



Trend of Japanese Equity Market

- Investor and Listed Company -

ASF 2014 in Bangkok
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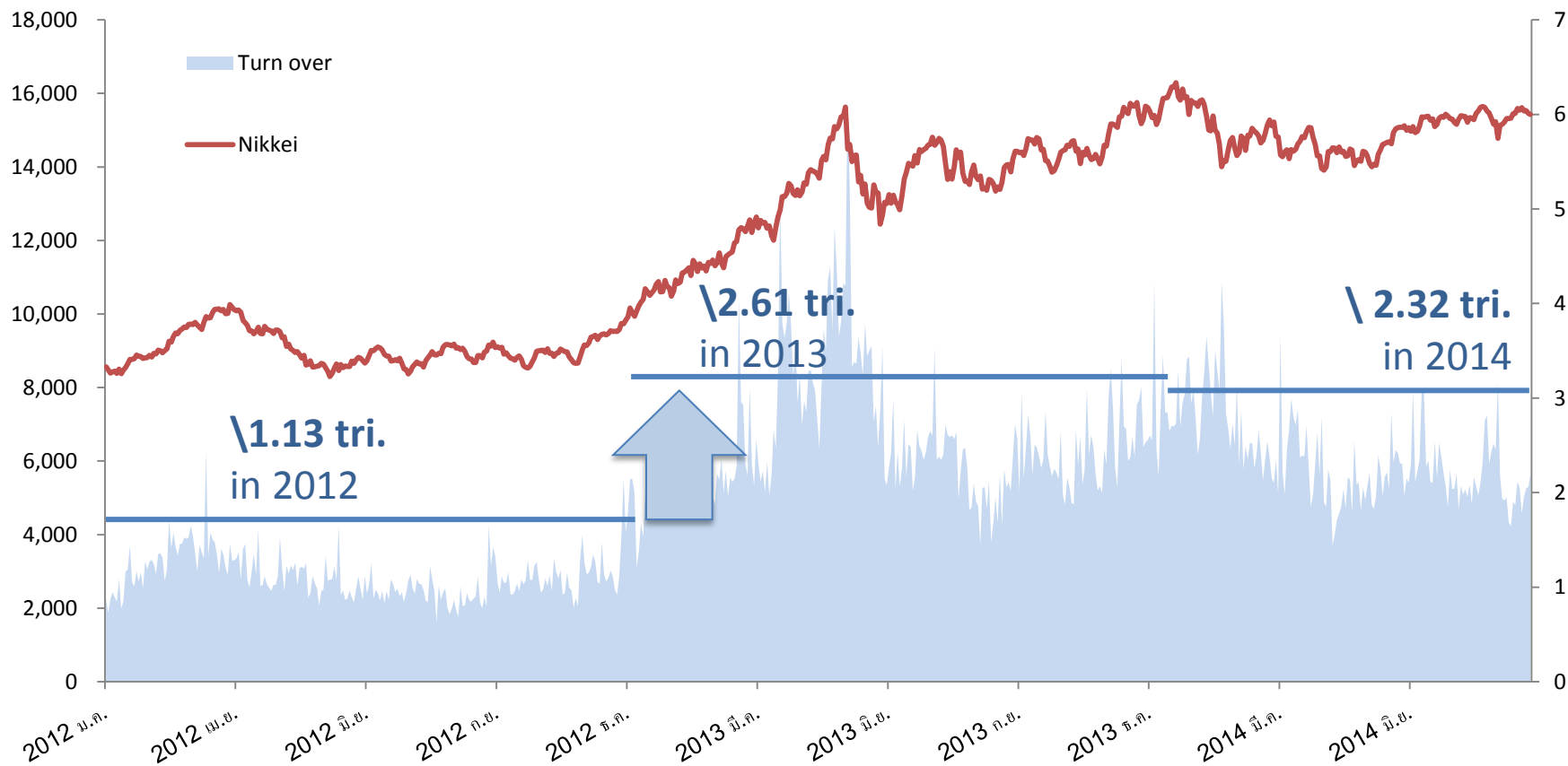
Cash Equity

A strong upward trend in both stock prices and trading values in 2013

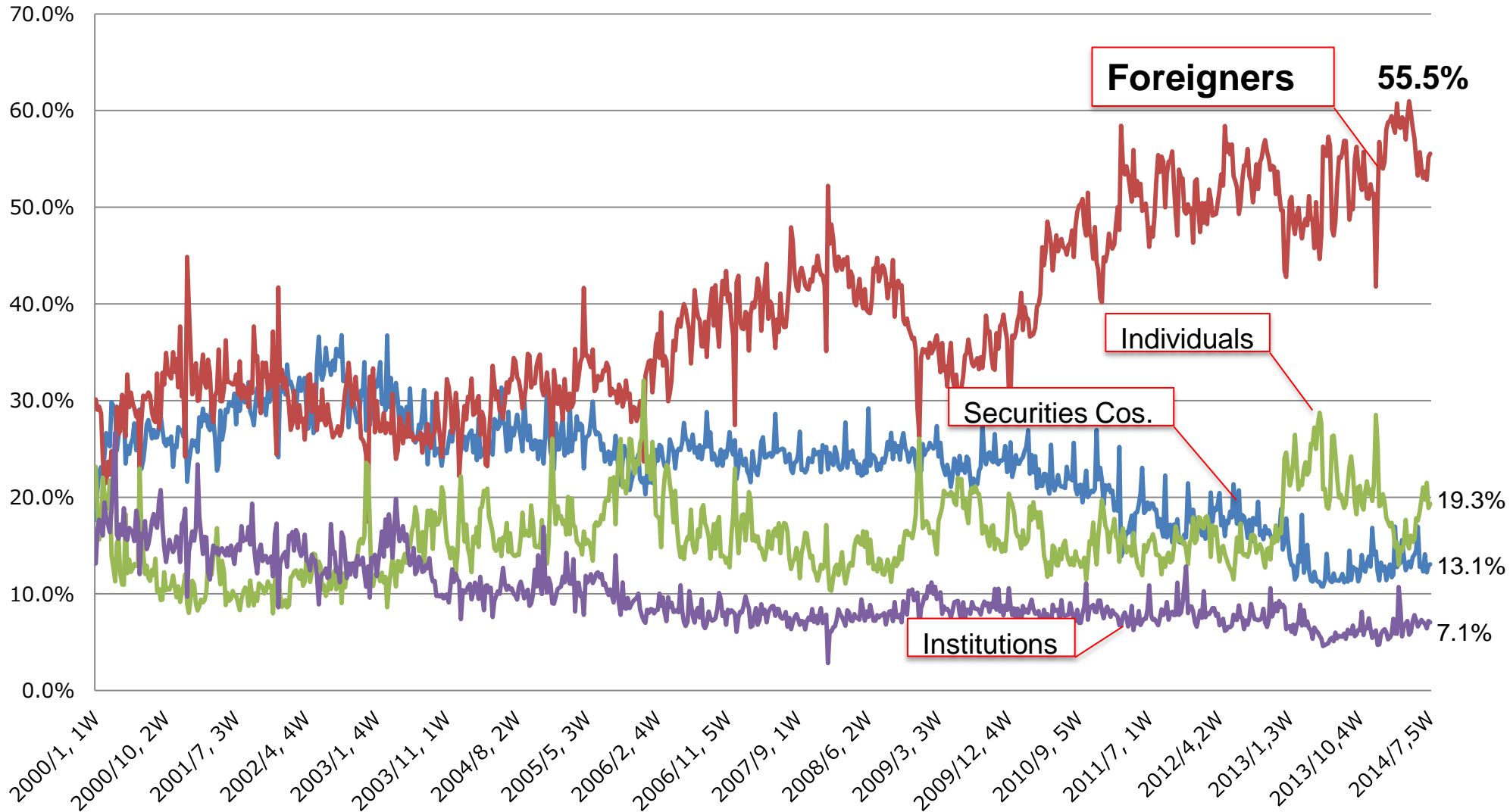
Nikkei225
(JPY)

Cash Equity ADV
(Jan. 2012 – Aug. 2014)

Average Daily
Trading Value
(Trillion Yen)



Share on Trading Flow by Investor Category (TSE 1st Section)



(Source: TSE)

- 1. Corporate Value Improvement Award**
- 2. Outside and Independent Director**
- 3. Japan's Stewardship Code**
- 4. Launch of JPX-Nikkei Index 400**



JPX

Enhancing Corporate Value

- Corporate Value Improvement Award

- Under the **Corporate Value Improvement Award** initiative, TSE awards companies with high corporate value and management practices that aim to improve corporate value considering cost of capital and other investor concerns.



Selection Criteria

- Statistical criteria (ROE, etc.)
- Questionnaire to candidates
- Management interview
- Public comments from investors

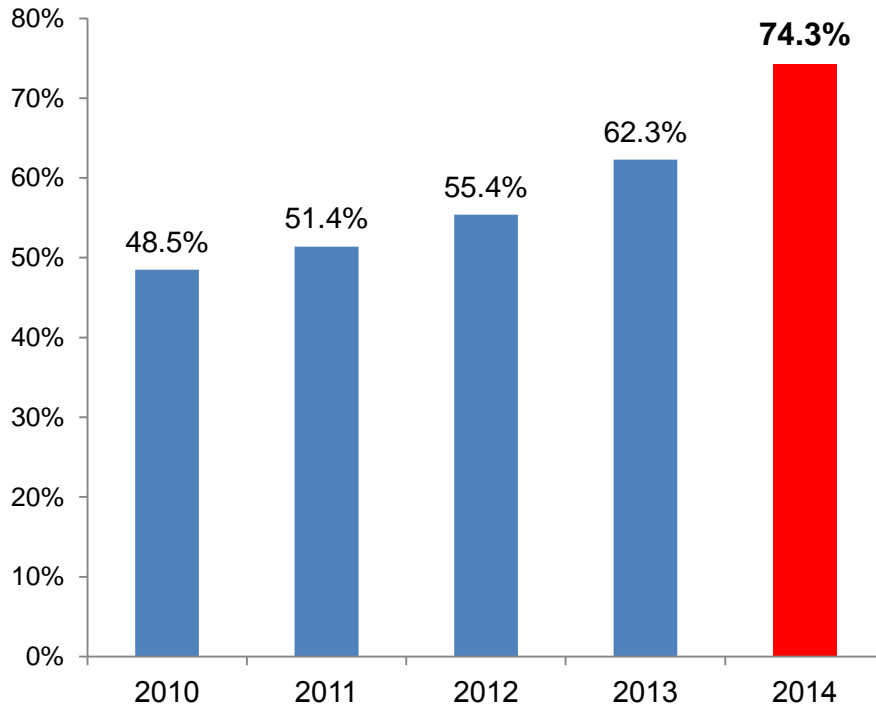
Past Awarded Companies

	2014	2013	2012
Grand Prize	To be announced	Marubeni Corporation	United Arrows
Finalists	TOTO LTD. OMRON Corporation Pigeon Corporation Tokyo Gas Co., Ltd.	Kirin Holdings Anritsu Bandai Namco Holdings Itochu Corporation	Eisai HOYA Marubeni Corporation Mitsubishi Corporation

Endeavor to Improve Corporate Governance

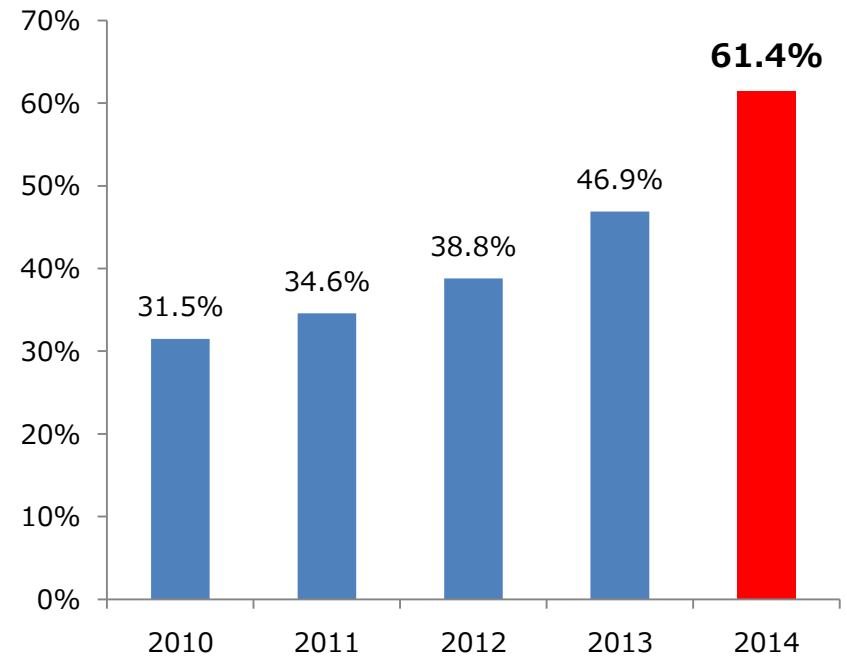
Ratio of TSE 1st Section Companies with an outside director

From 2010 to July 2014.



Ratio of TSE 1st Section Companies with an independent director

From 2010 to July 2014.



Enhancing Corporate Value - Japan's Stewardship Code

- The Government published **Japan's Stewardship Code** in February 2014.
- Institutional Investors are expected to understand the principles of the code and declare their support of the code.
- The Code aims to promote sustainable growth of investee companies through investment and dialogue.
- The code adopts '**Comply or Explain**' approach.
- More than **160 institutional investors** have signed up the code so far.

The Principles of the Stewardship Code

Institutional Investors should:

Disclosure

disclose a policy on how to fulfill their stewardship responsibilities, manage conflicts of interest, and policy for voting.

Reporting to Beneficiaries

make periodic reports on the stewardship responsibilities and voting policies.

Dialogue with Investee

monitor and have constructive engagement with investee companies.

Skill & Knowledge

have in-depth knowledge on investees and the capability to undertake appropriate engagement.

TSE launched the **JPX-Nikkei Index 400** on January 6, 2014. This index employs in its selection criteria not only size-factors such as market capitalization, but also ROE and other corporate governance factors.

■ Unique Selection Criteria

- three-year average ROE
- appointment of independent directors
- adoption of IFRS
- practice English disclosure

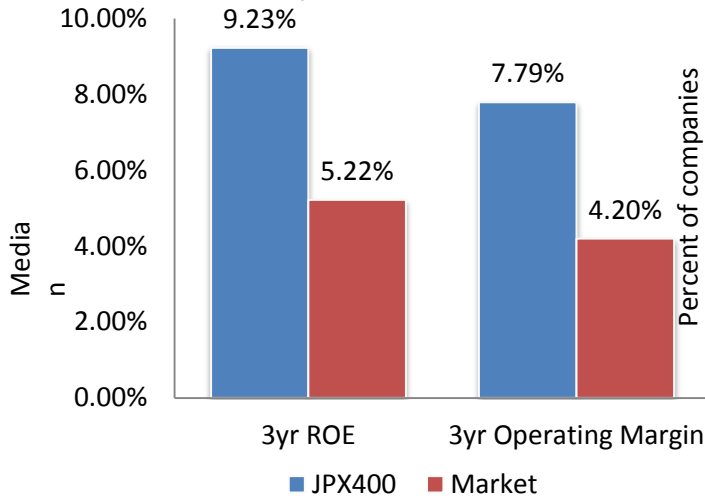
■ Aim

To motivate listed companies to raise their ROE and pursue management with investor interests in mind.

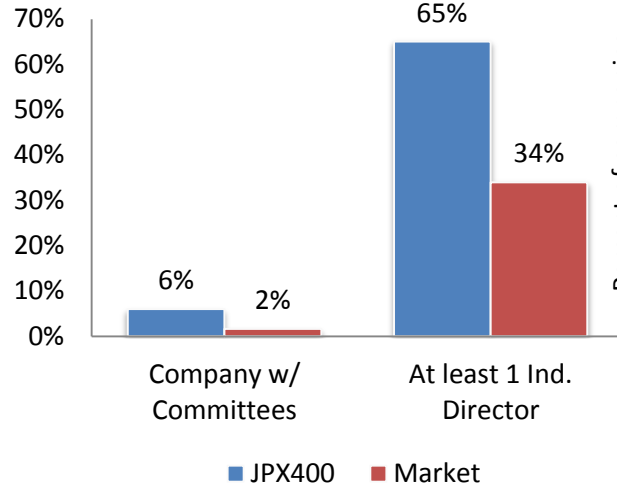
- Various products tracking the JPX-Nikkei Index 400 have been launched.
 - **4 ETFs** (AUM:JPY205 billion), **21 Mutual Funds** (AUM:JPY102 billion).
 - JPX expects Futures on the index to be available by the end of 2014.
- **The Government Pension Investment Fund (GPIF)** announced it would add JPX-Nikkei 400 Index as one of the benchmarks of its passive investment (April 2014).
- The Index 400 has contributed to promote awareness of ROE among Japanese companies.
 - A 1st Section company announced that it would return all net profit to shareholders through both dividends and share-buybacks for the next 2 years, to increase its capital efficiency.
- The first periodic replacement: 31 constituencies were replaced (August 2014).
- Data shows that JPX-Nikkei 400 constituents have better governance structure, better environment to have dialogue with foreign investors, and actively engaged in promoting corporate and social responsibility than the broader market.

Better Governance in JPX-Nikkei 400 Constituents

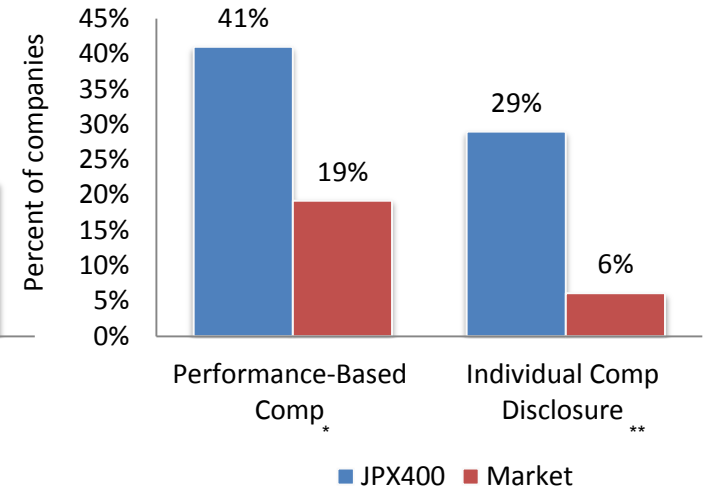
✓ Better performance



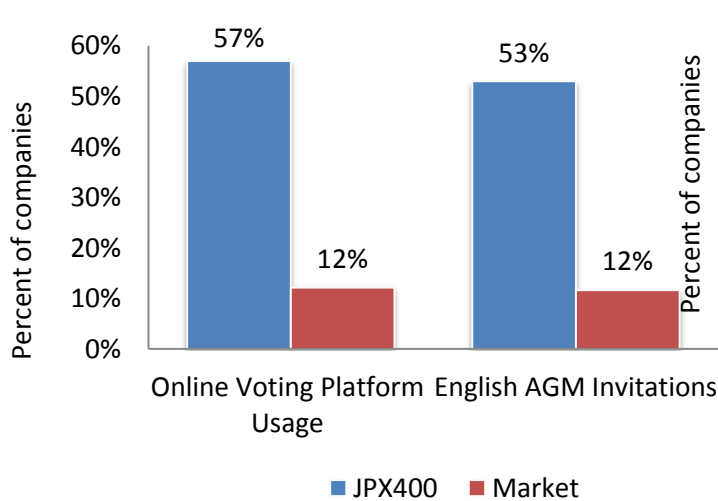
✓ Better board structure



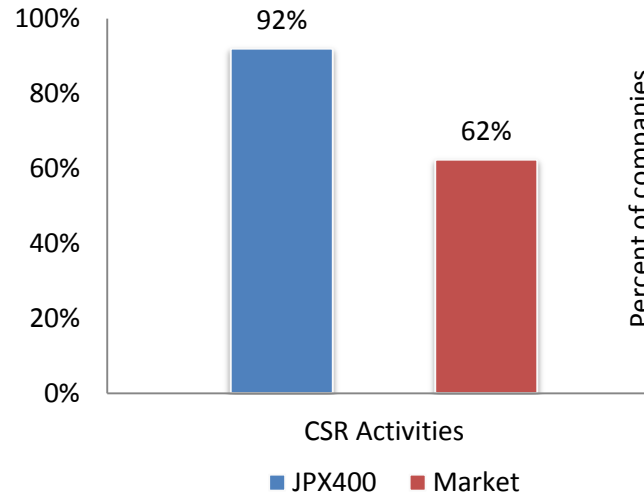
✓ Better compensation practices



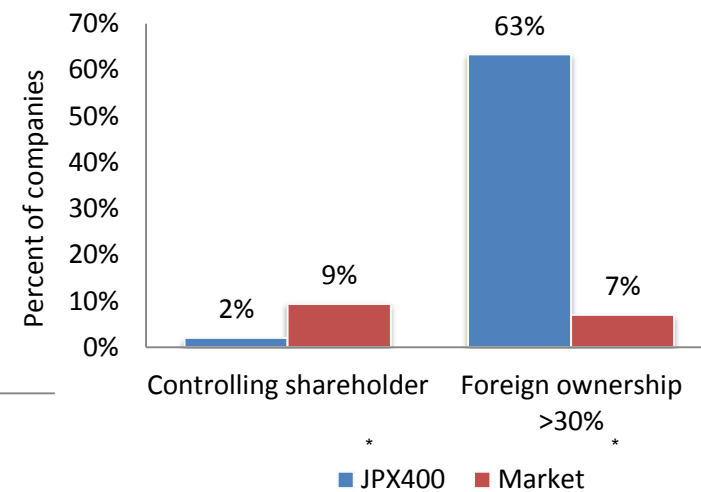
✓ Fairer treatment for foreign shareholders



✓ More socially conscious



✓ More attractive shareholder structure



The Next Step: Developing the Corporate Governance Code

Tokyo Stock Exchange will draft the Corporate Governance Code to encourage companies' initiatives to promote sustainable growth. The initiative is in line with supporting the government's "Japan Revitalization Strategy" (June 2014).

- The Code will outline the principles of corporate governance (the system which supports companies making timely entrepreneurial decisions with transparency and integrity and with due regards to the views of shareholders as well as customers, employees, local communities and other stakeholders)
- Based on listing requirements of TSE, listed companies are asked either to comply with the principles OR explain why they are not complied with.
- "The Council of Experts Concerning the Corporate Governance Code" was established in August 2014 jointly by the government and TSE. The council, consisted of industry professionals and academics, will publish a recommendation outlining the Code this winter. Based on the recommendation, TSE will draft and publish the Code before the next AGM season of listed companies. (May/June 2015)

The Corporate Governance Code

will mainly address topics as:

Independent
Directors

Dialogue with
shareholders

Composition of Board/
Committees

Thank you ขอบคุณ ครับ

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