

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

March 5, 2015

Tokyo Stock Exchange

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# 1. Commencement of Code Implementation

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- **The Code will come into force from June 1, 2015.**
- **The "Principles of Corporate Governance for Listed Companies" will be abolished, and 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.**
- 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".

(For reference: current regulations)  
Securities Listing Regulations Rule 445-3

Listed companies shall respect the "Principles of Corporate Governance for Listed Companies" formulated by the Exchange and make efforts to enhance their corporate governance.

## 2. Explanation of Reason for Partial Non-compliance with the Code

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The following are stipulated in listing rules.

- **“Explanation” in the “comply-or-explain approach” must be provided in the Corporate Governance Report.**
- **This obligation to explain the reason for non-compliance is imposed on all companies listed on the 1st or 2nd Section, Mothers or JASDAQ.**
- **In this case, the obligation to explain is relaxed for companies listed on Mothers or JASDAQ.**

**(For Mothers or JASDAQ companies, the target of “explain” in the said report is limited to the non-compliance with the "General Principles" of the Code.)**

※Foreign companies are exempted from the obligation to provide an explanation for non-compliance with a section of the Code as they are being regulated by corporate governance rules in their home country.

# (Reference) International Comparison of Target for the Code Implementation

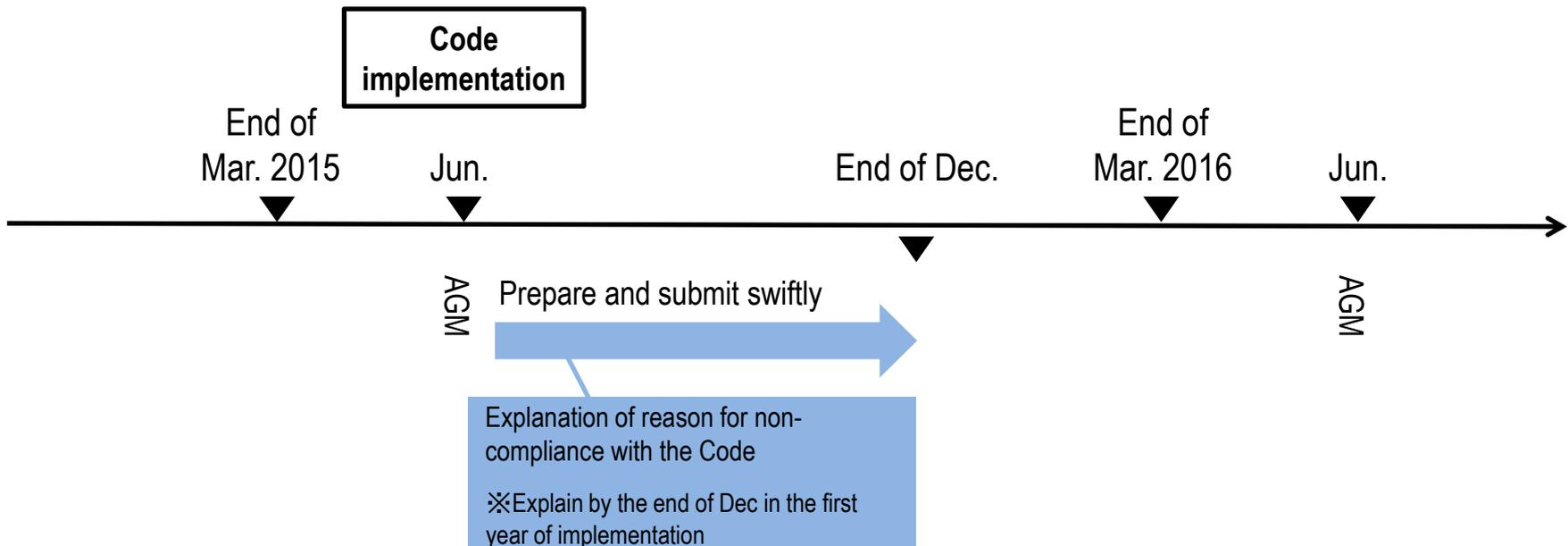
	UK	Germany	France	Japan (reference)
Subject to implementation of the Code	<p>Main market</p> <p>Of which 294 are FTSE350 companies (18.8%)</p> <p>[Premium Listing] 478 companies (30.5%)</p>	<p>Main market</p> <p>[Prime Standard] 325 companies (45.7%)</p> <p>[General Standard] 204 companies (28.7%)</p>	<p>Main market</p> <p>[Euronext] 616 companies (75.8%)</p> <p>Middle Next Code</p> <p>Of which about 500 are small and medium listed companies</p>	<p>Main market</p> <p>[1<sup>st</sup> Section] 1,817 companies (53.1%)</p> <p>[2<sup>nd</sup> Section] 551 companies (16.1%)</p>
Exempted from implementation of the Code	<p>[Standard Listing] 98 companies (6.3%)</p> <p>[AIM] 991 companies (63.2%)</p>	<p>[Entry Standard] 182 companies (25.6%)</p>	<p>[Alternext] 197 companies (24.2%)</p>	<p>Mothers 189 companies (5.5%)</p> <p>JASDAQ 859 companies (25.1%)</p>

(Note) As of the end of July 2014. These figures are of the major stocks of the issuers which treat each market as the main place of trading (limited to ordinary shares, REIT & ETF and others are excluded). The numbers within brackets indicate the ratio that such companies make up out of the total number of listed companies in each country. The figure for UK's "Premium Listing" includes FTSE350 companies.

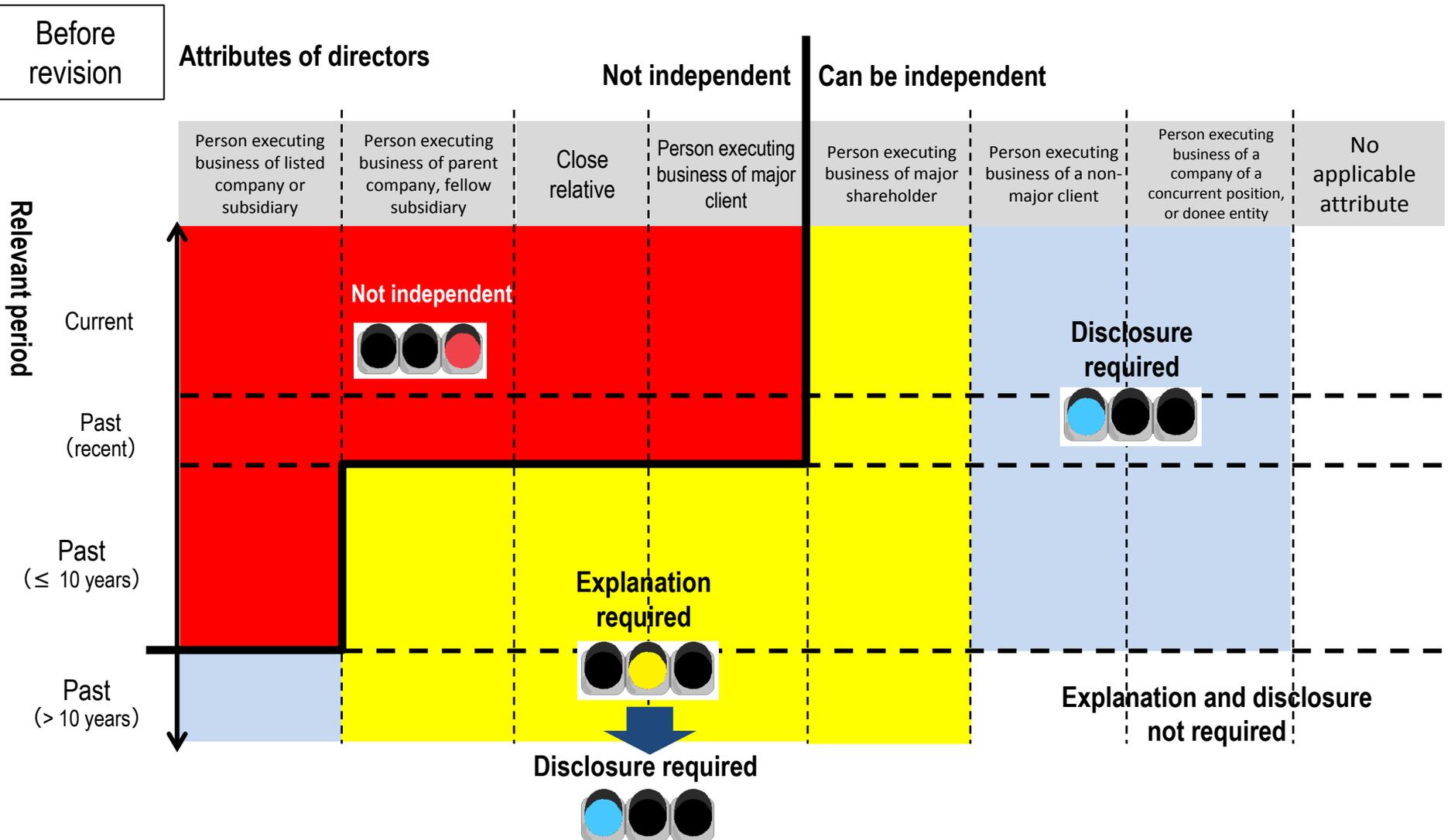
### 3. Means and Timing for Providing Explanation

- “Explanation” in the “comply-or-explain approach” must be provided in the Corporate Governance Report. (repetition of the previous slide)
- As for the first year of the Code’s implementation, listed companies are required to submit their reports as soon as they are ready, which is by the end of 2015 at the latest for companies that hold their general shareholder meetings in June (such companies normally aim to submit their Corporate Governance Reports in July).

【Schedule (in the case of a company whose financial year ends in March)】

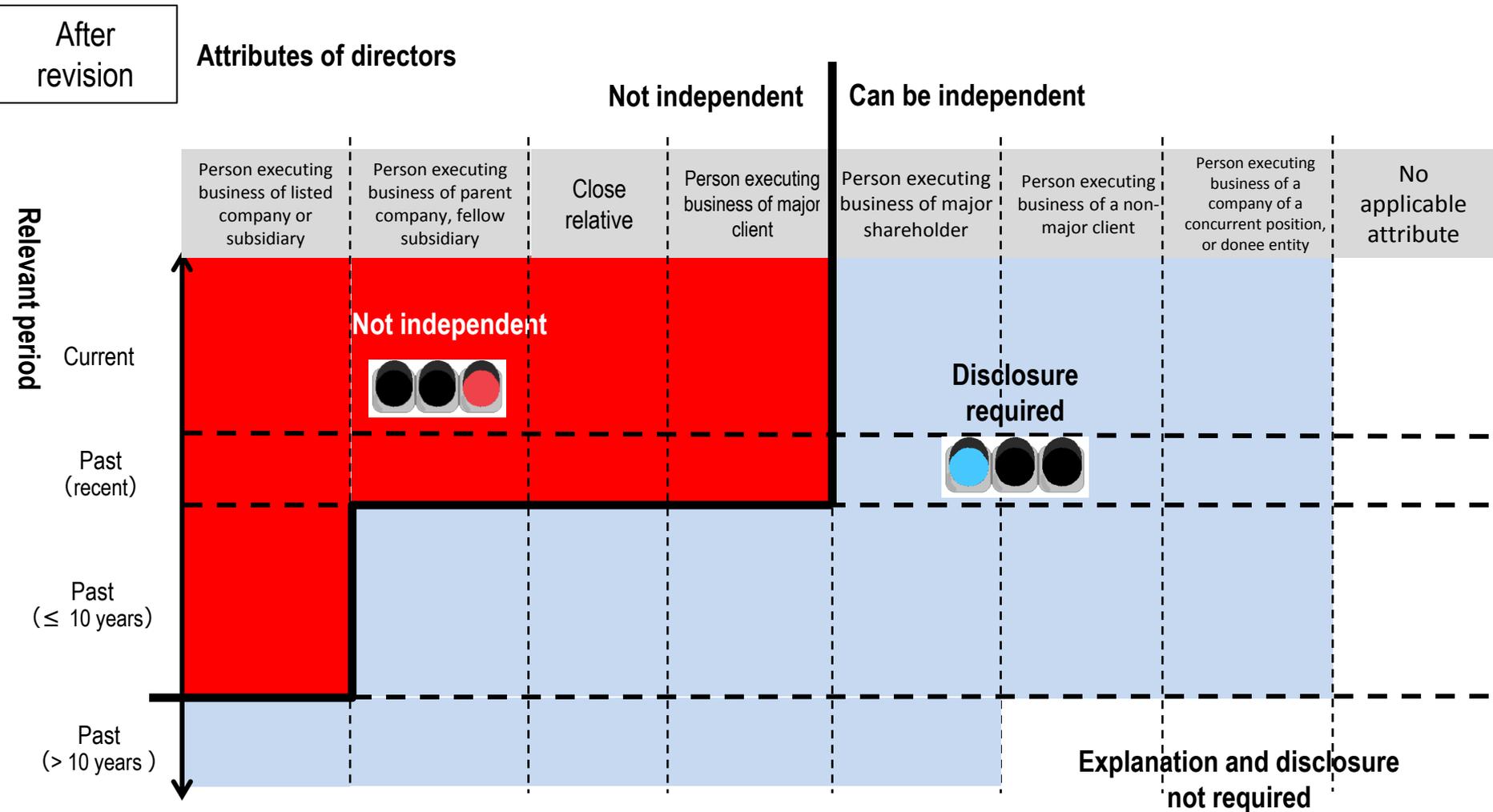


# 4. Revision of Information Disclosure on Independence



To prevent listed companies from being overly conservative in their judgment, the scope that requires explanation (yellow) is abolished and brought under the scope that requires disclosure (blue).

# (Reference) Information Disclosure on Independence after Revision



# (Reference) Future Schedule

Time	Schedule
Feb 24	Official announcement of the outline of the revised listing rules, and commencement of solicitation of public comments on the outline (until Mar 26)
Mid Mar -	Briefing sessions for listed companies
Early May	Official announcement of revised listing rules
Jun 1	Enforcement of revised listing rules (Scheduled date for commencement of Code implementation)