



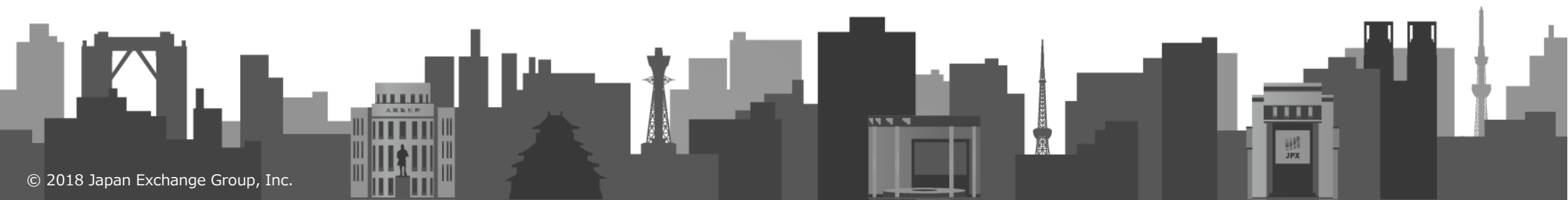
JPX
JAPAN EXCHANGE
GROUP

Corporate Governance Reform in Japan

Your Exchange of Choice

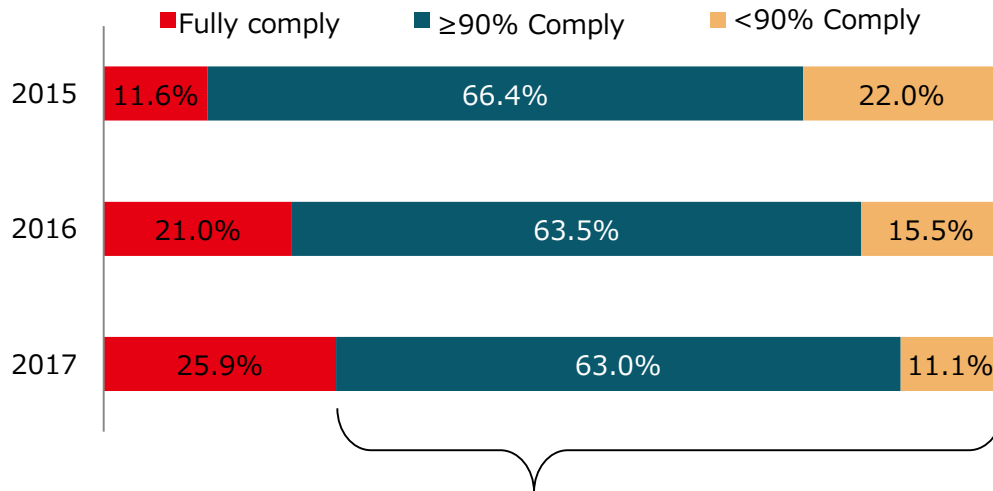
Japan Exchange Group NY Office

April 3, 2018

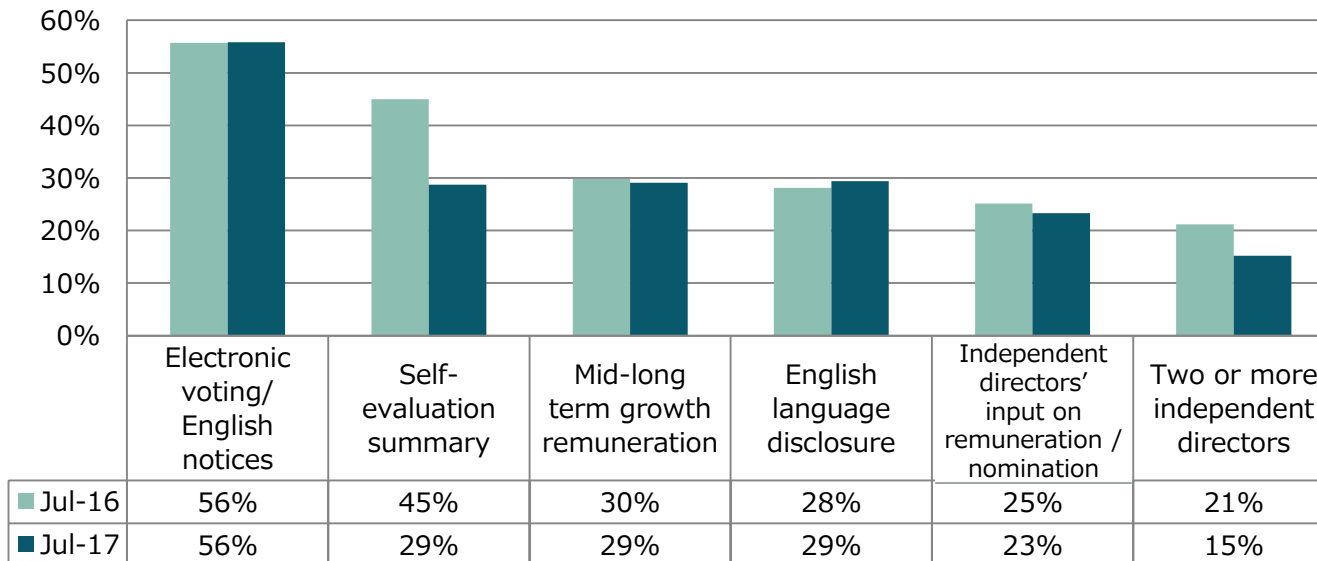


Corporate Governance Code Compliance

Rates of Compliance With Code



Principles With Highest "Explain" Ratios



● English Disclosure/Electronic Voting

- 50% of TSE 1st Section disclose the summary of financial results in English (993 out of 1,973 companies).
- 25% of all listed companies participate in the ICJ's electronic voting platform (894 out of 3,603 companies).

● Board-related Issues

- The number of independent directors has improved, but more diversity (background, gender, nationality) is needed.
- 70% of listed companies reported to TSE that they DO NOT have performance-linked compensation.
- Need more transparency on Advisors & Honorary Chairman.

Corporate Governance Code is to be revised soon, based on the comment letter issued by the “Council of Experts Concerning the Follow-Up of Japan’s Stewardship Code and Japan’s Corporate Governance Code.”

- Comment letter proposes that a listed company...
 - accurately grasp its cost of capital to accomplish decisive judgement such as review of its business portfolio.
 - establish objective, timely, and transparent processes/structure to nominate/dismiss CEO.
 - enhance the diversity of its board members in order to encourage the board as a whole to maintain appropriate knowledge, experience and capabilities.
 - fully analyze the purpose and benefit of cross-shareholdings individually and disclose its plan for reduction in cross-shareholdings.
 - proactively engage in personnel/operational issues of its own corporate pension, in order to make it effectively function as an asset owner.

Interim Proposal for the Companies Act Reform (comment period: until 4/13/2018)

- New framework for providing shareholder meeting documents online (Notice & Access)
 - Provide meeting materials online: either 4 or 3 weeks prior to the meeting; and
 - Notify shareholders of relevant meeting information: either 4, 3, or 2 weeks prior to the meeting.
- Restrictions on abusive shareholder proposals
 - Maximum number of proposals per shareholder: 5 or 10
 - Proposed limitations on subject matter: prohibit proposals whose content is defamatory, confusing, seeks unlawful benefit, and/or disturbs the orderly conduct of the meeting.

Principles for Preventing Corporate Scandals (comment period: closed)

- JPX-Regulation is going to implement new principle-based guidelines, as a measure against recent corporate scandals among Japanese companies.
- Outline of the “Principles for Preventing Corporate Scandals”:
 - Gain a thorough understanding of the actual internal compliance situation
 - Fulfill responsibilities with a sense of mission
 - Encourage two-way communication
 - Detect non-compliance early and respond swiftly
 - Execute consistent business management throughout the entire corporate group
 - Be accountable for supply chain matters

Appendix: Average Japanese Board

New Japanese CEOs (2016):

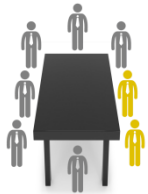
- ✓ Average age: 61
- ✓ External experience: 33%
- ✓ Global experience: 13%
- ✓ MBA holder: 4%
- ✓ Previous CEO dismissed: 3.5%
- ✓ Average term length: 5.5 years
- ✓ Female: 0.6%

World Average

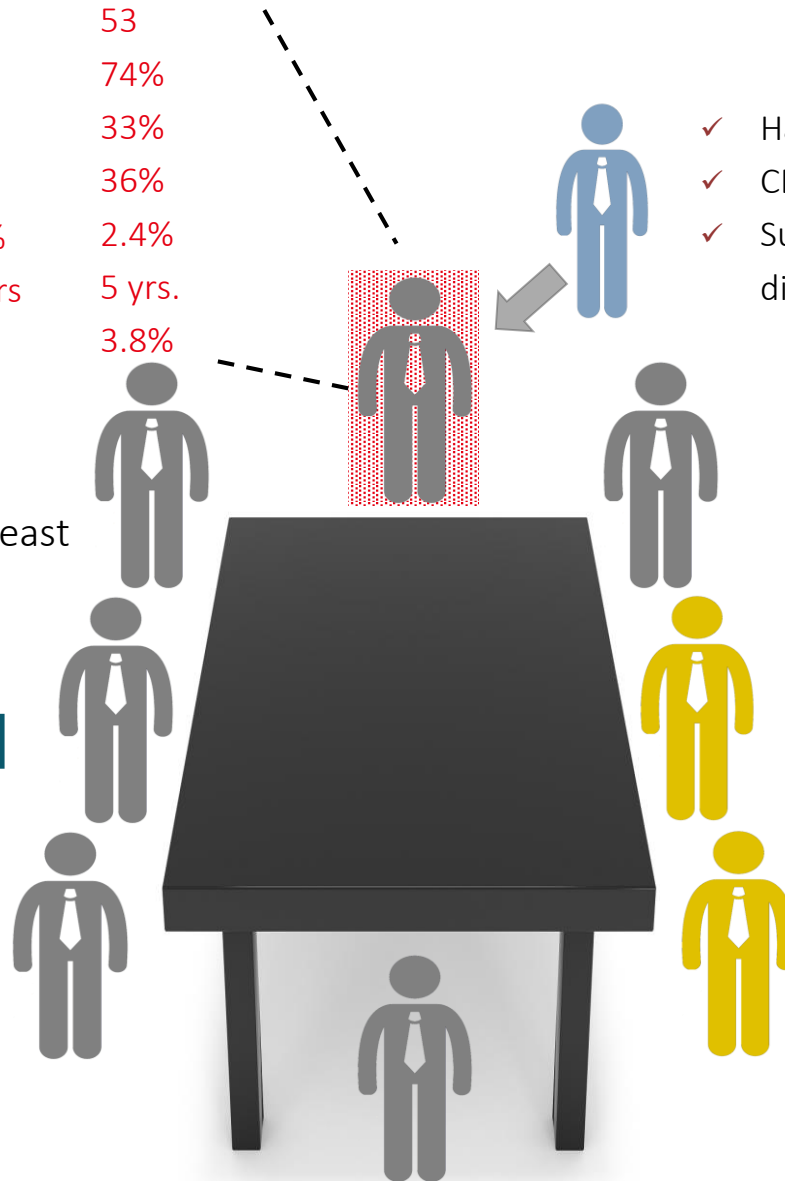
- 53
- 74%
- 33%
- 36%
- 2.4%
- 5 yrs.
- 3.8%

- ✓ Have CEO succession framework: 75%
- ✓ CEO selects successor candidates: 49%
- ✓ Successor plan deliberated by external directors, among others: 52%

- ✓ At 36% of companies, at least one director serves on another board



- ✓ 8 directors on average



- ✓ 2 outside directors on average
- ✓ Percentage of those are:
 - From other companies: 59%
 - Attorneys: 16%
 - CPAs: 10%
 - Academics: 7%
 - Tax Professionals: 3%
 - Other: 5%