

March 5, 2019

<the 18th Follow-up Council>

Opinion on the future direction of the Follow-up Council
in response to the Letter from Mr. Larry Fink, CEO, BlackRock

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- Listed companies support the economic lives of people after retirement, by providing pensions to their ex-employees, and also to the public in general through rewarding participants of the publicly traded stock market – specifically, individuals using NISA and iDeCo programs, and such shareholders as Japanese and foreign pension funds – by increasing their corporate values (simply put, in the form of total shareholders return or TSR).
- It is therefore clear that a listed company should inherently be a “public entity of society”. To put it harshly, a listed company (or the management) that does not have such awareness nor generate returns in excess of the cost of capital must be criticized for being unethical and anti-market, and exit the market in principle.
- While the slogan “from form to substance”, in relation to the corporate governance reform in Japan, is itself apt to lose substance, the Follow-up Council must broadly and actively promote this philosophy. At the same time, the Council must also carry out more in-depth discussions on the TSE Premium market for companies that satisfy higher requirements. I suggest the Council take the “carrot-and-stick” strategy, so to say, in order to gain an additional driving force of reform.

END