

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

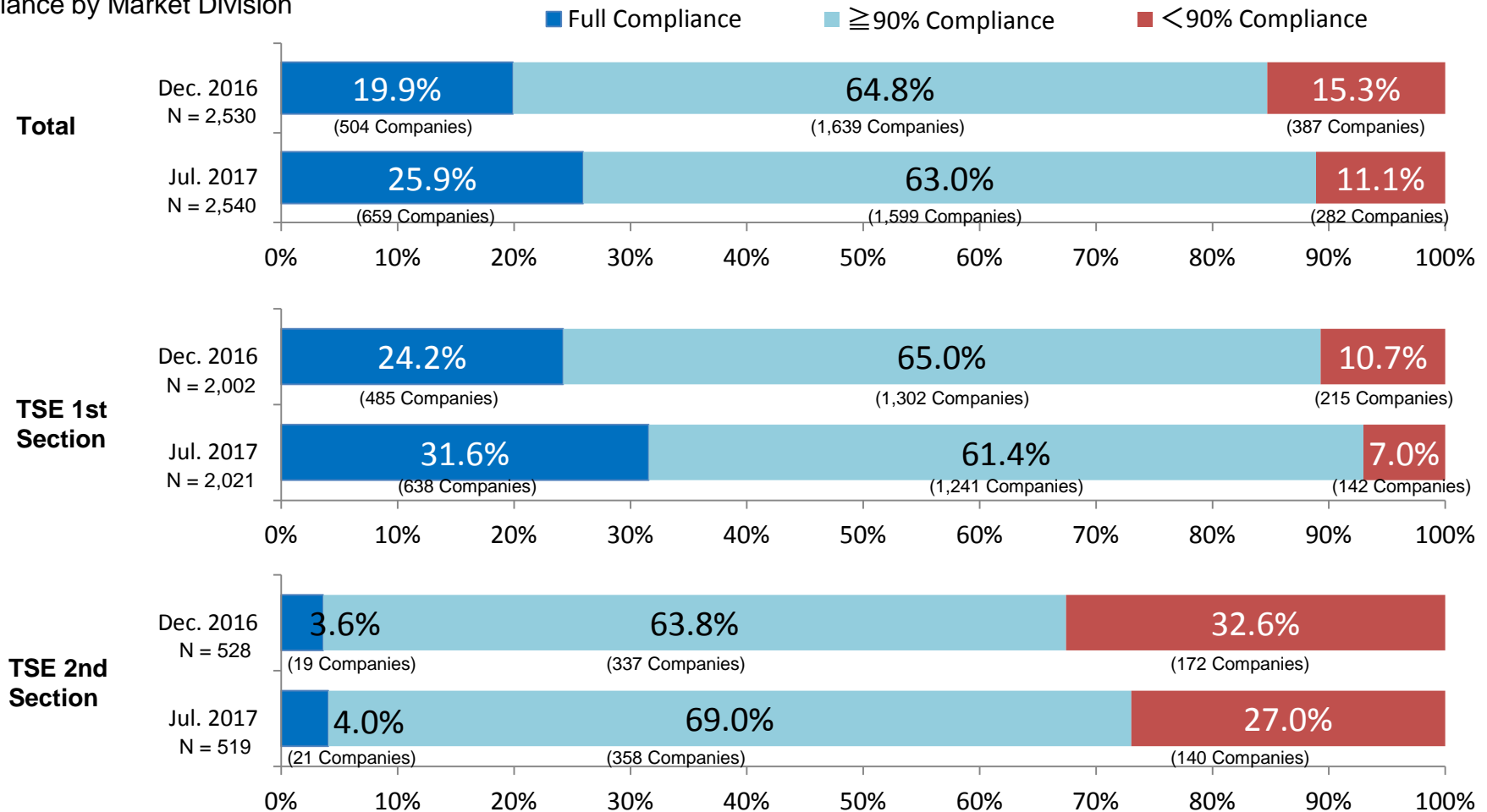
(Status as of July 14, 2017)

September 5, 2017  
Tokyo Stock Exchange, Inc.

# Compliance with the Code

- As of July 2017, 2,540 companies listed on the TSE 1st & 2nd Sections have disclosed their responses to the Code (+10 companies from Dec. 2016)
- Compliance/Explanation ratios are as follows: (Change from Dec. 2016)
  - Companies which have complied with all 73 principles 25.9 % (659 companies) +6.0pt
  - Companies which explained reasons for non-compliance with some principles 74.1 % (1,881 companies) -6.0pt
    - Number of principles companies complied with 90% or more 63.0 % (1,599 companies) -1.8pt
    - Less than 90% 11.1 % (282 companies) -4.2pt

## Compliance by Market Division



# Compliance / Explanation by Principles of the Code

- Among 73 principles, (Change from . 2016)
- Principles with which all companies have complied 7 principles +4 principles
  - Principled with which some companies provided explanations for non-compliance 66 principles -4 principles
- Compliance rate 90% or more 55 principles -3 principles  
Less than 90% 11 principles -1 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. 2017
<b>Chapter 1</b>					
1	GP1	2539	1	99.96%	+0.0pt
2	P1-1	2539	1	99.96%	+0.1pt
3	SP1-1-1	2520	20	99.21%	+0.2pt
4	SP1-1-2	2540	0	100.00%	±0.0pt
5	SP1-1-3	2538	2	99.92%	+0.0pt
6	P1-2	2512	28	98.90%	+1.8pt
7	SP1-2-1	2538	2	99.92%	+0.2pt
8	SP1-2-2	2413	127	95.00%	+2.7pt
9	SP1-2-3	2499	41	98.39%	+0.4pt
10	SP1-2-4	1122	1418	44.17%	+1.9pt
11	SP1-2-5	2365	175	93.11%	+0.5pt
12	P1-3	2472	68	97.32%	+0.5pt
13	P1-4	2460	80	96.85%	+0.8pt
14	P1-5	2520	20	99.21%	+0.1pt
15	SP1-5-1	2538	2	99.92%	+0.0pt
16	P1-6	2540	0	100.00%	±0.0pt
17	P1-7	2535	5	99.80%	+0.2pt
<b>Chapter 2</b>					
18	GP2	2539	1	99.96%	+0.0pt
19	P2-1	2540	0	100.00%	±0.0pt
20	P2-2	2536	4	99.84%	+0.1pt
21	SP2-2-1	2513	27	98.94%	+0.4pt
22	P2-3	2532	8	99.69%	+0.0pt
23	SP2-3-1	2531	9	99.65%	+0.0pt
24	P2-4	2530	10	99.61%	+0.1pt
25	P2-5	2527	13	99.49%	+0.2pt
26	SP2-5-1	2455	85	96.65%	+1.0pt

No.	Principles	Compliance	Explanation	Compliance Rate	Change from Dec. 2017
<b>Chapter 3</b>					
27	GP3	2538	2	99.92%	+0.0pt
28	P3-1	2349	191	92.48%	+6.1pt
29	SP3-1-1	2536	4	99.84%	+0.5pt
30	SP3-1-2	1794	746	70.63%	+0.7pt
31	P3-2	2540	0	100.00%	+0.2pt
32	SP3-2-1	2462	78	96.93%	+1.2pt
33	SP3-2-2	2526	14	99.45%	+0.3pt
<b>Chapter 4</b>					
34	GP4	2538	2	99.92%	+0.1pt
35	P4-1	2527	13	99.49%	+0.6pt
36	SP4-1-1	2529	11	99.57%	+0.1pt
37	SP4-1-2	2192	348	86.30%	+1.0pt
38	SP4-1-3	2200	340	86.61%	+1.5pt
39	P4-2	2275	265	89.57%	+0.9pt
40	SP4-2-1	1800	740	70.87%	+2.3pt
41	P4-3	2526	14	99.45%	+0.4pt
42	SP4-3-1	2497	43	98.31%	+0.6pt
43	SP4-3-2	2537	3	99.88%	+0.1pt
44	P4-4	2539	1	99.96%	-0.0pt
45	SP4-4-1	2521	19	99.25%	+0.2pt
46	P4-5	2540	0	100.00%	+0.0pt
47	P4-6	2522	18	99.29%	+0.4pt
48	P4-7	2502	38	98.50%	+0.8pt
49	P4-8	2153	387	84.76%	+5.3pt
50	SP4-8-1	2270	270	89.37%	+1.7pt
51	SP4-8-2	2218	322	87.32%	+2.1pt
52	P4-9	2440	100	96.06%	+0.8pt

No.	Principles	Compliance	Explanation	Compliance Rate	Change from Dec. 2017
53	P4-10	2411	129	94.92%	+0.9pt
54	SP4-10-1	1948	592	76.69%	+2.3pt
55	P4-11	2451	89	96.50%	+2.3pt
56	SP4-11-1	2506	34	98.66%	+0.4pt
57	SP4-11-2	2539	1	99.96%	+0.0pt
58	SP4-11-3	1812	728	71.34%	+16.1pt
59	P4-12	2539	1	99.96%	+0.0pt
60	SP4-12-1	2509	31	98.78%	+0.2pt
61	P4-13	2538	2	99.92%	+0.0pt
62	SP4-13-1	2540	0	100.00%	±0.0pt
63	SP4-13-2	2540	0	100.00%	±0.0pt
64	SP4-13-3	2538	2	99.92%	+0.1pt
65	P4-14	2517	23	99.09%	+0.5pt
66	SP4-14-1	2521	19	99.25%	+0.2pt
67	SP4-14-2	2473	67	97.36%	+0.2pt
<b>Chapter 5</b>					
68	GP5	2537	3	99.88%	+0.0pt
69	P5-1	2515	25	99.02%	+0.5pt
70	SP5-1-1	2535	5	99.80%	+0.0pt
71	SP5-1-2	2509	31	98.78%	+0.4pt
72	SP5-1-3	2532	8	99.69%	+0.0pt
73	P5-2	2304	236	90.71%	+0.9pt

(Reference)

Average Compliance Rate by the layer of the Code Principles

Layers	Average Compliance Rate	Change from Dec. 2017
GP (General Principles)	99.93%	+0.0pt
P (Principles)	97.68%	+0.8pt
SP (Supplementary Principles)	93.41%	+1.0pt

# 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. 2016
SP 1-2-4	Electronic voting / English AGM notices	1,122	1,418	55.8%	-1.9pt
SP 3-1-2	Provision of English language disclosures	1,794	746	29.4%	-0.7pt
SP 4-2-1	Remuneration reflecting mid-to-long term growth	1,800	740	29.1%	-2.3pt
SP 4-11-3	Board evaluation and disclosure of summary	1,812	728	28.7%	-16.1pt
SP 4-10-1	Involvement and advice from independent directors on remuneration / nomination	1,948	592	23.3%	-2.3pt

Principle whose explanation rate dropped below 20%

Principles	Content	No. of Companies Complying	No. of Companies Explaining	Explanation Rate	Change from Dec. 2016
SP 4-8	Two or more independent directors	2,153	387	15.2%	-5.3pt

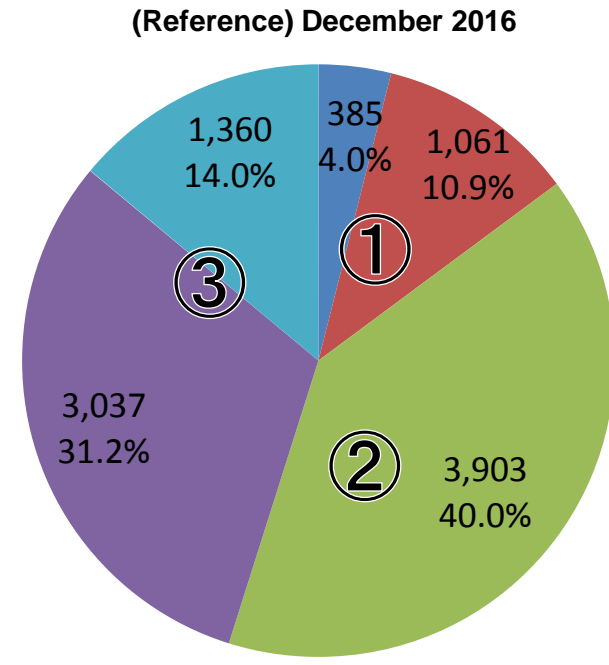
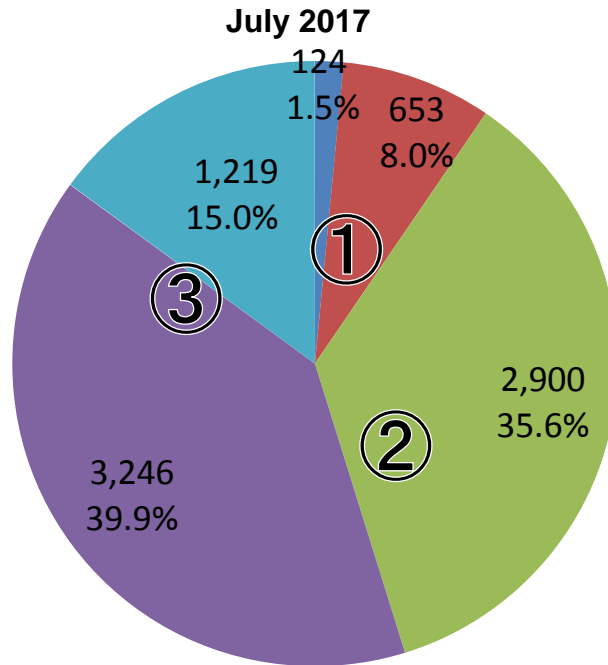
# Contents of Explanations

➤ For 66 Principles, 1,881 companies have supplied a total of 8,142 “Explanations” (-1,604 from Dec. 2016)

Breakdown of Reasons for Non-compliance:

(Change from Dec. 2016)

1. Indicating their intention to comply in the future	<u>9.5%</u>	-5.3pt
2. Stating that they have yet to decide whether to comply or not	<u>35.6%</u>	-4.5pt
3. Having no plan to comply due to company-specific reasons	<u>54.8%</u>	+9.7pt



(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)

# Notes on Figures

- Figures for 2017 are based on the CG Reports with a statement of “Comply or Explain” as per the Code submitted by 2,540 companies listed on TSE 1<sup>st</sup> and 2<sup>nd</sup> Section as of July 14, 2017.
- Figures for 2016 are based on the CG Reports with a statement of “Comply or Explain” as per the Code submitted by 2,530 companies listed on TSE 1<sup>st</sup> and 2<sup>nd</sup> Section as of December 31, 2016.

Market Division	No. of companies		Scope of “Comply or Explain”
	Jul. 2017	Dec. 2016	
TSE 1st Section	2,021	2,002	All 73 Principles { 5 General Principles (“GP”) 30 Principles (“P”) 38 Supplementary Principles (“SP”)
TSE 2nd Section	519	528	
Mothers	240	227	Only 5 General Principles
JASDAQ	753	755	
<b>TOTAL</b>	<b>3,533</b>	<b>3,512</b>	