

Principles for Responsible Institutional Investors
《Japan's Stewardship Code》
Summary of Public Comments

【Public Comments in Japanese】

- Period for public comments: December 26, 2013 – February 3, 2014
- 26 individuals/entities submitted comments.

【Public Comments in English】

- Period for public comments: January 15, 2014 – February 9, 2014
- 19 individuals/entities submitted comments.

- The received comments can generally be classified into (i) suggestions for partially revising the wording to improve the Code; (ii) requests for considerations and development of necessary framework for implementing the Code; and (iii) inquiries as to whether the commenter's interpretation of the Code is appropriate.
- While there were some negative comments towards the Code, the majority of the comments such as described above were in favor of formulating the Code. (Typical examples of positive/negative comments are as follows.)

Positive Comments (in Japanese)

Summary of Positive Comments (Excerpts)

Based on my business experience as chief compliance officer (managing director), full-time corporate auditor, outside director in a financial institution and as outside auditor in a manufacturing company, which was followed by research activities on corporate finance and corporate governance at an university, I basically support the efforts for formulating the Code. I sincerely hope that the Code will achieve its intended goals effectively.

I strongly support the Code and expect that it will contribute to the improvement of the governance of both companies and investors in Japan.

I support the promotion of constructive dialogues between institutional investors and the investee company in the medium- to long-term perspective by clarifying the responsibilities of institutional investors as indicated especially in Principle 4. Not a few Japanese companies are hesitant towards active dialogues with the equity markets. This is because investee companies concern that the time horizon of investors is shorter than that of investee companies, hence the opinions of an investor with such short-term perspective may interfere with the sound management of the company. By clearly indicating that institutional investors are responsible for holding dialogues that will promote the improvement of the investee companies' corporate value and sustainable growth from medium- to long-term perspective, the investee companies' concern will likely be eliminated, building a solid foundation that promotes dialogues between investee companies and institutional investors.

Positive Comments (in English)

Summary of Positive Comments (Excerpts)

In our view, the Code represents a comprehensive approach that is consistent with the UK Stewardship code and similar codes being developed in other markets. We congratulate the Council for taking this approach. As Japan is the third largest global economy, adoption of the Code will have global impact and will contribute to the acceptance of uniform stewardship standards that are needed in today's borderless investment environment.

Our members are strong supporters of the concepts of flexible application of standards, commonly referred to as comply or explain... We applaud the Council of Experts in taking forward this initiative and being an early adopter of the concept of a Stewardship Code which we strongly support.

We commend the Council of Experts for focusing on a number of important concepts, including referencing the desired long term focus and recommending "follow through," for example annual updating, ongoing review of the effectiveness of monitoring and a statement that dialogue itself should not be regarded as the aim of engagement.

The code will probably not only encourage Japanese investors to raise the investments in Japanese equity market, but also make the Japanese equity market a more interesting market to foreign investors.

Negative Comments (in Japanese)

Summary of Negative Comments (Excerpts)

There is not enough evidence that the Code will contribute to the sustainable growth of investee companies and the growth of Japanese economy. Hence, it is too early to implement the Code and I disagree with the implementation of the Code.

Excessive intervention with the investee companies by the investors will go against the principle of "separation of ownership from management," restrict the flexibility of corporate management, interfere with the diversity of corporate management, increase stereotypical corporate management and ultimately weaken the competitiveness of Japanese economy.