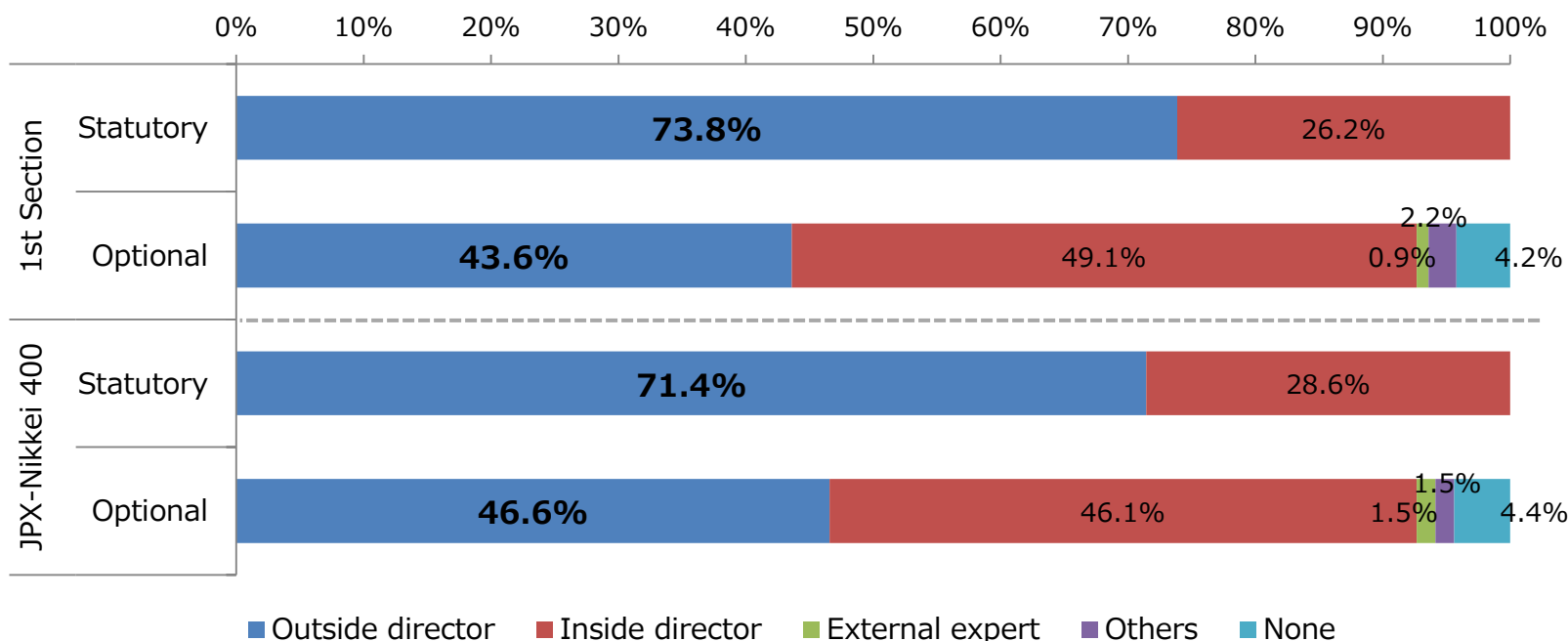


\* Average number of committee members indicated in parentheses.

# Attributes of Chairpersons of Remuneration Committees

- More than 70% of statutory Remuneration Committees established by the appoint 1st Section companies and the JPX-Nikkei 400 companies appoint outside directors as the chairpersons.
- More than 40% of optional Remuneration Committees established by the appoint 1st Section companies and the JPX-Nikkei 400 companies appoint 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	2,021	642	31.8%	705	34.9%
		(+111)	(+4.7%)	(+121)	(+5.0%)
2nd Section	523	47	9.0%	54	10.3%
		(+15)	(+3.1%)	(+16)	(+3.2%)
Mothers	241	7	2.9%	12	5.0%
		(+2)	(+0.8%)	(+2)	(+0.7%)
JASDAQ	752	13	1.7%	17	2.3%
		(+0)	(+0.0%)	(+0)	(+0.0%)
<b>Total</b>	3,537	709	20.0%	788	22.3%
		(+128)	(+3.5%)	(+139)	(+3.8%)
JPX-Nikkei 400	398	227	57.0%	239	60.1%
		(+21)	(+6.3%)	(+22)	(+6.6%)

\* Change from previous year indicated in parentheses.

## (Table) Organizational Form

	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	2,021	65	3.2%	440	21.8%	1,516	75.0%
		(+4)	(+0.1%)	(+91)	(+4.0%)	(-40)	(-4.1%)
2nd Section	523	2	0.4%	156	29.8%	365	69.8%
		(+0)	(+0.0%)	(+40)	(+8.2%)	(-53)	(-8.2%)
Mothers	241	3	1.2%	39	16.2%	199	82.6%
		(+1)	(+0.4%)	(+11)	(+4.2%)	(-5)	(-4.6%)
JASDAQ	752	4	0.5%	163	21.7%	585	77.8%
		(-1)	(-0.1%)	(+19)	(+3.0%)	(-37)	(-2.9%)
<b>Total</b>	3,537	74	2.1%	798	22.6%	2,665	75.3%
		(+4)	(+0.1%)	(+161)	(+4.4%)	(-135)	(-4.5%)
JPX-Nikkei 400	398	35	8.8%	58	14.6%	305	76.6%
		(+5)	(+1.3%)	(+7)	(+1.8%)	(-14)	(-3.1%)

\* Change from previous year indicated in parentheses.

## **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 should therefore appoint at least two independent directors that sufficiently have such qualities.

Irrespective of the above, if a company in its own judgement believes it needs to appoint at least one-third of directors 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 disclose a roadmap for doing so.

### **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, for example, establishing optional advisory committees under the board to which independent directors make significant contributions.

## **Notes on Figures**

- Figures for 2017 are based on the Corporate Governance Reports of listed companies as of July 14, 2017.
- Figures for years prior to 2016, used to indicate changes from the previous year, are based on the Corporate Governance Reports of listed companies as of each year.

## **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.