

## Basic Policy on Corporate Governance

### 1. Fundamental Approach toward Corporate Governance

- The corporate philosophy of JASDEC is to stay closely attuned to environmental and structural changes in the domestic and international financial and capital markets, and carry out user-orientated business operations benefitting investors, issuers and market intermediaries. To achieve this JASDEC operates under a governance framework centered on JASDEC's participant shareholders and a business framework designed to reflect the needs of JASDEC's participants.
- JASDEC's organizational structure is that of a Company with Nominating Committee, etc., providing a clear separation of functions between business supervision and execution of operations in accordance with the Companies Act, based on international principles and practices.
- JASDEC enhances the transparency and fairness of the decision-making process as well as the effectiveness of business supervision through widespread use of legally designated committees and other bodies, centered on external directors. The board of directors also seeks to increase the speed and efficiency of business management by delegating operational decision-making to executive officers.
- JASDEC endeavors to reflect the opinions of relevant parties in JASDEC's business operations and developments by having Advisory Committees comprising participants and other such stakeholders.

### 2. Board of Directors

#### (1) Description of the Board of Directors

##### (Composition)

- JASDEC's board of directors comprises a majority of outside directors who are participant shareholders, with the remainder being independent directors and directors who concurrently serve as executive officers. This composition is aimed at facilitating user-orientated business operations and ensuring that JASDEC's business serves as a public utility.
- Outside directors who are participant shareholders are in principle appointed from major shareholders based on the frequency of their usage of JASDEC systems.

##### (Number of directors)

- JASDEC's Articles of Incorporation limits the size of the board of directors to no more than 14 members, with the aim of increasing the effectiveness of business supervision and promoting substantive deliberation.

##### (Director qualifications and requirements, etc.)

- The nominating committee sets the selection criteria for directors and executive officers in order to ensure proper supervision by the board of directors.
- Independent directors must have no relationship (capital, business, personal or other) with JASDEC or related companies.
  - ※ All selection assessments are made with reference to grounds for disqualification by the provisions of relevant laws and also the Financial Service Agency's 'Comprehensive Guidelines for Supervision of Financial Market Infrastructures – Clearing Organizations, Fund Clearing Organizations, Book-entry Transfer Institutions, and Trade Repositories'.

(Support structure for outside directors)

- To promote effective deliberations at the board of directors and support the efficient and appropriate functioning of the outside director role, agenda items and associated explanations are provided to outside directors in advance of meetings of the board of directors.
- To assist audit committee members, JASDEC provides an audit committee office which is staffed with specialist personnel. Outside director members of the audit committee have agenda items explained to them prior to the audit committee meetings.
- The nominating committee, compensation committee and risk committee are each provided with a department to serve as their secretariat, responsible for supporting the respective chairpersons in drafting bills, creating supplementary materials, reporting to the board of directors and other such matters.

## **(2) Functions of the Board of Directors**

- The board of directors decides on important management matters mainly regarding the items specified in article 416 of the Companies Act, such as decisions on fundamental management policies including medium-term business plans and monitoring of their progress, and the appointment and dismissal of members of each committee, executive officers, and representative executive officers. The board of directors also oversees the duties of executive officers, etc., from a position independent of business operations.
- Decisions on matters such as the payment of dividends are made by the board of directors without seeking approval at general meetings of shareholders.
- In principle, the board of directors delegates its authority to executive officers to the extent allowed by the Companies Act, excluding share-related matters, business reorganization or other items pertaining to the company's fundamental structure.

## **(3) Establishment of the Nominating Committee, Compensation Committee and Audit Committee**

- JASDEC operates a nominating committee, a compensation committee and an audit committee. A majority of members of each committee must be outside directors.

(Nominating committee)

- The nominating committee, in addition to determining the content of proposals submitted to the general meeting of shareholders concerning the appointment or dismissal of directors, also promotes sound corporate governance by deciding on the appointment and dismissal criteria for directors and executive officers and by confirming the content of proposals submitted to the board concerning matters such as the selection of representative executive officers, the appointment and dismissal of executive officers, and the allocation of executive officer duties.

(Compensation committee)

- The compensation committee sets policies on the determination of the amount of remuneration, etc., for executive officers and directors. The committee also decides on the individual remuneration awarded to executive officers and directors.

(Audit committee)

- The audit committee audits and reports on the performance of directors and executive officers.
- To strengthen auditing function and effectiveness, JASDEC operates an audit committee office to provide operational support for the activities of the audit committee.

#### **(4) Risk Committee**

- The risk committee provides advice and support to the board on overall risks pertaining to JASDEC and its subsidiary. The committee comprises a majority of non-executive outside members who are not involved in the execution of group operations.
- Eligibility for membership of this committee includes specialists, executive officers and other persons who are not directors.

### **3. Business Execution Structure**

- The executive board, comprising all the executive officers, deliberates and decides on important business matters, including those delegated to them by the board of directors.
- The allocation of executive officer duties is decided with due consideration given to maintaining mutual supervision of business groups and ensuring the independence of internal auditing and overall risk management.

(Advisory committee on business operations)

- Advisory committees, established with the aim of contributing to the enhancement of user-orientated operations, are able to provide advice and opinion regarding the matters of business operations to executive officers as requested or otherwise deemed necessary.

#### **4. Disclosure of Information Concerning Corporate Governance**

- In accordance with the Principles for Financial Market Infrastructures (PFMI), information concerning the above matters or other corporate governance matters will be disclosed on a timely basis through the company website or other channels as appropriate.

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