

The Second Council of Experts Concerning the Follow-Up of  
Japan's Stewardship Code and Japan's Corporate Governance Code  
<Issues related to the board, etc.>

- How to evaluate individual companies' forms of corporate organization (Company with *Kansayaku* Board, Company with Three Committees [i.e. Nomination, Audit and Remuneration Committees], and Company with Supervisory Committee) and use of optional committees  
【cf. TSE presentation】
- Increase in the number of independent directors
  - How to evaluate the selection of independent directors 【cf. TSE presentation】
  - How to evaluate the number of positions of independent directors concurrently held by one person (one person concurrently serves as an independent director in a maximum of 5 companies) 【cf. TSE presentation】
- Some point out that in order for the board to really play its expected role from “an independent and objective standpoint” (Principle 4.3), each company should not only appoint independent directors, but also seriously consider how the overall corporate governance should be implemented. We need to discuss specifically what consideration should be taken by each company.  
(Examples)
  - Separation of roles of the board and the management meeting, and separation of oversight and execution
  - Selection of the board chair and committee chairs 【cf. TSE presentation】
  - Collaboration between audit committee (or *kansayaku* Board) and internal audit division/external accounting auditors, ways of internal audit and reporting line for whistle-blowing
- Appointment and dismissal of CEO
  - Some point out that more emphasis should be placed on the appointment and dismissal of CEO as well as development and execution of a succession plan. What qualifications are required for the appointment and dismissal of CEO (e.g. objectivity, timeliness, transparency, etc.)? What should be considered as appropriate procedures for that?
- Effective consolidated governance structure in a group of companies under a holding company  
\* This issue is now under discussion at “the Working Group on the Financial Group” of the Financial System Council.
- Others