

# **JSS Newsletter International**

## **(Vol.3 July 2016)**

### **Comprehensive Summary of June AGM\* Season in Japan**

(\*: Annual General Meeting of Shareholders)

#### **I. Status of AGM**

##### **1. Date of meetings and date of delivery of convocation notices**

###### **(1) Date of meetings [Supplementary Principles of the Code: 1.2.3]**

The first peak day of AGM for this year was June 29 (Wednesday). 759 companies (32.2%) held their AGM on said date, which is the lowest-ever rate with a decrease of 9.2 points from the previous year. The second and third peak days were June 28 (Tuesday) and June 24 (Friday), respectively. A total of 69.6% (decrease of 4.2 points from the previous year) of companies held their meetings on one of the three days.

Whereas meeting dates are further diversifying in recent years, the concentration rate for the last year slightly increased. For this year, meeting dates were further diversified again.

| June 2015            |             |               |        | June 2016            |             |               |        |
|----------------------|-------------|---------------|--------|----------------------|-------------|---------------|--------|
| Date of AGM          | Day of week | Number of AGM | Ratio  | Date of AGM          | Day of week | Number of AGM | Ratio  |
| On or before June 12 | -           | 35            | 1.5%   | On or before June 12 | -           | 15            | 0.6%   |
| 13                   | Sat         | 4             | 0.2%   | 13                   | Mon         | 2             | 0.1%   |
| 14                   | Sun         | 2             | 0.1%   | 14                   | Tue         | 8             | 0.3%   |
| 15                   | Mon         | 1             | 0.0%   | 15                   | Wed         | 12            | 0.5%   |
| 16                   | Tue         | 23            | 1.0%   | 16                   | Thu         | 33            | 1.4%   |
| 17                   | Wed         | 37            | 1.6%   | 17                   | Fri         | 99            | 4.2%   |
| 18                   | Thu         | 55            | 2.3%   | 18                   | Sat         | 11            | 0.5%   |
| 19                   | Fri         | 169           | 7.2%   | 19                   | Sun         | 3             | 0.1%   |
| 20                   | Sat         | 15            | 0.6%   | 20                   | Mon         | 13            | 0.6%   |
| 21                   | Sun         | 4             | 0.2%   | 21                   | Tue         | 92            | 3.9%   |
| 22                   | Mon         | 31            | 1.3%   | 22                   | Wed         | 121           | 5.1%   |
| 23                   | Tue         | 199           | 8.4%   | 23                   | Thu         | 228           | 9.7%   |
| 24                   | Wed         | 321           | 13.6%  | 24                   | Fri         | 409           | 17.4%  |
| 25                   | Thu         | 444           | 18.8%  | 25                   | Sat         | 18            | 0.8%   |
| 26                   | Fri         | 977           | 41.4%  | 26                   | Sun         | 7             | 0.3%   |
| 27                   | Sat         | 10            | 0.4%   | 27                   | Mon         | 53            | 2.3%   |
| 28                   | Sun         | 2             | 0.1%   | 28                   | Tue         | 470           | 20.0%  |
| 29                   | Mon         | 34            | 1.4%   | 29                   | Wed         | 759           | 32.2%  |
| 30                   | Tue         | 0             | 0.0%   | 30                   | Thu         | 2             | 0.1%   |
| Total                |             | 2,363         | 100.0% | Total                |             | 2,355         | 100.0% |

Note: Prepared by the Company based on the "Information on AGM of companies whose fiscal year ended in March: Peak dates of AGM shown on the website of the Tokyo Stock Exchange (For details, refer to <http://www.jpx.co.jp/listing/event-schedules/shareholders-mtg/01.html>)

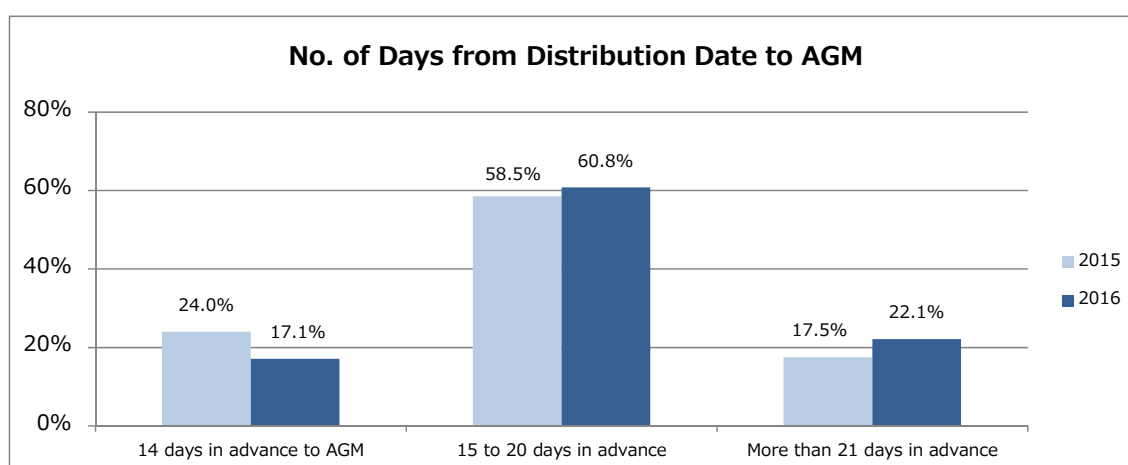
## **(2) Number of days from the delivery date to the meeting date**

### **[Supplementary Principles of the Code: 1.2.2]**

Mitsubishi UFJ Trust and Banking Corporation (“MUTB”) conducted a survey regarding 2,443 companies that held AGM in June and for which MUTB could confirm the detail of notices of convocation. The results indicate that 417 companies (17.1%) delivered notices of convocation 14 days prior to the meeting date (14 days not including the delivery date and the meeting date), which is the statutory delivery time. This is a decrease of 6.9 points from the previous year. On the other hand, 1,486 companies (60.8%) and 540 companies (22.1%) delivered notices of convocation “15-20 days prior to the meeting” and “21 days or earlier prior to the meeting,” an increase of 2.3 points and 4.6 points from the previous year, respectively.

In response to Supplementary Principles of the Code: 1.2.2 stating that “companies should strive to send notices of convocation early enough,” companies made efforts to comply with this provision to a certain extent by the previous year. This year, the delivery of notices of convocation was made even earlier to ensure compliance with the Principle.

| Number of days before the AGM date |  | June 2015           |        | June 2016           |        |
|------------------------------------|--|---------------------|--------|---------------------|--------|
|                                    |  | Number of companies | Rate   | Number of companies | Rate   |
| Statutory limit                    | 14 days (14 days not including the delivery date and the meeting date) | 589                 | 24.0%  | 417                 | 17.1%  |
| 15-20 days                         | 15 days  | 454                 | 18.5%  | 363                 | 14.9%  |
|                                    | 16 days  | 221                 | 9.0%   | 121                 | 5.0%   |
|                                    | 17 days  | 205                 | 8.4%   | 256                 | 10.5%  |
|                                    | 18 days  | 99                  | 4.0%   | 217                 | 8.9%   |
|                                    | 19 days  | 139                 | 5.7%   | 183                 | 7.5%   |
|                                    | 20 days  | 318                 | 13.0%  | 346                 | 14.2%  |
|                                    | Subtotal   | 1,436               | 58.5%  | 1,486               | 60.8%  |
| 21 days or longer                  | 21 days  | 309                 | 12.6%  | 378                 | 15.5%  |
|                                    | 22 days  | 50                  | 2.0%   | 48                  | 2.0%   |
|                                    | 23 days  | 26                  | 1.1%   | 17                  | 0.7%   |
|                                    | 24 days  | 17                  | 0.7%   | 29                  | 1.2%   |
|                                    | 25 days  | 7                   | 0.3%   | 35                  | 1.4%   |
|                                    | 26 days  | 8                   | 0.3%   | 12                  | 0.5%   |
|                                    | 27 days  | 8                   | 0.3%   | 9                   | 0.4%   |
|                                    | 28 days  | 3                   | 0.1%   | 7                   | 0.3%   |
|                                    | 29 days or longer  | 1                   | 0.0%   | 5                   | 0.2%   |
| Subtotal                           | 429  | 17.5%               | 540    | 22.1%               |        |
| Total                              |  | 2,454               | 100.0% | 2,443               | 100.0% |



**(3) Posting of notices of convocation on websites prior to delivery  
[Supplementary Principles of the Code: 1.2.2]**

According to the survey of ICJ, Inc., 1,698 companies (70.1%) disclosed the contents of notices of convocation on their website prior to delivery, which is double of the 806 companies (33.1%) in the previous year. This result shows that web posting prior to delivery is steadily being conducted as a business practice.

| Posting date         |  | June 2015           |        | June 2016           |        |
|----------------------|--|---------------------|--------|---------------------|--------|
|                      |  | Number of companies | Rate   | Number of companies | Rate   |
| Before delivery date | 14 days or longer before delivery date | 3                   | 0.1%   | 7                   | 0.3%   |
|                      | 7-13 days before delivery date         | 125                 | 5.1%   | 315                 | 13.0%  |
|                      | 4-6 days before delivery date          | 228                 | 9.4%   | 495                 | 20.4%  |
|                      | 1-3 days before delivery date          | 450                 | 18.5%  | 881                 | 36.4%  |
|                      | Subtotal                               | 806                 | 33.1%  | 1,698               | 70.1%  |
| On delivery date     |  | 785                 | 32.3%  | 400                 | 16.5%  |
| After delivery date  |  | 843                 | 34.6%  | 323                 | 13.3%  |
| Total                |  | 2,434               | 100.0% | 2,421               | 100.0% |

Note: Prepared by MUTB based on the survey of ICJ Inc. (as of June 17, 2016. Surveyed companies are those whose record date is March 31.)

## 2. Electronic Voting Platform and English translations of notices of convocation

### (1) Use of Electronic Voting Platform [Supplementary Principles of the Code: 1.2.4]

629 companies currently use the Electronic Voting Platform operated by ICJ Inc., an increase of 35.9% from the previous year. The number of companies using the Platform is steadily increasing every year as shown in the table below. (In particular, the increase is significant after the Code took effect).

| Period    | Number of companies using the Platform | Change from the previous year |
|-----------|--|-------------------------------|
| June 2012 | 335                                    | —                             |
| June 2013 | 355                                    | + 6.0%                        |
| June 2014 | 383                                    | + 7.9%                        |
| June 2015 | 463                                    | + 20.9%                       |
| June 2016 | 629                                    | + 35.9%                       |

Note: Estimated by MUTB based on ICJ's disclosure documents (list of participating companies as of June 13, 2016) (surveyed companies are those whose fiscal year ended in March). If the condition by fiscal term is eliminated, a total of 756 companies participated in ICJ's Electronic Voting Platform.

### (2) English translations of notices of convocation [Supplementary Principles of the Code: 1.2.4]

634 companies (26.2%) disclosed English translations of the notices of convocation of a general shareholders' meeting for this year, an increase of 9.8 points from the previous year.

| Period    | Number of companies providing English translations | Rate  |
|-----------|--|-------|
| June 2015 | 399 out of 2,434 companies                         | 16.4% |
| June 2016 | 634 out of 2,421 companies                         | 26.2% |

Note: Prepared by MUTB based on the survey of ICJ, Inc. (as of June 17, 2016.  
 Surveyed companies are those whose record date is March 31.)

Of companies that disclosed English translations of notices of convocation, 468 companies (73.8%) posted on the website the contents of English translations before the date when notices of convocation were delivered, an increase of 19.2 points from the previous year.

| Posting date         |  | June 2015           |        | June 2016           |        |
|----------------------|--|---------------------|--------|---------------------|--------|
|                      |  | Number of companies | Rate   | Number of companies | Rate   |
| Before delivery date | 12 days or longer before delivery date | 1                   | 0.3%   | 4                   | 0.6%   |
|                      | 7-11 days before delivery date         | 30                  | 7.5%   | 81                  | 12.8%  |
|                      | 4-6 days before delivery date          | 69                  | 17.3%  | 155                 | 24.4%  |
|                      | 1-3 days before delivery date          | 118                 | 29.6%  | 228                 | 36.0%  |
|                      | Subtotal                               | 218                 | 54.6%  | 468                 | 73.8%  |
| On delivery date     |  | 117                 | 29.3%  | 78                  | 12.3%  |
| After delivery date  |  | 64                  | 16.0%  | 88                  | 13.9%  |
| Total                |  | 399                 | 100.0% | 634                 | 100.0% |

Note: Prepared by MUTB based on the survey of ICJ, Inc. (as of June 17, 2016.  
 Surveyed companies are those whose record date is March 31.)

## II. Status of AGM from the viewpoint of Japan's Corporate Governance Code

This section explains the characteristics of companies' efforts to comply with the Code observed in connection with this year's AGM. One year has passed since the Code came into effect. The distinctive features include the increasing number of companies that appoint several outside directors, and state the reasons for the appointment of inside officers (officers who are not outside officers) and independence standards for candidates for outside officers as the matters that can be stated voluntarily in notices of convocation.

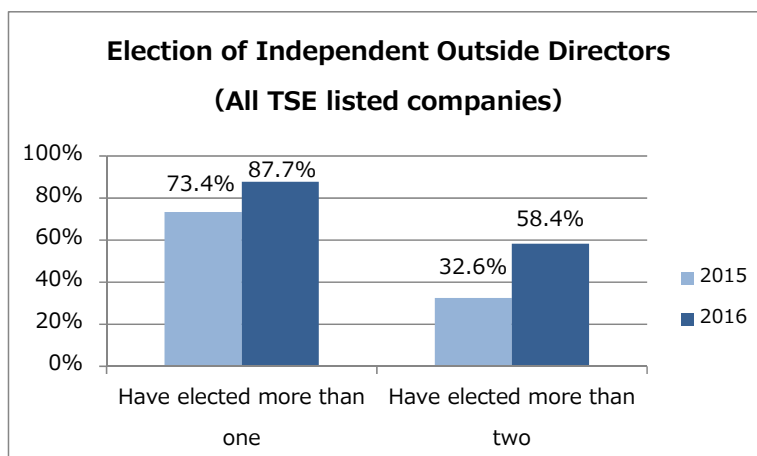
### 1. Effective use of outside directors

#### (1) Appointment of independent outside directors [Principles of the Code: 4.8]

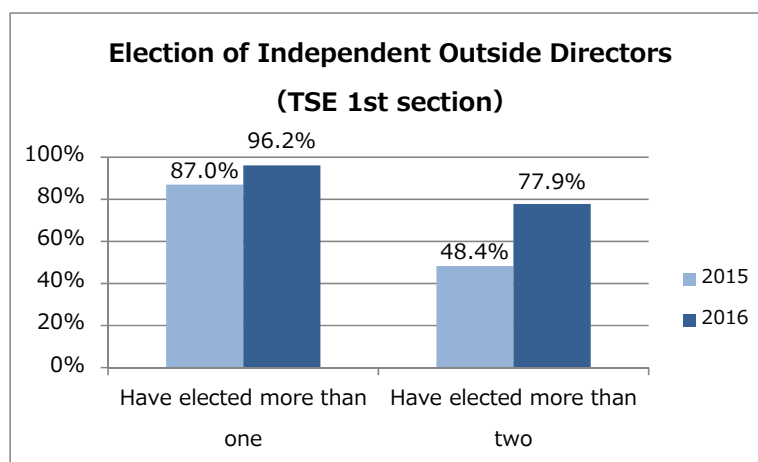
The Code states that "companies should appoint at least two independent outside directors."

According to TSE's survey, 87.7% of all TSE-listed companies (increase of 14.3 points from the previous year) appointed one or more independent outside directors, and 58.4% of them (increase of 25.8 points from the previous year) appointed two or more independent outside directors.

Looking at companies listed on the First Section of the TSE, 96.2% (increase of 9.2 points from the previous year) appointed one or more independent outside directors and 77.9% (increase of 29.5 points from the previous year) appointed two or more independent outside directors.







(\*) TSE “Appointment of independent outside directors by TSE-listed companies” [Preliminary report]” (June 17, 2016)

Of the Nikkei 225 companies (193 companies holding a general shareholders’ meeting in June), MUTB identified 149 companies that have submitted the Corporate Governance Report as of July 6. MUTB asked them a question regarding the status of the appointment of outside director(s) before and after the general shareholders’ meeting.

Of the respondent companies, 146 companies (98.0%) have appointed two or more outside directors (137 companies (91.9%) before the general shareholders’ meeting in June). Looking at the proportion of the number of outside directors, 55 companies (36.9%) have outside directors that account for one-third or more of the total number of outside directors (46 companies (30.9%) before the general shareholders’ meeting in June).

[Number of outside directors before and after the general shareholders’ meeting held in June]

| Number (persons) | Before general shareholders’ meeting held in June (companies) |            | After general shareholders’ meeting held in June (companies) |            | Change (points) |
|------------------|---|------------|--|------------|-----------------|
|                  | Count   | Percentage | Count  | Percentage |                 |
| 0                | 0   | 0.0%       | 0  | 0.0%       | ±0.0            |
| 1                | 12  | 8.1%       | 3  | 2.0%       | ▲6.1            |
| 2                | 68  | 45.6%      | 62   | 41.6%      | ▲4.0            |
| 3                | 34  | 22.8%      | 39   | 26.2%      | +3.4            |
| 4                | 16  | 10.7%      | 24   | 16.1%      | +5.4            |
| 5 or more        | 19  | 12.8%      | 21   | 14.1%      | +1.3            |
| Total            | 149   | 100.0%     | 149  | 100.0%     |                 |

[Proportion of the number of outside directors before and after the general shareholders' meeting held in June]

| Proportion of outside directors | Before general shareholders' meeting held in June (company) |            | After general shareholders' meeting held in June (company) |            | Change (point) |
|---------------------------------|---|------------|--|------------|----------------|
|                                 | Number  | Proportion | Number   | Proportion |                |
| Less than 1/3                   | 103   | 69.1%      | 94   | 63.1%      | ▲6.0           |
| 1/3 to 1/2                      | 39  | 26.2%      | 46   | 30.9%      | +4.7           |
| Over 1/2                        | 7   | 4.7%       | 9  | 6.0%       | +1.3           |
| Total                           | 149   | 100.0%     | 149  | 100.0%     |                |

## (2) Age of outside directors

Regarding the Nikkei 225 companies (193 companies holding a general shareholders' meeting in June), the average age of outside directors was 66.8 years old (including outside directors who were not on the Agenda this time).

[Age of outside directors]

| Age          | Number | Proportion |
|--------------|--------|------------|
| Under 49     | 14     | 2.3%       |
| 50-54        | 18     | 2.9%       |
| 55-59        | 63     | 10.3%      |
| 60-64        | 102    | 16.7%      |
| 65-69        | 214    | 35.0%      |
| 70-74        | 122    | 19.9%      |
| 75-79        | 57     | 9.3%       |
| 80 and older | 22     | 3.6%       |
| Total        | 612    | 100%       |

(Note) Compiled by MUTB based on the data on Toyo Keizai ESG Online

### **(3) Female outside directors [Principles of the Code: 2.4]**

Regarding the Nikkei 225 companies (193 companies holding a general shareholders' meeting in June), 75 companies have appointed a total of 86 female outside directors in AGM held in June (including companies that have incumbent female outside directors).

### **(4) Foreign outside directors**

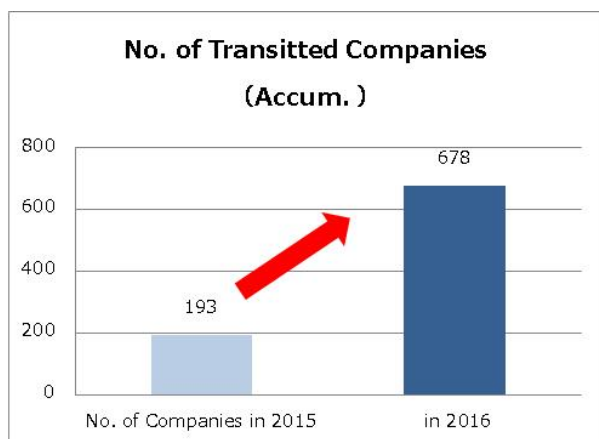
Regarding the Nikkei 225 companies (193 companies holding a general shareholders' meeting in June), 17 companies have appointed a total of 28 foreign outside directors in AGM held in June (including companies that have incumbent foreign outside directors).

### **(5) Shift to companies with audit and other committee(s)**

According to MUTB's survey, 290 listed companies have shifted to companies with audit and other committee(s) at a general shareholders' meeting held in June 2016. 678 companies, including those which have expressed an intention to do so in the future, have already made or will make such a shift as of the time when this document was prepared. This is equivalent to about 18% of the total listed companies.

Looking at the number of outside directors before the shift to companies with audit and other committee(s), of 290 companies who have made such a shift in AGM held in June 2016, 44 companies (15.2%) did not have any outside directors. 172 companies (59.3%) had one outside director and 74 companies (25.5%) had two or more outside directors (according to MUTB's survey).

[Number of companies that shifted to companies with audit and other committee(s) (cumulative total)]



Note: The “number of companies for 2015” shows the number of companies that made a shift before and on July 7, 2015 (including those which made an announcement) (according to MUTB’s survey).

## **2. Independence criteria for Independent Outside Directors [Principles of the Code: 4.9]**

The Code states that “independence standards should be established and disclosed, in consideration of the independence criteria set by securities exchanges, in order to secure effective independence of independent outside directors.”

For AGM held in 2016, there was a drastic increase in the number of companies that included a description regarding independence criteria in their notices of convocation. Regarding 193 companies that are listed on the Nikkei 225 and whose fiscal year ends in March, 105 companies have included a description regarding independence criteria in their notices of convocation (2.8 times as much as the 37 companies in the previous year).

## **3. Improvement of information disclosure**

### **(1) Policies and procedures in determining the remuneration of directors, etc. [Principles of the Code: 3.1(iii)]**

The Code states that “companies should disclose the policies and procedures in determining the remuneration of directors, etc., and proactively provide related information.”

Regarding 193 companies that are listed on the Nikkei 225 and whose fiscal year ends in March, 78 companies (40.4%) have included a description regarding the policies and procedures in determining the remuneration of officers. Of the above, 17 companies are companies with a nomination committee, which are required to include a description regarding the policies and procedures in determining the remuneration of officers in business reports. The remaining 61 companies (31.6%; 68 companies and 34.5% for the previous year) have voluntarily included said description.

## **(2) Reason for appointment of candidates for inside officers**

### **[Principles of the Code: 3.1 (v)]**

The Code states that “companies should disclose explanations with respect to the individual appointments and nominations of directors and corporate auditors (*or kansayaku*) candidates and proactively provide the information related thereto.”

With regard to the agenda item on the appointment of directors and corporate auditors (*or kansayaku*), companies are required to include a description of the reasons for the nomination of candidates only for outside officers in reference documents for the AGM. However, regarding 2016 AGM, there was a drastic increase in the number of companies that included said description regarding reasons for the nomination of candidates for inside officers, as well as outside officers in reference documents for the AGM. MUTB conducted a survey on 190 Nikkei 225 companies whose fiscal year ends in March and which showed the agenda item on inside officers. As a result, 160 companies (84.2%) included a description regarding reasons for the selection of candidates. This increase is more than five times the previous year's number (30 companies). This result indicates that over 80% of respondent companies have included such description.

## **4. Performance-linked compensation and stock compensation**

### **[Supplementary Principles of the Code: 4.2.1]**

The Code states that “in order for management remuneration to operate as a healthy incentive for sustainable growth, the proportion linked to mid- to long-term results and the balance of cash and stock should be set appropriately.” In particular, there was a sharp increase in the number of companies that implemented a stock compensation plan using a trust (trust-type plan).

According to MUTB's survey, companies that announced the implementation of a stock compensation plan during the period from April to June 2016 (timely-disclosure information) consist of 114 companies (cumulative total of 221 companies) offering a trust-type plan, 18 companies offering a one-yen stock option plan and 4 companies offering a restricted ck plan.

## 5. Establishment of optional advisory committees [Principles of the Code: 4.10, Supplementary Principles of the Code: 4.10.1]

The Code states that “in designing an organizational structure, companies should employ optional approaches to further enhance governance functions, such as employing optional advisory committees.”

569 companies had established an optional advisory committee(s) as of the time when this document was prepared. This number consists of 480 companies with a nominating committee and 551 companies with a compensation committee.

(Note: MUTB's survey based on the Corporate Governance Reports submitted before this document was prepared.)

