

Opinion Statement for the Council of Experts Concerning the Follow-up of Japan's Stewardship Code and Japan's Corporate Governance Code (for the 15th meeting)

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1. Overall comments

I would like to state my opinion as follows as I will be absent from today's meeting of the Council of Experts Concerning the Follow-up of Japan's Stewardship Code and Japan's Corporate Governance Code.

Firstly, I would like to thank the efforts of the secretariat in compiling the Guidelines for Investors and Companies Engagement (Draft) and the Corporate Governance Code (Draft Revision).

The challenges and approaches for deepening corporate governance reform from form to substance and improving the effectiveness of corporate governance have been discussed at the Council of Experts. I believe that the Guidelines Draft and Code Draft Revision presented have sufficiently incorporated the discussions by the Council of Experts up until now, and that they contribute to the sustainable growth and medium to long-term improvements in value of companies.

Accordingly, I agree with the Guidelines Draft and Code Draft Revision, and I would like to leave up the future direction to the secretariat and Chairman.

I believe that the following points are very important in light of the current state of corporate governance in Japan, and I would like to state my opinion on these matters in particular.

2. Cross-shareholdings

Principle 1.4 of the Code Draft Revision states "When companies hold shares of other listed companies as cross-shareholdings, they should disclose their policy with respect to doing so, including policies regarding reduction of cross-shareholdings", and I really appreciate that the code clarifies an approach of reducing cross-shareholdings. I believe the code indicates the approach as the best practice towards the cross-shareholdings.

I also believe that Supplementary Principles 1.4.1 and 1.4.2 are significant for dispelling concerns of situations that could prevent the approach of reducing cross-shareholdings and harm the common interests of shareholders.

Cross-shareholdings are an issue that should be ultimately be resolved through engagement between shareholders and companies. As a prerequisite for this, the provision of specific and easy-to-understand information regarding cross-shareholdings in the securities report and corporate governance report is necessary to enable an appropriate evaluation by shareholders. Accordingly, I hope the contents of Supplementary Principles 3.1.1 that stipulates "These disclosures should add value for investors, and the board should ensure that information is not boiler-plate or lacking in detail." in relation to information disclosure on cross-shareholdings are respected.

3. Nomination committee, remuneration committee, and independent directors

The appointment and dismissal of the CEO who is in the key position for strategic decision making at a company has been discussed by the Council of Experts. Accordingly, it is necessary to establish a transparent and independent CEO appointment and dismissal process. In addition, designing a

transparent and objective remuneration system that functions as an incentive is important so that the CEO and other members of the management team can effectively contribute to the sustainable growth of the company while in office.

From this perspective, I believe that should establish an independent nomination committee and remuneration committee that fulfill the function of establishing sound and effective nomination processes and designing the remuneration scheme. The establishment of such committees helps to ensure the soundness of the activities of the company and fulfill accountability to shareholders.

In order to ensure the independence and objectivity of such committees, I believe that the chair of the committees and the majority of the members should be independent. This would make it possible for decisions made by companies to be more convincingly accepted by shareholders.

For this reason, the enhancement of independent directors is required. Because there will be some situations where it is not sufficient to appoint two independent directors in line with the minimum standards stipulated in the code, I hope that a sufficient number of independent directors is appointed in consideration of diversity such as gender and internationalism and credentials in accordance with the circumstances of the company.

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