

November 25, 2014

Seventh Council of Experts Concerning the Corporate Governance Code  
- Proposal Based on Distributed Materials -

Kimitaka Mori

I would like to suggest considering the following revisions to the draft in relation to material "Draft Proposals regarding the Corporate Governance Code (excluding the Preamble)."

Principle 1.2 Exercise of Rights at General Meetings of Shareholders (p. 3 of the material)

Recognizing that general meetings of shareholders are places for constructive dialogue with shareholders, listed companies should establish an appropriate environment for the exercise of rights at general meetings from the perspective of shareholders.

Supplementary principles

- 1.2.1 Regarding information related to general meetings of shareholders, listed companies should provide necessary materials with accuracy so shareholders can make appropriate decisions.
- 1.2.3 Listed companies should set an appropriate schedule for the general meeting of shareholders, bearing in mind the perspective of holding substantial and constructive dialogue with shareholders and the provision of accurate information for such dialogue.

< Proposal: Supplementary principle 1.2.1 >

- It is my understanding that "materials with accuracy so shareholders can make appropriate decisions" in revised supplementary principle 1.2.1 includes securities reports, etc.
- If my understanding is correct, I believe that this should be made clear - for example, by stating "Listed companies should provide information deemed to help shareholders make appropriate decisions at general shareholder meetings (**securities reports and other materials**)", or "Listed companies should provide **securities reports and other information** deemed to help shareholders make appropriate decisions at general shareholder meetings."

<Reasons>

- As I stated in my written proposal for the sixth Council, making the information contained in securities reports available during the review period before shareholders exercise their voting rights, as is done in foreign countries, would lead to the

establishment of an environment which allows shareholders to exercise their voting rights effectively.

< Proposal: Supplementary principle 1.2.3 >

- It is my understanding that the "schedule for the general shareholder meeting" mentioned in supplementary principle 1.2.3 include the necessity of considering the establishment of an environment that enables shareholders to participate in general meetings.
- If my understanding is correct, this point should be made clear by, for example, stating: "In view of the need for intensifying constructive dialogue with shareholders and providing accurate information to that end, companies should set schedules relating to general shareholder meetings - **including general meeting dates** - in an appropriate fashion."

<Reason>

- As I stated in my written proposal for the fifth Council, at present, the dates of regular shareholders' meetings are concentrated toward the last week of June, and I believe this to be unsuited to allowing shareholder participation, or providing sufficient time for review before the exercise of voting rights.

[Principle 4.11. Prerequisites for Securing the Effectiveness of the Board of Directors and Board of Auditors] (p. 17 of the material)

The board should be well balanced in knowledge, experience, and capacities to effectively fulfill its roles and responsibilities, and it should be constituted in a manner to achieve both diversity and a suitable size. In addition, more than one person with appropriate financial and accounting knowledge should be appointed as *kansayaku*.

The board should endeavor to improve its functions by analyzing and evaluating the effectiveness of the board as a whole.

< Proposal: Principle 4.11 >

- Principle 4.11 states that "more than one person with appropriate financial and accounting knowledge should be appointed as *kansayaku*." I understand this as intended to explain in broad strokes a precondition for the *kansayaku* board to fulfill their roles and responsibilities effectively.
- If my understanding is correct, I believe that the passage should be changed to "more than one person with appropriate financial, accounting **and auditing** knowledge should be appointed as *kansayaku*"

<Reason>

- Given that, under the Companies Act, *kansayaku* have, among their roles and responsibilities, the right to decide on the appointment and dismissal of accounting auditors, they will need to possess not only knowledge on financial affairs and accounting, but also on audits carried out by *kansayaku* and accounting auditors. This applies to both the process of appointing/evaluating accounting auditors and to

the process of judge the reasonableness of the audit results carried out by accounting auditors. I believe that appointing persons having such insights as *kansayaku* will enable *kansayaku* to more effectively fulfill their roles and responsibilities.