

October 20, 2020

Yuri Okina

The Japan Research Institute, Limited

Since I cannot attend the first meeting, I hereby express my opinions as follows:

○ The Cabinet Office conducted a survey related to the spread of COVID-19 in early June, and the results show that values of people have significantly changed in a way to place emphasis on SDGs (sustainable development goals) and work-life balance. Companies are increasingly required to have a sustainable business model over the long term. With respect to sustainability, due to the COVID-19 crisis, global attention has been drawn to consideration of SDGs (e.g. environmental concerns) when companies conduct their core businesses; and the society has also been increasingly interested in the importance of diversity within a company. This may be because the current crisis renewed people's awareness of the fact that companies are exposed to many unforeseeable risks, and revealed that, in order for companies to be resilient, they need to ensure responsiveness to changes and creativity, and therefore, need to embrace diversity. Many Japanese companies still stick to the seniority system and are male-dominated. However, embracing diversity is not only a corporate social responsibility, but also an important business strategy for companies. If top management is not fully aware of this point, it is a problem. When looking at sustainability of companies, investors will be further required to become interested in whether companies are managed in a way to respect diversity.

○ With respect to an increase in the number of females in managerial positions, companies are questioned whether the work environment is friendly to employees, regardless of whether they are male or female. In the Interim Report of the "Committee for Japan's Future 2.0" (published in July) established by the Cabinet Office, it was pointed out that the M-shaped curve [*translator's note: a decline in women's work participation rates of certain age groups due to childbirth and childrearing*] has been smoothing out, but there is a problem of the female regular worker ratio: the ratio reaches a peak at the ages of 20s, and then the ratio declines with increasing age. To increase the number of females in managerial positions, it is desirable that more females are promoted to such positions in their own companies, not only being appointed as outside directors. For that purpose, it is important that companies create an environment where females can easily balance home life and work. And I believe it is necessary for companies to disclose corporate attitudes concerning employment of female regular workers, flexible workstyles of employees, and whether male employees can

take childcare leave; and to discuss such matters with investors.

○"Practical Guidelines for Business Transformations" was published [*by the Ministry of Economy, Trade and Industry*] this year. While the business environment during and after COVID-19 is significantly changing, selection and concentration through business restructuring as well as "ambidexterity" are increasingly becoming important. In the meantime, the acceleration of DX expands the possibility of creating added value through a horizontal network among various businesses. It means that, besides selection and concentration of business operations, companies have another option: adopting a strategy to focus on synergy among businesses and/or collaboration. In that case, companies need to be able to provide a clear explanation to investors about a path to increase corporate value by such specific combination of businesses. Furthermore, at board meetings of companies as well as during dialogue between companies and investors, they are expected to discuss how a strategy concerning short- to mid-term business portfolio after COVID-19 will be linked with increasing long-term corporate value in alignment with the SDGs.

END