

Development of Listing Rules for the Implementation of the Corporate Governance Code

February 24, 2015
Tokyo Stock Exchange, Inc.

I. Purpose

The Corporate Governance Code ("Code") has been drafted and is scheduled to be implemented in June 2015 in line with the government's growth strategy, "Japan Revitalization Strategy (Revised 2014)" formulated in June 2014. The growth strategy also calls for TSE's listing rules to require listed companies to explain the reason for non-compliance with the Code. TSE will make the necessary revisions to its rules and regulations to achieve this comply-or-explain regime.

In addition to these revisions, information disclosure regarding independence of independent directors/auditors will be revised to contribute to the smooth appointment of independent directors.

II. Outline

Items	Contents	Remarks
1. Development of Rules for the Implementation of the Code		
(1) Explanation of reason for non-compliance with the Code	- Companies listed on the 1st or 2nd Section, Mothers, or JASDAQ shall provide reason for non-compliance with the Code.	- Provisions will be added under "Matters to be Observed" in the Code of Corporate Conduct. - This will not apply to foreign companies.

Items	Contents	Remarks
(2) Means for providing explanation of reason for non-compliance with the Code	- Listed companies shall provide explanation by describing the reason for non-compliance in the corporate governance report under a new "Explanation of Reason for Non-Compliance with the Code" section.	- Mothers and JASDAQ companies shall be required to explain the reason for non-compliance with only the "General Principles" of the Code. This treatment is in light of the global trend in emerging company markets and nurturing new industries in Japan. - This revision is made for the convenience of shareholders and investors by having the corporate governance report cover all information regarding the corporate governance of a listed company. - With the same intent, listed companies will also be required to provide description in a separate section for disclosure provided in accordance with the Code (refer to 1. of the Appendix) that will also be added to the corporate governance report. In this case, descriptions in such section can be substituted by a reference to other disclosed material containing such descriptions. - Listed companies shall submit their corporate governance reports after an annual general shareholders meeting without delay. However, for the first such meeting in or after June 2015, a listed company shall prepare and submit

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(3) Respect for the Code	- The provisions on respecting the "Principles of Corporate Governance for Listed Companies" shall be replaced by provisions on respecting the spirit and intent of the Code.	its report swiftly, by the end of six (6) months from such meeting at the latest (refer to 2. of the Appendix). - Both sets of provisions are based on the "OECD Principles of Corporate Governance". The Code is positioned to encompass the "Principles of Corporate Governance for Listed Companies".
2. Revision of Information Disclosure on Independence of Independent Directors/Auditors	- Listed companies shall disclose certain types of relationship that its independent directors/auditors have with the company and summaries of such relationships.	- Listed companies that appoint persons who had executed the business of a major client, etc., as its independent director/auditor based on its judgment of his/her independence are currently required to explain the reason for such judgment. To prevent listed companies from being overly conservative in their judgment, the provisions are revised to require equal disclosure on all independent directors/auditors (refer to 3. of the Appendix).

III. Implementation Date (Scheduled)

These rules and regulations will be implemented on June 1, 2015.

Appendix Reference

1. List of Principles on Disclosure to be Provided in Corporate Governance Reports, etc.

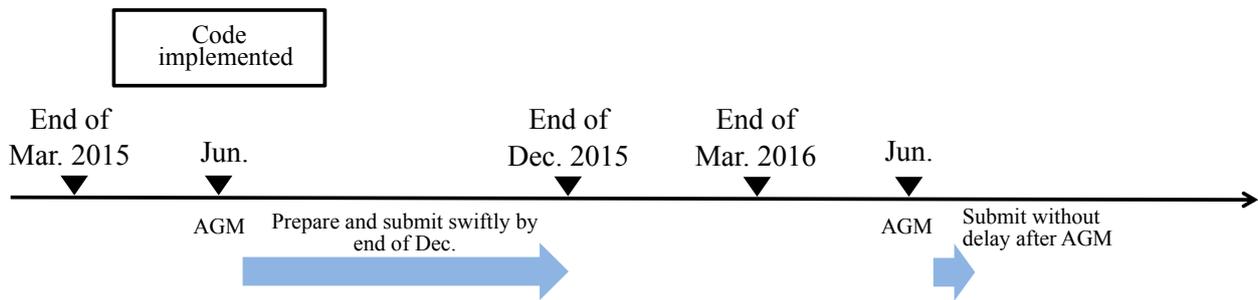
Principle	Contents
Principle 1.4	When companies hold shares of other listed companies as cross-shareholdings, they should disclose <u>their policy with respect to doing so</u> . In addition, the board should examine the mid- to long-term economic rationale and future outlook of major cross-shareholdings on an annual basis, taking into consideration both associated risks and returns. The annual examination should result in the board's detailed explanation of the objective and rationale behind cross-shareholdings. Companies should establish and disclose <u>standards with respect to the voting rights as to their cross-shareholdings</u> .
Principle 1.7	When a company engages in transactions with its directors or major shareholders (i.e., related party transactions), in order to ensure that such transactions do not harm the interests of the company or the common interests of its shareholders and prevent any concerns with respect to such harm, the board should establish appropriate procedures beforehand in proportion to the importance and characteristics of the transaction. In addition to their use by the board in approving and monitoring such transactions, <u>these procedures</u> should be disclosed.
Principle 3.1	In addition to making information disclosure in compliance with relevant laws and regulations, companies should disclose and proactively provide the information listed below (along with the disclosures specified by the principles of the Code) in order to enhance transparency and fairness in decision-making and ensure effective corporate governance: i) <u>Company objectives (e.g., business principles), business strategies and business plans;</u> ii) <u>Basic views and guidelines on corporate governance based on each of the principles of the Code;</u> iii) <u>Board policies and procedures in determining the remuneration of the senior management and directors;</u> iv) <u>Board policies and procedures in the appointment of the senior management and the nomination of directors and kansayaku candidates; and</u> v) <u>Explanations with respect to the individual appointments and nominations based on iv).</u>

Principle	Contents
Supplementary Principle 4.1.1	The board should clearly specify its own decisions as well as both the scope and content of the matters delegated to the management, and disclose <u>a brief summary thereof</u> .
Principle 4.8	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 <u>a roadmap for doing so</u> .
Principle 4.9	Boards should establish and disclose <u>independence standards aimed at securing effective independence of independent directors</u> , taking into consideration the independence criteria set by securities exchanges. The board should endeavor to select independent director candidates who are expected to contribute to frank, active and constructive discussions at board meetings.
Supplementary Principle 4.11.1	The board should have <u>a view on the appropriate balance between knowledge, experience and skills of the board as a whole, and also on diversity and appropriate board size</u> . Consistent with its view, the board should establish policies and procedures for nominating directors and disclose them along with its view.
Supplementary Principle 4.11.2	Outside directors, outside <i>kansayaku</i> , and other directors and <i>kansayaku</i> should devote sufficient time and effort required to appropriately fulfill their respective roles and responsibilities. Therefore, where directors and <i>kansayaku</i> also serve as directors, <i>kansayaku</i> , or the management at other companies, <u>such positions</u> should be limited to a reasonable number and disclosed each year.
Supplementary Principle 4.11.3	Each year the board should analyze and evaluate its effectiveness as a whole, taking into consideration the relevant matters, including the self-evaluations of each director. <u>A summary of the results</u> should be disclosed.

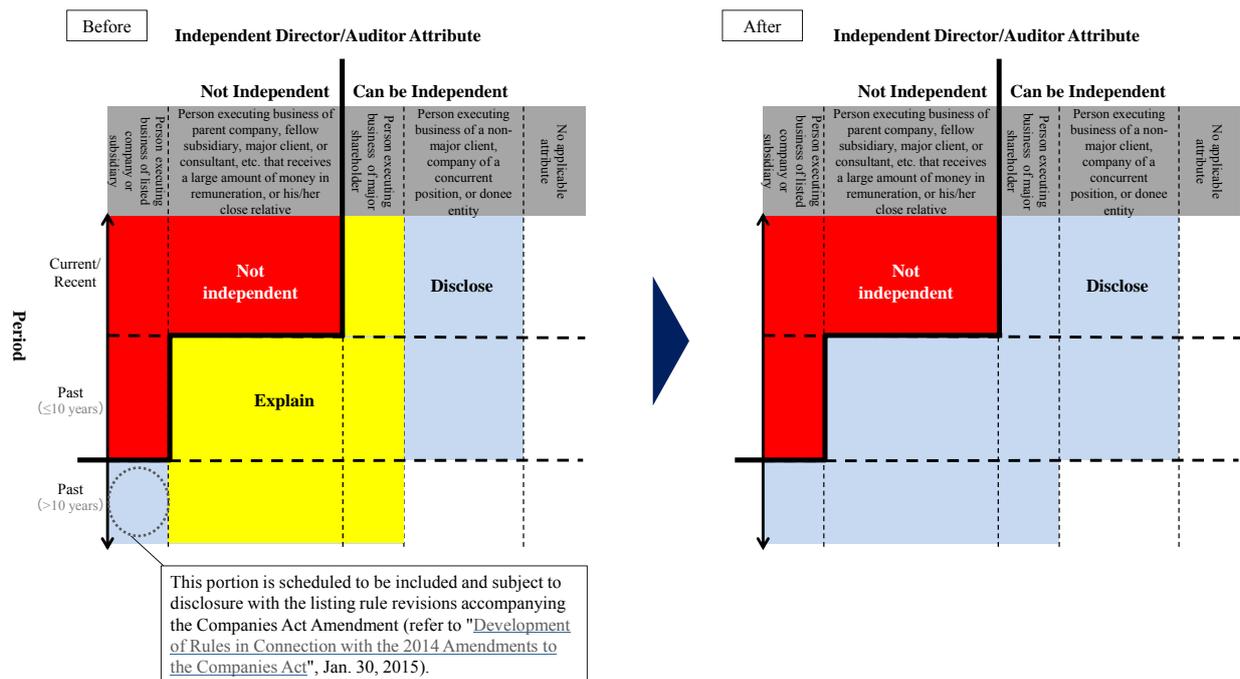
Principle	Contents
Supplementary Principle 4.14.2	Companies should disclose <u>their training policy for directors and kansayaku</u> .
Principle 5.1	Companies should, positively and to the extent reasonable, respond to the requests from shareholders to engage in dialogue (management meetings) so as to support sustainable growth and increase corporate value over the mid- to long-term. The board should establish, approve and disclose <u>policies concerning the measures and organizational structures aimed at promoting constructive dialogue with shareholders</u> .

2. Image of Schedule for Submission of Corporate Governance Report

(Eg., March year-end company)



3. Image of Review of Information Disclosure on Independence



*The scope requiring explanation (conditions for additional disclosure) will be abolished and brought under required disclosure (information on attributes).