

Corporate Governance Code (exposure draft)

Summary of Public Comments

○ Public comments in Japanese

- Period opened for public comments: Dec 17, 2014 (Wed) - Jan 23, 2015 (Fri)

⇒ 80 individuals/organizations submitted comments.

(Reference) 26 comments were submitted by individuals/organizations in relation to the public comment procedure of the Stewardship Code

○ Public comments in English

- Period opened for public comments: Dec 26, 2014 (Fri) - Jan 31, 2015 (Sat)

⇒ 41 individuals/organizations submitted comments.

(Reference) 19 comments were submitted by individuals/organizations in relation to the public comment procedure of the Stewardship Code

○ Total

⇒ A total of 121 individuals/organizations submitted comments in Japanese and English.

(Reference) A total of 45 comments were submitted by individuals/organizations in relation to the public comment procedure of the Stewardship Code

➤ The received comments can be categorized into the following types.

✧ Comments that clearly approved or welcomed the formulation of the Code → Approx. two-thirds

✧ Comments that clearly opposed the formulation of the Code → Several comments

✧ Other (comments that asked for confirmation of the content of the Code without indicating a stance towards the formulation of the Code, or comments on the future revision of the Code) → Approx. one-third

➤ The representative examples of positive and negative comments are as follows.

Positive comments (submitted in Japanese)

Summary of positive comments (extract)

We agree with the view that companies need to form appropriate collaborations with a range of stakeholders, including employees and local communities, and not just shareholders, in order to achieve sustainable growth and increased corporate value over the mid-to long-term. We think it is commendable that the Code states that companies should take the initiative to disclose “non-financial information” such as information relating to business strategies and business issues, risks and governance (General Principle 3) because this will lead to the promotion of responsible investments on the part of investors and shareholders.

Corporate governance is about how we can build a corporate management structure for the purpose of sustainable increase of corporate value. Our organization has been advocating that, while we adopt a mid- to long-term perspective and make use of the characteristics of Japanese style management which involves the management and employees working together to sustainably increase the corporate value, we also need to keep building up efforts required for improvement in order to develop fair and transparent corporate governance which can gain the trust of a range of stakeholders including shareholders.

Now that the draft of the Corporate Governance Code has been released, we give high appraisal to the fact that its objective is not for the interests of shareholders who seek short-term profits but for seeking sustainable corporate growth and increased corporate value over mid- to long-term, because this objective is consistent with what our organization has been advocating all along.

We give a positive appraisal to preparation of the draft Code for the major contribution it will make by defining the ideal state of companies in a comprehensive manner while reflecting the actual circumstances in Japan within a short period of time.

Positive comments (submitted in English)

Summary of positive comments (extract)

We welcome and support the exposure draft of the Japan Corporate Governance Code, and we commend it for being progressive, practical and business friendly. The draft covers many of the essential areas that other corporate governance codes globally and regionally have sought to address. It highlights the importance of the role of investors and shareholders as “important partners for companies”, and we believe it will be helpful in promoting mid-to long-term investing in Japan. The requirement for the board to establish “an environment where appropriate risk-taking by the senior management is supported” is refreshing.

We are hopeful that investors will be able to encourage companies to indeed support the adoption of the Code and develop stronger relationships that foster long-term economic growth for both parties. We acknowledge that Japan’s initiatives for a robust corporate governance system have accelerated in the past few years leading to this Exposure draft.

We welcome the draft of Japan’s Corporate Governance Code (“Code”), which sets out guiding principles for Japanese corporate issuers. The Code, together with the recently adopted Stewardship Code, provides a framework which should provide both the domestic and international investment community with important information and evidence of corporate behaviours that will help them in their investment decision making.

Negative comments (submitted in Japanese)

Summary of negative comments (extract)	Replies
<p>The formulation of this Code obstructs the freedom and diverse initiatives of companies, and also becomes a barrier to the listing of foreign companies. We fear that it will become a hindrance to the revitalization of the Japanese market. Companies should raise the value of their stocks through market evaluation by using creative ideas of their own. We don't think there is a need to formulate the Code to guide companies in a unilateral direction.</p>	<p>It is extremely important for companies to achieve sustainable growth and increased corporate value over the mid- to long-term through the accumulation of free and diverse initiatives and creative ideas as you pointed out. In fact, it is from this very perspective that the Code was formulated with the aim of seeking “growth-oriented governance” based on the “principles-based approach” and “comply-or-explain approach” instead of imposing obligations uniformly through laws and regulations.</p> <p>We would also like to point out that, as a result of a review by TSE, the Code is not expected to apply to foreign companies listed in Japan provided that they are being regulated by governance rules in their home country.</p>
<p>We have been told that the TSE will finalize the outline (of the Corporate Governance Code) in June, but we consider it impossible in terms of time constraints to announce massive proportions of policies in the Corporate Governance Report within about 1 month after the finalization of the Code. (partially omitted) If this goes on, it will only bring about confusion to both companies and investors, and will not lead to increased corporate value and revitalization of Japan. Therefore, we strongly oppose the schedule which is being assumed currently.</p>	<p>The finalization of the Corporate Governance Code by TSE is expected in early May, but in any case, the content is expected to be the same as the Code (exposure draft). Many of the items that the Code requires for disclosure are expected to be disclosed in the “Corporate Governance Report” pursuant to the TSE’s listing rules after the necessary considerations by the TSE. The submission of such report for the first year of implementation is expected to happen “as soon as they are ready” and within 6 months after the annual general shareholder meeting which is firstly held after the implementation of the Code.</p>