

Opinion Statement

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The proposed revision draft generally covers without excesses or deficiencies the important best practices related to reform issues that listed companies in Japan should be working on. Accordingly, further action based on this draft should be entrusted to chairman.

In particular, in relation to the CEO succession plan, it is extremely important for the establishment and utilization of nomination (advisory) committees and remuneration (advisory) committees to be stated as a fundamental best practice, and this is something that should absolutely be maintained. To ensure that tough managers capable of leadership through drastic changes in the business environment are selected, selection, development, and appointment/dismissal through a more objective and transparent process while fully using the wide range of knowledge and perspectives of independent directors is extremely important, and it is clear that the establishment of nomination (advisory) committees and remuneration (advisory) committees to ensure this process and the full-scale application of this process is a best practice.

In a questionnaire survey presented at a CGS study group of the Ministry of Economy, Trade and Industry recently, it became clear that there is significant divergence between surface-level compliance and reality in this area, and that the main reason for this divergence is that the nomination of a successor remains an exclusive right of the current management and the management has no desire to change this (they do not want independent directors to get involved). In other words, not only are effective structures not in place, people do not have the will to put them in place in the first place, and it is also obvious that formal norms have to be further advanced to develop substantive structures in response to the issues faced.

Although negative opinions towards the adoption of such best practices as principles can be expected from some members of the business community, in some sense it is only natural that there will be negative opinions in consideration of the results of the questionnaire that show a lack of motivation, and for this very reason we cannot afford to compromise. The abandonment of norms that govern manager because of objections from the managers themselves without true motivation towards reform would be the same thing as the folly of making the school curriculum easier to reflect the voices of students who do not want to study. Much more, the people we are dealing are

the managers of listed companies who are among the most elite of the corporate world in Japan. We cannot pamper this elite.

Furthermore, over many years it is Japanese listed companies that have lost revenue share and presence in the world, that have not been able to contribute to the asset formation or pension financing of citizens due to low profits and low stock prices (although household financial assets have increased by approximately 3.3 times over this period of 20 years in the US, household financial assets in Japan have only increased by 1.53 times), and that have also lost share in terms of contributions to the employment of workers in Japan. During this time, employee household income has also continued to decline. While I'm sure there is a variety of excuses, the results are everything for management. Unfortunately, for the majority of management now, you cannot really say that they have performed excellently as leaders of the economic society for the sustainable development of society. Now is the time for us as business leader to reflect deeply, instill the strictest discipline on ourselves, and take pride in our position as leaders of the economic society.

If managers with pride feel that certain best practices do not apply for their own company, they should openly and proudly explain. The fact that the compliance rate is extremely high as a result of doing what others do is proof that many Japanese companies that have been affected by conformist decision making, long-term stagnation, and transformation into zombie companies have not undergone fundamental changes. The emergence of companies that will openly and logically explain in this process is actually what is expected by the corporate governance reform that is currently underway. To speak frankly, Japan has no need for managers that take no pride in strict self-discipline through the Code, or that take no pride in explaining. They should leave immediately.

The purpose of this Code is for companies to once again contribute to the social welfare and asset formation of the citizens of Japan including pensioners through sustainable growth and the investment chain as a corporate citizen. Reflecting the opinions of business leaders who have no pride as leaders of economic society, some of which have become corrupted, in decisions on important public policy measures is a betrayal of the citizens who are the ultimate beneficiaries of such measures. While it is understandable that there are organizations and members that have to object as their position, as a whole, this Council does not need to reflect and should not reflect such opinions in policy decisions.

A reality that I have to lament as the Vice Chairperson of the Japan Association of Corporate Executives is that a decline in prestige of so-called business community in Japanese society is evident. The era of "first-rate economics, third-rate politics" is now in the past. Young managers and

entrepreneurs who should be playing a leading role in the future Japanese economy in the age of innovation are losing interest in so-called business world activities. I am a parent with children in their twenties to thirties, and fortunately my children have studied at so-called elite universities and graduate schools in Japan and abroad and managed to find appropriate work. However, they and their friends don't even know about the existence of the three major economic organizations, nor are they interested if I try to teach them about these organizations. To speak honestly, we are already relics of the previous era.

If we listen to the opposition from some business community and their poor arguments in response to our current discussions, I feel it will be impossible to stop the decline in prestige of the business community, becoming a relic of former times, and the accelerating transformation into zombie companies. As a person representing the business community, I strongly hope that all of the business community takes a stronger position than anyone else towards this code revision being a revision that imposes the strictest self-discipline.