

Opinion Statement for the 20<sup>th</sup> Council of Experts Concerning the Follow-up of  
Japan's Stewardship Code and Japan's Corporate Governance Code

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Please accept my apology for not being able to attend today's meeting due to an unavoidable reason. With respect to the Material prepared by the secretariat for the 20<sup>th</sup> meeting, I'd like to express my opinions as follows:

**1. Stance for Reviewing the Corporate Governance Code**

For reviewing the Corporate Governance Code this time, it is important to consider various issues of corporate governance in order to allow companies to ensure their sustainable growth and create new value, taking into account changes in economic and social structures after COVID-19 pandemic; and I'd like to contribute to future discussions based on our corporate experience. The Corporate Governance Code adopted principles-based approach, not rule-based approach; and thereby, each company can adapt its response to each principle depending on its specific circumstances. That is the point supported by corporate managers and stakeholders. Accordingly, I believe that we should follow the same approach when making another revision of the Code.

**2. Diversity for 'the Board Effectiveness'**

Matters to be discussed at the 20<sup>th</sup> Follow-up Council are listed on page 6, and the issue of 'diversity' is included, so I'd like to share my opinions in this regard.

The basic idea is that, even since before COVID-19 pandemic, while the environment surrounding companies has been rapidly changing, diversity has always been a source of innovation and new value creation in terms of business management, and an essential element of management strategy. According to a survey by KEIDANREN (Japan Business Federation), the majority of companies stated "diversity & inclusion is important", and initiatives towards diversity & inclusion, including women's active participation in the workforce in response to the womenomics policy, have been yielding tangible results in the form of such business impacts as "new product innovation" and "increased sensitivity to changes in the business environment, and increased responsiveness to crisis".

In this regard, we will work on promoting diversity, as a challenge, from the perspective of the board effectiveness. As stated in the current Corporate Governance Code (Principle 4.11 "Preconditions for Board and *Kansayaku* Board Effectiveness" states that "The board should be well balanced in knowledge,

experience and skills in order to fulfill its roles and responsibilities, and it should be constituted in a manner to achieve both diversity, including gender and international experience, and appropriate size.”), in order to bring diverse viewpoints and values to boards, it is important to include top business people from other industries, and people of various nationalities, gender, experience, etc.; and such corporate efforts have been increasingly advanced. I believe that continuing to strongly promote such corporate efforts will lead to the improvement of the competence of outside directors as well.

### **3. Diversity of Managerial Positions for ‘Mid- to Long-Term Sustainability’**

Meanwhile, it is valid that the Material refers to ‘diversity of managerial positions, etc.’ from the perspective of the mid- to long-term sustainability. I believe that, on the premise of the existing employment system in Japan, this should be discussed in a forward-looking manner, taking more into account the current trend of diversification of workstyles and global discussions. As stated in the current Corporate Governance Code (Principle 2.4 “Ensuring Diversity, Including Active Participation of Women” states that “Companies should recognize that the existence of diverse perspectives and values reflecting a variety of experiences, skills and characteristics is a strength that supports their sustainable growth. As such, companies should promote diversity of personnel, including the active participation of women.”), in order to realize sustainable growth of companies, I believe it is critical to ensure diversity of employees as well as diverse ways of participating in corporate activities. Top management is expected to run a business that values diversity & inclusion, ensuring that, throughout the company, diverse human resources with various knowledge and experience are utilized, regardless of age, gender, nationality, and the presence or absence of disability, and each person’s way of working is respected. To create a workplace that makes use of diverse human resources, it is not always sufficient to appoint managerial personnel and officers under the so-called “seniority system”. Instead, I believe that companies should establish a system, where each employee is fairly evaluated based on his/her ability, skills, and performance, and gains a position, authority, compensation, and opportunity appropriate to his/her duty, so that he/she feels job satisfaction and is motivated to contribute to corporate activities.

Therefore, to discuss Corporate Governance for Corporate Reform after COVID-19, it is considered that we should take into account changes in the employment and work environment as well as further progress in globalization of corporate activities, etc. I believe it is important to revise the Code under the principles-based approach in a way to allow diverse employees to work in diverse ways and pursue diverse career development.

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