

Listing System Improvements based on the “Listing System Improvement Action Plan 2009 (Matters for prompt implementation)”

October 29, 2009
Tokyo Stock Exchange, Inc.

I Purpose

In order to indicate the direction relating to a comprehensive improvement of the listing system in this fiscal year, the Tokyo Stock Exchange (TSE) has compiled and announced the “Listing System Improvement Action Plan 2009” on September 29, 2009. The first stage based on this Action Plan will be centered around matters enumerated as “Matters for prompt implementation” in this Action Plan, and the TSE will make necessary revisions to the rules for the purposes described below.

First, as part of the efforts in improving conditions to enhance the corporate governance of listed companies, the TSE will facilitate listed companies' efforts to improve corporate governance while respecting the “Principles of Corporate Governance for Listed Companies”. In addition, the TSE will further enhance disclosure regarding the system of corporate governance. Moreover, from the perspective of protecting general shareholders, the TSE will require listed companies to secure at least one independent director or statutory auditor.

Furthermore, from the perspective of a review of the timely disclosure rules in light of recent changes in circumstances, the TSE will make revisions such as clarifying the minimum disclosure content with respect to the items subject to timely disclosure required of listed companies, and improving the efficiency of timely disclosure, etc. of unlisted parent companies, etc.

II Outline

Items	Contents	Remarks
<p>1.Improving conditions for enhancing corporate governance</p> <p>(1)Respect for the Principles of Corporate Governance for Listed Companies</p>	<ul style="list-style-type: none"> A statement to the effect that a listed company should respect the “Principles of Corporate Governance for Listed Companies” of the TSE and make efforts to enhance corporate governance will be included as “Items Desired to be Observed” in the provisions of the Code of Corporate Conduct. 	<p>* The said principles were formulated in March 2004 based on the report by the Listed Company Corporate Governance Committee of the TSE and respect for them has been requested.</p>

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(2)Enhancing disclosure regarding the system of corporate governance	<ul style="list-style-type: none"> The listed company will disclose the reason for which it has selected the system of corporate governance in the corporate governance report. 	<ul style="list-style-type: none"> * Currently, while the system of corporate governance is also disclosed in the said report, the TSE will request to include the reason for the selection of the system. • In concrete terms, the TSE assumes to request a description on the listed company's point of view in relation to the system of corporate governance based on the model indicated in the Study Group Report released by the Financial System Council in June this year. • In addition, with respect to the disclosure of the system of corporate governance, the TSE will take measures such as requesting listed companies to describe the roles and functions of outside directors if the companies have outside directors, and requesting listed companies to describe enhancement and execution of the system of corporate governance pertaining to the particular method applied by such corporation if such companies do not have outside directors. • This will have to be reflected in the corporate governance report by the end of March 2010.
(3)Independent directors/auditors (i)Securing independent directors/auditors	<ul style="list-style-type: none"> A statement to the effect that a listed company must, for the purpose of protecting general shareholders, secure, from amongst the outside directors or outside auditors, at least one independent director/auditor who will not have conflicting interests with general shareholders, will be included as “Items to be Observed” in the provisions of the Code of Corporate Conduct. 	<ul style="list-style-type: none"> * Changes in independent director/auditor will be notified to the TSE, as a general rule, at least two weeks before the changes. In this case, due to the high possibility of a conflict of interest with general shareholders, prior consultation with the TSE is requested of a listed company in cases where the prospective independent director/auditor is, <ol style="list-style-type: none"> (1) An executive officer or employee of the listed company, subsidiaries, and business counterparties or partners of the company such as subcontractors, a

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		<p>consultant obtaining remuneration from the company, a close relative, and other similar person who could be significantly controlled by management,</p> <p>(2) An executive officer or employee of parent companies, and business counterparties or partners of the company such as main banks, a close relative or other similar person who could have considerable control over management.</p> <ul style="list-style-type: none"> • When the TSE accepts a notification of an independent director/auditor, it will make the content available for public inspection. • The listed company will notify the state of securing independent director/auditor by the end of March 2010. However, the TSE will take interim measures including the following: <ul style="list-style-type: none"> - Measures to ensure the effectiveness against violations of the Code of Corporate Conduct will, as a general rule, apply to the state after the end of the annual general shareholders' meeting pertaining to the business year ending on or after March 1, 2011.

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(ii)Disclosure of independent directors/auditors	<ul style="list-style-type: none"> • A listed company will disclose the name and reason (including the reason for designation where such person to be designated an independent director/auditor should fall under any of the following items a. to e.) for designating an independent director/auditor, etc. in the corporate governance report. <ul style="list-style-type: none"> a. A person who executes business of the parent company or fellow subsidiary; b. A party for which the listed company is a major client or its person who executes business, or a major client of the listed company or its person who executes business; c. A consultant, accounting professional, legal professional (in cases of a group such as a juridical person or association, including persons belonging to such group) who receives a large amount of money or other financial asset other than remuneration for directorship/auditorship from the listed company; d. Major shareholders of the listed company (in the case of a juridical person, a person who executes business of such juridical person); and e. A close relative (spouse or relative within the second degree of kinship) of a person enumerated in the above a. to d. or a person who executes business (excluding those of insignificance) of the listed company or its subsidiary. 	<ul style="list-style-type: none"> • With respect to a. to e., where a person falls under the cases enumerated in the items either in the past or present. • For the purpose of “executive personnel” mentioned in e., an auditor will include directors or accounting advisors who are not executive personnel (where the accounting advisor is a juridical person, the staff member who performs the work). * The handling of “major clients”, “financial assets such as large amount of money”, and “those of insignificance” will be assumed to be the same level of practices based on the current Companies Act, etc. • This shall be reflected in the said report without delay after the end of the annual general shareholders’ meeting pertaining to the business year ending on or after March 1, 2010.
2.Review of timely disclosure rules in light of recent changes in circumstances (1)Clarification of minimum disclosure matters required for	<ul style="list-style-type: none"> • The TSE will clarify the following matters as content of information required for common items for disclosure when listed companies perform timely disclosure of company 	<ul style="list-style-type: none"> * The clarification of the content for common disclosure in timely disclosure in the listing regulations is aimed at increasing the awareness of listed companies on measures

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timely disclosure	<p>information, as a general rule.</p> <p>a. Reason for a decision made by the listed company or circumstances leading to the occurrence of a fact;</p> <p>b. Summary of the decision or fact that has occurred;</p> <p>c. Forecast of future development relating to the decision or fact that has occurred; and</p> <p>d. Other important matters for investors' investment decisions.</p>	<p>which may be taken against them in the event of a violation of the rules.</p> <p>* If there are circumstances under which part of the matters in the left column cannot be disclosed at the time of disclosure, there must be additional disclosure as soon as such content is fixed or ascertained.</p> <p>* Some disclosure contents vary for each individual item. The handling of these items shall be clearly and concretely stated in the TSE Timely Disclosure Guidebook as far as possible.</p>
(2)Revision to disclosure rules pertaining to unlisted parent companies, etc.	<ul style="list-style-type: none"> • With respect to disclosure of company information pertaining to unlisted parent companies, etc., the TSE will integrate it into disclosure regarding controlling shareholders, etc. after reviewing the content. 	<ul style="list-style-type: none"> * Disclosure of company information pertaining to unlisted parent companies, etc. has been required of listed companies which have unlisted parent companies, etc., with the aim of mutual supervision of trading by the parent company, etc. which is in conflict with the interests of minority shareholders of the listed company. In recent years, in light of enhancements in the disclosure relating to the controlling shareholder, etc. of the listed company, which includes the unlisted parent company, the TSE will perform a revision to integrate both matters in order to improve the efficiency of business practices.
(3)Timely disclosure pertaining to submission of internal control report	<ul style="list-style-type: none"> • In cases where the listed company has made a decision to submit an internal control report containing the fact that the management executive finds a material weakness in the internal control system or deems the evaluation result of the internal control system cannot be disclosed, the said company will disclose the contents of such decision immediately. 	<ul style="list-style-type: none"> * In light of the current circumstances where information that a management executive finding a material weakness in the internal control system is disseminated to investors only by means of media reports, the TSE will require the listed company itself to give an explanation in order for more accurate and fair dissemination of information. * With regard to the internal control report, the listed company is required to make efforts to correct material

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		<p>weaknesses up to the point of submission of the report. The timely disclosure in the left column is assumed to be conducted in cases where such efforts to correct such material weaknesses are abandoned, and the listed company has decided to submit an internal control report containing description to the effect that it contains a material weakness, etc.</p>
<p>3.Others (1)System improvements for introduction of IFRS</p>	<ul style="list-style-type: none"> • The TSE will prescribe the following matter as “Items Desired to be Observed” in the Code of Corporate Conduct: <ul style="list-style-type: none"> - The listed company shall endeavor to develop a system under which it will be able to appropriately respond to changes, etc. in accounting standards, etc., and such response includes entry into an organization or group (e.g., the Financial Accounting Standards Foundation) that performs submission or dissemination of opinions or communication with respect to changes, etc. in accounting standards, and participation in training conducted by an accounting standard setting body, etc. 	<ul style="list-style-type: none"> * This is in light of the increasing need for listed companies to appropriately respond to changes in accounting standards, etc. such as progress in further convergence of the International Financial Reporting Standards (IFRS) and Japanese standards, and the start of voluntary use of IFRS. * The TSE has up till now requested listed companies to join the Financial Accounting Standards Foundation (hereinafter referred to as “FASF”). This will be stated clearly in the listing regulations. • The TSE will require the listed company to disclose whether or not it has participated in the FASF (if not participating, stance on future participation). * This disclosure is assumed to be performed during disclosure of the contents of the account settlement pertaining to the business year. Furthermore, currently, companies which have joined the FASF (182 companies, 94% of TSE listed companies, as of September 30, 2009) may substitute the said disclosure with the display of the membership mark of the FASF on the first page of the earnings digest. * The TSE will be able to announce the state of

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(2)Others	• Other necessary revisions will be made.	participation. In addition, depending on the content of the above disclosure, the TSE will be able to recommend participation in the FASF.

III Implementation Scheduled (planned)

- These revisions will be implemented in December 2009 on the premise of receiving approval from the Financial Services Agency.