(Reference Translation)

Summary of Responses to the Questionnaire on TSE's Listing Rules and Systems for Investors

November 18, 2010
Tokyo Stock Exchange, Inc.

Tokyo Stock Exchange, Inc. (“TSE”) cited improving conditions to enhance the corporate governance of listed companies as a key issue in 2008 and 2009. In line with this initiative, TSE implemented measures against third-party allotments, introduced the independent director/auditor system, developed measures to prevent abuse of rights by controlling shareholders, and promoted the exercise of voting rights through revising TSE listing rules and systems. TSE conducted a survey to gather opinions from investors on TSE's listing rules and systems through a questionnaire during the period from August 20, 2010 to October 15, 2010. This survey was aimed at collecting evaluations of these measures as well as identifying issues and problems so as to further enhance the overall listing rules and systems.

This “Summary of Responses to the Questionnaire on TSE's Listing Rules and Systems for Investors” contains the consolidated results of the survey mentioned above.

TSE aims to continue improving the listing rules and systems with reference to the responses to the questionnaire from investors. We would appreciate your continued cooperation in future efforts on this matter.

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1. Survey Methodology

Appendix 1 “Questionnaire on TSE's Listing Rules and Systems for Investors” and Appendix 2 “Questionnaire on TSE's Listing Rules and Systems for Investors (Response Sheet)” were released on the TSE website on August 20, 2010 to seek a wide variety of opinions till October 15, 2010. TSE received a total of 27 responses.

Responses were sent in by e-mail and facsimile. TSE received 24 responses via e-mail and 3 by facsimile.

The following figure shows the distribution of investor categories of respondents to the questionnaire. TSE received 20 responses from foreign institutional investors, 4 from domestic institutional investors, 3 from domestic individual investors (responses which included investor categories other than those described in the questionnaire were classified into the investor category thought to be most appropriate). Out of the investors who responded, investors who gave consent to revealing their identities are contained in the list in Appendix 3. TSE would like to express its appreciation to all respondents for cooperating in the survey.

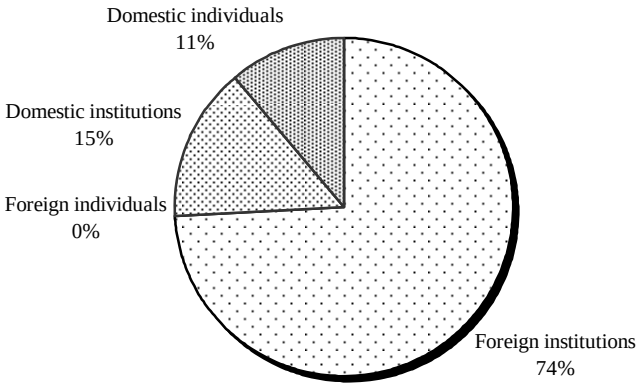


Figure 1: Distribution of investor categories

2. Summary of Responses

(1) Introduction of the new regulations on third-party allotments

(A) Evaluation results

21 out of 27 responses made some form of evaluation, while this item was left blank in the remaining 6 responses. The breakdown of the evaluation is shown in the following figure.

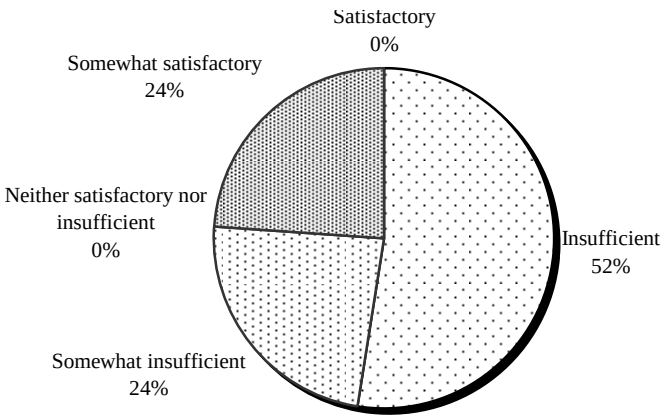


Figure 2: Evaluation of measures on third-party allotments

(B) Reasons

(a) Comments supported by 10 or more investors

(Form of regulation)

◎ The upper limit for the share dilution ratio for that year due to new share issuances, through methods other than share allotments to shareholders, should be set at the annual general shareholders meeting and when an issuer intends to issue new shares (including third-party allotment) above the limit, such issuance should require a resolution in a general shareholders meeting (on the premise that shareholders which have vested interests in such issuance are not able to exercise their voting rights) (if the share dilution ratio limit, which was set during the annual general shareholders meeting, is to be exceeded, such issuances should require a separate resolution in an extraordinary general shareholders meeting after sufficient explanation which includes how the funds raised will be used.).

(Scope of regulation)

◎ The threshold of the regulation should be less than 25% (5%, 10%, etc.) or the ratio set for that year in the annual general shareholders meeting. If this limit is exceeded, it should be subject to regulation.

(b) Comments supported by 3 to 9 investors

(Basic stance)

○ I positively evaluate these measures and welcome them, but the current regulations are insufficient for protecting the interests of shareholders.

○ I strongly support the principle of pre-emption. It is inherent for an existing shareholder to have the right to hold stocks without being diluted.

(Delisting)

○ Considering the fact that delisting the stocks of a company which had conducted a third-party allotment that caused dilution of over 300% will cause a significant reduction in liquidity, such delisting will not contribute to protecting minority shareholders. (Delisting should be limited to cases where shareholders agree to such delisting through a resolution in a general shareholders meeting.)

(Independence of persons who provide comments)

○ Aspects such as the independence and responsibilities of persons who should provide opinions in the case of a dilution of 25% or more is unclear and should be clarified. If the independence is not strictly defined, then this should require a resolution in a general shareholders meeting.

(c) Comments supported by less than 3 investor(s)

(Basic stance)

● While it is unease to set the threshold of certain ratio, it bears significance as it has inhibitive effect.

● In the first place, a law that allows dilution of 300% grants the board of directors too much power, and is thus inappropriate.

● Since third-party allotments can be used as a countermeasure against takeover bids or to change the shareholder composition, and give rise to significant conflicts of interest between existing shareholders and the management (new shareholders), existing shareholders deserve further protection.

● Third-party allotments should be limited to the portion which was not taken up in the allotment to shareholders.

(Others)

- First TSE should introduce a regulation which sets the upper limit to the share dilution ratio for new share issuance at 10% if a company implements new share issuance without a resolution in a general shareholders meeting. After the practice under above regulation is established in the market, the limit should be further lowered to 5%, to bring it down to the same level as that in the UK.
- I would like to see the introduction of a lock-up regulation which prohibits the sale of new shares for a certain period of time when capital raising through a third-party allotment which causes a high rate of dilution is conducted.
- While enhancing the disclosure of the calculation basis, etc. for the offering price is beneficial, further improvements can be made by requiring price calculation by an independent party in cases where payments are not made in cash. In the UK and the US, when payments are not made in cash, further protection is granted through price evaluation, etc. by independent parties.
- A resolution of a general shareholders meeting should be required when giving 5% or more discount to the market price (upon which the offering price is based).
- Before a company conducts a transaction which accompanies a dilution of 25% or more (regardless of third-party allotments), the company should be required to obtain a resolution in a general shareholders meeting as well as an independent opinion from a person outside of the company's management, such as a fairness opinion from an independent financial advisor or such persons. In addition, such opinion should be disclosed to shareholders before the resolution at a general shareholders meeting, to be used as a reference when they exercise their voting rights.

(2) Introduction of independent director/auditor system

(A) Evaluation results

23 out of 27 responses made some form of evaluation, while this item was left blank in the remaining 4 responses. The breakdown of the evaluation is shown in the following figure.

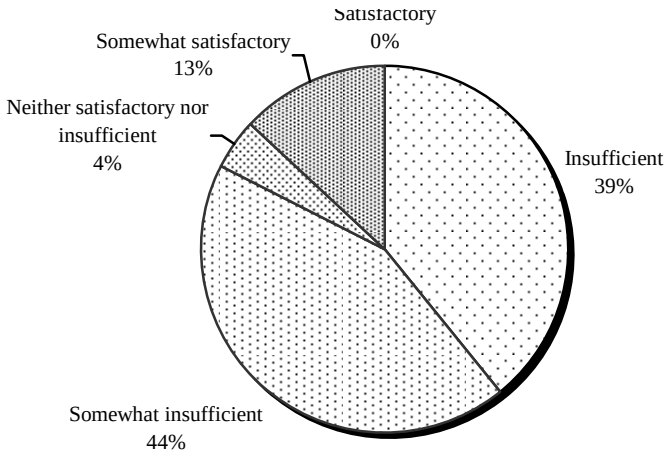


Figure 3: Evaluation of introduction of independent director/auditor system

(B) Reasons

(a) Comments supported by 10 or more investors

(Basic stance)

◎ While we welcome the introduction of these regulations, it is still insufficient.

(Number of independent directors/auditors)

◎ The number of independent directors/auditors to be designated is one. This is too few. There should be a requirement to have at least a certain number of independent persons (two-thirds, more than half, at least three or multiple members; all members of the audit committee, nomination committee and compensation committee; more than half of the board of directors of a company which has a controlling shareholder, etc.).

(Persons who should be independent directors/auditors)

◎ It should not be either directors or auditors, but should only be limited to directors. To optimize the long-term value of a corporation, an effective check-and-balance framework or system is required, and a board of directors should consist of members who have appropriate and diverse capabilities, as well as knowledge and experience. Even though independent auditors can benefit the system, it does not change the fact that the auditors' role is different from the role of independent directors (even though they may be mutually complementary).

◎ The criteria for independence are insufficient and are not reached to the equivalent level that can be found in corporate governance principles in other major markets. Major clients and professionals such as consultants, etc. who

receive large amount of cash and other financial assets need to be clearly defined in alignment with global standards. Despite having independent directors/auditors, there are still cases of the poison pill being adopted, fund raising which causes minority shareholdings to be diluted, and a cut-price takeover bid being approved. Such instances go to show that independence is only present in form, and not secured. It is also, in fact, an indication that the number of directors/auditors is insufficient to represent the interests of minority shareholders and pose a truly independent challenge to the board of directors.

(b) **Comments supported by 3 to 9 investors**

(Basic stance)

○ In listed companies and markets in Japan, they have much to gain from the introduction of truly independent directors who have appropriate rights and responsibilities including voting rights on a board of directors. Introducing truly independent directors will allow investors to gain confidence, enhance the supervision by directors, and increase the accountability of the management. In addition, by providing a broad independent perspective in board discussions, an independent director will raise the expertise of the board, and contribute to strategic development and risk management.

(Persons who should be independent directors/auditors)

○ While I think that the number of independent directors should be increased, I understand that this will take time to implement. In particular, since there is a limited pool of talent that should fulfill this position, a grace period of a few years (2 years, 3 years, 5 years, etc.) may be granted before actual implementation. From the view that the quality of independent directors comes before quantity, the above grace period will be aimed at securing the designations of persons, who have the skills and experience to contribute to discussions in a board of directors, as independent directors.

(c) **Comments supported by less than 3 investor(s)**

● I am supportive of deliberations by the Ministry of Justice (Japan) to introduce the independent directors as a move to improve the confidence of investors in the Japanese market. In any case, time is required to enact a law, and I strongly request that these measures are implemented in the TSE listing regulations ahead of the legislation.

(Number of independent directors/auditors)

- TSE should immediately set an obligation to secure at least 1 independent director and 1 independent auditor.

(Persons who should be independent directors/auditors)

- The independence of independent directors/auditors is not clear. In order to make their independence clear, listed companies have to ask persons of social stature who have authority and are reliable. Securing a meaningful independent director/auditor incurs costs, which is a significant burden to small corporations, and they end up asking related parties of clients, etc., which are not thought to be independent, to fill the post. Accordingly the exercise of securing such persons has no real meaning and is a cause of increased cost for listing.
- I have a strong feeling that the general mood is one where the designation of independent directors/auditors is becoming a set of criteria to be met for formality (in other words, the idea wherein as long as the nominees do not have conditions which require prior consultation or additional disclosure). Even though the “Expected Role of Independent Directors/Auditors” was released, it does not effectively communicate the message of what role an independent director/auditor has to fulfill under what circumstances. In order for this system/framework to truly take root, you will need to continue to persistently press home this point. From the perspective of the global standard, this regulation will probably need strengthening (making the designation of independent directors an obligation, increasing their numbers, etc.). I hope that you will also make this point widely known.

(Others)

- In addition to the reason for selection of a governance framework, it would be beneficial to have listed companies explain how they will position the independent directors/auditors so that they can conduct effective supervision from an independent perspective.
- While there seems to be a proposal for an auditor to double up as an independent director, since this contradicts the role of an auditor as specified in law, I oppose this proposal.
- I welcome the release of the “Expected Role of Independent Directors/Auditors” by TSE, and I support the proposal as an independent director/auditor is expected to act to protect general shareholders. That said, there is confusion among investors because independent directors and

independent auditors are not separated. Also, since independent directors/auditors are not required to go to the extent of directly seeking opinions from investors, it is unclear how shareholders should convey their opinions to the board if they are unable to fulfill their aims using ordinary channels, or when ordinary channels are inappropriate.

- Even though a change in an independent director/auditor is to be notified at least 2 weeks prior to such change, it is common for such notices to be released for public around 1 week before the scheduled date of such change. On the other hand, since it is common for the actual exercise of voting rights at a general shareholders meeting to occur around 1 week before the general shareholders meeting, shareholders cannot understand the state of designating independent directors/auditors or evaluate the qualities of prospective independent directors/auditors, and exercise their voting rights at the general shareholders meeting. With this in mind, releasing such change for public inspection should be coincident with notification, and, TSE rules should require the notice of a general shareholders meeting for reporting business performance to contain descriptions on independent directors/auditors as of the end of the business year, as well as the notice of a general shareholders meeting which has director nominations on its agenda to contain descriptions on the persons who are candidates for independent directors/auditors.

(3) Developing measures to prevent the abuse of rights by controlling shareholders

(A) Evaluation results

21 out of 27 responses made some form of evaluation, while this item was left blank in the remaining 6 responses. The breakdown of the evaluation is shown in the figure below.

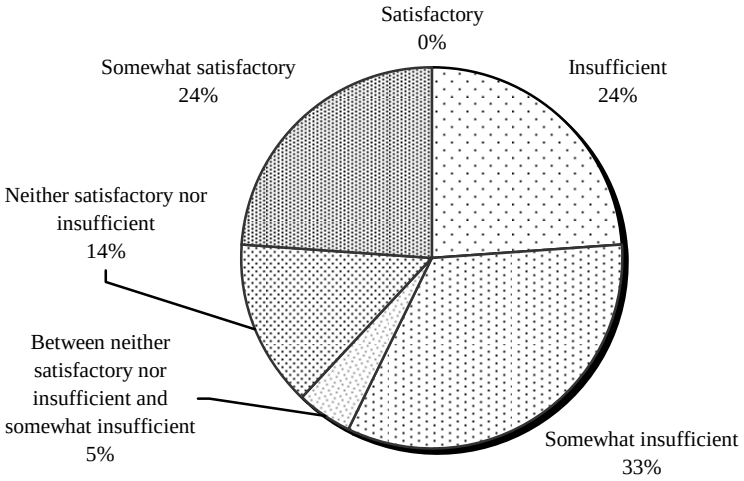


Figure 4: Evaluation of measures to prevent the abuse of rights by controlling shareholders

(B) Reasons

(a) Comments supported by 10 or more investors

(Form of regulation)

◎ When a related party of a controlling shareholder, etc. wishes to conduct significant transactions with the company which exceed a certain criteria (a certain ratio of profits or certain amount of money, etc.), it should be subject to a resolution of a general shareholders meeting which is made by shareholders other than the related parties.

(b) Comments supported by 3 to 9 investors

(Basic stance)

○ I support the idea that it is important to sufficiently protect minority shareholders when there are transactions between related parties.

(Form of regulation)

○ A non-executive independent director can be expected to effectively conduct supervision to secure the fair treatment of all shareholders. A resolution by a board of directors which consists of a majority of independent directors (as well as obtaining a “fairness opinion” used as material in reaching the decision) would help to protect minority shareholders.

○ Persons who provide statement of opinions receive compensation from the companies, so this cannot constitute fair opinion from an independent perspective, but only results in the company incurring extra cost. Instead of securing someone who cannot be trusted to provide opinions, TSE should

make it an obligation to disclose the details of the transaction, and also enable shareholders to undertake appropriate measures when there is a breach of trust by directors/auditors.

(Persons who should provide comments)

○ Strict decision criteria should be applied on the independence of persons who should provide comments. Listed companies should obtain opinion from totally independent persons or entities.

(c) Comments supported by less than 3 investor(s)

(Basic stance)

- In general, a controlling shareholder should consider the legal interests of minority shareholders (especially when there is a conflict of interest with the company) before acting in their own interests.
- While these regulations have a certain inhibitive effect, it eventually depends on how the management of the parent company and the subsidiary perceive (these regulations). I want TSE to continue disseminating information on the desired form (of implementation of these regulations).
- Stocks issued by companies which have a controlling shareholder are of lower trading liquidity, and lack the incentive to raise their corporate value. This rule skirts the real fundamental issue which is should such companies be allowed to remain listed.

(Scope of regulation)

- It is too narrow to define a controlling shareholder as when one holds a majority of the voting rights. The criteria should be set at a 20% holding of voting rights. Also, since we already see cases where acquisition cost is recovered through ostensible normal transactions, TSE should expand the scope of transactions (to which this regulation applies).

(Form of regulation)

- Since a controlling shareholder is not required to act in accordance with the opinions of independent third parties, I do not think that obtaining such opinions are sufficient to protect minority shareholders.
- In order to protect the interests of minority shareholders, there is a need for continued supervision of transactions where there is potential abuse of rights.

(4) Measures to promote the exercise of voting rights

(A) Evaluation results

22 out of 27 responses made some form of evaluation, while this item was left blank in the remaining 5 responses. The breakdown of the evaluation is shown in the figure below.

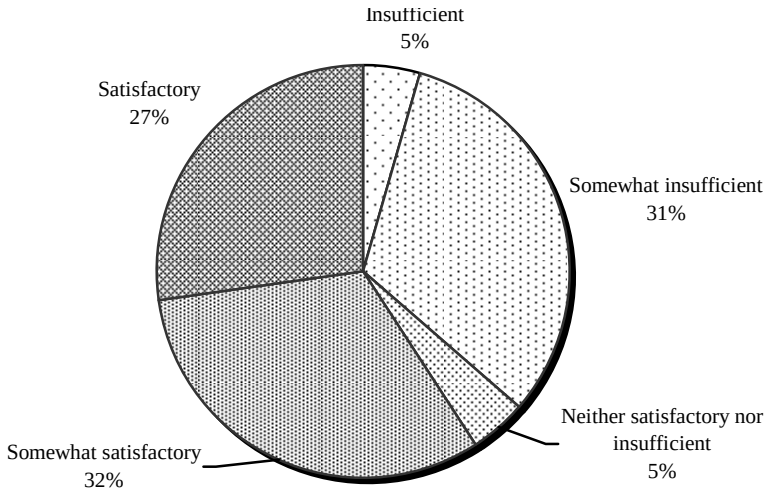


Figure 5: Evaluation of measures to promote the exercise of voting rights

(B) Reasons

(a) 10 or more than similar comments

(Basic stance)

◎ I welcome this regulation. Having convocation notices, etc. released by listed companies available for public inspection, and being able to receive convocation notices, etc. together with the electronic files 2 to 3 days earlier has helped a lot.

(Period of submission of convocation notice)

◎ The current law requiring a convocation notice for a general shareholders meeting to be sent 2 weeks advance does not give enough time for proper consideration. A convocation notice for a general shareholders meeting and other information disclosure should be conducted 28 days (20 business days) before such general shareholders meeting, in order to allow investors informed of sufficient information to exercise their voting rights.

(b) Comments supported by 3 to 9 investors

(Period of holding general shareholders meetings)

○ Annual general shareholders meetings have a tendency to be concentrated in June. This does not help investors to exercise their voting rights, and I hope this situation improves.

(Electronic voting platform)

○ I support the introduction of the electronic voting platform. Unfortunately, only a small number of companies are using this (also, even though introducing electronic voting is not equivalent to poll voting or full disclosure of the voting results, the introduction of such electronic voting technology would be helpful).

(Poll voting)

○ It is necessary to swiftly disclose the number of votes in favor, against and abstention, regardless of whether or not it was an exercise of voting rights by proxy, for each and every item on the agenda. Only counting proxy votes sent in before a shareholders meeting effectively prevents shareholders who attend a meeting from changing their votes. With voting by poll, there is the possibility that shareholders may change their minds in favor of management after listening to their explanation. Not counting all votes is unfair to retail shareholders who cast their votes in person at the meeting, and is against the principle of one share, one vote (one voting right, one vote).

(c) Comments supported by less than 3 investor(s)

(Basic stance)

● The disclosure of the corporate governance report is a great help in gaining an understanding of the corporate governance structure and business practices of the company.

● (Measures related to encouraging the exercise of voting rights) bear significance in that they give the management of a company which has a high ratio of institutional investors a sense of tension. However, I do not think there is the same effect on companies which have high ratio of long-term (stable) shareholders.

● I support the (view of the) 2009 FSA study group report which requested exchanges to work on adopting electronic voting platforms as a means to give overseas shareholders more time for consideration.

● I support efforts aimed at allowing overseas investors to, in effect, participate in a general shareholders meeting. I am concerned with the current situation where as a result of general shareholders meetings being concentrated (within

a certain period), there is insufficient time for consideration, and investors are unable to get sufficiently involved in the resolution in a general shareholders meeting, which results in them relying on voting advisory firms.

(Period of submission of convocation notices)

- Financial results are now released more than 10 days earlier than they were 10 years ago. As hurdles to early submission of convocation notices are being removed, I request that TSE considers making the early submission of convocation notices (e.g., 3 weeks in advance) an obligation based on the listing regulations. A grace period of a few years may be required for the implementation of this rule. The TSE website does not currently have a list of the companies and the times at which they released such convocation notices, and, as a result, institutional investors have to check 2000 pages of listed company homepages daily. This situation should be improved.

(Scope of regulation)

- This regulation does not have meeting material within its scope. Such material should also be included within the scope.
- It is desirable for convocation notices and such related documents to be released on the websites of the company.

(5) Responses on other measures and future improvements, etc.

(a) Comments supported by 10 or more investors

(Corporate governance in general)

◎ The form of corporate governance depends on aspects such as company history, scale, business type; there is more than one form of proper corporate governance. On this point, the “comply or explain” approach is appropriate. However, what all listed companies have in common is that they are open to investment from both overseas and domestic investors. To attract investors, especially overseas investors, or ensure a certain level of quality, a certain level of corporate governance among listed companies is required. Even though it is impossible to have a flawless corporate governance system in any country, global investors have the idea that there are basic principles which can be applied universally (incorporating independent directors, poll voting, disclosing executive compensation, protecting minority investors, etc.) (The

diversification of organizational structure is confusing from the perspective of investors and has shortcomings rather than advantages.)

(Subsidiary listings)

◎ While I am against general prohibition of subsidiary listings, subsidiary listings need to be based on the premise that the interests of minority investors are protected. There is a demand for a rigorous mechanism to regulate transactions between related parties such as requiring a resolution of a general shareholders meeting by shareholders who do not have a vested interest (in such transaction) before conducting a significant transaction which exceeds a certain level. In the Hong Kong market, a resolution in a general shareholders meeting which excludes the related parties (in the transaction) is required for significant related party transactions between a listed company and its controlling shareholder.

(b) **Comments supported by 3 to 9 investors**

(Giving auditors more authority)

○ Even if you give auditors voting rights on a board of directors, they will not be able to fulfill the role in place of an independent director. An independent director which takes on objective fiduciary duties should be the one best positioned to ensure that management achieve accountability on a broad range of matters, and guide the company toward raising its corporate value in the long-term. By supplementing the executive role in management decisions and contributing to better corporate performance, independent directors are able to fulfill a role which cannot be fulfilled by auditors, regardless of whether or not they have voting rights. Also, the criteria which define independence are important when introducing independent directors.

○ A system which gives auditors voting rights on a board of directors is worthy of consideration. However, it should be subject to conditions such as 1) being a transitional system/structure until all listed companies designate a certain number of independent directors and adopts a framework that has an audit committee comprised of only independent directors, and 2) auditors having equality with other directors in terms of voting rights and term of office, etc.

(Subsidiary listings)

○ A parent company has the power to approve a regular resolution in a general shareholders meeting of its subsidiary. As such, as a counterbalance, independent directors should make up a majority of the board of directors.

(Measures against corporate takeovers)

○ (As mentioned in the Ministry of Economy, Trade and Industry's Corporate Value Study Group report,) when deciding whether or not to take measures against takeovers, directors have the legal obligation of examining the proposal from the bidder in good faith and negotiating a deal which maximizes shareholder value. Therefore, in a takeover, they are required to conduct an unbiased appraisal of shareholder value. Based on this understanding, the management should, by all available means, ensure an unbiased appraisal of shareholder value in respect of such takeover proposal. TSE has a significant role to play in ensuring that the company management does so. Committees which include persons other than management level personnel do not go beyond having advisory functions and are thus insufficient. I expect that a board of directors where independent directors are in majority will have the right to handle this.

(Disclosure)

○ I understood that the recent revisions to the quarterly disclosure rules by the TSE are aimed at removing excessive burden and facilitating flexible reporting. However, some companies have misunderstood this, conducting less disclosure, and keeping dialogue with the market at a minimum. TSE should make efforts to drive home the purpose of the new regulations.

(Exercise of voting rights by shareholders)

○ The concentration of annual general shareholders meetings continues to be a significant obstacle against exercising shareholder rights. The fiscal year of 75% of listed companies end in March, and 43% of those companies held their annual general shareholders meetings on June 29. While the situation has improved in comparison with that in 1995, the concentration level remains high. Article 124 of the Companies Act stipulates that shareholders as of the record date are to exercise their rights within 3 months of such date. Since almost all companies specify the last day of the fiscal year as the record date, it has led to a situation where the concentration of annual general shareholders meetings not being solved at the fundamental level. TSE should encourage listed companies to spread out their record dates.

○ All Japanese companies should adopt poll voting, and the results of such voting should be disclosed immediately. Poll voting is becoming a global standard. Many companies in Hong Kong and the UK are adopting it, while

Netherlands, Canada, China and Thailand have implemented it. Poll voting has recently gone electronic. It is fast, effective, and minimizes cost. The disclosure of the voting results also helps to increase accountability.

(c) Comments supported by less than 3 investor(s)

(Corporate governance in general)

- I strongly request to have the ideal form of corporate governance stipulated in law. Listed companies may not be obliged to comply with the form, but it could be incorporated into current laws as a desirable item, or something similar to a "comply or explain" model. Corporate governance standards are not static but continue to develop. As such, the above ideal form of corporate governance will also need to be constantly revised. When enacting this law, a committee should be formed by investors, management, accountants, lawyers and regulatory agencies.
- Governance should not be affected by history, scale, or the nature of business. There shouldn't be any disagreements on the point that improving the governance structure is the responsibility of the board of directors or the management with regard to the fund entrusted by shareholders. The most convenient and universal evaluation method is ROE. On the whole, Japanese companies are performing very poorly in terms of ROE, which should be highlighted. If TSE releases the historical ROE trends in the major markets, and a listed company releases its ROE for the past 3 years on its website, these would probably be very useful information for retail investors in evaluating corporate management.
- In general, as an important role of an exchange, together with specifying the minimum level of corporate governance required of listed companies, we could also cite specifying a higher level of corporate governance. Corporate governance is achieved through 4 levels which are (1) law-making, (2) regulatory framework, (3) stock exchange, and (4) each listed company. While amendments in (1) and (2) take time and may not be able to keep up with new developments, I think that an exchange such as TSE can develop corporate governance in response to new developments, and serve as a guide to amendments to laws and revisions to regulations by the authorities. The exchange should provide an improved market by taking on this responsibility and improving the corporate governance of listed companies, etc. Since there

is no single form that can be applicable to all companies, a principle-based approach based on strict fundamental rules with a degree of flexibility would be desirable.

- With respect to measures which will have a certain effect even on problematic companies if implemented appropriately, such as the introduction of independent directors/auditors, as far as problematic companies go, we should not expect them to implement the measures properly. Also, even in the case of serious-minded companies, depending on company scale, it may be a burden. There may even be companies for which this measure is unnecessary. These measures should be flexible based on a company's market capitalization and sales figures.
- The easiest way to tackle the undermining of shareholder value by the management is stock-based compensation so that there is a personal motivation to place emphasis on shareholder rights.
- I support TSE's attempts on corporate governance. In the past 2 years, TSE has channeled enormous effort, developing the listing regulations and improving corporate governance in Japan. In addition to the various regulations mentioned above, I am deeply grateful for TSE's efforts such as having dialogue with investors, implementing more timely and/or quarterly disclosure, and holding seminars to explain the importance and role of independent non-executive directors.
- We will quote the items pointed out in ACGA's White Paper on Corporate Governance as opinions on future improvements.
- Japan has one of countries among the developed nations with the worst corporate governance. If Tokyo is to become an attractive market again, corporate governance must improve. If that does not happen, (the appeal of the market) will continue to deteriorate.

(Subsidiary listings)

- TSE should prohibit the listing of subsidiaries which have an extremely high degree of dependence on its parent company, such as one whose profits are largely dependent on its parent company.
- I look forward to the development of the following 3 points: (1) the independence and accountability of the subsidiary's board of directors, (2) increased transparency of company management and disclosure of related-party transactions, (3) the accountability of the parent company's

board of directors.

- Shareholders should have the right to vote on acts such as organizational restructuring between the parent and subsidiary, with reference to opinions from independent financial advisors.
- I am concerned about subsidiary listings, and it would be desirable to protect the interests of minority investors during transactions involving the parent company. Ideologically, the solution might be to disallow subsidiary listings.
- TSE should prohibit new listings of subsidiaries. I have come across some cases where a subsidiary is first listed, and then acquired at a lower price to become a wholly-owned subsidiary. This is outrageous. On the other hand, subsidiaries which are already listed should not be allowed to become wholly-owned subsidiaries.
- TSE should examine whether or not to require a resolution in a general shareholders meeting on listing (of a subsidiary) (shareholders who will benefit from the listing should not be able to vote).
- We are quite reluctant when it comes to subsidiary listings. The market need to introduce rules to protect minority shareholders.

(Giving auditors more authority)

- The role of auditors will only be effective if such auditor has sufficient decision-making authority regarding the field.
- I think that an auditor should be different from an independent director, and fulfill a complementary role. I support both a hybrid system and a committee system equally. Auditors already play an important role, and there is no need to change this. I think that the board of directors can be improved by designating independent directors who have different responsibilities than auditors.
- While I understand the auditor system, with respect to checks that go beyond management decisions, such as on financial documents, I think that the role played by independent directors in other markets will be more preferable than the role of auditors in Japan. I hope that TSE will lead discussions to secure auditing by independent directors.
- (On giving auditors voting rights on a board of directors,) auditors should be fulfilling their responsibility as auditors, and directors and the board fulfilling theirs. How about TSE clearly defining the roles of auditors, non-executive directors, the chairman of the board of directors, CEO, etc. If the Companies

Act revision does not define independent directors or outside directors, I hope that TSE will clarify these in the TSE regulations.

(Auditors designated by employees)

- Regardless of the candidates for designation, all auditors have the responsibility of preventing mistakes and illegal acts of companies. I do not think that companies which have auditors have a sufficient supervisory framework on the management. Many auditors are company employees, or have some interest, and this will lead to difficulties in supervision. Persons conduct supervision should not have interests in those who are subject to their supervision.
- I support the idea that shareholders should have the right to place people in the board of directors. Ideologically, the right to nominate auditors should not only be limited to shareholders, but that should not be the case for directors. The role of auditors is to audit compliance with law, and they do not have sufficient rights to conduct supervision on the board of directors or the management. There should be a revision to enhance the rights of auditors. An independent auditor is unable to play the expected role of an independent person, and that should be fulfilled by an independent director.
- It is not uncommon in markets of other countries to have rules where employees or controlling shareholders can become auditors or directors. Amongst those, some are functioning well.
- We should secure management (methods) which consider employee interests through encouraging employees to become shareholders.
- I do not think that employee-designated auditors are necessary for the long-term benefits of shareholders. The role and responsibility expected for check-and-balance can be effectively fulfilled by non-executive independent directors (as well as, in the case of companies with auditors, assistance from auditors). The German system does not necessarily generate good results with respect to the company itself and company performance.

(Measures against corporate takeovers)

- Raising the share price is the best measure against hostile takeover bids. Other measures against hostile takeover bids and poison pills, serve to consolidate the management, and inhibit management personnel’s consideration of shareholder value.
- TSE should request listed companies to require a resolution in a general

shareholders meeting when renewing poison pills (measures against takeovers). Also, some measures against takeovers require extraordinary resolutions, while others require regular resolutions. TSE should clarify this difference.

(Dialogue between companies and investors)

- Some companies only look to fulfill the minimum legal obligations on communication with investors, and sometimes even refuse (requests for) dialogue. Since communication with investors benefits both sides, TSE should recommend companies to open their doors and engage in dialogue with investors.
- It was mentioned in the 2009 FSA Study Group report that enriching constructive discussions on management through routine dialogue with company management is important. In addition to this, I want to point out that both sides also need to be eager to conduct constructive discussions. Companies should take a positive view on dialogue with investors. However, some do not even fulfill the basic expectations of a listed company and act as if they were unlisted companies, refusing (requests for) dialogue. I am sure that there are benefits for investors to gain a deeper understanding of the company through dialogue, and also for companies to have gain ideas and opinions from varying points of view provided by investors. I want TSE to not only continue requesting listed companies to engage in dialogue with investors but also hold an “education campaign” on this matter.
- As a backup plan in case normal channels for dialogue do not yield results, TSE should request (listed companies) to designate a director as a contact person for investor relations.
- Even though we tried to strengthen our communications with Japanese corporations this year by submitting shareholder proposals at general shareholders meetings and opposing board of director agendas, it was regrettable that company management did not respond to our efforts.

(Information disclosure/information management)

- With regard to companies which have more than a certain ratio of overseas investors, I want timely disclosure for such companies to be conducted in English through the TSE website or such company’s website. This is not limited to information related to general shareholders meetings but also include other significant information.
- TSE should require full disclosure of “fairness opinions” and documents for

share price calculation.

- With regard to exercise of voting rights, shareholders should be able to receive confirmation that their vote has been processed.
- TSE must prevent information on public offerings from being leaked before they are announced and the short selling that follows. It is not difficult to prevent information leaks – simply look at recent transactions, pinpoint who leaked the information, and report it to the police. Professionals in the securities industry do not like ending up in jail, and catching a few will probably have a great effect.
- I want TSE to make efforts for disclosure of not only financial information, but also information related to environmental, corporate as well as governance aspects, as well as disclosure in English.

(Educational activities)

- The concept of Mothers is in general not understood by companies which are preparing to list. TSE should put in greater efforts at disseminating the concept.
- The disparity between responsibilities of a statutory auditor required by the Companies Act and the actual activities conducted by statutory auditors is generally very wide. TSE should put more effort into educational activities for auditors, such as including it as best-effort obligations described in the Code of Corporate Conduct and collaboration with the Japan Corporate Auditors Association.
- It is doubtful whether recent measures are being understood by the management and auditors. I want TSE to be persistent in your educational activities.

(Others)

- TSE is now in the second phase of the “Action Plan for Consolidating Trading Units” announced on November 27, 2007, but I have no idea on how TSE should proceed with consolidation. I doubt that there will be much progress on the schedule if TSE doesn't take a forceful approach, such as by delisting companies which do not comply with the rules, and these targets remain requests or rely simply on the best efforts of companies. Considering how easy it is to make mistakes on the trading unit, how difficult it is to understand stock prices in what units, or how trading costs have been reduced with narrower bid-ask spreads, TSE should swiftly determine the date and method for the second and third phases, and

make efforts to actively guide and, to a certain extent, make (compliance with) consolidation mandatory.

- The way share offerings are being conducted in Japan has a tendency to adversely affect the corresponding stock price. This discourages investor participation. In place of the current method, I propose that a trading suspension and book-building that is completed in a single day.
- Delisting is a measure that comes into conflict with investor protection. Instead of delisting, TSE should keep it to (the extent of) a trading suspension, and protect the rights of investors to receive information through disclosure. Delisting reduces the obligation for timely disclosure and allows directors to get off the hook easily. It therefore is viewed as a godsend for anti-social companies. This will only lead to persons related to such companies to look for new “shells”.
- Convocation notices, etc. of investor meetings of investment corporations are not in the scope of material for public inspection. I want these notices to be handled in the same way as normal listed companies, and be subject to public inspection. I look forward to an increase in the number of companies participating in the ICJ platform. Even for issues that are not participating in the ICJ platform, I also hope to see voting for such issues enabled on the platform.
- For MBO (management buyout) or an acquisition which makes a listed company a wholly-owned subsidiary, an overview of judicial procedures (probably consisting of mainly legal protests against the determination of such price) should also be disclosed (when there is a takeover bid), as an option available to minority shareholders. A full takeover or stock swap, if any, after the takeover should be conducted within approximately 3 months of the takeover.
- I want TSE to review the timetable for rights issues and “squeeze out” procedures.
- There should be a positive evaluation of good aspects of the Japanese market such as not having problems with excessive director compensations.
- Shareholders should be in a position to exercise their individual voting rights on each issue, and companies should not group separate issues together on the agenda.
- Information on buy and sell volumes of each trading participant should be

disclosed.

3. Notes

- This material was prepared for the purpose of introducing a summary of comments from investors. The content contained herein neither constitutes the stance of TSE on the respective issues nor indicates the direction of future measures undertaken by TSE.
- TSE will refer to the comments, regardless of their number. The number of similar comments does not bear significance in decisions on the direction of TSE measures.
- This material does not describe the original content of the comments as is. Similar or common comments were consolidated with other comments and overlapping comments were summarized. Comments which only raised facts, mentioned actual individual cases, or whose content fell outside the scope of the questionnaire were omitted. Regardless of how comments from respondents were presented, or not, in this document, TSE shall refer to the original content of the comments.
- Comments received in languages other than Japanese were translated into Japanese by TSE for inclusion in this document. While every effort has been taken to ensure accuracy, there may be a possibility that detailed nuances, etc. were not sufficiently conveyed. The reference translation is an English translation of the original material. Due to the fact that the translation is based on the Japanese original which contains Japanese translations of comments originally in English, the terms used herein may be different from those used in the English comments.

Reference Translation

Appendix 1

Questionnaire on TSE's Listing Rules and Systems for Investors

Aug. 20, 2010
Tokyo Stock Exchange, Inc.

1. Introduction

Based on its medium-term management plan publicized in March 2008, Tokyo Stock Exchange, Inc. (TSE) has made improving conditions to enhance the corporate governance of listed companies a key issue in the action programs of FY2008 and 2009. In line with these programs, TSE adjusted its listing rules and systems, such as the introduction of the new regulations on third-party allotments and the introduction of the independent director/auditor system. TSE has almost completed important adjustments based on the above action programs by taking measures in order to prevent the abuse of rights by controlling shareholders due to the revision of the listing rules and systems in June 2010.

In relation to the development of these measures, TSE has decided to conduct a survey to gather opinions from investors as below. Through the survey, TSE aims to (1) evaluate the measures that have been taken so far in order to improve conditions to enhance the corporate governance of listed companies and (2) identify issues and problems to further enhance the overall listing rules and systems. The purpose of the questionnaire is to collect investors' honest opinions, which will form the foundation for the management and improvement of the listing rules and systems. As such, we appreciate your candid thoughts.

2. Outline of Questionnaire

(1) Respondents

Foreign and domestic investors interested in the TSE market

(2) Questionnaire entries

- Evaluation of the measures that have been taken so far and reasons for such
- Future issues to enhance the listing rules and systems

* For details, please see the response sheet.

(3) Response Methods

Please fill in the response sheet and send it by e-mail or facsimile.

- E-mail: jojo-kikaku@tse.or.jp
- Fax: +81-3-3662-2138

(4) Response Period

From Aug. 20, 2010 to Oct. 1, 2010

3. Notes

- The results of this questionnaire will form the foundation for the development of measures to enhance the corporate governance of listed companies, but the TSE's policy will not be based solely on this questionnaire.
- TSE plans to publicize the results of the questionnaire after collecting opinions. TSE will release a list of the names of respondents, if they provide their consent on the response sheet, in a form that does not specify the source of each opinion.

Reference Translation

Appendix 2

Questionnaire on TSE's Listing Rules and Systems for Investors (Response Sheet)

1. Information on Respondent

(For Individuals)

■Name:

■Occupation and Name of Company:

(For Corporations, Organizations, etc.)

■Name of Corporation, Organization, etc.:

■Contact Person:

■Address:

(Items for both Individuals and Corporations, Organizations, etc.)

■Do you consent to TSE releasing your (company) name? (*) Yes / No

■Which word describes you best?:

Domestic institutional investor, Foreign institutional investor,
Domestic individual investor, Foreign individual investor

■Phone:

■E-mail address:

(*) If you circle "Yes", TSE will release a list of the names of respondents in a form that does not specify the respondents from which each opinion originated when publicizing the results of the questionnaire.

TSE will release a list of the names of respondents, if they provide their consent on the response sheet. Other than that case, your name, address and other personal information is used solely for storage/management of the collected opinions and for further inquiry. Please see the TSE's website for our privacy policy:
http://www.tse.or.jp/english/about/privacy/

2. Questionnaire Entries

(1)Evaluation of the measures that have been taken so far and the reasons for such

a Introduction of the new regulations on third-party allotments

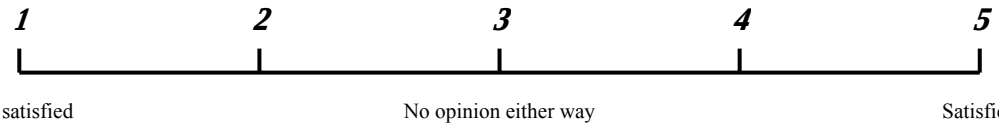
<Summary of Measures>

In August 2009, TSE introduced the following measures in the listing rules and systems as a response to third-party allotments including important issues for corporate governance, such as dilution of the rights of existing shareholders and selection of major shareholders by listed companies.

- When a listed company conducts a third-party allotment that causes dilution of 25% or more, or when controlling shareholders change due to a third-party allotment, TSE, as a general rule, requires such listed company to confirm intentions of shareholders such as resolutions at its general shareholders meeting or seek opinions from parties independent from the management such as outside directors/auditors.
- When controlling shareholders change due to a third-party allotment, TSE requires the listed company to report on transactions with such controlling shareholders on a regular basis and confirms the soundness of said transactions.

- When a listed company conducts a third-party allotment that causes dilution of over 300%, TSE, as a general rule, shall delist such listed company.
- TSE obligates a listed company to sufficiently disclose information, such as the base for calculating an issue price and the details.

<Evaluation of the above measures and reasons>



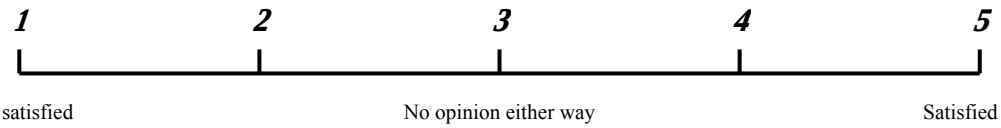
(Reasons)

b Introduction of independent director/auditor system

<Summary of Measures>

In December 2009, TSE introduced a rule that requires listed companies to secure at least one independent director/auditor (an outside director or auditor who is not likely to have a conflict of interest with general shareholders) from the perspective of protecting general shareholders. In conjunction with the introduction of this rule, TSE obligated listed companies to appropriately disclose reasons for selecting their corporate governance structures.

<Evaluation of the above measures and reasons>



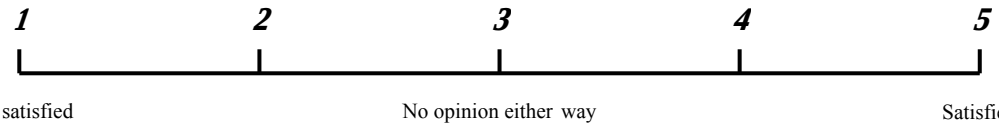
(Reasons)

c Developing measures to prevent the abuse of rights by controlling shareholders

<Summary of Measure>

In June 2010, TSE introduced a rule which requires a listed company to seek opinions from parties who have no conflict of interest with controlling shareholders from the perspective of preventing the abuse of rights by the controlling shareholders (the parent company or major shareholders who actually control the majority of voting rights) when such listed company that has controlling shareholders conducts important transactions, etc. with such controlling shareholders.

<Evaluation of the above measure and reasons>



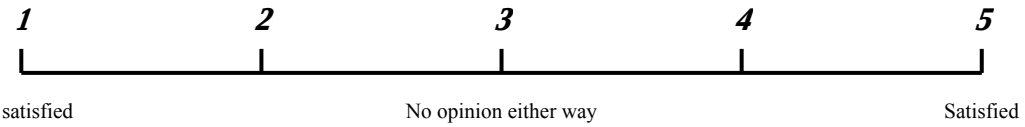
(Reasons)

d Measures to promote the exercise of voting rights

<Summary of Measures>

In August 2009, TSE began requiring listed companies to submit notice of a general shareholders meeting, etc. TSE also began posting such notice on its website so that shareholders are able to access such notice earlier. In June 2010, TSE also required listed companies to take into consideration the exercise of voting rights at general shareholders meetings through the instruction of beneficial shareholders with the prospect that the use of an "Electronic Voting Platform" will be promoted.

<Evaluation of the above measures and reasons>



(Reasons)

e Other measures

If you have any opinions on measures that have been taken recently other than those described in a through d (including measures other than those regarding corporate governance), please feel free to write them below.

<Evaluation of other measures and the reasons>

(2)Future issues to improve the listing rules and systems

If you have any opinions on issues to be resolved and addressed by TSE regarding its overall listing rules and systems, please feel free to write them below.

a Regarding the corporate governance of listed companies

(Example)

- The ideal form of corporate governance varies depending on the history and size of a company, the details of its business, etc. Therefore, some people argue that it is difficult to uniformly define the ideal form of corporate governance. What do you think about this opinion?
- What do you think about the opinion that subsidiary listing should be entirely prohibited to protect minority shareholders?
- What do you think about the opinion that employees should designate some of the auditors in their company to prevent corporate misconduct and the violation of laws and regulations?
- Auditors do not have (1) voting rights at meetings of the board of directors (including the right to designate or dismiss the management) or (2) the right to audit validity. Therefore, some argue that these auditors are unable to exercise supervisory functions on the management. What do you think about this opinion and what is necessary for auditors to exercise supervisory functions?

(Opinion)

b Others and future issues to improve the listing rules and systems

(Opinion)

Appendix 3

Questionnaire Respondents

(in alphabetical order)
ALLIANCE TRUST PLC
Amundi Japan Ltd
Asian Corporate Governance Association
Baillie Gifford & Co
CalSTRS
Council of institutional Investors
Governance for Owners Japan KK
Hermes Equity Ownership Services
ISS Japan
Legal & General Investment Management Ltd
Mr. Ian Burger
Ontario Teachers' Pension Plan
PGGM Investments
Railpen Investments
Silchester International Investors
Universities Superannuation Scheme

Only the names of respondents who have agreed to allow disclosure of such (excluding individuals) are listed.
All names are based on those in the submitted documents.