The summary of comments to the draft of the Guidelines and our view on them

Provisional Translation

No.	Summary of Comments	Our View
Overall		
1	We believe that the recent revision of the Corporate Governance Code and the formulation of the Guidelines for Investor and Company Engagement together with the revision of the Stewardship Code in May of last year will further advance corporate governance reform with a shift from form to substance through the promotion of constructive engagement between institutional investors and companies, and in doing so, make a significant contribution to sustainable growth and mid- to long-term improvements in corporate value.	We appreciate your support for the intent of the Guidelines for Investor and Company Engagement ("Guidelines").
2	We commend the efforts of the Follow-up Council towards the effective implementation of both codes and focus on mid- to long-term improvements in corporate value.	
3	We welcome the revisions to the Corporate Governance Code and also the Guidelines. In particular, directors have an important role to play in shaping the strategic direction of a company and amongst board members there should be an appropriate range of skills and different perspectives and specialisms. In addition, the appointment of an effective CEO is a major strategic decision for any board and we welcome the Code measures surrounding appointment and dismissal procedures. External board members play an important challenge function to company boards and we are also supportive that there should be a suitable proportion of independent directors to carry out this function. We are also supportive of the cost of capital being factored into corporate decisions, including the business portfolio and fixed assets investments.	
4	The Guidelines support effective engagement, disclosures and the journey to implement best practices, and we welcome the Guidelines.	
5	We welcome the Follow-Up Council`s intent to further progress the state of corporate	

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	governance in companies listed in Japan. The council focuses on management responsibilities of the board in overseeing management, disclosure and rationale for cross-shareholdings, and the role of asset owners in stewardship of investee companies. We believe these are relevant priorities when revisiting the Corporate Governance Code. In particular, we support the move towards a higher ratio of independent board members, the suggestion that independent board members should play key roles on remuneration and nomination committees, and the specific reference to gender and international experience as aspects of recommended board diversity. We believe the draft guidelines will be useful for investors and companies alike, helping to frame expectations on both side. We appreciate your willingness to consider our perspective, and we remain at your disposal should you wish to discuss these matters further.	
6	Because it is important to further advance the approach towards engagement between investors and companies and corporate governance from form to substance in the code revision and formulation of the Guidelines, it is important to conduct an objective and comprehensive examination of the effects, etc. of the current code and to also sufficiently focus on the state of innovations in accordance with the circumstance of each company making efforts in consideration of the code.	This revision of the Corporate Governance Code and formulation of the Guidelines have been conducted in consideration of an examination of the progress of corporate governance reform by the Council of Experts Concerning the Follow-up of Japan's Stewardship Code and Japan's Corporate Governance Code ("Follow-up Council") composed of corporate managers, institutional investors, academics, etc. who have a deep knowledge of corporate governance. The Follow-up Council has provided opportunities to hear the opinions of companies and institutional investors in order to deepen its understanding of efforts and actions by companies related to corporate governance, and has discussed a range of issues in consideration of their opinions. In addition, the Follow-up Council always accepts a wide range of opinions regarding the progress, state, and issues of corporate governance, and it conducts discussions in consideration of these opinions.
7	In order to promote effective corporate governance reform through engagement between investors and companies, it would be preferable to have discussions in consideration of the opinions of issuers in addition to the opinions of investors. Accordingly, we would like for you to consider increasing the ratio of members of the Follow-up Council from issuers in future discussions.	
8	Looking at the members of the Follow-up Council, it seems like there are almost no members capable of speaking for issuer companies or local areas. We would like for you to consider a review of the members of the Follow-up Council	

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	so that fair discussions can be held in consideration of the opinions of local issuer companies in addition to the opinions of investors.	The Follow-up Council will continue to sufficiently listen to the voices of stakeholders including companies and institutional investors and consider measures to improve the effectiveness of corporate governance reform in consideration of the state of corporate governance and a wide range of opinions on corporate governance.
9	While it is only natural that the areas that institutional investors and companies focus on differ, we must say that the balance is lost if only the issues of institutional investors are largely focused on when holding constructive engagement.	
10	It would be more in line with the actual circumstances and preferable if the code revision and formulation of the Guidelines were conducted in consideration of the results of an examination of matters such as what changes there have been for companies that are required to make disclosures through a comply or explain approach regarding compliance with the Code that has been established and what changes there have been in engagement between investors and companies with the introduction of the Stewardship Code.	
11	It is important to clearly state the purpose and the nature of the Guidelines which is understood to be a non-mandatory tool, and companies and investors are expected to consider as part of their respective application of both codes.	As stated in the introduction for the Guidelines, the Guidelines are intended to be a supplemental document to both codes and provide agenda items for engagement that institutional investors and companies are expected to focus on. Accordingly, although the intention is not to require institutional investors and companies to “comply or explain” with respect to the Guidelines themselves, companies are expected to consider the contents of the Guidelines when they comply with a principle of the Corporate Governance Code, including principles calling for disclosure, or, if not, explain the reasons why they are not doing so.
12	We would like for you to clarify the positioning of the Guidelines. We want you to use more direct expression to indicate if the Guidelines are what must be complied with or what should be referred to.	
13	We recommend that greater clarity be provided about how the Guidelines are supplementary document should be used in relation to each code.	
14	Important themes of engagement have characteristics to change according to changes of the social environment surrounding markets and companies, viewpoints of the parties involved as well as international codes. For this reason, we strongly request that you will regularly review the effectiveness of the Guidelines, actively accept the changes in environment, viewpoints and codes, and revise the Code in a timely manner	Although we believe that investors and companies should firstly promote the engagement based on the Guidelines, agenda items for engagement that investors and companies are expected to focus on can be changed. Therefore, we will continue to follow-up on the status of implementation at the Follow-Up Council.

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	in consideration of the results of its examination.	
15	In the opening of the Guidelines, it should be clarified to have positive engagement regarding matters that investors think are materials. We believe the provision of the Guidelines will be very helpful for investors and companies who are still unclear as to what engagement should entail and those who aim to improve the quality and effectiveness of engagement. However, it should be made clear at the beginning of the Guidelines that matters indicated in the Guidelines are not exhaustive and investors should be encouraged to raise other issues which they think are material. We largely support the wording of the Guidelines but also have some suggestions which we believe will strengthen them.	We believe that it is also important for investors and companies to have positive engagement regarding matters other than matters indicated in the Guidelines in consideration of the circumstance of the individual company.
16	We would like for stakeholders including the government to sufficiently raise awareness of the position of the Guidelines and follow-up the status to ensure that investors will not use the Guidelines as checkboxes to confirm whether provisions set forth in the Guidelines are complied with in engagement between investors and companies based on the Guideline.	In the introduction of the Guidelines, it points “Because corporate governance issues and company priorities are diverse, it is not appropriate to use the Guidelines’ agenda items as a mechanical checklist, and it is important to have effective engagement between investors and companies that takes into consideration each company’s specific circumstances.” We will continue to make efforts to further raise awareness of the intent of the Guidelines in order to deepen the awareness of both investors and companies.
17	Is the understanding correct that it would be acceptable for companies to respond the Guidelines from the general meetings of shareholders of next year if there is no time to prepare the creation of corporate governance reports in consideration of the Guidelines from this year?	As indicated in the introduction of the Guidelines, it provides agenda items for engagement that investors and companies are expected to focus on. In the future engagement, investors and companies are expected to deepen discussions on the agenda matters indicated in the Guidelines. In addition, the corporate governance reports responding the revision of the Corporate Governance Code are expected to be submitted by December 31,

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		2018 at the latest, and as indicated in the introduction, companies are expected to carry out disclosure by each Principle of the Corporate Governance Code, or, if not, explain the reasons why they are not doing at that time of the submission.
1.Management Decisions in Response to Changes in the Business Environment / 2.The Policy of Investment Strategy and Financial Management		
18	In relation to Section 1.2, 2.1, and 2.2, because the cost of capital is something that involves estimates and assumptions, we believe that it would be possible for investors and companies to share their awareness through means such as clearly indicating general calculation methods in a notes section or clearly indicating whether the cost of capital refers to the cost of shareholders' equity or a weighted average cost of capital.	The cost of capital is generally the cost for the procurement of funds that appropriately incorporates the risks of one's own business and it is viewed as the profit rate expected by the provider of such funds. The cost of shareholders' equity or WACC (weighted average cost of capital) are used frequently when applying a cost of capital. In relation to Principle 5.2 of the Corporate Governance Code, while your understanding is correct that the disclosure of actual figures for the cost of capital is not being required, in consideration of the inclusion of the statements "Does management clearly explain why they decided upon targets?" in Section 1.2 of the Guidelines, it is believed that companies are required to explain to investors the stance towards the cost of capital for their own company and the status of the use of costs in business in this principle that also states that companies should "present targets for matters such as profitability and capital efficiency".
19	In relation to Section 1.2, what is the definition for "cost of capital"?	
20	In relation to Section 1.2, while it is only natural for management to undertake business with an awareness of the cost of capital, in other words, business with an awareness of investment efficiency, accurately identifying cost of capital is something that is difficult even for a finance expert, and it is not practical to set this as a code that should be uniformly followed by operating companies.	As stated in the Follow-up Council, it has been pointed out that many companies are not making management decisions decisively in response to changes in the business environment. For example, it has been pointed out that the reviewing of business portfolios is not necessarily sufficient at Japanese companies, because management still does not adequately recognize a company's cost of capital. It has also been pointed out that there are differences between investors and companies in the awareness towards whether companies are achieving returns above the cost of capital. For this reason, the Follow-up Council proposal states that "management
21	Although Section 1.2 asks whether the company plans to generate returns which cover the company's cost of capital on a mid-to long-term basis, it is very hard to give a realistic answer. Management decisions should be quantified as much as possible to give transparent explanations; however, not everything is quantifiable or explainable	

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	to others. This suggestion will make risk-taking management decisions even harder.	should accurately identify a company's cost of capital", and Principle 5.2 of the Corporate Governance Code has been revised to require each company to accurately identify the cost of capital of their own companies. Section 1.2 of the Guidelines is established in consideration of this intent.
22	We would like for the wording in Section 1.2 to be something like "indicate a profit plan and basic capital policy in consideration of your company's cost of capital" so that the expectations of investors are not too high and to avoid unrealistic discussions that are overly focused on figures.	Section 1.2 of the Guidelines points "Does management accurately identify the company's cost of capital, reflecting risks associated with the business in an appropriate manner?", and in consideration of the intent of this statement, it is expected for constructive engagement to be held between investors and companies on matters such as the approach towards calculation in addition to the cost of capital that are identified.
23	In relation to Section 1.3, because reviews of the business portfolio and the allocation of management resources are important matters related to corporate strategy that can also have an impact on the competitive environment and corporate value, a careful response is needed in explanations to shareholders. This is something that should be left up to the discretion of companies because the status may differ depending on the company.	Along with the stance described above, the Follow-up Council proposal also states that "decisive business decisions including reviewing business portfolios are important" and "strategic and systematic investment in fixed assets, R&D, and human resources are important". In accordance with this stance, this revision clarifies that reviews of the business portfolio and investment in fixed assets, R&D, and human resources are included in the allocation of management resources that explanations have been required for in Principle 5.2 of the Corporate Governance Code up until now. In consideration of the intent of the statement, Sections 1.3, 2.1, and 2.2 of the Guidelines are established. It is expected that there will be constructive engagement between investors and companies regarding these points in consideration of the intent of Sections 1.3, 2.1, and 2.2 of the Guidelines.
24	In relation to Section 1.1, while it is only natural that business strategies and business plans are consistent with the company's business principles, we feel uncomfortable towards Section 1.1 being prescribed in the Guidelines.	Considering that the importance of engagement about business principles and the consistency between business principles, business strategies and business plans was pointed out at the Follow-up Council, the second paragraph of Section 1.1 is established.

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25	In relation to Section 1.1, it is natural to establish a mid-term business plan rather than a single year business plan when companies intend to increase corporate value over a mid-term, and it should be appropriate to mention to the mid-term business plan.	We believe that mid-term business plans are also included in the "specific business strategies and business plans established and disclosed to generate sustainable growth and increase corporate value over the mid-to long-term" stated in Section 1.1.
26	In relation to Section 1.2, we believe that it would also be appropriate to mention to the stance towards the targets on the cost of capital, profitability, capital efficiency by business segment. A reasonable judgment to review the business portfolio can only be made with such financial management by segments.	As you have pointed out, we believe that it is important to have financial management, etc. by segments to decide on reviews of the business portfolio. It is expected that there will be explanations and discussion, as necessary, in engagement regarding the point about "Is a policy on reviewing a business portfolio clearly established, and is the review process effective?" as stated in Section 1.3 and "Are investments in fixed assets, R&D, and human resources to generate sustainable growth and increase corporate value over the mid- to long-term carried out strategically and systematically… from the standpoint of generating returns which cover the company's cost of capital on a mid- to long-term basis?" as stated in Section 2.1 in relation to Principle 5.2 of the Corporate Governance Code ,.
27	In relation to Section 1.3, we believe that it should also mention whether investments are carried out at the time of acquisition of a business or investment in a business after identifying the cost of capital reflecting risks associated with the business and establishing the expected profit ratio, other indices and withdrawal standards in consideration of the cost of capital. In addition, We believe that it would also be appropriate to imply in the footnote whether there are any factors that interfere objective business judgment such as "President's matters" or "Founder matters"?	
28	The view of assessment of profitability and capital efficiency, etc. is different depending on the type of industry. Therefore, assessment should not be made in a uniform manner based only upon short-term indices such as return on equity (ROE). This point of view should be included in the Guidelines.	The intent of the Guidelines is to contribute sustainable growth and the increase of corporate value over the mid- to long-term. In consideration of the Follow-up Council proposal stating "it is pointed out that management team is still not sufficiently aware of cost of capital," Section 1.2 expects that focused discussions be made as to whether the management accurately identify the company's cost of capital reflecting the risks associated with the company's business or whether the company achieve returns which cover the cost of capital on a mid-to long-term basis. We expect that the matter that you have pointed out also be discussed between investors and the companies in consideration of the conditions which the company is put

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29	Because we can see more international pressure for disclosure on risks like climate change, it would also be appropriate to add to the first section a comment such as: "what risks are created from structural shifts such as social and environmental change and how are these being navigated?"	As Section 1.3 points out that "Does management understand the business environment and business-related risks appropriately and make decisions decisively?", we expect that the matter you have pointed out be discussed within the engagement in consideration of said points. Furthermore, the role of the disclosure of risk information is under consideration by the FSA's Working Group on Corporate Disclosure of the Financial System Council.
30	In relation to Section 2.2, we would recommend to include at the end "considering business risks as well as the company's business and investment strategies"	
31	In relation to Sections 2.1 and 2.2, the investment strategy is the critical matter that impacts the corporate value while the financial management policy also relates to the company's strategy and has an impact on the competitive environment and corporate value. Therefore, explanations about these issues to the shareholders must be carefully handled. As different companies are under different conditions, we think that the contents of the engagement about these issues with the shareholders should be left to the discretion of each company.	In the proposal of the Follow-up Council, it is pointed out that strategic and systematic investment is important for companies to generate sustainable growth and increase its corporate value over the mid- to long-term and in making such investments, it is also important to conduct appropriate financial management which is consistent with investment strategies and recognizes a company's cost of capital. Deepening the engagement regarding these points after appropriate explanations are given by the company to investors will result in an appropriate assessment of the corporate value and will also be important in an attempt to enhance the corporate value over the mid- to long-term. In consideration of the intent of the statement, Sections 2.1 and 2.2 of the Guidelines are established. We think that it is important for companies to positively commit themselves to such an engagement in consideration of the purpose of the Guidelines.
32	In relation to Section 2.1, we would recommend to include "M&A"	Section 1.3 provides that "Does management … make decisions decisively, such as restructuring the company's business portfolio, including investment in new businesses and exit from or sale of existing businesses?", and M&A is also considered to be part of "decisive decisions made by management." in Section 1.3.

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33	In relation to Section 2.2, it is possible that companies and investors discuss their views on liquidity of the capital or capital resources in connection with the financial management policy.	As Section 2.2 provides that "Is financial management policy established and managed appropriately?" the point you have mentioned is surely covered by Section 2.2. Furthermore, the role of the disclosure of information about capital resources and liquidity of capital is under consideration by the FSA's Working Group on Corporate Disclosure of the Financial System Council.
34	In relation to Section 2.2, our policy is explicit on the need for efficient capital allocation, and calls for excess capital to be returned to shareholders. We would therefore advocate that Section 2.2 includes the word efficient, alongside established and managed appropriately.	
3. CEO Appointment/Dismissal and Responsibilities of the Board		
【CEO Appointment/Dismissal and Development】		
35	The wording "Is there an established policy …" at Section 3.1 should be amended to "Is there a policy …" by deleting the word "established" in consideration for flexible adjustment to various conditions.	It would be necessary to clarify a stance towards the qualifications required of the CEO for the appointment and dismissal of the CEO through objective, timely, and transparent procedures. In addition, it would be preferable to review the specific contents of such a stance as required in the process of procedures related to the appointment and dismissal of the CEO in consideration of changes in the business environment, etc. Section 3.1 points "Is there an established policy on CEO qualifications in order to appoint a CEO who can make decisions decisively to generate sustainable growth and increase corporate value over the mid- to long-term?", and it is expected that there will be constructive engagement between investors and companies in consideration of the intent of these statements.
36	In relation to the wording "Is there an established policy …" at Section 3.1, first half of the section also provides that "can make decisions decisively" to respond to changes in business environment. It is generally difficult to predict a variety of future changes in business environment and introduce an "established" policy applicable to all the potential future changes beforehand. Therefore, we ask you to change the wording to "Is there a policy …" by delete the word "established."	
37	In relation to Section 3.1, the CEO must be selected by the board after making sufficient deliberations in consideration of the performance of the Company, capability of the CEO candidate, social and business environment and other various elements. The capability required for CEOs may vary according to the company's performance, social and business environment from time to time. Therefore, it is inappropriate to "establish" the policy on the capability required for the CEO because such an establishment may deter a flexible selection of the CEO or flexible planning for the screening of successors of the CEO.	
38	In relation to Section 3.1, it might also be appropriate to be clear for the need for the CEO's responsibilities to be clearly defined.	

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39	In relation to Section 3.1, we would recommend to include that "qualifications need be reviewed frequently to adopt to a changing business environment".	
40	In relation to Section 3.1, the question of whether the policy on the capability required for the CEO is consistent with the business principles or business plans, etc. should also be a topic of the engagement, should it not?	
41	Isn't it appropriate to articulate in the Guidelines whether the succession plan is based on the policy on the capability required for the CEO, or whether the policy on the capability required for the CEO is shared in the form that becomes an incentive for candidates for the successor of CEO?	
42	In relation to Section 3.2, the appointment and dismissal of the CEO is extremely important for the improvement of corporate value, and accordingly the establishment of objective, timely, and transparent procedures for this purpose is extremely meaningful. However, because a flexible response in consideration of changes in the social and business environment is also required in emergency situations in addition to objectivity, timeliness, and transparency, wording such as "using reasonable time and resources while flexibly responding to the social and business environment through objective, timely, and transparent procedures" would be appropriate.	Before the revision, Supplementary Principle 4.3.1 of the Corporate Governance Code stated that the appointment and dismissal of the senior management should be implemented based on highly transparent and fair procedures. In documents such as the "Corporate Boards Seeking Sustainable Corporate Growth and Increased Corporate Value over the Mid- to Long-Term 'Council of Experts Concerning the Follow-Up of Japan's Stewardship Code and Japan's Corporate Governance Code' Opinion Statement No. 2" released February 18, 2016 ("Opinion Statement No. 2") as well, it has been taken into consideration that the appointment and dismissal of the CEO is believed to be the single most important strategic decision for achieving sustainable growth and mid- to long-term improvements in corporate value for companies, and accordingly, Supplementary Principle 4.3.2 has been newly established to clarify this point. For this reason, it is required to appoint a qualified CEO through objective, timely, and transparent procedures, deploying sufficient time and resources, rather than non-transparent procedures that place priority only on internal logic. In regard to the "objective, timely, and transparent procedures" are required in Supplementary Principle 4.3.2 of the Corporate Governance Code, it is
43	In relation to 3.2, it is noted that the Guidelines could include reference to the importance of independent oversight should be emphasized in terms of CEO appointment and dismissal procedures.	
44	It is noted that our recommendations were not included in the latest draft Guidelines: is the incumbent CEO involved in the appointment of his or her successor and, if so, to what extent did this influence the decision-making process?	

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		believed that "timely" here includes the flexible appointment of a new CEO depending on the circumstances. The intent of Section 3.2 of the Guidelines should be understood in the same way. In addition, in consideration of the fact that "it is important to further promote the establishment and utilization of nomination committees in order to strengthen the independence and objectivity of the CEO appointment/dismissal process" as stated in the Follow-up Council proposal, Supplementary Principle 4.10.1 of the Corporate Governance Code requires the establishment of an independent advisory committee such as an optional nomination committee for the nomination of senior management including the CEO and the seeking of appropriate involvement and advice from independent directors if independent directors do not compose the majority of the board at a Company with a *Kansayaku* Board or a Company with Supervisory Committee. It is expected that there will be constructive engagement between investors and companies regarding the effectiveness of these procedures in consideration of the intent of Section 3.2 of the Guidelines. In addition, it is also expected for discussions as to CEO's involvement of the next CEO appointment process to be held as necessary through the engagement of investors and companies as to whether the CEO appointment process is objective and transparent.
45	In relation to Section 3.3, because at most companies in Japan there are many internal directors who could be successor candidates for the CEO, etc., particularly at the board of a Company with *Kansayaku* Board at which the board decides on matters concerning execution of important business,consideration is required to potential conflicts of interest from the proactive engagement of the board in the establishment and implementation succession plans for the CEO as candidates for CEOs could	At the Follow-up Council it was pointed out that because the appointment and dismissal of the CEO is believed to be the most single important strategic decision for companies, spending sufficient time and resources for the development of CEO candidates is believed to be particularly important for achieving sustainable growth and mid- to long-term improvements in corporate value for companies. In consideration of this comment,

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	establish plans for the CEO successor as stated in Supplementary Principle 4.1.3 of the Corporate Governance Code. Although it is important for the board to conduct appropriate supervision on succession plan for the chief executive officer (CEO), etc. as per the current code, it is not necessary to state that the board should be proactively involved in the establishment and implementation of plans in a uniform manner because there are various methods depending on the company, including the use of statutory or optional nomination committees.	Supplementary Principle 4.1.3 of the Corporate Governance Code requires the proactive engagement of the board in the establishment and implementation of a succession plan rather than leaving it solely up to the incumbent CEO, as well as appropriate oversight so that sufficient time and resources are used for the systematic development of succession candidates. The intent of Section 3.3 of the Guidelines should be understood in the same way. It is expected that there will be constructive engagement between investors and companies regarding the effectiveness of the involvement and oversight of the board in consideration of the intent of Section 3.3 of the Guidelines.
46	Section 3.3 requires the oversight of the board to ensure that sufficient time and resources are used for the systematic development of successor candidates for the CEO and other top executives. Specifically, what degree of oversight is assumed?	
47	In relation to Section 3.3, we would recommend to include “from a diverse pool of candidates”.	In Supplementary Principle 4.1.3 of the Corporate Governance Code, the board is required to actively engage in the establishment and implementation of a succession plan for the CEO and other top executives and appropriately oversee the systematic development of succession candidates, deploying sufficient time and resources. As indicated in Section 3.3 of the Guidelines, the word “development” used in Supplementary Principle 4.1.3 surely includes the selection of a person from outside the company, as necessary. The question of whether the engagement and supervision by the board, which are required by Supplementary Principle 4.1.3 of the Corporate Governance Code, is effective enough is expected to be constructively discussed between investors and the company based on the purpose of Section 3.3 of the Guidelines. In such discussions, the point of whether the successor of the CEO is selected from among a variety of candidates is expected to be reviewed, as necessary.

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48	In relation to Section 3.3, it is noted that the Guidelines could include reference to CEO succession plans being regularly reviewed.	As it is believed that the contents of the succession plan are something that are subject to change depending on changes in the circumstances and business environment for each company, the succession plan could be revised as necessary through the proactive engagement and appropriate oversight of the establishment and implementation of succession plans by the board under Supplementary Principle 4.1.3 of the Corporate Governance Code.
49	In relation to Section 3.4, although it is important to establish objective, timely, and transparent procedure for the dismissal of the CEO, it can be expected that the establishment of specific grounds for dismissal would result in rigid implementation, which in turn would not lead to improvements in corporate value. So that the board can make flexible and timely decisions on the dismissal of the CEO after sufficient deliberation in consideration of the performance of the company and the CEO and the social and business environment, etc., wording such as "the board should establish a... that takes into consideration various factors including corporate performance and the social and business environment" would be appropriate.	Taking into consideration the comment that because the appointment and dismissal of the CEO is believed to be the single most important strategic decision for achieving sustainable growth and mid- to long-term improvements in corporate value for companies, it is important to develop a framework for the dismissal of the CEO if it is deemed that the CEO is not adequately fulfilling the CEO's responsibilities in Opinion Statement No. 2 of the Follow-up Council., Supplementary Principle 4.3.3 of the Corporate Governance Code has been newly established to require the establishment of objective, timely, and transparent procedures for the dismissal of the CEO. Section 3.4 of the Guidelines is established in consideration of this intent. As the dismissal of the CEO needs to be conducted flexibly rather than rigidly in consideration of factors including assessments of the business results of companies and changes in the business environment, it is believed that "timely" in "objective, timely, and transparent procedures" in Supplementary Principle 4.3.3 contains the objective of enabling such a flexible response. The intent of Section 3.4 of the Guidelines should be understood in the same way. It is expected that there will be constructive engagement between investors and companies regarding the effectiveness of these procedures in consideration of the intent of 3.4 of the Guidelines.
50	In relation to Section 3.4, we have concerns that establishing specific dismissal standards and requirements in advance could result in accountability towards shareholders and investors in accordance with these standards and requirements and in turn result in rigid implementation. The dismissal of the CEO should be decided on after sufficient deliberation by the board that takes into consideration various factors including corporate performance, the qualities of the CEO, and the social and business environment, and it is not necessary for standards and requirements to be established in advance.	

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51	In relation to Section 3.4, the grounds for dismissal are not limited to poor business performance because grounds for dismissal include involvement in the responsibility of management towards scandals and illegal act. Accordingly, we would like for consideration to be given to the phrasing so that the scope covered by these stipulations are not overly limited.	Principle 4.3 of the Corporate Governance Code states that the board should appropriately evaluate company performance and reflect the evaluation in its assessment of the senior management. Supplementary Principle 4.3.3 of the Corporate Governance Code requires the establishment of procedures such that a CEO is dismissed when it is determined that the CEO is not adequately fulfilling the CEO's responsibilities, and when making such determinations it is necessary to conduct evaluations of the CEO in a timely and appropriate manner, including evaluations based on the business results of the company in consideration of factors such as business strategies and business plans. The intent of Section 3.4 of the Guidelines should be understood in the same way. It is expected that there will be constructive engagement between investors and companies regarding the effectiveness of these evaluations in consideration of the intent of Section 3.4 of the Guidelines.
【Determination of Management Remuneration】		
52	In relation to Section 3.5, we strongly support the notion that the remuneration of the management should be linked to long-term performance.	We appreciate your support for the intent of the Guidelines.
53	In relation to Section 3.5, we welcome that it is focused on executive remuneration alignment with sustainable growth and increase in corporate value over the mid-long term, and it is listed whether the reasonableness of the remuneration amount is clearly explained as a topic of engagement.	
54	In relation to Section 3.5, it is certainly important to discuss the remuneration of the management team. Companies with high transparency of the remuneration of the management team tend to record high growth rates, which will be highly evaluated by investors.	

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55	Section 3.5 can be understood as meaning that so-called "re-entrusted resolutions" are not considered appropriate. However, various methods for determining remuneration are permitted under the Companies Act, such as the board only deciding on the policies and calculation methods for directors' remuneration and re-entrusting decisions on actual remuneration amounts to the representative director. It is not appropriate for the Guideline to set the practical regulation on the methods for determining directors' remuneration that are explicitly allowed under the Companies Act.	Supplementary Principle 4.2.1 of the Corporate Governance Code requires the design of management remuneration systems and determinations on the actual remuneration amount to be conducted through objective and transparent procedures under the responsibility of the board from the perspective of providing incentives for the promotion of a healthy entrepreneurship by management to generate sustainable growth of a company. It is recognized that in actual practice the decision on the actual remuneration amount could be re-entrusted from the board to the representative director, etc. and Supplementary Principle 4.2.1 of the Corporate Governance Code does not reject such a practice. However, even if such an approach is adopted, it is believed to be important for each company to adopt measures related to procedures under the responsibility of the board to ensure sufficient objectivity and transparency. The intent of Section 3.5 of the Guidelines should be understood in the same way. It is expected that there will be constructive engagement between investors and companies regarding the effectiveness of these procedures in consideration of the intent of Section 3.5 of the Guidelines.
56	In relation to Section 3.5, not only procedures but also policies should be listed as a topic of engagement, should it not?	Principle 4.2 of the Corporate Governance Code provides that the remuneration of the management should include incentives that promote healthy entrepreneurship, and the first sentence of Supplementary Principle 4.2.1 requires the introduction of management remuneration systems to ensure such incentives. Section 3.5 of the Guidelines asks if these procedures are effective enough, and if the appropriateness of the remuneration system and of the actual remuneration amount is clearly explained. Therefore, we expect that investors and companies will discuss the policies on the remuneration
57	In relation to Section 3.5, we would recommend to include "What metrics are used and how are they selected?"	
58	In relation to Section 3.5, the equity remuneration of the management team not only works from the aspect of the provision of incentives but also promotes business management from the viewpoint of the shareholders. This will be one of the critical points for investors in the engagement regarding the remuneration systems of the management. The policy on the equity remuneration and the possession of equity by	

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	the management should be defined as one of the topics of the engagement, should it not?	systems and the specific details of the remuneration in the engagement based on the purpose of the Principle 4.2 and Supplementary Principle 4.2.1 of the Corporate Governance Code and Section 3.5 of the Guidelines.
59	We recommend that it is emphasized that companies should consider social and environmental factors when determining compensation. We believe that this is one means by which executive remuneration can be better be aligned with performance and to protect and create long-term value.	Supplementary Principle 4.2.1 of the Corporate Governance Code requires appropriate remuneration system design so that the remuneration of management can operate as a healthy incentive to generate sustainable growth of companies, and individual companies could include the contents suggested in accordance with individual circumstances when considering the specific details of the remuneration system. It is expected that companies will provide explanation that are easy to understand for shareholders regarding whether the remuneration system is effectively operating as a healthy incentive along with constructive engagement between investors and companies in consideration of the intent of Section 3.5 of the Guidelines.
【Use of Independent Advisory Committees】		
60	In relation to Section 3.2, we welcome reference to the role of a nomination committee to be actively involved in the appointment of the CEO. Also, we welcome reference to the importance of an independent remuneration committee.	We appreciate your support for the intent of the Guidelines.
61	In relation to Sections 3.2 and 3.5, although it is extremely important for the nomination and remuneration of senior management including the CEO to be decided on with appropriate involvement and advice from independent directors, it is difficult to uniformly stipulate the best approach towards involvement and advice from independent directors to achieve sustained growth because companies find themselves under various differing circumstances. Accordingly, it would be appropriate to use “independent advisory committees under the board, such as an optional nomination committee and an optional remuneration committee” stated in Supplementary	In discussions at the Follow-up Council, it was pointed out that the establishment of independent and objective procedures is important for the consideration of important matters including the nomination and remuneration of senior management and directors including the CEO, and in consideration of this comment, Supplementary Principle 4.10.1 of the Corporate Governance Code requires the establishment of an independent advisory committee such as a nomination committee and remuneration committee at a Company with *Kansayaku* Board or a Company with

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	Principle 4.10.1 of the Corporate Governance Code as examples, and use phrasing such as "independent advisory committees, for example, nomination committees and remuneration committees" would be appropriate. Sections 3.2 and 3.5 should be revised in the same manner.	Supervisory Committee where independent directors do not compose the majority of the board. The Corporate Governance Code has adopted "comply or explain" approach in consideration of the various situations that companies are in. If an advisory committee will not be established due to the circumstances of a company, it would be possible to respond to this requirement by sufficiently explaining the reason for not establishing a committee. In relation to this point, it states "With regard to the Corporate Governance Reports which have been submitted so far, some members point out that there seems to be a tendency for companies to hesitate to "explain", taking it for granted that "comply" is necessary. At the same time, many members point out that we are encountering cases where companies proactively explain the reason why they do not comply with a certain principle and that these kinds of explanatory efforts are preferable to superficial comply." in Responses to the Corporate Governance Code and Next Steps of the 'Council of Experts Concerning the Follow-Up of Japan's Stewardship Code and Japan's Corporate Governance Code' released October 20, 2015. As has been pointed out, Supplementary Principle 4.10.1 of the Corporate Governance Code requires gaining the effective involvement and advice
62	In relation to Sections 3.2 and 3.5, we are opposed to the engagement on the premises of the involvement of an "independent nomination committee" in the selection of the CEO and involvement of an "independent remuneration committee" in the determination on the remuneration of the executive officers. The selection of the CEO is assigned to the board at any company no matter which institutional design is adopted by that company, and whether to utilize an "independent nomination committee" is left to the discretion of each company. In addition, companies which do not adopt committees as its institutional design have other ways to secure objectivity and transparency on the determination of the remuneration of the executive officers than to adopt an "independent remuneration committee." Therefore, the expression that suggests the involvement of a committee be mandatory for all should not be used.	
63	The wording "… is an independent remuneration committee actively involved?" in Section 3.5 should be changed to "… effectively involved?" to avoid the committee's involvement becoming a formality, should it not?	

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64	In relation to the nomination committee terms and the remuneration committee terms of reference in Sections 3.2 and 3.5, it would be beneficial to specifically mention specific roles that could include regularly assessing the composition of the board taking into account the diversity policy, developing a skills matrix describing desired board composition aligned with the company's strategic objectives, leading the process for nominating board candidates for shareholder approval, ensuring that conflicts of interest among committee members are identified and avoided; oversee the process for board evaluation including the appointment of any external consultant, entering into engagement with shareholders regarding board nominations, leading the development, implementation and review of succession planning; determining the company's remuneration policy; designing implementing monitoring and evaluating short-term and long-term incentives for the CEO; ensuring that conflicts of interest among committee members are identified and avoided; appointing independent remuneration consultants; and maintaining appropriate communication with shareholders on the subject of remuneration.	from independent directors in the examination of important matters such as nomination and remuneration, and the establishment of an advisory committee in form only is not believed to be sufficient for responding to Supplementary Principle 4.10.1 of the Corporate Governance Code. It is important for each company to adopt measures in consideration of the intent of this revision such as the clarification of specific roles for each advisory committee so that effective involvement and advice from independent directors can be gained when examining these matters. It is expected that there will be constructive engagement between investors and companies regarding these points in consideration of the intent of Sections 3.2 and 3.5 of the Guidelines.
【Responsibilities of the Board】		
65	In relation to Section 3.6, we believe diversity of the board is a key to sustainable growth of a company. In case the company does not have any female or international directors, investors should ask about the company's plans for appointing such candidates and what it is doing to achieve it, and investors ensure the appointment of qualified directors.	We appreciate your support for the intent of the Guidelines.
66	In relation to Section 3.6, we welcome questions are listed as a topic of engagement that the board has appropriate knowledge, experience, skills and diversity, including gender and international experience.	

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67	In relation to Section 3.6, we welcome the suggestion that there should be a greater diversity of backgrounds among directors. Boards of Japanese companies have been slow to harness the talents and experiences of well-qualified women and experiences from other markets have indicated a more diverse gender balance will result in positive benefits. Japanese companies are increasingly competing in a global markets and this requires an understanding of different operating environments and more international experience. We would encourage Japanese companies to consider incorporating a greater diversity of national backgrounds within their board membership to help prepare companies for the challenges of competing in overseas markets.	
68	"Gender and internationality" set forth in the Section 3.6 are critical points for the Japanese companies to develop. Therefore, they should be topics of the engagement between investors and companies. It is well known that diversified companies have a competitive edge.	
69	In relation to Section 3.6, what kind of diversity a board needs to have will differ depending on the characteristics of the company. The wording should be revised so that it is clear that gender and international experience are examples of type of diversity.	The Follow-up Council proposal states that because the board has the responsibilities to support the members of the management team including the CEO, it is important for the board as a whole to process to ensure sufficient diversity including gender and international experience, in order for the board to sufficiently fulfill this responsibilities. From this perspective, Principle 4.11 of the Corporate Governance Code clarifies that diversity includes gender and international experience, and then states that the board should be constituted in a manner to achieve both diversity and appropriate size. In addition, Section 3.6 of the Guidelines has been established in consideration of these points. In the Follow-up Council proposal was pointed out that the rate of female executive officers at the listed companies in Japan is currently only 3.7% and suggested that a question asking whether "women are appointed as directors" should be included in the Guidelines.
70	We are opposed to Section 3.6. The point of gender is an issue that should be addressed from a wider perspective that includes encouraging the active participation of women at companies, responding to concerns of labor shortages, responding to the diversification of customer needs and globalization, and ensuring the diversity of human resources. Meanwhile, companies of a certain size or more are required to establish and disclose action plans under the Act on Promotion of Women's Participation and Advancement in the Workplace, and such companies are moving to the implementation of specific measures accordingly. In terms of the point of international experience, there is no need for companies that specialize on the Japanese market without any plans at all for global expansion to appoint foreign directors.	

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	In terms of the structure of the board, each company should consider an appropriate structure and diversity that suits their own company after taking into sufficient consideration factors such as the scale, business format, and characteristics of the business area for their company along with the voices of stakeholders including shareholders and investors. Using gender and international experience as examples is either not needed or not appropriate because it could interfere with the creative ingenuity of companies.	The Corporate Governance Code has adopted "comply or explain" approach in consideration of the various situations that companies are in, and if a company believes that it is not necessary to ensure diversity in terms of gender and international experience, the reason for this can be explained. It is expected that there will be constructive engagement between investors and companies in consideration of the intent of 3.6 of the Guidelines.
71	In relation to Section 3.6, although we believe that regional listed companies also need to take diversity into consideration, the reality is that there are limits in human resources. Firstly, directors who are expected to be able to contribute to corporate management should be selected, and it is possible that as a result, no directors that contribute to diversity in term of gender and international experience will be selected. Is the understanding correct that consideration can be given to diversity through the selection of multiple independent directors with a variety of career backgrounds?	
72	In relation to Section 3.6, we believe that it is necessary to take into consideration factors such as the size, industry, and business environment of the company. For diversity, we think that it would be preferable for companies to have a wide range of response they can select from rather than uniform numerical requirements.	
73	Section 3.6 requires the consideration on gender and internationality upon securing diversity of the board. Why is the question "Are there women appointed as directors?" specifically listed in addition to that requirement? Different companies have different requirements for directors' capability and knowledge. Listing a gender as a requirement may impair the function and effectiveness of the board, may it not? The use of the wording that suggest the appointment of female directors be mandatory should be avoided.	
74	Section 3.6 is an idea and a point necessary for enhancing the corporate value. However, if the company replies that it has "selected appropriate people who can	

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	contribute to the enhancement of the corporate value in a comprehensive manner," it will be difficult to continue the discussion, thereby the engagement likely being reduced to a formality.	
75	In relation to Section 3.6, although the diversity of the board is an extremely important element as Japanese companies respond to globalization and aim for mid- to long-term improvements in profitability and profit growth, we believe that it is not necessarily needed to appoint a foreign director, and the appointment of a Japanese director with abundant business experience overseas would be sufficient as a director with the quality of international experience.	Although the inclusion of international experience in Principle 4.11 of the Corporate Governance Code does not require all companies to appoint a foreign director, there may be cases in which it is necessary to appoint a foreign director, for example at a company that is widely engaged in an international business. The intent of Section 3.6 should be understood in the same way. It is expected that there will be constructive engagement between investors and companies regarding whether the board is structured in a manner that ensures sufficient diversity including international experience in consideration of the intent of Section 3.6 of the Guidelines.
76	In relation to Section 3.6, it would be beneficial to include reference to the disclosure on the policy towards the diversity of the board that includes specific targets and achievement deadlines.	Supplementary Principle 4.11.1 of the Corporate Governance Code requires disclosures that stipulate the view on diversity and appropriate board size, and along with these contents, disclosures could also be provided on matters such as specific targets and efforts aimed at ensuring the diversity of the board made under the judgment of a company from the perspective of disclosures that offer high value-added to users. Section 3.6 of the Guidelines points "is the board constituted in a manner that ensures diversity?", and it is hope that sufficient explanations will be provided on specific targets, measures, etc. in engagement with investors.
77	In relation to Section 3.6, we recommend that companies disclosure how incumbent board members and new candidates enhance board diversity.	Supplementary Principle 4.11.1 of the Corporate Governance Code requires that the view of the diversity and size of the board be defined and disclosed. Your concern is certainly included in the supplementary principle.
78	In relation to Section 3.6, in order to indicate relations with Section 3.7, isn't it appropriate to mention whether the company frames an idea as to what kind of members is appropriate to be appointed to the board so that they would be sure that	Section 3.7 includes the question, "… are evaluation results, including issues identified through such evaluation, clearly disclosed and explained?" In consideration of this point, your concern is expected to be discussed

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	the board as a whole are equipped with appropriate knowledge, experience and skills based on the evaluation results of its effectiveness?	between investors and the company as necessary during the course of the engagement.
79	In relation to Section 3.7, we welcome the reference to evaluation of board's effectiveness.	We appreciate your support for the intent of the Guidelines.
80	In relation to Section 3.7, we are a strongly support evaluation of board's effectiveness as we believe they are a powerful tool to help responsibilities of the board.	
81	In relation to Section 3.7, we welcome recognition that responsibilities of the board include evaluation of the board's effectiveness that should be clearly disclosed and explained.	
82	In relation to Section 3.7, there should be reference to whether evaluation of the board's effectiveness is regularly conducted by an independent external consultant.	There are various specific methods that could be used for evaluation of the board's effectiveness, and it would also be possible to conduct an evaluation with external input based on the judgment of each company in order to improve the independence and objectivity of the evaluation. It is expected that there will be constructive engagement between investors and companies regarding whether evaluation of the board's effectiveness is being conducted appropriately in consideration of the intent of Section 3.7.
83	In relation to Section 3.7, evaluation of the board's effectiveness should be conducted in an objective and systematic manner. We would ask the company about details of the questions asked at the evaluation and encourage evaluation to be carried out by an independent third party if it is not already done so.	
84	In relation to Section 3.7, we recommend this is extended to refer to be subject to evaluation of individual board including the chair of the board.	Supplementary Provision 4.11.3 of the Corporate Governance Code requires the board to analyze and evaluate the effectiveness of the board as a whole on an annual basis. In consideration of the intent of the Section 3.7 of the Guidelines, constructive discussions are expected to be held between investors and the company as to whether the evaluation of the board's effectiveness is appropriately conducted. Supplementary Provision 4.11.3 of the Corporate Governance Code requires self-evaluation of individual directors to be referred to as the premises of the evaluation of the board's effectiveness. The evaluation of the respective directors should also be discussed between investors and the
85	The evaluation of the effectiveness of the committees should also be mentioned in Section 3.7 in addition to the evaluation of the effectiveness of the board, should it not?	

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		company as necessary. In addition, the evaluation of the effectiveness of committees will also be discussed between investors and the company in their engagement as necessary.
86	We recommend the followings are added to the Guidelines: “if the CEO is also the chair of the board, has the rationale for why it is strategically necessary been adequately explained to shareholders?” “Does the company explain why CEO succession to chairmanship is in the best interests of the company?”	We believe that it is important to ensure the independence and objectivity of the board so that the board can fulfill its role of effective oversight of the management from an independent and objective standpoint. There are various measures that could be used to improve the independence and objectivity of the board, and one approach that could be taken as necessary based on the judgment of each company could be the separation of the roles of CEO and chair of the board. Section 3.7 of the Guidelines points “Is evaluation of the board’s effectiveness …implemented appropriately?” while taking into consideration Supplementary Principle 4.11.3 of the Corporate Governance Code, and discussions also could be held on ensuring the independence and objectivity of the board in engagement regarding this point.
87	We encourage to seek clarification about these positions of senior advisers and consultants, advisors, etc. at each company, including their number, tenure, responsibilities within the company, remuneration and other benefits received, as well as the level of influence they may have on current management. The company should disclose details on the governance of these individuals.	There is a system for disclosing the names, titles, positions, and business details of positions for consultants, advisors, etc. assumed by former presidents or CEOs in the reports concerning corporate governance. We hope for further use of this system in order to improve the transparency of corporate governance. Because the roles of consultants and advisors vary depending on each company and we don’t believe it is appropriate to make uniform generalizations on whether it is good or bad for former presidents or CEOs to serve as consultants and advisors, we believe it is important for companies to decide on the appropriate roles and treatment within the company and provide information externally after objectivity has been ensured in order to gain the understanding of investors and other external

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		shareholders regarding the appropriateness of internal structures related to corporate governance. In addition, we believe that it is important for each company to make efforts to ensure that the responsibilities of the CEO and board can be sufficiently fulfilled in consideration of the revision of the Code and the establishment of the Guidelines from the perspective of encouraging the sustainable growth and mid- to long-term improvements in corporate value for companies.
88	It may also be appropriate to have some reference to internal controls and risk management in the Guidelines. One suggestion is "Are internal controls and risk management, in particular in international subsidiaries well established? How and with what frequency are these monitored?"	It is necessary to ensure effectiveness in the development of internal control and risk management systems, and accordingly, each company could conduct regular reviews as necessary after developing an appropriate internal control and risk management system. Section 3.7 of the Guidelines points "Is evaluation of the board's effectiveness …implemented appropriately?" while taking into consideration Supplementary Principle 4.11.3 of the Corporate Governance Code, and discussions also could be held on the status of the development of internal control and risk management systems in engagement regarding this point.
89	Section 3.11 makes a reference to the sufficient support system for *kansayaku*. The same should be applied for the directors (including independent directors) and be prescribed in the Guidelines.	Principle 4.13 and Supplementary Principle 4.13.3 of the Corporate Governance Code insist that companies should establish a support structure for directors, including providing sufficient staff, as well as taking measures to adequately provide necessary information to outside directors in order to ensure the effectiveness of the support structure. Constructive discussions are expected to be held between investors and the company as to whether approaches based on these principles are actively promoted.
【Appointment of the Independent Directors and Their Responsibilities】		

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90	In relation to Section 3.8, we strongly support the suggested questions as they specify the kind of skill sets expected of independent directors.	We appreciate your support for the intent of the Guidelines.
91	We advocate that boards in Japan should currently have a minimum of three independent directors and strive towards one-third of the board.	The first paragraph of Principle 4.8 of the Corporate Governance Code requires all companies for which the principle applies to appoint at least two independent directors that sufficiently have qualities. Although some members of the Follow-up Council had the view that listed companies should be required to appoint at least one-third independent directors, in consideration of the comment that while the number of such directors was of course important, the capabilities of independent directors and the effectiveness of the board was more important, the appointment of at least one-third independent directors was not made a requirement. In regard to the second paragraph of this principle, when the Code was established, it was necessary to disclose the roadmap for doing so “if a listed company believes it needs to appoint at least one-third of directors as independent directors”. In consideration of a comment stating that it is not important to not only disclose this roadmap, but to also appoint a sufficient number of independent directors depending on the circumstance for each listed company, it is revised to state “if a listed company believes it needs to appoint at least one-third of directors as independent directors”, it should appoint “a sufficient number of independent directors” based on their own judgment. The scope of the second paragraph of the principle is listed companies that believe they need to appoint at least one-third of directors as independent directors, and while “comply or explain” is not required of listed companies that don’t believe such appointment is required, Section 3.8 of the Guidelines points “Is a sufficient number of qualified independent directors appointed?”, and it is expected that there will be constructive engagement

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		between investors and companies in consideration of this intent.
92	In relation to Section 3.8, approximately 75% of listed companies in Japan are Companies with *Kansayaku* board, and while *kansayaku* do not have voting rights at the board, they play an extremely important role in the governance of Companies with *Kansayaku* board due to their term of office of four years and strong audit authority as an independent body. In consideration of these circumstances for listed companies in Japan, it is not appropriate to discuss or evaluate whether governance is sufficient for a Company with *Kansayaku* board based only on the number or percentage of independent directors. Recently, there has been a growth in understanding towards the significance of *kansayaku* at Companies with *Kansayaku* board, as well as (overseas) institutional investors and proxy voting advisory companies that use numbers and percentages that total independent directors and independent *kansayaku* as benchmarks for the independence of the board, and accordingly it should be clearly stated in a note, etc. that the approach of including independent *kansayaku* in the quantitative criteria of at least one-third is available.	Although we agree with the comment that *kansayaku* and the *kansayaku* board have important roles and responsibilities for Companies with *Kansayaku* Board, Principle 4.8 of the Corporate Governance Code requires the effective use of independent directors as members of the board from the perspective of ensuring the independence and objectivity of the board in management oversight, and accordingly the judgment on at least one-third should be made based only on the ratio of independent directors to the total number of directors. It is expected that there will be constructive engagement between investors and companies in consideration of the intent of Section 3.8.
93	In relation to Section 3.8, each company should form an appropriate structure that suits their own company after taking into sufficient consideration factors such as the scale, business format, and characteristics of the business area for their company along with the voices of stakeholders including shareholders and investors. “Knowledge of finance, such as capital efficiency, and understanding of relevant laws and regulations” should not be represented as the necessary knowledge required for independent directors.	It was pointed out at the follow-up meeting that independent directors often lack knowledge of finance, such as capital efficiency, and understanding of laws and regulations. In consideration of this, Section 3.7 asks if the independent director has knowledge necessary for effectively contributing to sustainable growth of the company and mid/long-term enhancement of the corporate value, including knowledge of finance, such as capital efficiency, and understanding of laws and regulations. In consideration of these points, the levels of knowledge of finance and understanding of laws and regulations as well as other capabilities required should be constructively discussed between investors and the company taking into consideration the circumstances under which the company is placed
94	Is Section 3.8 saying that independent directors must have “knowledge of finance, such as capital efficiency, and understanding of relevant laws and regulations” at least? The level of the knowledge of finance and understanding of laws and regulations required for independent directors is unclear. Ambiguous expressions that lead to interpretations convenient for institutional	

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	investors should be reconsidered or deleted as such expressions might cause confusion.	
95	From the viewpoint of enhancing the effectivity, the phrases such as "useful for discussions about business strategies and exercise of supervisory function in performance evaluation" should be added to Section 3.8 in order to facilitate understanding as to why independent directors with such skills are needed, should it not?	
96	Using the words "such as profitability and capital efficiency" in Section 3.8 would keep consistency with Sections 1.2 and 1.3, would it not?	
97	In Section 3.8, the reference should also be made as to whether the independent directors have the knowledge, experience and other skills that are required for them to carry out their duties regarding advisory and mandatory committees to which they belong, should it not?	
98	Independent directors should be required to have the knowledge about the culture and history of the listed company for which they will work in order to be capable of filling the post of a "director."	
99	The reference to board director refreshment in Section 3.8 is welcomed. We suggest the following is also added to the Guidelines: "Does the board disclose the process for director nomination and election/re-election along with relevant information about the candidates?"	Principle 3.1 (iv) and (v) of the Corporate Governance Code requires the disclosure of "board policies and procedures in the appointment/dismissal of the senior management and the nomination of directors and *kansayaku* candidates" and "explanations with respect to the individual appointments/dismissals and nominations." Companies are required to disclose and publicize such information proactively. Your concern is included in said disclosure and publication.
100	We recommend the following is added to the Guidelines: "is one of the independent directors appointed the responsibility to be a main point of contact with shareholders?"	With the establishment of the Guidelines, it is expected that there will be constructive engagement between investors and companies. It has been

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		pointed out in the Follow-up Council that because independent directors have roles and responsibilities of appropriately incorporating the opinions of stakeholders including minority shareholders in the board, the participation of independent directors is important in engagement with investors. In this regard, Principle 4.13 of the Corporate Governance Code states that directors should proactively collect information to effectively fulfill their roles and responsibilities. In addition, Supplementary Principle 5.1.1 of the Corporate Governance Code states that the senior management or directors, including independent directors, should have a basic position to engage in dialogue with shareholders, and it is expected that companies work towards effective engagement with investors in consideration of this intent. Section 3.9 of the Guidelines points "Do independent directors recognize their roles and responsibilities, and provide advice and monitor management appropriately in response to business issues?", and it is expected for discussions to be held as necessary on the persons who are in charge of dialogue between investors and companies in consideration of this intent.
【Appointment of *Kansayaku* and Their Responsibilities】		
101	In relation to Section 3.10, is each individual *kansayaku* necessarily required to have knowledge on finance, accounting and the law?	Principle 4.4 of the Corporate Governance Code states that business and accounting audits are the important roles and responsibilities expected of *kansayaku* and the *kansayaku* board, and it is believed that the "necessary knowledge on finance, accounting and the law" in Principle 4.11 of the Corporate Governance Code refers to the knowledge required to fulfill these roles and responsibilities, and that such knowledge is required of each individual *kansayaku*.
102	In Section 3.10, in order to have *kansayaku* performing their duties, it should be stated that "a certain number of persons or more with appropriate experience, skills, and knowledge" are required. Hence, the wording should be as follows, should it not? Are "a sufficient number of persons" with appropriate experience and skills as well as knowledge on finance, accounting and the low appointed?	

No.	Summary of Comments	Our View
103	In relation to 3.10, it should be clarified the requirements that should be fulfilled by at least one *kansayaku* for audits should be "finance, accounting, and auditing" rather than "finance and accounting" for an effective response that ensures appropriate business audits along with proper accounting audits by the *kansayaku* board. The knowledge on auditing to fulfill this required would include not only audits of financial statements, but also business audits and internal audits.	Section 3.10 points "Are persons with appropriate experience and skills as well as necessary knowledge on finance, accounting and the law appointed as *kansayaku*?" and accordingly it is expected for constructive engagement to be held between investors and companies in consideration of the intent of these statements.
104	In relation to Section 3.10, accounting and auditing are closely related to each other, and yet are not the same. We should think that accounting and auditing require different knowledge and skills, and Section 3.10 should refer to not only accounting but also auditing.	
105	In relation to Section 3.10, *kansayaku* with sufficient knowledge concerning finance and accounting should particularly have the ethics required for sound business activities, in consideration of recent corporate accounting fraud cases at companies. This point should be clarified.	Under Principle 4.11 of the Corporate Governance Code, *kansayaku* are required to have the necessary knowledge on finance, accounting, and the law that is believed to be the knowledge necessary for fulfilling the roles and responsibilities expected including business audits and accounting audits. Furthermore, Principle 4.13 and Supplementary Principle 4.13.2 of the Corporate Governance Code state that *kansayaku* should proactively collect information, and as necessary, request companies to provide them with additional information, and consider consulting with external specialists. Section 3.10 of the Guidelines points "Are persons with an appropriate experience and skills as well as necessary knowledge on finance, accounting and the law appointed as *kansayaku*?", and accordingly it is expected for constructive engagement to be held between investors and companies in consideration of the intent of these statements.
106	In order to maintain and enhance the internal control within the listed company, *kansayaku* should be required to have high level knowledge enough to cultivate their insight for the corporate culture, sophisticate analyses for root causes in collaboration with the internal audit department as well as encourage the board to be aware of approaches for PDCA.	

No.	Summary of Comments	Our View
107	Company with Supervisory Committee or Company with Three Committees should appoint full-time supervisory committee members or audit committee members. Although the appointment of full-time committee members is not legally required for supervisory committee or audit committee, we believe that full-time committee members are an essential keystone for improving the ability of both committees to gather information, conduct organizational audits, and exchange information and communicate with all non-executive officers.	As pointed out, although Company with Three Committees or Company with Supervisory Committee are not required to appoint full-time audit committee members or supervisory committee members under the Companies Act, such companies could appoint full-time members based on their own judgment if deemed useful for effective audits. It is expected that there will be constructive engagement between investors and companies in consideration of the intent of Section 3.11.
108	Although there have traditionally been many negative opinions towards *kansayaku* issuing direct orders to the internal audit department that is under the command of management, it is necessary to develop internal structures that allow for *kansayaku* to also issue orders to the internal audit department. In addition, opportunities for the three parties of *kansayaku*, the internal audit department, and external auditor led by the *kansayaku* to gather and share information should be created and used in order to ensure the effectiveness of the audit function overall, and this point should be clarified in Section 3.11.	Principle 4.13 of the Corporate Governance Code states that companies should establish a support structure for *kansayaku* including providing sufficient staff, and Supplementary Principle 4.13.3 of the Corporate Governance Code requires the securing of coordination between the internal audit department and *kansayaku* as part of that support structure. In addition, Supplementary Principle 3.2.2(iii) of the Corporate Governance Code states that adequate coordination between external auditor and each of the *kansayaku* (including attendance at the *kansayaku* board), the internal audit department, and outside directors should be ensured in order to discovered problems at an early stage and ensure appropriate audits. Companies are expected to make full efforts in consideration of the intent of these principles. Section 3.11 points, “Is a sufficient support structure for *kansayaku* established and appropriate coordination between *kansayaku* and the internal audit department ensured?”, and it is expected that there will be constructive engagement between investors and companies in consideration of this intent.
109	In Section 3.11, in consideration of the current situation where investors do not necessarily have a full understanding of accounting audit, what about listing specific details that should be mentioned in the engagement? Following is an example: “Do	Section 3.11 asks if *kansayaku* conduct business audits appropriately and act effectively to secure proper accounting audits, which includes the solution to your concern.

No.	Summary of Comments	Our View
	kansayaku… act effectively to secure proper accounting audits? (e.g. confirmation of independency of accounting auditors and exercise of occupational suspicion, and effective communication with accounting auditors).”	
4. Cross-Shareholdings		
【Assessment of Whether or not to Hold Cross-Shareholdings】		
110	In relation to Section 4.1, investors should emphasize that the practice of cross-shareholdings raises concerns not only about inefficient use of shareholder funds but also their potential contribution to unfair competition, poor corporate governance and unequal treatment of shareholders. We would therefore challenge the company if it considers any such holdings ‘appropriate’ and question whether they are beneficial for other investors including institutional and retail.	We appreciate your support for the intent of the Guidelines.
111	Sections 4.1 and 4.2 should clearly state that only “shares of listed companies ” are the targets by using a phrase such as “shares of other listed companies owned as so-called ‘cross-shareholdings’” as the Corporate Governance Code does.	As the Guidelines are the supplemental document to the Corporate Governance Code, the Guideline assumes that “cross-shareholdings” mean the shares of listed companies.
112	In relation to Sections 4.1 and 4.2, the purpose or status of cross-shareholdings of shares of non-listed companies often cannot be disclosed due to a non-disclosure agreement between partners or on the grounds of corporate secret. As such, we think that those shares should be exempted from the disclosure to be conducted for the purpose of the verification on whether holding of such shares is appropriate or not. Therefore, it should be noted that only “shares of listed companies” are the targets by using a phrase such as “shares of other listed companies owned as so-called ‘cross-shareholdings’” as the Corporate Governance Code does.	
113	Footnote 4 of Section 4.1 provides that “Cross-shareholdings include shares that are not directly held by a company but in practice are under the company’s control.” Am I correct to think that the shareholdings for which retirement pension trust is set up are not regarded as cross-shareholdings when those shares are not intended to be owned as cross-shareholdings?	If the shareholdings for which retirement pension trust is set up fall under the “deemed cross-shareholdings” under Cabinet Office Ordinance on the Disclosure of Company Affairs, those shareholdings would fall under the scope of footnote 4 of Section 4.1 of the Guidelines. Furthermore, it is pointed out that there might be cases in which shareholdings which are supposed to be cross-shareholdings are classified

No.	Summary of Comments	Our View
		as pure investment. Investors and companies are expected to discuss the purpose of holding cross-shareholdings in the constructive engagement in consideration of the intent of Section 4.1.
114	In footnote 4 of Section 4.1, shareholdings as a result of a set-up of retirement pension trust are treated equally with cross-shareholdings. However, the voting rights attached to shares subject to the retirement pension trust must not be exercised for the benefit of the issuer of said shares, the company which sets up the retirement pension trust and/or shareholders of that company, at the sacrifice of benefits for the employees as beneficiaries of the retirement pension trust, pension recipients, etc. To clarify this point, the Guideline should clearly state that the voting rights attached to the shares subject to the retirement pension trust should be exercised for the benefit of the beneficiaries.	Thank you for your valuable opinion.
115	Section 4.1 asks that "Does the company clearly explain the purpose of each cross-shareholding and the status of its cross-shareholdings, including any changes in its cross-shareholdings?" Does the part "each cross-shareholding" mean all the shares of listed companies subject to the cross-shareholdings?	It would be important to fully consider interests of investors before deciding the scope of the shares for which the purpose and status of cross-shareholdings, including any changes in the cross-shareholdings, to be explained.
116	In relation to Section 4.1, the scope of examination of the appropriateness of holdings by the board should be limited to "major" cross-shareholdings as under the current Code. Matters related to cross-shareholdings are within the scope of the execution of business, and it is sufficient for the board to conduct relatively important matters, namely the examination of the reasonableness of policies on cross-shareholdings and major cross-shareholdings. Investors do not desire the board to have discussions on the execution of business in more detail than this.	In the Follow-up Council proposal, it has been pointed out that cross-shareholdings are meaningful in promoting strategic partnerships. However, it has also been pointed out that the presence of shareholders who are expected to support company management could lead to a lack of management discipline, and that such cross-shareholdings are risk assets on company's balance sheet that are not proactively used and therefore inefficient in terms of capital management, and considering these

No.	Summary of Comments	Our View
117	As the important matters that should be deliberated by the board vary by company and there are various forms of holding for each cross-shareholding share issue, we are concerned that having the board conduct an examination on all share issues could lead to a decline in the effectiveness of the function of the board, and that in some cases it could be appropriate to delegate the examination of cross-shareholding other than major cross-shareholding to the business execution side. In relation to Section 4.1, is the understanding correct that it is not required for the board to conduct all examination work for all listed cross-shareholdings?	circumstances, it is important for investors and companies to deepen their engagement on cross-shareholdings. In consideration of these circumstances, the proposal requires companies to assess whether or not to hold each individual cross-shareholding, and clearly disclose and explain the results of this assessment after specifically examining the purpose, benefits, and risks of each holding. While it can be assumed that the execution side will conduct some preparation work when the board assesses whether individual shareholdings are appropriate, even in such cases, it will be necessary for the board to assess individual holdings on its own when complying under Principle 1.4 of the Corporate Governance Code which is the basis for Section 4.1. It can be assumed that the board will not assess certain cross-shareholdings in consideration of individual circumstances under "comply or explain" approach, and in this case, it will be necessary to provide a sufficient explanation of the reason for explaining under Principle 1.4 and to disclose the details of the cross-shareholdings that were examined by the board.
118	In relation to Section 4.1, because sufficient information on cross-shareholdings is currently being provided in the securities report, we have not heard comments from investors calling for more detailed information disclosure or disclosure of the results of the examination of the appropriateness of individual holdings. Because the results of the contents of examinations often include highly confidential matters such as the details of transactions and business strategy (for example, shareholdings of companies for which acquisitions or business alliances are being considered in the future), external disclosure or explanation is difficult from the perspective of corporate secrecy. Accordingly, the disclosure of the results of examination is not required.	In consideration of the Follow-up Council proposal stating that it is important for investors and companies to deepen their engagement on cross-shareholdings and that the results of the assessment of the appropriateness of cross-shareholdings are important for such engagement, Principle 1.4 of the Corporate Governance Code on the premise of Section 4.1 of the Guidelines requires disclosures on the results of this assessment. However, it is not necessarily required to disclose the results of examination including the appropriateness of cross-shareholding for each individual cross-shareholding. On the other hand, rather than a general or abstract disclosure such as merely "the appropriateness of all cross-shareholdings was

No.	Summary of Comments	Our View
119	Section 4.1 states “Does the board assess …whether the benefits and risks from each holding cover the company’s cost of capital? Does the company appropriately make decisions based on such assessment? Does the company clearly disclose and explain the result of this assessment?”. In relation to this section, we believe that explanations on the aim and reasonableness of principal cross-shareholdings that have already been disclosed are sufficient. Meanwhile, we believe that it would be difficult from a practical standpoint for the board to review and examine each individual cross-shareholding and it would be difficult in practice to disclose the details of such reviews and examinations on individual cross-shareholding in consideration of the confidentiality of transactions with the companies whose shares are held.	recognized as a result of examination”, it is expected that specific disclosures are provided in consideration of the intent of the Code, such as: ・What points were focused on and what standards were set in the assessment of the appropriateness of cross-shareholdings, including whether the purpose of holding is appropriate or whether the benefits and risks from each holding cover the cost of capital? ・What kind of discussions were held in consideration of the standards that were set to examine the appropriateness of individual cross-shareholding? ・What kind of conclusions were reached on the appropriateness of cross-shareholdings as a result of discussions? Section 4.1 states “Does the company clearly disclose and explain the results of this assessment?” regarding the assessment of the appropriateness of individual cross-shareholdings, and it is expected that there will be constructive engagement between investors and companies in consideration of the intent of this statement. Furthermore, the role of the disclosure related to cross-shareholdings in the securities report is under consideration by the FSA’s Working Group on Corporate Disclosure of the Financial System Council.
120	Section 4.1 asks if “… the company clearly disclose and explain the results of this assessment.” However, it is unclear if the company should disclose the assessment results of each cross-shareholding or collective assessment results of all its cross-shareholdings. Companies have to be careful about non-disclosure agreements or discussions with the companies whose shares are the subject to the cross-shareholdings. Therefore, it would be appreciated if you allow companies to disclose the collective assessment results of all the company’s cross-shareholdings, not the assessment results of each cross-shareholding, as the subject of the engagement. Additionally, we want you to specifically indicate the consistency with the disclosure required for the annual securities report.	
121	The examination of the appropriateness of cross-shareholdings is important, and ensuring the transparency of the process of examination is important. However, if the results of the examination of individual cross-shareholdings are disclosed, there are concern that it could result in large volumes of disclosures, which would be a burden for issuers. For this reason, we would like to confirm that the disclosures of the results of the examination of holdings required in Section 4.1 does not refer to the disclosure of the results of examination for each individual share issue.	

No.	Summary of Comments	Our View
122	Because the actual purpose of cross-shareholdings is often closely aligned with business strategy in many cases, it can be assumed that there are share issues for which individual disclosure is not possible from the perspective of corporate confidentiality. Accordingly, is the understanding correct that the disclosure of the results of examinations mentioned in Section 4.1 is not referring to disclosures for each individual share issue?	
123	In relation to Section 4.1, there would be extremely high volumes of disclosures if the results of the examination of all share issues were to be disclosed and it would be difficult to disclose the results of examinations from the perspective of confidentiality including the details of transactions and contents related to corporate strategy. Accordingly, is our understanding correct that this section is not calling for the disclosure of the results of examination of all share issues?	
124	Section 4.1 mentions "voting rights as to cross-shareholdings." However, it is unclear how voting rights as to cross-shareholdings relate to the company's governance and the investors do not request explanation. There is little need to particularly and selectively discuss these topics in the engagement between the company and investors.	Principle 1.4 of the Corporate Governance Code before the revision required the establishment and disclosure of standards to ensure an appropriate response towards the exercise of voting rights in consideration of concerns such as the oversight function of the general shareholder meeting on the exercise of voting rights becoming a mere formality, in other words, a situation in which the exercise of voting rights loses substance. However, it has been pointed out regarding these standards that in some cases the contents are not very clear and they should be disclosed to ensure more substantial contents and that efforts should be made to ensure the appropriateness of the exercise voting rights related to cross-shareholdings. In consideration of these comments, under this revision, Principle 1.4 of the Corporate Governance Code requires the establishment and disclosure of specific standards to ensure an appropriate response to the exercise of voting rights, and it has been clarified that companies should respond in accordance with such standards.
125	How about establishing regulations on unfair intervention on the exercise of voting rights attached to the shares subject to cross-shareholdings at the shareholders' meeting? For example, regulations should be added to check if cross-shareholders are under the unfair pressure regarding the exercise of its voting rights, or are suggested a reduction of transactions due to the exercise of its voting rights (casting of dissenting votes), should it not?	

No.	Summary of Comments	Our View
		Section 4.1 states “Has the company established appropriate standards that are clearly disclosed with respect to the voting rights as to cross-shareholdings?”, and it is expected that there will be constructive engagement between investors and companies regarding whether the contents of these standards are sufficiently specific in consideration of the intent of this statement.
126	Although Section 4 “Cross-Shareholdings” could be read as meaning that holdings could be justified if the holding purpose is appropriate and the benefits and risks from each holding cover the cost of capital, shouldn’t it be clearly prescribed that cross-shareholdings should be reduced as a general rule?	In the Follow-up Council proposal, it has been stated that while cross-shareholdings have decreased recently, the decrease by non-financial corporations is modest, and the ratio of voting rights accounted for by cross-shareholdings remains high. It has been pointed out that cross-shareholdings are meaningful in promoting strategic partnerships between companies. However, it has also been pointed out that the presence of shareholders who are expected to support company management could lead to a lack of management discipline, and that cross-shareholdings are risk assets on company balance sheet that are not proactively used and are therefore inefficient in terms of capital management. In consideration of these comments and others suggesting that cross-shareholdings should be reduced as much as possible, with this revision, Principle 1.4 of the Corporate Governance Code clearly indicates that “When companies hold shares of other companies as cross-shareholdings, they should disclose their policy. With respect to doing so, including their policies regarding the reduction of cross-shareholdings”. Section 4.2 is established in consideration of this intent and it states “As part of its cross-shareholding policy disclosure, does the company make clear its policy regarding the reduction of cross-shareholdings, and take appropriate actions in accordance with the policy?”. Although this revision of the Corporate Governance Code and
127	From the perspective of improving corporate value, it is only natural to constantly examine the reasonableness of cross-shareholdings and to dispose of holdings that are held for no reason in consideration of explanations on the purpose and reasonableness of holdings in engagement with investors. On the other hand, there are also cross-shareholdings that are necessary from the perspective of mid- to long-term improvements in corporate value for purposes such as the establishment and strengthening of long-term and stable relationships with business partners and the facilitation and strengthening of business alliances and joint ventures. Accordingly, it would be appropriate to modify Section 4.2 to something such as “the policies and approaches towards the reduction and holding of cross-shareholdings”	
128	Cross-shareholdings are held for various purposes depending on the type of industry or business, and because there are various purpose that contribute to long-term improvements in corporate value including the maintenance and strengthening of long-term and stable business relationships with business partners and the forming of corporate alliances through capital partnerships, such holdings should not be reduced uniformly.	

No.	Summary of Comments	Our View
	In addition, because companies started to dispose of holdings found to be held for no reason as the result of examinations of the reasonableness of cross-shareholdings due in part to the introduction of the code as steady progress has been made toward the reduction of cross-shareholdings that are not reasonable, engagement based on the assumption that should reduce cross-shareholdings would not be meaningful, although we are not necessarily opposed to engagement between investors and companies on policy of cross-shareholdings.	establishment of the Guidelines do not necessarily uniformly require the reduction of cross-shareholdings, Principle 1.4 of the Corporate Governance Code states that "the board should annually assess whether or not to hold each individual cross-shareholding, specifically examining whether the purpose is appropriate and whether the benefits and risks from each holding cover the company's cost of capital", and it is believed that cross-shareholdings will be reduced in many cases as a result of such examinations. While some have the opinion that cross-shareholdings can be allowable if reasonableness and transparency is ensured in cases such as strategic alliances, there are also views that presence of shareholders who are expected to support company management could lead to a lack of management, and that such holdings are risk assets on company's balance sheet that are not proactively used and therefore inefficient in terms of capital management. Therefore, it is necessary to carefully disclose and explain the details of examinations in order to gain the understanding of stakeholders including investors.
129	In relation to Section 4.2, although cross-shareholdings have been used in Japan to establish long-term business relationships at a low cost through the mutual bearing of risks with cross-shareholdings including the establishment of value chains, we believe that the wording of the revision proposal could give the impression that the reduction of cross-shareholdings is customary, and we would like for the use of wording that gives the impression that reduction itself is a positive to be avoided.	
130	In relation to Section 4.2, is the understanding correct that "policy regarding the reduction of cross-shareholdings" does not call for uniform reduction without taking into consideration whether holdings contribute to mid- to long-term improvements in corporate value?	
131	Section 4.2 asks "as part of its cross-shareholding policy disclosure, does the company make clear its policy regarding the reduction of cross-shareholdings, and take appropriate actions in accordance with the policy?" Is it OK to understand that said policy does not mean the disclosure of the policy on individual cross-shareholdings?	When Section 4.2 mentions "policy regarding the reduction of cross-shareholdings," it does not necessarily require such a policy to be established for each cross-shareholding. However, considering that Section 4.2 asks if such a policy is clearly established and appropriate actions are taken in accordance with such a policy, it is expected that the policy is specific enough and easy to understand for investors.
【Relationships with Cross-Shareholders】		

No.	Summary of Comments	Our View
132	In relation to Section 4.3, cross-shareholdings also include holdings aimed at mutual intentions to strengthen partnerships and expand transactions through mutual shareholdings and improve corporate value as a result (so-called “capital alliances”), and because such cross-shareholdings include assumptions that the selling of shares will lead to a reduction in partnerships or business transactions based on agreements or contracts between the parties, this section should be reviewed or even deleted.	Supplementary Principle 1.4.1 of the Corporate Governance Code is established based on comments on the importance of discipline on issuing companies at the Follow-up Council in consideration of comments on the presence of cases of issuing companies that try to hinder the sale of shares by, for instance, implying a possible reduction of business transactions if a company with cross-shareholdings indicates the intention to sell shares to an issuing companies if an examination of the appropriateness of cross-shareholdings finds that the cross-shareholdings have little meaning. Section 4.3 of the Guidelines is established in consideration of this intent. While the view is also presented at the Follow-up Council that cross-shareholdings could be unnecessary to maintain business relationships, Section 4.3 does not necessarily prohibit such agreements or contracts that were mentioned in such comments. However, this principle does clarify that issuing companies should not hinder the sale of the cross-held shares by, for instance, implying a possible reduction of business transactions if a company with their cross-shareholdings indicates their intention to sell the cross-shareholdings.
133	In relation to Section 4.3, mutual expansions of transactions and business alliances, and by extension, measures to improve mutual corporate value assume the maintenance of mutual long-term business relationships between companies, and because setting rights and obligations in contracts is not necessarily sufficient, in many cases mutual shareholdings are assumed as a commitment to the maintenance of long-term business relationships and the improvement in the corporate value of the other company. In such cases, it is only natural for the selling of cross-shareholdings to lead to a reduction in partnerships or business transactions, and when long-term cross-shareholdings as an assumption for business alliances is included in a contact, the dissolution of such business alliances due to a sale is a natural consequence of such a contract, and accordingly, we are opposed to the dialogue if it is based on the assumption that should prohibit implication of the reduction of business transactions without exception in response to consultations on the selling of cross-shareholdings.	
134	A distinction should be made between arms-length transactions in general business relations that should be focused on in Section 4.3 and participation in business and capital alliances that could be exceptions to Supplementary Principle 1.4.1 of the Corporate Governance Code.	
135	I understand that the economic rationale of transactions in Section 4.4 includes the importance of an examination from the perspective of the legitimacy and fairness of the transaction, for example, whether the process of the transaction is advantageous or disadvantageous and whether it is hard to consider the transaction arms-length due to	Supplementary Principle 1.4.2 of the Corporate Governance Code indicates that it is important for companies to examine the underlying economic rationale of the actual transactions with cross-shareholders in consideration of the comment in the Follow-up Council that there is the possibility that

No.	Summary of Comments	Our View
	relationships including forces or involuntary intent close to submission. However, if the wording “economic rationale” is used without a supplementary explanation, there is the risk of the status quo being maintained without improvement as the economic rationale of transactions will be established when comparing the transaction amount in proportion to the amount of cross-shareholdings and the internal logical of the issuing company is applied as up until now. Accordingly, the wording “economic rationale of transactions” should be revised to the “legitimacy and fairness of transactions”, or at the very least a supplementary explanation on this inclusion should be stated.	transactions between companies and cross-shareholders might lack an economic rationale for such companies. Section 4.4 is established in consideration of this intent. For this reason, the “underlying economic rationale” in Section 4.4 is believed to include the perspective of the legitimacy and fairness of transactions. When examining the economic rationale of transactions, it is important to consider why a business partner that is a cross-shareholder recognized a transaction as reasonable, for example, through comparison of transaction conditions, etc. with other similar business partners who are not cross-shareholders.
136	In relation to Section 4.4, the engagement from the following viewpoint is more appropriate for investors, is it not? Whether the investee company has a transactional relationship with the cross-shareholders, and if yes, whether the assessment of economic rationale of the transactions is appropriately carried out.	
137	In relation to Section 4.4, directors have a duty of care of a prudent manager towards the company under the Companies Act, and it is natural that they should not conduct transactions that damage the joint interests of the company and shareholders. It is not needed to purposely state such matters in the Code regarding transactions with cross-shareholders.	
5. Asset Owners		
138	In relation to 5.1, we welcome the inclusion of questions about corporate pension funds’ stewardship activity and disclosure on measures taken, including on how the company ensures it has sufficient investment management and stewardship expertise to monitor asset managers. A key recommendation of the PRI’s Fiduciary Duty in the 21st Century Japan Roadmap is that corporate pension plans should be encouraged to sign the Stewardship Code, noting that a limited number have signed up. We note the importance of pension funds stewardship activity to encourage mutual reinforcement high standards of corporate governance encourage consistency of higher standards of governance and stewardship throughout the investment chain.	We appreciate your support for the intent of the Guidelines.

No.	Summary of Comments	Our View
139	We are opposed to the establishment of Section 5.1. Because there are some corporate pension funds that have not developed a structure for monitoring asset managers or that would have difficulties supporting this principle, there are some companies for which it would be difficult to respond if a uniform response were required. In addition, because the importance of the impact that the operation of corporate pension funds has on sustainable growth and mid- to long-term improvements in corporate value as required by the Corporate Governance Code differs depending the circumstances of the company, establishing specific regulations on the systematic recruitment or placement of appropriate human resources for the specific area of investments by corporate pension funds is not appropriate in consideration of the intent of the Corporate Governance Code. Furthermore, although conflicts of interest should be managed appropriately, there are concerns that if this item is incorporated it could damage the independence of investments by corporate pension funds from increased involvement by plan sponsor companies in terms of human resources and operational practice by corporate pension funds, and by extension, require listed companies to comply with the Stewardship Code beyond the scope of the Corporate Governance Code.	In the Follow-up Council proposal, it has been pointed out that the role of asset owners who are positioned closest to the ultimate beneficiaries and that encourage and monitor asset managers that are the direct counterparties in engagement with companies is extremely important to deepen corporate governance reform and promote the investment chain function. At the Follow-up Council it has been also pointed out that corporate pension funds have not sufficiently developed investment structures including stewardship activities and that such efforts have not necessarily been sufficient. Although these are issues that should primarily be addressed by corporate pension funds themselves, in the Follow-up Council proposal it is stated that plan sponsor companies that support the operations of corporate pension funds should sufficiently recognize that the investment by corporate pension funds impacts stable asset formation for employees and companies' own financial standing and take measures on their own to improve human resources and operational practice so that corporate pension funds can perform their role as asset owners. In the Follow-up Council proposal, it is expected that each company makes efforts depending on their own circumstances in consideration of the various forms and size of corporate pension funds so that corporate pension funds fulfill their function as asset owners, the Stewardship Code becomes more widely accepted, and effective stewardship activities are implemented. Principle 2.6 of the Corporate Governance Code and Section 5.1 are newly established in consideration of this view. As improving expertise of corporate pension fund as asset owners is believed to contribute to the asset formation of employees who are stakeholders of the plan sponsor companies and such contribution to
140	We think that even a listed company might assign a third party to play full roles as an asset owner according to its size as an issuer. What is your intention to incorporate the provision in Section 5.1 into the Guidelines, particularly?	
141	If the pension fund sponsor can take well-planned personnel measures considering personnel's capability appropriate for the operation of corporate pension funds, it will contribute to the stable operation of the pension funds and we should welcome that. However, the required skills of the persons to be appointed vary according to the size or system of the pension fund sponsor or corporate pension funds. I kindly ask you to make sure that Section 5.1 is based upon the premise that the persons are appointed in accordance with each situation in which the pension fund is put without depending too	

No.	Summary of Comments	Our View
	much upon their expertise in operation.	employees and positive impact on the financial standing of plan sponsor companies lead to improvements in mid- to long-term corporate value, we believe they are also important for ensuring the interests of shareholders and other stakeholders. It is important for companies to clearly disclose and explain such measures in consideration of the intent of the statement. Furthermore, it is important to appropriately manage conflicts of interest that could arise between plan sponsor companies and corporate pension fund beneficiaries as a result of these activities, and Principle 2.6 of the Corporate Governance Code and Footnote of Section 5.1 also incorporates this view.
142	It is highly probable that disclosure of and explanation about the measures to improve human resources and operational practices will be a hardship in smooth personnel allocation within the company. Therefore, we want you to delete the wording "Are these measures clearly disclosed and explained?"	
143	The sizes of corporate pension funds are considerably different depending upon the company. If the corporate pension funds are operated in a small size, the compliance with the Section will be difficult. As the handling of corporate pension funds is severely governed by the Asset Management Guidelines of the Ministry of Health, Labor and Welfare and the basic policy for the operation has just been reviewed, the provision set forth in this Section does not exactly sound right. In addition, we want you to set up a condition to apply the provision, for example, applicable to the corporate pension funds with the assets of 50 billion yen worth or more, instead of applying the provision to all the corporate pension funds.	
144	In the statement made at the follow-up meeting, the indication was the "more than 10,000 corporate pension funds." However, the most corporate pension funds are with the assets of less than 30 billion yen worth while there are more than few corporate pension fund systems with the expected assets of several hundred million yen. For the corporate pension fund systems with insufficient assets, it is difficult to establish their own diversified investment system. Those fund systems have no choice but to rely upon joint fund management. Small and week corporate pension funds cannot easily appoint their dedicated fund manager.	
145	Do the corporate pension funds in Section 5.1 include not only defined benefit plans, but also defined contribution plans? Defined contribution plans are also managed by companies, and there is no difference in their responsibilities towards employees. In fact, considering that investment risks and costs are directly attributed to employees, and accordingly the importance of	The term "corporate pension funds" in Section 5.1 basically assumed fund-type and trust-type defined benefit plans and employee pension funds. As you have pointed out, because the management of defined contribution plans has an impact on the asset formation of employees in the same manner as defined benefit plans, in general it is expected that appropriate measures

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	monitoring asset managers and investment instruments and preventing conflicts of interest is actually higher than for defined benefit plans, from this perspective it would be appropriate to also include defined contribution plans in "corporate pension funds".	will be taken by companies in areas including the selection of investment institutions and asset managers and the implementation of education on asset management to employees.
146	For the "conflicts of interest" mentioned in the footnote of Section 5.1 of the Guidelines, what kind of situations are specifically presumed?	There are a variety of cases assumed where "conflicts of interest" occur according to the situation in which the pension fund sponsor or corporate pension fund are in. An example of such cases would be the case in which any investment made by the corporate pension funds includes the shares in the pension fund sponsor or in a company which has a relationship involving a special interest with the pension fund sponsor and the voting rights attached to such shares will be exercised. Companies are required to anticipate the cases in which a conflict of interests could occur and take measures to avoid such a conflict of interest and exclude impacts from it.
147	Section 5.1 of the Guidelines provides that "… in order to increase the investment management expertise of corporate pension funds (including stewardship activities such as monitoring the asset managers of corporate pension funds), thus making sure that corporate pension funds perform their roles as asset owners?" What details are specifically expected for their roles as asset owners?	The Stewardship Code requires asset owners to engage in stewardship activities as much as possible, or in the case that they do not directly engage in stewardship activities, to instruct their asset managers to be engaged in effective stewardship activities on their behalf (Guidance 1-3). The Stewardship Code also requires asset owners to provide their asset managers with issues and principles to be required in conducting stewardship activities (Guidance 1-4) while requiring asset owners to monitor their asset managers effectively (Guidance 1-5). Corporate pension funds are expected to play these roles effectively while considering the situation in which they are put.
148	We understand that funds are expected to promote stewardship activities. As the backdrop of the provision in the Guidelines, what kind of activities are specifically expected as the stewardship activities carried out by the funds? Do you expect that the funds involve themselves into the engagement with the issuer in which they invest?	
Others		
149	The response of the investee company to ESG issues will lead to the response to the risk of future impairment to the corporate value, and therefore is important information for institutional investors. Therefore, the Guidelines should also include the provisions	In consideration of this comment, it will be clarified in Chapter 3 "Notes" of the Corporate Governance Code that the non-financial information

No.	Summary of Comments	Our View
	that promote investee companies to disclose their approach to ESG issues. In relation to Section 1.1, in order to achieve sustainable corporate growth and improvement of corporate value over mid- to long-term, it is important to position the approach to the ESG issues at the center of the business management under the serious commitment of the management team. Therefore, the wording "additionally, is the approach to ESG issues positioned at the center of business strategies and plans?" should be added at the end of the current draft.	referred to here includes information related to ESG elements. In the provision of statutory disclosures and voluntary disclosures of non-financial information including such information by companies, it is important to consider the contents appropriate for disclosure in consideration of the roles of each disclosure and the interests of stakeholders.
150	In relation to Section 1.1, we welcome reference to sustainable growth and increase in corporate value over the mid to long term. We recommend that companies: • disclose how the Board has considered ESG issues in decision making and the formation of its strategy • disclose how their business strategies are designed to support sustainable growth and long term value with regard to ESG issues • clearly articulate their corporate purpose.	
151	In relation to Section 1.3, we would recommend to include a reference to climate change and Environmental, Social, Governance (ESG) risks	
152	General Principle 2 of the Corporate Governance Code provides that "Companies should fully recognize that their sustainable growth and the creation of mid- to long-term corporate value are brought about as a result of the provision of resources and contributions made by a range of stakeholders, including employees, customers, business partners, creditors and local communities. As such, companies should endeavor to appropriately cooperate with these stakeholders." To that end, the Guidelines should also incorporate the views of the contribution to and cooperation with local communities.	The Guidelines are intended to be a supplemental document to the Corporate Governance Code; therefore, the importance of appropriate cooperation with a range of stakeholders, including employees, customers, business partners, creditors and local communities, is one of the premises. When carrying out the engagement about matters specified in the Guidelines, it is important to take this point into consideration, as necessary.
153	Stewardship remains challenging in Japan due to the lack of collaborative engagement between investors. Therefore, we strongly advocate FSA provides additional clarity on the ability and importance of collaborative engagement.	In relation to collective engagement, when the Stewardship Code was revised in 2017, Guidance 4-4 included that it would be beneficial for institutional investors to engage with investee companies in collaboration with other institutional investors (collective engagement) as necessary. We are aware that institutional investors have already started their approaches
154	We suggest that the Guidelines should encourage collective engagement by investors as appropriate. For this reason, we believe that FSA should provide further	

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	clarification in writing as to the circumstances under which investors may or may not be able to act collectively.	to collective engagement in Japan in response to the revision. In relation to this point, "Clarification of Legal Issues Related to the Development of the Japan's Stewardship Code" (https://www.fsa.go.jp/en/refer/councils/stewardship/20140226.pdf), which was published in February 2014, clarified its interpretation as to when "joint holders" under the large shareholding reporting (and "a person in a special relationship" under the TOB rules) will be applied. As to this point, please also refer to answer no. 19 to 21 given to the public comments (https://www.fsa.go.jp/en/refer/councils/stewardship/20170529/04.pdf) at the time of revision of the Stewardship Code in 2017. We expect that institutional investors proceed with their approach to collective engagement as necessary in consideration of the intent of the Stewardship Code.
155	It might be appropriate for the Guidelines to encourage investors to engage collaboratively on issues relating to long term value creation.	