

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

No.	Summary of Comments	Our View
Overall		
1	<p>In order to enhance the "substance" of corporate governance, we pay attention to three elements from the practical business perspective: "Vision and basic policy," "Targets and methods of supervision and monitoring," and "Disclosure and dialogue with investors." In the Follow-up Council for the revision, substantial discussions were held on each of the above three elements for each issue, and the overall level of the Corporate Governance Code and the Guidelines for Investor and Company Engagement was greatly improved.</p>	<p>We appreciate your support for the intent of the revision of the Guidelines for Investor and Company Engagement ("Guidelines")</p>
2	<p>The content of the proposed revised draft contains many important points in constructive dialogue between investors and companies, and is highly agreeable as a direction.</p>	
3	<p>We regard the protection of minority shareholders through good corporate governance as necessary to safeguard and promote the fund's long-term financial interests. We recognize the importance of Japan's Corporate Governance Code and the Guidelines in promoting corporate governance standards in the Japanese market. We provided feedback for the update of the Code and the Guidelines in 2018, and we are pleased to see continued improvements that work towards higher corporate governance standards and better protection of shareholder interests in Japan.</p> <p>The Guidelines cover important dimensions of company engagement and are useful for institutional investors and companies alike.</p>	

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4	<p>We fully support current efforts by the FSA to strengthen Japan's position as a preeminent global and regional financial center. In this context, we wish to express our appreciation for the FSA's continued work to enhance corporate governance practices in Japan, including efforts to continually update and improve the Guidelines, the Corporate Governance Code, and the Stewardship Code.</p>	
5	<p>We welcome the revised Guidelines, which explicitly recognizes the importance of sustainability (including ESG issues), board responsibility and diversity in creating long-term corporate value. We recommend that the Council of Experts provide greater clarity on how the Guidelines should be used by investors and companies to implement the Stewardship Code and the Corporate Governance Code. For example, the Guidelines could cross reference principles in each of the Codes that these agenda items are designed to support and provide contextual information to users on why specific questions or items have been included and what is current and good practice in the market. We also suggest that a review is conducted to examine how the Guidelines are being used by investors and companies and how it can be improved. While the Guidelines are designed to promote constructive dialogue, it is important to ensure they do not lead to investors interpreting their stewardship responsibilities as being limited to asking investee companies questions. The purpose of the engagement/dialogue should be clearly defined, including that investors should clearly communicate their objectives and expectations to companies.</p> <p>Rather than being interpreted as a checklist of agenda items for engagement, the Guidelines should be used as a tool to drive a two-way meaningful dialogue between investors and companies. To be effective in promoting the sustainable growth of</p>	<p>We appreciate your support for the intent of the revision of the Guidelines. The Guidelines are intended to be a supplemental document to the Stewardship Code and the Corporate Governance Code, which provide agenda items for engagement that institutional investors and companies are expected to focus on for sustainable growth and enhancement of corporate value over the mid- to long-term. Investors and companies are expected to use the Guidelines together with the Corporate Governance Code, and we will strive to further disseminate and publicize the Guidelines. The Guidelines do not limit the content of engagement as a stewardship activity by institutional investors.</p> <p>As with the Corporate Governance Code, it is expected that the Guidelines will be implemented in a practical manner, not in a formal manner, taking into account the purpose of each item.</p>

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	<p>companies and enhancing medium- to long-term value, constructive and purposeful engagement should enable investors to share their views and expectations of corporate management in general and in relation to managing ESG risks and opportunities, while also allowing companies to provide further detail and clarity on their strategy and the relationship between ESG factors, their business model and financial performance.</p>	
6	<p>In this revision, important revisions have been made not only to the Corporate Governance Code but also to the Guidelines. We support these revisions.</p> <p>The Guidelines are "a supplemental document to the Stewardship Code and the Corporate Governance Code" and are expected to be based on the purpose of the Guidelines when companies implement the principles of the Corporate Governance Code. However, there is a risk that many companies and investors will not pay much attention to the revision of the Guidelines. Therefore, please provide a disclosure, explanation, and publication that show the relationship between the Corporate Governance Code and the Guidelines and that show that the items in the Guidelines "are the items that we want companies to achieve."</p>	<p>The Guidelines are intended to be a supplemental document to the Stewardship Code and the Corporate Governance Code, which provide agenda items for engagement that institutional investors and companies are expected to focus on for sustainable growth and enhancement of corporate value over the mid- to long-term. Investors and companies are expected to use the Guidelines together with the Corporate Governance Code, and we will strive to further disseminate and publicize the Guidelines.</p>
7	<p>Although the Guidelines are positioned as a supplemental document to the Stewardship Code and the Corporate Governance Code, it is undeniable that they draw less attention than both Codes. In order to increase the effectiveness of the Guidelines, further efforts should be made to disseminate them.</p>	
8	<p>The reality is that we do not pay much attention to the revision of the Guidelines. Therefore, I would like you to explain the relationship between the Corporate</p>	

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	<p>Governance Code and the Guidelines, as well as the items described in the Guidelines, and to make the Guidelines widely used.</p>	
9	<p>Along with the revision of the Corporate Governance Code, important revisions have been made to the Guidelines. The Guidelines are "a supplemental document to the Stewardship Code and the Corporate Governance Code." When they comply with a principle of the Corporate Governance Code, or, if not, explain the reasons why they are not doing so, it is "expected to consider the contents of the Guidelines."</p> <p>Accordingly, in order to enhance the effectiveness of the Corporate Governance Code, it is hoped that, through clarifying the relationship between the Corporate Governance Code and the Guidelines by clearly stating the existence of the Guidelines in the explanation of the content of the "comply or explain" approach in the Corporate Governance Code or Listing Regulations, the existence of the Guidelines and the purpose of the Guidelines will be thoroughly understood.</p>	
10	<p>Footnote 2 of the Guidelines, "Even when a company complies with a principle, it is beneficial for the company to proactively explain its specific implementation activities." I would like you to include that in the text of the Guidelines, not in the footnote.</p> <p>A prerequisite for dialogue between companies and shareholders/investors is sufficient information disclosure by companies. From the perspective of investors, I would like to see companies disclose and explain how they are implementing their governance initiatives that they comply with. On the other hand, since the Corporate Governance Reports specifies 11 items to be disclosed, most companies are able to do so by disclosing only these 11 items. Therefore, it would be extremely useful to include the above explanation in the text of the Guidelines.</p>	<p>As you pointed out, it is important for companies to actively explain their own initiatives in order to enhance constructive dialogue between investors and companies. It is expected that companies will actively provide explanations while fully taking into account the intent of this footnote.</p>

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Enhancing Board Independence		
11	<p>I agree with the revised version of Section 3.2 of the Guidelines.</p> <p>With regard to "3. CEO Appointment/Dismissal and Responsibilities of the Board" [CEO Appointment/Dismissal and Development], considering the increasing importance of CFO and CLO in recent years, it should be considered to add "CFO" and "CLO" to make it "CEO, CFO and CLO Appointment /Dismissal."</p>	<p>We appreciate your support for the intent of the revision of the Guidelines</p> <p>According to "Revision of the Corporate Governance Code and the Guidelines for Investor and Company Engagement" (announced on March 26, 2018) from the Council of Experts Concerning the Follow-up of Japan's Stewardship Code and Japan's Corporate Governance Code ("Follow-up Council"), it is the CEO who plays a particularly central role in management, and the selection and dismissal of the CEO is the most important strategic decision for the company. In light of this, the Guidelines states "3. CEO Appointment/Dismissal (omitted)."</p> <p>From the perspective of increasing corporate value over the mid- to long-term, we believe that it is possible to develop objective, timely, and transparent procedures for the appointment and dismissal of the CFO, CLO, and CTO as necessary based on the judgment of each company.</p>
12	I agree with the revised version of Section 3.5 of the Guidelines.	We appreciate your support for the intent of the revision of the Guidelines
13	I agree with the revised version of Section 3.6, 3.7, 3.8, 3.10.-12.,4.4.1 of the Guidelines.	
14	We agree on the relevance of questions related to effective whistleblowing systems and the independence of directors/chairs.	We appreciate your support for the intent of the revision of the Guidelines
15	I believe that we should consider not only independent directors but also independent <i>kansayaku</i> (in a company with a Kansayaku Board). Therefore, by making the sentences 1) "Are enough qualified independent directors and independent	"Appointment of Independent Directors and Their Responsibilities" in the Guidelines calls for the effective use of independent directors who are members of the board from the perspective of ensuring the independence

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	<p><i>kansayaku</i> with the required qualities appointed?" 2) " Do the independent directors and the independent <i>kansayaku</i> possess the necessary knowledge, including knowledge of finance, such as capital efficiency, and understanding of relevant laws and regulations?" and 3) "Are appropriate actions taken for the reappointment or retirement of independent directors and independent <i>kansayaku</i>, taking into consideration the issues and changes facing the company?" we propose the addition of Independent <i>kansayaku</i>.</p> <p>The <i>kansayaku</i> system is meaningful with respect to terms of office and independence, and I believe that independent <i>kansayaku</i> are functioning as well as independent directors. However, if we are asked to increase the number of outside director due to the revision of the Guidelines and the Corporate Governance Code, there is a risk that the transition from a company with a Kansayaku Board to Company with Supervisory Committee will progress, not from the perspective of the effectiveness of the <i>kansayaku</i> system, but from the perspective of securing the number of outside officers.</p>	<p>and objectivity of the board in supervising management. Similarly, Section 3.8 of the Guidelines etc. refers to the appointment and effectiveness of independent directors from the same perspective.</p> <p>However, as <i>kansayaku</i> and the Kansayaku Board play important roles and responsibilities in a Company with a Kansayaku Board, it is expected that constructive dialogue will be held between institutional investors and companies regarding the effectiveness of them, and efforts will be made from the perspective of improving corporate value over the mid- to long-term.</p>
16	<p>The vague, meaningless and harmful phrases, such as "required qualities," should be deleted from Section 3.8 of the Guidelines, and specific statements, such as "qualities that contribute to the implementation of management strategies and plans," should be made.</p> <p>When fortune tellers and chick appraisers are nominated as candidates, it is extremely unclear how they contribute to management, which is troubling.</p>	<p>"The required qualities" in Section 3.8 of the Guidelines are considered to be the qualities required to fulfill the roles and responsibilities that contribute to the sustainable growth of the company and the enhancement of its corporate value over the mid- to long- term, as set forth in Principle 4.8 of the Corporate Governance Code. It is expected that each company will appropriately consider these qualities in light of the circumstances of the company, including its industry and business characteristics, etc. In addition, it is desirable for institutional investors and companies to engage</p>

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		in constructive dialogue on these issues.
17	It is essential to formulate a succession plan based on Supplementary Principle 4.10.1 of the Corporate Governance Code, to carefully examine the ability of the board of directors when appointing officers based on Section 3.7 of the Guidelines and Supplementary Principle 4.11.1 of the Corporate Governance Code, and to evaluate whether the board of directors is properly operating after the appointment of officers from the viewpoint of Section 3.7 of the Guidelines. It goes without saying that the board must have the necessary authority to prevent it from becoming a rice cake.	As you pointed out, the creation of succession plans and the appointment and dismissal of senior management can be included in the roles and responsibilities required of the board. It is expected that each listed company will appropriately evaluate the effectiveness of the board in fulfilling these responsibilities.
18	I would like to express my appreciation for the disclosure of the directors' skills matrix. I would like you to indicate in the Guidelines that all directors and <i>kansayaku</i> are subject to the disclosure. (This is because there are some cases where only outside directors are disclosed in the currently disclosed companies.) In addition, simply presenting a matrix table could be a formality, so I would like you to add "Why are these skills required in relation to management strategies and business characteristics?"	<p>Supplementary Principle 4.11.1 of the Corporate Governance Code requires to identify the skills, etc. that the board should have in light of its managing strategies, and to disclose the combination of skills, etc. that each director possesses in an appropriate form according to the business environment and business characteristics, etc., such as what is known as a "skills matrix." In light of this intent of the Corporate Governance Code, it is expected that constructive dialogue will proceed between institutional investors and companies.</p> <p>In disclosing such combinations of skills held by directors, it is essential to identify the skills, etc. that the board should have in light of the management strategy. In light of the intent of the Corporate Governance Code, each company is expected to make substantial disclosure.</p> <p>The disclosure of combinations of skills, etc., including the skill matrix, primarily assumes the skills, etc., of directors. However, depending on the circumstances of each company, it is possible to include <i>kansayaku</i> as you</p>

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		pointed out.
19	<p>With regard to Section 3.8 of the Guidelines, we recommend incorporating guidance on the use of a skills matrix (as identified in the Corporate Governance Code) to evaluate and undertake gap analysis on diversity, skills and expertise on the board. We also recommend including supplementary guidance to strengthen disclosure on succession planning, the role of the nominations committee and information on new board appointments in line with our response to the Corporate Governance Code.</p>	<p>Supplementary Principle 4.11.1 of the Corporate Governance Code requires disclosure of the combination of skills, etc. that each director possesses in an appropriate form, such as what is known as a "skills matrix." Supplementary Principle 4.10.1 of the Corporate Governance Code requires the establishment of a nomination committee and the disclosure of the mandates and roles of the committees, as well as the policy regarding the independence of the composition particularly for companies listed on the Prime Market, in consideration of particularly important matters such as nominations including succession plans.</p> <p>Through such disclosure, it is expected that constructive dialogue will proceed between institutional investors and companies.</p>
20	<p>In relation to the establishment of the first sentence of the Section 3.8 of the Guidelines, the disclosure of the concept of "independent directors with the necessary qualities" is also considered appropriate as a dialogue item. Therefore, please consider adding a dialogue item based on Supplementary Principle 4.11.1 of the Corporate Governance Code as follows.</p> <p>Next, with regard to the concept of "sufficient number," consider adding a description following Principle 4.8 of the Corporate Governance Code (see below).</p> <p>As an implication of such an addendum, consider adding the dialogue item for the governance of companies with controlling shareholders as a second sentence (see below).</p> <p>In the proposed revisions to the reappointment or retirement of independent directors,</p>	<p>Supplementary Principle 4.11.1 of the Corporate Governance Code requires that the board disclose the skills, etc. that the board should have in light of its managing strategies, in addition to the combination of skills, etc. that each director possesses in an appropriate form according to the business environment and business characteristics, etc.</p> <p>Based on this disclosure, it is expected that constructive dialogue between institutional investors and companies will proceed and that effective efforts will advance.</p> <p>In addition, Supplementary Principle 4.10.1 of the Corporate Governance Code clearly states that a succession plan may be included as a subject for consideration by the nomination committee, and Supplementary Principle</p>

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	<p>please consider adding a note on candidate pool and succession plans for outside directors that should be considered by the nomination committee.</p> <p>(Proposed amendment) 3-8 Are enough qualified independent directors with the required qualities appointed, in comprehensive consideration of the industry, size, business characteristics, institutional design, and environment surrounding the company, in order to ensure that the board as a whole has the appropriate skills, etc.? Does the board ensure the effectiveness of its supervision of management, including the appointment of independent directors as the chair when necessary?</p> <p>With regard to companies that have controlling shareholders, are there enough independent directors to secure the interests of minority shareholders? (In particular, with regard to companies listed on the Prime Market, are there enough independent directors with appropriate skills to form a special committee?)</p> <p>Are appropriate actions taken for the reappointment or retirement of independent directors, taking into consideration the issues and changes facing the company? Has the nomination committee also appropriately considered the candidate pool of independent directors and succession plans?</p>	<p>4.8.3 of the Corporate Governance Code requires a listed company with a controlling shareholder to appoint at least one-third of their directors (the majority of directors if listed on the Prime Market) as independent directors who are independent of the controlling shareholder or to establish a special committee composed of independent persons including independent director(s). In this regard, it is expected that constructive dialogue will be held between institutional investors and companies in light of the intent of the Corporate Governance Code.</p>
21	<p>With regard to Section 3.6 and 3.7 of the Guidelines, we welcome the inclusion of diversity as criteria for board composition. However, as mentioned in our response to the consultation with the Corporate Governance Code, the disclosure requirement should be strengthened by explaining how diversity will be measured and by clarifying minimum expectations around what it means for a board to be diverse. In addition, the definition of diversity should be extended beyond gender representation and include other characteristics which reflect Japanese society (e.g., age, disability, sexual</p>	<p>We appreciate your support for the intent of the revision of the Guidelines</p> <p>The way to ensure diversity varies depending on the circumstances of each company, and when disclosing information, it is necessary to disclose information in a way that makes it easy to understand the philosophy of each company.</p>

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	orientation). Diversity policies should also include strategies to improve equity and inclusion at all levels and not just at the board level, to enable access to opportunity and to decision making for individuals with different identities.	
22	We welcome questions relating to board effectiveness, including on the board evaluation. In line with our response to the Corporate Governance Code, we recommend that explicit reference be made to the use of independent third-party reviewers for board evaluations.	We appreciate your support for the intent of the revision of the Guidelines. With regard to the analysis and evaluation of the effectiveness of the board as a whole, it is expected that each company will make appropriate efforts to disclose the effectiveness of the board while referring to the self-evaluation of each director. As part of these efforts, we may consider adopting the methods you have pointed out.
23	<p>In relation to Section 3.8 of the Guidelines, I believe that the revision of the Ordinance for Enforcement of the Companies Act should require that the roles expected of the candidate for outside director be stated in the Reference Documents and that the outline of the duties performed by outside directors with regard to the expected roles be stated in the Business Report, and that the Guidelines should specify dialogue items that are linked to each requirement.</p> <p>(Proposed amendment) 3-9 Are the independent directors performing their duties, while recognizing the roles and responsibilities expected of them in light of their knowledge, experience, and abilities, etc.? Do they provide appropriate advice and supervision to the management team in response to management issues?</p>	The Follow-up Council proposal shows that it is important to appoint independent directors who are capable of fulfilling the role expected of them besides satisfying independence criteria and, it is also important for independent directors to be well aware of the expected roles and fulfill them. Based on these points, in light of the intent of the Corporate Governance Code, etc., it is expected that constructive dialogue between institutional investors and companies will proceed regarding initiatives undertaken by independent directors under their roles and responsibilities.
24	Is it correct to understand that the term "nomination committee" as used in Section 3.2 of the Guidelines refers to the "nomination committee" as a voluntary committee's organization (not the "nomination committee" of Company with Three Committees	As with Supplementary Principle 4.10.1 of the Corporate Governance Code, "nomination committee" and "remuneration committee" in Section 3.2 and 3.5 of the Guidelines are basically intended to be voluntary

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	<p>under the Companies Act)? In this case, since the term "nomination committee" is a "voluntary committee," I understand it should be left to the discretion of the company as to what authority should be given to the committee.</p> <p>In addition, please clarify the specific content of the "required mandates" of nomination committee.</p>	<p>committees. However, it is also possible for institutional investors and listed companies to make use of these Sections in constructive dialogue between investors and companies based on the intent of 3-2 and 3-5. At the Follow-up Council, it was pointed out that the independence of the nomination committee and the remuneration committee is one of the important elements for fulfilling their expected functions, but it is not sufficient at present.</p>
25	<p>Is it correct to understand that the term "remuneration committee" as used in Section 3.5 of the Guidelines refers to the "remuneration committee" as a voluntary committee's organization (not the "remuneration committee" of the Company with Three Committees under the Companies Act)? In this case, since the "remuneration committee" is a voluntary committee, I understand what authority should be given to the committee should be left to the discretion of the company.</p> <p>In addition, please clarify the specific content of the "required mandates" of remuneration committee.</p>	<p>In light of these points, etc., Supplementary Principle 4.10.1 of the Corporate Governance Code states that in particular, companies listed on the Prime Market should basically have the majority of the members of each committee be independent directors, and should disclose the mandates and roles of the committees, as well as the policy regarding the independence of the composition.</p>
26	<p>In relation to the revision of Section 3.2 of the Guidelines, what kind of mandates is indicated by "required mandates"? For example, an example in parentheses might be helpful.</p> <p>In addition, regarding utilization, please consider adding "appropriately" (or "sufficiently") as follows. Furthermore, please consider referring to the disclosure of the activities of a nomination committee and remuneration committee in the Guidelines.</p> <p>(Proposed Amendment)</p> <p>3-2 Is a qualified CEO appointed through objective, timely, and transparent procedures, deploying sufficient time and resources? In order to make these</p>	<p>It is expected that each listed company will appropriately discuss the specific contents of the "the mandates and roles of the committees, as well as the policy regarding the independence of the composition" for each committee in light of the intent of the Corporate Governance Code and the Guidelines.</p> <p>"The mandates and roles of the committees, as well as the policy regarding the independence of the composition" that is required to be disclosed based on Supplementary Principle 4.10.1 may include the activities of the committees. In light of the intent of the Corporate Governance Code, it is expected that constructive dialogue between institutional investors and</p>

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	<p>procedures effective, is an independent nomination committee established with required mandates and appropriately and actively involved? Are the activities of the nomination committee disclosed and explained in a specific and easy-to-understand manner?</p>	<p>companies will proceed.</p>
27	<p>Please consider the following proposed amendments to Section 3.5 of the Guidelines. (Proposed Amendment)</p> <p>3-5 Are objective and transparent procedures established to design management remuneration systems such that they operate as a healthy incentive to generate sustainable growth and increase corporate value over the mid- to long-term and to determine actual remuneration amounts appropriately? In order to make these procedures effective, is an independent remuneration committee established with required mandates and actively involved? Are the activities of the remuneration committee disclosed and explained in a specific and easy-to-understand manner? Is the appropriateness of the remuneration system and of the actual remuneration amount clearly explained?</p>	
28	<p>With respect to Section 3.2 and 3.5 of the Guidelines, the evaluation criteria for "required mandates" are unknown.</p> <p>If each member of the nomination committee feels that there is a shortage of mandates, then all of the cases are in violation of the Guidelines, and if so, what should be done to hold them accountable? Should they exercise their voting rights so that the chairman or director is fired?</p> <p>In the future, it may be necessary to clarify the criteria for assessing "required mandates."</p>	<p>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, while institutional investors and companies are not required to "comply or explain" with respect to the contents of Guidelines themselves, companies are expected to consider the intent of the Guidelines when they comply with a principle of the Corporate Governance Code, including principles calling for disclosure, or, if not, explain the</p>

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		<p>reasons why they are not doing so.</p> <p>With regard to the specific authority and operation of nomination committee, based on the intent of the Corporate Governance Code and the Guidelines, it is expected that each company will appropriately advance its efforts.</p> <p>With regard to the "required mandates" of each committee, based on the intent of the Corporate Governance Code and the Guidelines, it is expected that constructive dialogue between investors and companies will advance in order to contribute to the responsibilities of each committee.</p>
29	<p>Section 3.5 Remuneration</p> <p>We welcome the agenda item focused on the alignment of remuneration with sustainable growth and increase in corporate value over the mid-to-long term and a clear explanation on executive pay rationale. We recommend that the Corporate Governance Code and the questions in this guidance emphasis that companies should consider ESG factors when determining compensation. We believe that this is one means by which executive pay can be better aligned with performance, protect, and create long-term value.</p>	<p>Supplementary Principle 4.2.1 of the Corporate Governance Code requires that the board design management remuneration systems such that they operate as a healthy incentive to generate sustainable growth through objective and transparent procedures.</p> <p>With regard to the specific design of the management remuneration system, based on the intent of the Corporate Governance Code, it is expected that each company will appropriately advance its efforts.</p> <p>However, at the discretion of each company, taking into account the perspective of mid-to long-term sustainability, including ESG factors, in the management remuneration system could be an option.</p>
30	<p>With regard to Section 3.1, 3.2 and 3.3 of the Guidelines, it is important that the independence of the nomination committee, including the chair, be fully assured, and at the same time that sufficient internal information has been submitted to any independent nomination committee, and it is desirable to clearly state the need for information coordination with internal organizations.</p>	<p>Supplementary Principle 4.10.1 of the Corporate Governance Code requires the establishment of a nomination committee and a remuneration committee from the perspective of making the board effective. In particular, it requires companies listed on the Prime Market to basically have the majority of the members of each committee be independent directors</p>

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31	<p>"Revisions of Japan's Corporate Governance Code and Guidelines for Investor and Company Engagement," published on April 6, 2021, states, "It is important that the effectiveness of the board, individual directors and board committees are periodically evaluated." (p.3) However, the actor and the target of the evaluation are not clear. With regard to each of the "each director," "statutory committees," and "voluntary committees," please clarify (i) who evaluates them, and (ii) what kind of evaluation from what perspective is expected to be conducted.</p>	<p>It is expected that each company will appropriately determine specific contents, such as the actor and method for the evaluation of the effectiveness of the board in Supplementary Principle 4.11.3 of the Corporate Governance Code from the perspective of ensuring the effectiveness of the board.</p> <p>The same applies to the "each director and the statutory and voluntary committees" referred to in Section 3.7 of the Guidelines.</p>
32	<p>With regard to Section 3.7 of the Guidelines, even if only an evaluation is conducted without evaluation criteria, the emphasis will be on how to express the current situation in a positive manner, which is unlikely to be useful in explaining the appropriateness of the operation of the board.</p> <p>Unless the standards are set and secured at a level that contributes to the enhancement of corporate value, including risk management, they will be useless as a basis for decision-making by institutional investors and other shareholders when proxy voting. Of course, the same is true when standards are set with the aim of maintaining the status quo. Wasting management resources on useless work is a betrayal of the company.</p>	
33	<p>With regard to the evaluation of the effectiveness of the board, the following question was added: "From the perspective of ensuring the effectiveness of the board, are each director and the statutory and voluntary committees properly evaluated?" Assuming that progress will be made in the enhancement of supervisory functions through each committee in the future in the practices of Japanese companies, we believe that the coordination and effectiveness evaluation of each committee is particularly strongly</p>	<p>We appreciate your support for the intent of the revision of the Guidelines. In the future, together with the Tokyo Stock Exchange, we will continue to disseminate the intent of the revision.</p>

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	<p>required. We hope that this point will be mentioned when the Guidelines are disseminated in the future.</p>	
34	<p>With regard to Section 3.7 of the Guidelines, we believe that two dialogue items should be added.</p> <p>As a disclosure requirement in the Corporate Governance Code, even if it is only a summary of the results of the effectiveness evaluation of the board as a whole, whether or not the evaluation of each director and statutory and voluntary committees is conducted should be a topic for dialogue, and we would like you to consider adding that point.</p> <p>Next, the evaluation of the effectiveness of the board is positioned as a way to improve the functioning of the board. This not only encourages the board to improve its functioning through self-evaluation, but also should be taken into account in the process of nominating candidates for the next year's directors (reappointment or rejection, selection of new candidates) and in determining the members of committees. It is true that matters related to nomination are sensitive, but to the extent reasonably possible in dialogue with investors, it is reasonable to include as an item of dialogue how the results of the effectiveness assessment are being utilized.</p> <p>(Revision draft) Add the following to the second sentence of 3.7</p> <p>"From the perspective of ensuring the effectiveness of the board, are each director and the statutory and voluntary committees properly evaluated? Are the results of these evaluations appropriately taken into account in the process of nominating candidates and determining the members of committees?"</p> <p>With regard to the addition of the new item, we believe that the separation of the chair</p>	<p>Section 3.7 of the Guidelines indicates whether each director and statutory and voluntary committees are appropriately evaluated. However, from the same viewpoint, it is considered that the responses and initiatives of each company based on the evaluation may be discussed in constructive dialogue between institutional investors and companies. With regard to the independence of the chair of the board, Section 3.8 of the Guidelines indicates whether the board ensures the effectiveness of its supervision of management, including the appointment of an independent director as the chair when necessary.</p>

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	<p>and CEO is a matter that should be included as one of the dialogue items, as it relates to the activation of deliberations and responsibilities of the board, and we would like you to consider adding it.</p>	
35	<p>In Section 3.7 of the Guidelines, the question was added: "Are each director and the statutory and voluntary committees properly evaluated?" However, the individual evaluation of "each director" is not sufficiently widespread among companies. Therefore, the description should be more specific, for example, "self-evaluation and mutual evaluation of each director" in order to help investors and companies understand.</p> <p>We strongly hope that this revision will contribute to further constructive dialogue between institutional investors and companies, which in turn will contribute to the sustainable growth of companies and the increase of corporate value over the mid-to long-term.</p>	<p>As indicated in the "Revisions of Japan's Corporate Governance Code and Guidelines for Investor and Company Engagement" (released on April 6, 2021, hereinafter referred to as the "Follow-up Council proposal"), with regard to CEOs and directors, we believe it is important to regularly evaluate the effectiveness of not only the board but also each director and committee.</p> <p>With this stance, Section 3.7 of the Guidelines clearly states whether the evaluation of each director is appropriately conducted from the perspective of ensuring the effectiveness of the board. The specific content and operation of the evaluation of each director is expected to be determined appropriately by each company in light of its own circumstances, but it is expected that appropriate measures will be taken based on the intent of the Guidelines.</p>
36	<p>With regard to the sentence "the appointment of independent directors as the chair when necessary," please clarify the intent of "when necessary," and under what circumstances it is "necessary" to appoint an independent director as the chair of the board.</p> <p>Even though the board is required to be independent, neutral, and objective from the business execution divisions, we believe that there are many cases where there is no particular need for the chair of the board to be selected from independent directors,</p>	<p>At the Follow-up Council, it was pointed out that efforts should be made to ensure the independence of the chair of the board, while it was also pointed out that this point should be considered based on the organizational structure and actual conditions of each company.</p> <p>In light of these suggestions, the revised Section 3.8 of the Guidelines includes the following points: "Does the board ensure the effectiveness of its supervision of management, including the appointment of independent</p>

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	and that it is acceptable for the chair to be selected from internal directors. In any case, as the Follow-up Council proposal states, "in light of a company's governance structure" (p.3), is it correct to say that "when necessary" means "when each company judges it necessary" (with the understanding that each company will decide whether it is "necessary" or not)?	directors as the chair when necessary?" As indicated in the Follow-up Council proposal, companies are expected to consider appointing an independent director as the chair of the board if they consider it necessary in light of the intent of Section 3.8 of the Guidelines, while taking into account their own governance structure.
37	The Chair of the board with independence, which should have been enacted in the Corporate Governance Code, is enacted in the Section 3.8 of the Guidelines. As is the case with the function of a nomination committee, it is important to have the chair of the committee be selected from an independent director, and it appears that there is strong defiance on the part of companies on this point. It would be desirable to include a similar statement in this Code.	At the Follow-up Council, it was pointed out that efforts should be made to ensure the independence of the chair of the board, while it was also pointed out that this point should be considered based on the organizational structure and actual situation of each listed company. In light of these remarks, Section 3.8 of the Guidelines states "Does the board ensure the effectiveness of its supervision of management, including the appointment of independent directors as the chair when necessary?"
38	It is our view that roles of the chair of the board and CEO should not be held by the same individual.	
39	I agree with the establishment of a lead independent director. However, I am concerned that the word "lead" may give the impression of a pecking order among outside directors, which may be accompanied by harmful effects, such as other outside directors avoiding dialogue with investors. For this reason, we would like to see a statement such as the following added: * The term "lead outside director" does not necessarily indicate a pecking order among directors. Dialogue with investors is not limited to the lead outside director, and other outside directors are also expected to actively engage in dialogue with investors.	The term "lead independent director" is used in light of the fact that in the U.K. and U.S. the corresponding position is called "lead independent director" or "senior independent director. However, the intent of the term "lead independent director" is to promote efforts to establish a framework for communicating with the management and for cooperating with <i>kansayaku</i> or the <i>kansayaku</i> board by determining the person who will be in charge of these activities in the first instance, and it is not intended to create a hierarchy among independent directors.
40	With respect to Section 4.4.1 of the Guidelines, we strongly recommend that dialogue	In the future, we will continue to disseminate the roles of the lead

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	between shareholders and companies would be significantly improved by (a) the appointment of a lead independent director, and (b) conducting meetings between the lead independent director and shareholders. These meetings should not be confined only to annual shareholders meetings but should be held at regular intervals.	independent director, and the intent of the Corporate Governance Code and the Guidelines.
41	With respect to Section 3.7 of the Guidelines, although many companies conduct effectiveness evaluations, there may be cases where follow-up is insufficient. I expect that the importance of the functions of secretariats such as the board office, which can adequately follow up on points raised by outside directors, will be mentioned.	Principle 4.12 and Supplemental Principle 4.12.1 of the Corporate Governance Code state that the board should ensure the operation of board meetings and should attempt to make deliberations active. There are various ways to revitalize the deliberations of the board, and based on the intent of the Corporate Governance Code, companies may take steps to strengthen the functions of the secretariat of the board as necessary, based on their own judgment.
Promoting Diversity		
42	Is it correct to understand that the "gender, international experience, work experience and age" listed in the Guidelines are merely examples of what constitutes diversity, and that dialogue (discussion) should focus on whether or not the "diversity of the board is ensured" in light of the circumstances of each company? Also, please clarify the intent of adding "work experience and age" to the revision draft.	In the Follow-up Council proposal, it is mentioned that "For a company to lead the non-linear changes brought about by the COVID-19 pandemic and achieve new growth, a diversity of perspectives and values is required, not only in the board, but also in management." With this in mind, Principle 4.11 and Section 3.6 of the Corporate Governance Code explicitly state that aspects such as gender, international experience, work experience and age are included in diversity. Companies are expected to make appropriate judgments about the diversity of their companies from the perspective of ensuring the effectiveness of the board, taking into account the circumstances of each company.

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		<p>With regard to "work experience" and "age," the Follow-up Council pointed out that, in addition to gender and international experience, work experience and age are also important factors in terms of diversity to be ensured in the board as a whole. Based on these comments, we have added "work experience" and "age" as diversity factors for the entire board in this revision.</p>
43	<p>With respect to Section 3.6 of the Guidelines, it would be desirable to state that diversity on the board is necessary from the perspective of supervision. It would also be good to include more specific information on the importance of setting numerical targets and KPIs, and why women are needed on the board. In addition, it would be desirable to mention pipeline development and enhancement of diversity throughout the company as well.</p>	<p>The Corporate Governance Code, which adopts the principle of "comply or explain," requires the disclosure of voluntary and measurable goals because we believe that each company has different goals in terms of how to ensure diversity. However, it is required to disclose their policies in an easy-to-understand manner.</p>
44	<p>With regard to Section 3.6 of the Guidelines, the proposed revision draft to add age as an element of diversity is appropriate. However, should diversity in work experience be considered as a skill issue rather than being deleted?</p> <p>It is appropriate to add a dialogue item on whether the policy of the balance of knowledge, ability and experience, diversity, and size, which is established after identifying the skills to be possessed by the board, is consistent with the management strategy. It is also appropriate to consider the role of the nomination committee in the process of considering its policy. Therefore, please consider the following amendments.</p> <p>(Revision Draft) 3.6</p> <p>In order to generate sustainable growth and increase corporate value over the mid- to</p>	<p>"Work experience" functions as an element of diversity in the sense of ensuring midcareer hires, for example, while it functions as one of the skills of directors in the sense of management experience in other companies.</p> <p>It is expected that dialogue between investors and companies will be conducted based on the principles of the Corporate Governance Code. It is also expected that Supplementary Principles 4.10.1 and 4.11.1 of the Corporate Governance Code will be referred to during the dialogue you mentioned.</p>

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	<p>long-term, is the board constituted in a manner such that it is equipped with appropriate knowledge, experience and skills as a whole and ensures diversity, including gender, international experience, work experience and age? Are combinations of skills, etc. possessed by directors disclosed by companies, such as skills matrix, provided with appropriate skills suited to the management environment and business characteristics as a whole? Are there women appointed as directors? Is the board's overall approach to the balance of knowledge, experience and ability, diversity and size consistent with management strategy, and does the nomination committee play a leading role in considering this approach?</p> <p>Also, is it appropriately reflected in the approach to selecting candidates for directors?</p>	
45	<p>We believe that there are important topics to be addressed with specific questions.</p> <ul style="list-style-type: none"> · Apart from the board, is diversity also addressed with regard to the executive management team and throughout the company? 	<p>Supplementary Principle 2.4.1 of the Corporate Governance Code states "Companies should present their policies and voluntary and measurable goals for ensuring diversity in the promotion of core human resources, such as the promotion of women, foreign nationals and midcareer hires to middle managerial positions, as well as disclosing their status.</p> <p>In addition, in light of the importance of human resource strategies for increasing corporate value over the mid-to long-term, companies should present their policies for human resource development and internal environment development to ensure diversity, as well as the status of their implementation."</p> <p>Through such disclosure, it is expected that constructive dialogue will take place between institutional investors and companies.</p>
Attention to Sustainability and ESG		

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46	I agree with the revision draft of Section 1.3 of the Guidelines.	We appreciate your support for the intent of the revision of the Guidelines.
47	<p>We generally support regulatory initiatives that seek to improve investor engagement with investee companies on environmental, social and governance (ESG) risks, impacts and opportunities. We very much welcome the opportunity to provide comments on the proposed amendments to the Guidelines on Investor and Company Engagement.</p> <p>Our comments in response to the draft revised guidelines represent our views in our capacity as a provider of ESG data and analysis and a thought leader in the ESG space. They are not necessarily the views of our clients and are not presented as such.</p>	
48	We support the inclusion of questions directed at whether the company adequately responds to increasing demand for and interest in sustainability, and the need for responsible supply chain management, as well as whether it has an independent board-level sustainability committee in place.	
49	<p>We would like to give a certain evaluation to the fact that Section 1.3 of the Guidelines explicitly state the need for fair and appropriate transactions throughout the supply chain. However, in light of the fact that there are still many unfair transactions, including subcontracting transactions, the importance of appropriate collaboration and dialogue with small to medium enterprises and other business partners should be emphasized.</p> <p>Specifically, it is necessary to include not only in the Guidelines but also in the Corporate Governance Code the need to ensure fair and appropriate transactions</p>	<p>We appreciate your support for the intent of the revision of the Guidelines. Since the Corporate Governance Code adopts the "principle-based approach," we do not plan to include specific provisions.</p> <p>However, as part of efforts to ensure fair and appropriate transactions throughout the supply chain, it is expected that companies will take necessary measures to address the issues mentioned above while taking into account the environment surrounding their businesses.</p> <p>Thank you for your valuable opinion, including future consideration of these</p>

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	<p>throughout the company's supply chain by determining compensation that ensures appropriate profits for suppliers, balancing the burden of costs such as raw material and labor costs, and optimizing payment conditions, such as shortening payment sites. This should be considered in the future.</p>	<p>points.</p>
50	<p>We welcome the explicit reference in the guidelines to governance structures that support corporate management of sustainability issues. We recommend inclusion of a corresponding requirement in the corporate governance code asking companies to establish board oversight of sustainability issues, given their relevance to business operations and the overall success of the company. To meet this requirement, companies could establish a board committee with a focus on sustainability or incorporate sustainability into the mandate of an existing board committee. With robust oversight and leadership on sustainability, companies will be better equipped to manage sustainability-related matters in their own operations as well as value chains and maximize environmental, social and economic performance.</p>	<p>We appreciate your support for the intent of the revision of the Guidelines. There are many possible structures in place to review and promote sustainability-related initiatives on an enterprise-wide basis. Section 1.3 of the Guidelines states "the establishment of a committee on sustainability under the board or the management side" as an example of its establishment.</p>
51	<p>"A committee on sustainability" is cited as an example of the "a structure in place... to review and promote sustainability-related initiatives on an enterprise-wide basis." The Follow-up Council proposal includes the following: "Some sustainability related issues...may differ depending on the circumstances of each company" and "each company to accurately understand its own situation and decide on sustainability elements of most relevance to be addressed on a case-by-case basis." According to this proposal, the establishment of the "committee on sustainability" is merely an example. Would it be correct to understand that whether or not each company has considered and developed "structures in place...to review and promote sustainability-</p>	<p>At the Follow-up Council, we received feedback that the establishment of the committee on sustainability will contribute to promoting dealing with sustainability issues.</p> <p>There are many possible structures in place to review and promote sustainability-related initiatives on an enterprise-wide basis. Section 1-3 of the Guidelines states "the establishment of a committee on sustainability under the board or the management side" as an example of its establishment.</p>

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	<p>related initiatives on an enterprise-wide basis" according to the situation of each company is subject to dialogue (discussion)?</p> <p>Sustainability-related initiatives are part of risk management and are an issue to be considered in terms of management strategy. The mere mention of the establishment of a sustainability committee as an example could be misleading.</p>	
52	<p>As for the committee on sustainability, it was added in the Guidelines "such as...under the board or the management side." Although there are some cases in which the committee is placed on the executive side (the management side) in the practice of Japanese companies, the committee should be placed on the supervisory side (under the board) with the active involvement of independent directors in light of the required functions, in view of the fact that a long-term perspective and the viewpoint of outside stakeholders are essential for corporate sustainability initiatives and the functions required. In addition, in order to realize sustainable management centered on the board, the effectiveness of the board should be improved by activating the committee on sustainability along with the nomination committee and remuneration committee. When disseminating the Guidelines, it is hoped that not only the establishment of a structure such as the committee on sustainability, but also the importance of substantive efforts toward the realization of sustainable management as described above will be mentioned.</p>	<p>As you mentioned, rather than focusing on the formality of "establishment of a committee on sustainability," it is expected that discussions will focus on dialogue between investors and companies with a view to practical responses based on the principles of the Corporate Governance Code and the Guidelines.</p>
53	<p>Section 1.3 (new) of the Guidelines should be divided into two parts.</p> <p>The first part asks whether the company appropriately responds to changes in the environment surrounding the business (i.e., positioning as an engagement in response to changes and review). It can be said that the first part corresponds to</p>	<p>The second part of Section 1.3 of the Guidelines is related to the "increasing social demand for and interest in ESG and SDGs," which is a major example of changes in the environment surrounding the business in the first part of Section 1.3 of the Guidelines. Therefore, the second part of Section</p>

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	<p>Supplementary Principle 5.2.1 of the Corporate Governance Code. On the other hand, the second part corresponds to engagement in sustainability-related initiatives and corresponds to Supplementary Principle 4.2.2 of the Corporate Governance Code. Therefore, isn't it appropriate to divide the two parts?</p>	<p>1.3 of the Guidelines is a continuation of the first part.</p>
54	<p>With regard to "management decisions in response to changes in the business environment," I would like to propose that the following statement be added: "As climate change and human rights violations have become serious and global issues, listed companies can conduct their business activities by making the most of the stock company system and social infrastructure. Therefore, when engaging in dialogue between management and shareholders, they should be based on a humble attitude and a sense of ethics that a company exists and is allowed to engage in activities primarily for society, before making profits."</p> <p>The legal system and rights are recognized by society (on a national and international scale, not by local communities), and business activities are based on these legal systems and rights. These legal systems and rights include: 1) Companies operate with a corporate status that is independent of their owners and operators (corporate status); 2) Shareholders have limited liability (shareholder limited liability); and 3) Companies are responsible for losses incurred through their activities and individuals are not responsible for losses (negligence responsibility and employer responsibility). In addition, social infrastructure developed by the national and local governments (financial resources are taxes) can be used for corporate activities, and business and corporate activities can be spread by expanding corporate activities, developing technologies, and expanding sales by utilizing social infrastructure. They are also</p>	<p>General Principle 2 of the Corporate Governance Code describes "appropriate cooperation with stakeholders other than shareholders." Although we believe that some stakeholders are common to all companies and others are different from each other, each company must make appropriate decisions, fully recognize that the sustainable growth of the company and the creation of medium - to long-term corporate value are the result of the provision of resources and contributions by various stakeholders, and strive for appropriate cooperation with these stakeholders.</p>

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	<p>expanding their activities as customers.</p> <p>I think it is particularly important for companies to use the listing system to survive without taking the systems and infrastructure related to the organization and business activities of a stock company for granted, like air and water, but rather that they should conduct their business activities based on the recognition that they are benefiting from society and the people, and that their business activities should also be activities that improve society. I believe that management should take into account the fact that a company's pursuit of profits is justified only when its corporate activities contribute to the betterment of society, not when it contributes to society to make money, and that shareholders should also look at management from this perspective.</p>	
55	<p>Section 1.3 of the Guidelines (Draft Revision) simply states, "increasing social demand for and interest in ESG and SDGs." However, in the Corporate Governance Code (Draft Revision) and the recommendations of the Follow-up Council proposal, there are many references to "climate change" and "TCFD," which are extremely important keywords for companies. On the other hand, there are no references to "climate change" or "TCFD," which I find quite strange.</p> <p>As the importance of dialogue between investors and companies will increase in the future, I believe that the description of "climate change" or "TCFD" should be added.</p>	<p>As the Guidelines are a supplemental document to the Stewardship Code and the Corporate Governance Code, it is expected that they will be referred to in conjunction with the Corporate Governance Code, while taking into account the purpose of the principles of the Corporate Governance Code.</p>
56	<p>We appreciate the inclusion of a discussion question on ESG and sustainability in the suggested revision of the Guidelines and see it as timely. However, the proposed revised Guidelines have limited reference to environmental and social issues, which are only mentioned once using the terms "ESG" and "SDG." In the Guidelines, the concept of "sustainable growth" is not linked to the concepts of ESG or SDGs that are</p>	

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	<p>required to ensure that growth and returns are sustainable. There is no reference to stakeholders and no mention of climate change.</p> <p>We believe this is a missed opportunity. In 2020 Mizuho received a shareholder resolution on climate change that received the support of over 34% of shareholders. This shows that many domestic and international funds believe that managing climate change is crucial to value creation over time. In addition, the revised Corporate Governance Code includes much more specific reference to sustainability matters and climate change. Furthermore, national policy has strengthened on climate change to include net zero targets. We believe that it has become increasingly important for investors and companies to understand and take steps to evolve to stay ahead of these trends.</p>	
57	<p>In order to support the improvement of dialogue between investors and companies, we suggest that the following agenda item be added to the Guidelines.</p> <p>With regard to its specific activities and operations, does the company identify and manage relevant environmental and social risks and impacts, with regard to for example biodiversity, water and human rights?</p>	<p>As stated in the Follow-up Council proposal, some sustainability related issues are common to all companies, while others may differ depending on the circumstances of each company. Therefore, we believe that "It is important for each company to accurately understand its own situation and decide on sustainability elements of most relevance to be addressed on a case-by-case basis, in order to ensure a substantive rather than a formulaic response to sustainability."</p> <p>It is expected that constructive dialogues between companies and investors will be held in light of these objectives.</p>
58	<p>In order to support the improvement of dialogue between investors and companies, we suggest that the following agenda item be added to the Guidelines.</p> <p>Climate being one of the most urgent global matters, does the company adequately</p>	<p>The supplementary principle 3.1.3 of the Corporate Governance Code stated listed companies to enhance the quality and quantity of disclosure based on the TCFD recommendations. It is expected that constructive</p>

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	manage its climate risks and impacts? Does it have a climate change strategy?	dialogues will be held between companies and investors on whether companies are taking such measures appropriately.
59	<p>In order to support the improvement of dialogue between investors and companies, we suggest that the following agenda item be added to the Guidelines.</p> <p>Does the company clearly present its plans to manage the risks and capture the opportunities presented by climate change, considering both physical changes and the shifts in markets that are transitioning to low carbon economies?</p>	
60	<p>In order to support the improvement of dialogue between investors and companies, we suggest that the following agenda item be added to the Guidelines.</p> <p>Is the company ensuring that major strategic developments take climate change risks and opportunities into account? These include investments in research and development, capital expenditure plans, mergers and acquisitions, and approaches to new markets.</p>	
61	<p>In order to support the improvement of dialogue between investors and companies, we suggest that the following agenda item be added to the Guidelines.</p> <p>Has the board put the right governance structure in place to ensure that it is executing appropriate plans to address climate change related risks and opportunities, including ensuring the board has directors with relevant skills and experience?</p>	<p>Section 1.3 of the Guidelines encourages the development of a structure in place to review and promote sustainability-related initiatives on an enterprise-wide basis.</p> <p>We believe that each company may consider appointing a director in charge of such areas as you pointed out, taking into account the environment surrounding each company's business.</p>
62	<p>In order to support the improvement of dialogue between investors and companies, we suggest that the following agenda item be added to the Guidelines.</p> <p>Given the urgency and the resource challenges companies face, particularly with a constrained carbon budget, has the company considered appointing a Chief</p>	<p>Section 1.3 of the Guidelines encourages the development of a structure in place to review and promote sustainability-related initiatives on an enterprise-wide basis.</p> <p>As for the specific structure, we believe that it is up to each company to</p>

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	Sustainability Officer to help oversee, operationalise, and communicate organisational change?	determine an appropriate structure for itself.
63	<p>The board is expected to oversee a broader range of issues, including those related to sustainability, and it is effective to use statutory and voluntary committees separate from the board to discuss important management issues in greater depth.</p> <p>In addition to the nomination committees, remuneration committees, and audit committees (including supervisory committees), each company should form a corporate governance committee, human resources development committee, business portfolio committee, etc., based on its own originality and ingenuity, in order to strengthen the commitment of directors and to show to external stakeholders in an easy-to-understand manner the priority of the company's efforts to address important management issues. In addition, the management of the board and its committees should be optimized, with the main board and meetings of independent directors (executive sessions) responsible for prioritizing management issues and coordinating the various committees. Although only the development of the committee on sustainability was mentioned in this review of the revision of these points, we hope that a broader discussion will take place in future Follow-up Council.</p>	Thank you for your valuable opinion.
64	<p>With regard to Section 1.3 of the Guidelines, it is desirable to disclose the perceptions of individual members of the management team regarding each change in the environment surrounding the business (i.e., acceptance, rebuttal, or disregard). Although there is no right answer, constructive discussions can be expected when there is no bias in the perception of individual issues during deliberations at board meetings and dialogues with investors.</p>	Thank you for your valuable opinion.

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	<p>The question also asks whether the company has established a structure for monitoring changes in the external environment related to sustainability, identifying risks, and laying the groundwork for a rapid response to sudden or dramatic changes, as well as a system for monitoring the progress of the internal environment in response to identified factors.</p>	
Group Governance		
65	<p>The basic "approach and policies regarding group management" is an essential element of the "aspirations and basic policies" for improving the effectiveness of group governance. The Follow-up Council proposal included a statement that this should make "explanation specific and easy-to-understand," but this was not reflected in the revised content of either the Corporate Governance Code or the Guidelines. In footnote 3 of the Guidelines, it is stated that "There are many cases where a company is managed as part of a corporate group, and the Guidelines have been established taking such companies into consideration." However, there is no specific mention of this in the text.</p> <p>We hope that the importance of the policies regarding group management will be mentioned again when the Guidelines are disseminated, and that it will be discussed continuously at the Follow-up Council and specifically included in the Guidelines in the next and subsequent revisions.</p>	<p>Thank you for your valuable opinion.</p> <p>In light of the importance of gaining shareholders' understanding of the approach and policies regarding group management, the Follow-up Council proposal pointed out the importance of explaining these approaches and policies in an easy-to-understand manner.</p> <p>In addition, in the Governance Report, listed companies that have listed subsidiaries are required to describe their "stance and basic policy on group management," and listed companies with parent companies are also requested to describe such items.</p> <p>It is expected that each company will actively work on these explanations in the future.</p>
✓ Ensuring Confidence in Audits, Internal Control and Risk Management		
66	<p>We welcome the focus on whistleblowing within Section 3.12 of the Guidelines. We recommend that further questions are added to promote investors' understanding of</p>	<p>We appreciate your support for the intent of the revision of the Guidelines.</p>

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	the implementation and effectiveness of whistleblowing systems, specifically around the scope of the whistleblowing policy, channels including options to report anonymously, training and disclosure on type and frequency of whistle-blower reports. The quality of the information provided in these areas can help investors seek improvements on whistleblowing mechanisms and advocate for a speak-up culture.	
67	We also agree on the relevance of questions related to effective whistleblowing systems and the independence of directors/chairs.	
68	Regarding Section 3.10 of the Guidelines, when it is not possible to specify specific matters other than the statutory procedures, it should be deleted because it is useless as it is repetitive and synonymous with laws and regulations.	"Appropriate procedures, including the consent of the <i>Kansayaku</i> board" in Section 3-10 of the Guidelines assumes the provisions of the Companies Act regarding the procedures for appointing <i>Kansayaku</i> , such as the right to make proposals and express opinions on proposals for appointing corporate <i>Kansayaku</i> , but it could also include procedures that are considered appropriate from the perspective of fulfilling the functions of <i>Kansayaku</i> in each listed company.
69	With regard to Section 3.11 of the Guidelines, whether the <i>Kansayaku</i> Board conducts its own evaluation of effectiveness and what issues and responses it identifies should be added to the Guidelines. Since the proposed revised Section 3.7 of the Guidelines mentions the evaluation of the effectiveness of committees, and the evaluation of the effectiveness of audit committees will be a theme of dialogue, the evaluation of the effectiveness of the <i>Kansayaku</i> Board should also be explicitly mentioned in the Guidelines (otherwise, there will be an imbalance between the <i>Kansayaku</i> Board, the	Section 3.7 of the Guidelines indicates, from the perspective of ensuring the effectiveness of the board, the matter of whether statutory and voluntary committees are appropriately evaluated. However, from the perspective of strengthening the supervisory function of the board, it is possible that the <i>Kansayaku</i> Board may also be evaluated for its effectiveness at the discretion of each listed company.

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	<p>Audit Committee, and the Supervisory Committee).</p> <p>Do <i>kansayaku</i> conduct business audits appropriately and act effectively to secure proper accounting audits by appropriately collaborating with external accounting auditors, including discussions with the external auditor during the review process of key audit matters? Do <i>kansayaku</i> conduct an evaluation of the effectiveness of the audits of the <i>kansayaku</i> etc., and do they appropriately address the issues identified? Is a sufficient support structure for <i>kansayaku</i> established and appropriate coordination between <i>kansayaku</i> and the internal audit department ensured?</p>	
70	<p>It would be reasonable to establish new dialogue items related to the supervision of the development and operation of internal control and enterprise risk management by the board as dialogue items for "Effective Risk Management" in the Guidelines. For example, please consider adding items 3.12 below.</p> <p>Next, the following items should be added, such as 3.13 below, as items related to the reporting line of the internal audit department.</p> <p>3.12 Does the Board appropriately oversee whether or not the group-wide internal control and enterprise risk management systems are being effectively implemented, besides utilizing the internal audit department? Does the company consider the necessity of reviewing its basic policies, etc., based on the reports from the internal audit department on the results of the evaluation of the operational status?</p> <p>3.13 Does the internal audit department have a direct reporting channel (chain of command) with the board of directors and corporate auditors in addition to the reporting channel with top management (dual reporting)?</p>	<p>The supplementary principle 4.3.4 of the Corporate Governance Code states that the board should establish a group-wide internal control and enterprise risk management system, and should oversee the operation of the system using the internal audit department. And the supplementary principle 4.13.3 of the Corporate Governance Code requires that coordination between the internal audit department, directors and <i>kansayaku</i> should be ensured by establishing a system in which the internal audit department appropriately reports directly to the board and the <i>kansayaku</i> board in order for them to fulfill their functions</p> <p>In light of the purpose of this Code, we hope that constructive dialogue will be promoted between institutional investors and companies.</p>
71	In relation to Section 3.12 (new) of the Guidelines, it should be considered to add	It is assumed that each listed company will make appropriate decisions

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	<p>dialogue items as shown in the first sentence below that would lead to monitoring and supervision of the board as part of risk management, while revising the dialogue items on the whistleblowing system in the revision draft. It is advisable to add an example of easy-to-understand disclosure and explanation regarding the dialogue item, "For ensuring the operational effectiveness of the whistleblowing systems, are the systems related to the whistleblowing and the operational results disclosed and explained in an easy-to-understand manner?" For example, how about the following statement?</p> <p>(Proposed Amendment) Has the board received reports on the operational status of the whistleblowing systems? When disclosing and explaining systems and operational results related to whistleblowing, are they easy-to-understand by disclosing and explaining not only the contents of the whistleblowing rules and the number of whistleblowing instances per year, but also the trend of increase and decrease in the number of whistleblowing and the cause analysis when the number of whistleblowing instances is small?</p>	<p>regarding the specific content of disclosure and explanation of the system and operational effectiveness related to whistleblowing in Section 3.12 of the Guidelines, and it is desirable that such disclosure and explanation be made in an easy-to-understand manner that leads to ensuring the effectiveness of the whistleblowing system, based on the intent of the Guidelines.</p>
72	<p>The following two questions should be added to the Guidelines: "Is there a reporting channel between the board and the internal audit department in addition to the reporting channel between the CEO and the internal audit department?" and "Is the quality assessment of the internal audit department conducted appropriately?"</p> <p>Section 3.11 of the Guidelines states, "Is...appropriate coordination between <i>kansayaku</i> and the internal audit department ensured?" However, as indicated in Supplementary Principle 4.3.4 of the Code, the internal audit department plays an important role in the functioning of the board, including the supervision of the development of enterprise risk management systems. In order to realize effective</p>	<p>Supplementary Principle 4.13.3 of the Corporate Governance Code requires the company to ensure coordination between the internal audit department, directors and <i>kansayaku</i> by establishing a system in which the internal audit department appropriately reports directly to the board and the <i>Kansayaku</i> Board in order for them to fulfill their functions. In addition, 3.11 of the Guidelines also indicates whether appropriate coordination between <i>kansayaku</i> and the internal audit department is ensured. We believe that the intent of Supplementary Principle 4.13.3 of the Corporate Governance Code extends to the interpretation of "appropriate cooperation."</p>

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	<p>corporate governance, in addition to the reporting channels between the CEO and the internal audit department, the reporting channels between the board and the internal audit department are important. In order to improve the functions of the internal audit department, it is necessary to appropriately evaluate the quality of internal audits. The above sentence should be added to Section 3.7 of the Guidelines to clarify these points.</p>	<p>In addition, Section 3.11 of the Guidelines indicates whether a sufficient support structure for <i>kansayaku</i> is established.</p> <p>It is expected that there will be constructive dialogue on these issues between institutional investors and companies based on the intent of the Corporate Governance Code and the Guidelines.</p>
73	<p>The following two questions should be added to Section 3.7 of the Guidelines: "Is there a reporting channel between the board and the internal audit department in addition to the reporting channel between the CEO and the internal audit department?" and "Is the quality assessment of the internal audit department conducted appropriately?"</p> <p>Section 3.11 of the Guidelines states, "Is appropriate coordination between <i>kansayaku</i> and the internal audit department ensured?" However, as indicated in Supplementary Principle 4.3.4 of the revision Code, the internal audit department plays an important role in the functioning of the board, including the supervision of the development of enterprise risk management systems. In order to realize effective corporate governance, in addition to the reporting channels between the CEO and the internal audit department, the reporting channels between the board and the internal audit department are important. In order to improve the functions of the internal audit department, it is necessary to appropriately evaluate the quality of internal audits. The above sentence should be added to Section 3.7 of the Guidelines to clarify these points.</p> <p>The following sentence should be added to Section 3.9 of the Guidelines: "Is appropriate coordination between independent directors and the internal audit</p>	<p>Principle 4.13.3 of the Corporate Governance Code provides "a system in which the internal audit department appropriately reports directly to the board and the <i>kansayaku</i> board" as one of the ways to ensure coordination between the internal audit department and directors and <i>kansayaku</i>. In addition, Section 3.11 of the Guidelines states, "Is a sufficient support structure for <i>kansayaku</i> established and appropriate coordination between <i>kansayaku</i> and the internal audit department ensured?"</p> <p>Based on the intent of the Code and the Dialogue Guidelines, it is expected that the effectiveness of the internal control and risk management system will be ensured through such mechanisms, including the establishment of a system in which the internal audit department appropriately reports directly to the board and the <i>Kansayaku</i> Board through constructive dialogue between investors and listed companies.</p>

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	<p>department ensured?"</p> <p>For independent directors to function, it is essential that they obtain timely and appropriate information. Information from the internal audit department includes information that is useful for independent directors, and coordination with independent directors is also useful for the internal audit department. Therefore, the above sentence should be added to Section 3.9.</p>	
74	<p>It is stated that a system should be established in which the internal audit department reports directly to the board, etc., but as many members of the Follow-up Council mentioned, in order to utilize the internal audit function, it is extremely important to ensure the independence of the internal audit department (personnel authority, etc.) and the quality of internal audits. This point was not included in either the Corporate Governance Code or the Guidelines, but we hope that this point will be mentioned in future publicity activities of the Guidelines.</p>	<p>Principle 4.13 of the Corporate Governance Code states that a support structure for directors and <i>kansayaku</i>, including providing sufficient staff, should be established, and Supplementary Principle 3.2.2 states of the Corporate Governance Code that the board and the <i>Kansayaku</i> Board should ensure adequate coordination between external auditors and <i>kansayaku</i> (including attendance at the <i>Kansayaku</i> Board meetings), the internal audit department and outside directors. Although the structure and size of the internal audit department are expected to differ among listed companies, each company is expected to enhance its efforts based on the intent of these principles.</p> <p>Section 3.11 of the Guidelines also states, "Is a sufficient support structure for <i>kansayaku</i> established and appropriate coordination between <i>kansayaku</i> and the internal audit department ensured?" and it is expected that constructive dialogue will be held between investors and companies based on the intent of the Guidelines.</p>
75	<p>Section 3.10 of the Guidelines should be revised as follows:</p> <p>"Are persons with appropriate experience and skills as well as necessary knowledge</p>	<p>Although it is important for <i>kansayaku</i> to have the ethics you have pointed out in order to fulfill their expected roles and responsibilities, it is also an</p>

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	<p>on finance, accounting, and the law appointed as <i>kansayaku</i> through appropriate procedures, including the consent of the <i>Kansayaku</i> Board with the proactive involvement of the <i>Kansayaku</i> Board, including the proposal and consent of the <i>Kansayaku</i> Board?"</p> <p>(1) In recent years, there have been cases in which corporate executives with sufficient knowledge and experience in finance and accounting took the initiative in illegal accounting and subsequently became <i>kansayaku</i>, thereby preventing them from fulfilling their appropriate auditing functions. Therefore, <i>kansayaku</i> with sufficient knowledge in finance and accounting are required to have the ethics necessary for sound business activities.</p> <p>(2) The addition of items related to the process of appointing <i>kansayaku</i> is commendable, but the passive attitude of "consent" cannot prevent the biggest problem of the CEO practically appointing <i>kansayaku</i>. In order for <i>kansayaku</i> to ensure their personnel independence, it is essential that the <i>kansayaku</i> board be proactively involved in the selection of candidates.</p> <p>Under the Companies Act, in addition to the right of consent (Article 343, paragraph(1) of the Companies Act) of <i>kansayaku</i> (board), the right to request an agenda for election and the right to propose an agenda for election (paragraph(2)) are stipulated. Paragraph(2) states, "with regard to the election of <i>kansayaku</i>, not only can <i>kansayaku</i> veto the proposal of directors, but it can also take active initiatives."</p> <p>It is necessary to establish an election procedure that makes active use of this principle.</p>	<p>important element common to directors and other organizations of companies.</p> <p>We believe that the "appropriate procedures, including the consent of the <i>Kansayaku</i> Board" in Section 3.10 of the Guidelines may include the provisions under the Companies Act regarding the procedures for the election of <i>kansayaku</i>, such as the right to make proposals and to state opinions regarding proposals for the appointment of <i>kansayaku</i>.</p>
76	In relation to Section 3.10 of the Guidelines, the wording "appropriate procedures" in	We believe that "appropriate procedures, including the consent of the

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	<p>the appointment of <i>kansayaku</i> is abstract and unclear. However, it is believed that the meaning of "appropriate procedures" is to select individuals with appropriate experience, knowledge, and skills as candidates and to ensure the independence of <i>kansayaku</i>.</p> <p>Therefore, it should be considered to add parentheses to illustrate that this is an appropriate procedure that leads to ensuring independence.</p> <p>(Proposed Amendment)</p> <p>3.10 Are persons with appropriate experience and skills as well as necessary knowledge on finance, accounting, and the law appointed as <i>kansayaku</i> through appropriate procedures, including the consent of the <i>Kansayaku</i> Board (for example, the <i>Kansayaku</i> Board shall propose candidates for <i>kansayaku</i>, and the opinions of the <i>Kansayaku</i> Board shall be reflected in the deliberations of the Nominating Committee)?</p>	<p><i>Kansayaku</i> Board" in the Section 3.10 of the Guidelines may include the provisions under the Companies Act regarding the procedures for the appointment of <i>kansayaku</i>, such as the right to make proposals and to state opinions regarding proposals for the appointment of <i>kansayaku</i>. However, it is not limited to this, and it is hoped that appropriate efforts will be made based on the judgment of each company and as necessary from the perspective of the fulfillment of the functions of <i>kansayaku</i>."</p>
77	<p>We propose that the following wording be added to 3.10 of the Guidelines: "Do the Companies with Supervisory Committee and the Companies with Three Committees appoint full-time supervisory committee members or audit committee members, respectively?"</p> <p>(1) Full-time <i>kansayaku</i>, who are required to be appointed by the <i>Kansayaku</i> Board, play a key role in (i) exercising their advanced information-gathering capabilities, (ii) playing a key role in organizational audits, and (iii) exchanging information and communicating with outside directors and <i>kansayaku</i> (non-executive officers).</p> <p>(2) On the other hand, full-time audit committee members and supervisory committee members (hereinafter referred to as the "full-time committee members") are not</p>	<p>Companies with Three Committees and Companies with Supervisory Committee are not required to appoint full-time Audit Committee Members or Supervisory Committee Members under the Companies Act. However, in light of the intent of the Code, from the perspective of enhancing the effectiveness of audits, each listed company may decide to appoint such a full-time member, and may discuss such points in constructive dialogue between investors and companies.</p>

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	<p>legally required for the Audit Committee and the Supervisory Committee (hereinafter referred to as the "Committee"). In order for the Committee to enhance its ability to collect information, to conduct systematic audits utilizing the internal control system, and to promote information exchange and communication among non-executive directors, it is essential for the Committee to have full-time committee members.</p> <p>The quality and quantity of audits are likely to be significantly inferior to those of companies with full-time committee members because part-time members alone do not have members who can perform such roles.</p> <p>(3) Public and Large Companies should be legally required to appoint full-time committee members in order to ensure the soundness of Companies with Committees. However, the Guidelines should clearly state "Do the Companies with Supervisory Committee and Companies with Three Committee appoint full-time supervisory committee members or audit committee members, respectively?"</p>	
78	<p>The section on whistleblowing is added to Section 3.12 of the Guidelines.</p> <p>However, the subheading "Effective Risk Management" is not related to this issue.</p> <p>Therefore, it is advisable to revise the section to "Ensuring the effectiveness of the whistleblowing system."</p>	<p>We believe that the effectiveness of the operation of the whistleblowing system can be included in the "Ensuring Confidence of Audits and Effective Risk Management."</p>
79	<p>We propose that Section 3.12 of the Guidelines be revised as follows:</p> <p>"For ensuring the operational effectiveness of the whistleblowing systems, are the systems related to the whistleblowing and the operational results disclosed and explained in an easy-to-understand manner, such as whether top management conveys clear messages on an ongoing basis, whether independent and highly transparent whistleblowing channels have been established, whether confidentiality</p>	<p>It is assumed that each listed company will make appropriate decisions regarding the specific content of disclosure and explanation of the system and operational effectiveness related to whistleblowing in Section 3.12 of the Guidelines.</p> <p>At the discretion of each listed company, the "Guidelines for Private Enterprises Regarding the Development and Operation of Internal</p>

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	<p>regarding whistleblowing has been thoroughly maintained, whether follow-up regarding whistleblowing has been sufficiently implemented, and whether any disadvantageous treatment has been given to whistleblowers, etc.?"</p> <p>Unless specific disclosure and explanation points are specified to a certain extent, there is concern that the explanation will be favorable to the company and will lead to unsatisfactory results for investors. Therefore, at least the main points of the "Guidelines for Private Enterprises Regarding the Development and Operation of Internal Reporting Systems Based on the Whistleblower Protection Act" published by the Consumer Affairs Agency on December 9, 2016 should be specified.</p>	<p>Reporting Systems Based on the Whistleblower Protection Act" (Consumer Affairs Agency, December 9, 2016), etc. may be considered.</p>
80	<p>Section 3.12 of the Guidelines is based on the idea that disclosure and explanation of the development status and operational effectiveness of the whistleblowing system will lead to ensuring the effectiveness of the whistleblowing system. Please clarify the reason why disclosure and explanation of the development status and operational performance will lead to ensuring the effectiveness.</p> <p>In addition, please clarify how much detail is assumed to be disclosed as "the operational effectiveness of the whistleblowing systems." If "the operational effectiveness of the whistleblowing systems" refers to "the number of whistleblowing instances / the number of whistleblowing instances handled by the internal audit department," in reality, the definition of "whistleblowing" (laws and regulations + α) may differ from company to company, and in light of this, we believe that we cannot evaluate the effectiveness of the whistleblowing by the disclosure of the number of whistleblowing instances.</p>	<p>At the Follow-up Council, it was pointed out that it was important not only to establish a whistleblowing system but also to ensure its effectiveness.</p> <p>Based on these points, Section 3.12 of the Guidelines indicates whether the systems related to whistleblowing and the operational results are disclosed and explained in an easy-to-understand manner for ensuring the operational effectiveness of the systems. We believe that disclosure and explanation of systems and operational results related to whistleblowing is one element of the status of utilization of the whistleblowing system that has been developed and operated.</p> <p>Whistleblowing systems may be of various sizes and forms depending on the circumstances of each company. In light of the intent of Section 3.12 of the Guidelines, it is assumed that each company will make appropriate decisions regarding the content of disclosure of the "operational results."</p>
81	<p>In relation to the title of "Appointment of <i>Kansayaku</i> and Their Responsibilities and</p>	<p>Thank you for your valuable opinion.</p>

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	<p>Ensuring Confidence of Audits and Effective Risk Management," "Effective Risk Management" in the latter part is a title that is expected to cover dialogue items related to supervision of the development and operation of internal control and enterprise risk management by the board. Therefore, it is appropriate to clearly distinguish it from dialogue items related to <i>kansayaku</i>. Therefore, it should be distinguished from "Appointment of <i>Kansayaku</i> and Their Responsibilities and Ensuring Confidence of Audits."</p> <p>(Proposed Amendment) Appointment of <i>Kansayaku</i> and Their Responsibilities and Ensuring Confidence of Audits and Effective Risk Management</p>	
82	<p>The following sentence should be added: "Is appropriate coordination between independent directors and the internal audit department ensured?"</p> <p>For independent directors to function, it is essential that they obtain timely and appropriate information. Information from the internal audit department includes information that is useful for independent directors, and coordination with independent directors is also useful for the internal audit department. Therefore, the above sentence should be added to Section 3.9 of the Guidelines.</p>	<p>Supplementary Principle 3.2.2 of the Corporate Governance Code requires the board and <i>Kansayaku</i> Board to ensure sufficient coordination with the internal audit department and outside directors. Supplementary Principle 4.13.3 of the Corporate Governance Code requires the company to ensure coordination between the internal audit department, directors and <i>kansayaku</i> by establishing a system in which the internal audit department appropriately reports directly to the board and the <i>Kansayaku</i> Board in order</p>
83	<p>The following sentence should be added to Section 3.9 of the Guidelines: "Is appropriate coordination between independent directors and the internal audit department ensured?"</p> <p>For independent directors to function, it is essential that they obtain timely and appropriate information. Information from the internal audit department includes information that is useful for independent directors, and coordination with independent directors is also useful for the internal audit department. Therefore, the above</p>	<p>for them to fulfill their functions.</p> <p>In this regard, it is hoped that constructive dialogue will be held between institutional investors and companies.</p>

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	sentence should be added to Section 3.9.	
General Shareholder Meetings		
84	We welcome the detailed guidelines for dialogue between companies and investors at the general shareholder meetings in 4(1) of the Guidelines.	We appreciate your support for the intent of the revision of the Guidelines.
85	We agree with the revision draft of Section 4.1.1 to 4.1.4 of the Guidelines.	
86	<p>We welcome the agenda items that have been included in the revision designed to enhance communication between investors and companies in relation to shareholder meetings.</p> <p>Well-informed voting is an essential part of stewardship, enabling investors to communicate with companies in an efficient manner. We therefore welcome the questions that focus on the disclosure of information related to a company's general meetings. Timely disclosure of this information is vital to allow institutional investors sufficient time to make well-informed voting decisions. We also support the inclusion of agenda items that encourage investors and companies to communicate with each other regarding voting outcomes and investors' rationale for voting, particularly for opposing votes. For voting to be as effective as possible it needs to be coupled by transparency and communication by investors toward companies. This enables companies to understand the rationale for their voting behaviour and to take appropriate actions.</p>	
87	The general shareholder meetings should not be one of the individual governance issues, but should be a separate item.	
88	In relation to "4. Specific Challenges on Governance," "(1) General Shareholder	

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	Meetings" should be separated from (2) and the following sub-items, and be renamed "4. General Shareholder Meetings" and (2) and the following sub-items should be renamed "5. Specific Challenges on Governance."	
89	In relation to Section 4.1.1 of the Guidelines, since it is meaningless for the company to write down the reasons for opposition in a delusional manner, why not clearly define the procedures, such as calling for communication of the reasons for opposition?	Thank you for your valuable opinion. As indicated in Guidance 5.3 of the Stewardship Code, we believe that clear external explanation by institutional investors of the reasons for their approval or disapproval of voting rights will contribute to increasing visibility.
90	<p>The virtualization of the general shareholder meetings, mentioned in Section 4.1.4 of the Guidelines, is essential in the age of with COVID-19 and post COVID-19.</p> <p>The cost of transportation for foreign investors coming to Japan for the general shareholder meetings is very heavy. The issue of transportation costs cannot be ignored by foreign investors or by domestic investors. Not only major global companies, such as Toyota Motor Corporation and SHIMA SEIKI MFG, which are headquartered in regional areas, but also listed regional banks in each prefecture are headquartered in those prefectures, and the burden of attending general shareholder meetings is great for shareholders who live far away. For local revitalization, it is important to improve the visibility, stock price and business performance of local listed companies, but the general shareholder meetings are also a place for communication between companies and shareholders and a place for explanation to deepen understanding of the business, and it is necessary to create an environment in which more shareholders can participate by virtualizing the general shareholder meetings.</p> <p>In particular, it is necessary to strengthen the visibility of regional banks' shares by strengthening investor relations with investors living in metropolitan areas, such as</p>	Thank you for your valuable opinion.

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	<p>Tokyo, as their stock prices are unlikely to rise when only local stakeholders become shareholders. In the season of the general shareholder meetings, some shareholders don't even go into the meeting room, but go from one company to another for souvenirs. However, rather than handing out souvenirs to compensate for the cost of transportation or arranging for a luxurious venue that costs money to rent, the budget should be spent on virtualizing shareholder meetings, which would allow the company to operate its meetings with more consideration for the principle of shareholder equality.</p>	
91	<p>With regard to Section 4.1.1 of the Guidelines, it is requested that "In the case of a company with a controlling shareholder, when a considerable number of general shareholders' votes excluding the controlling shareholder's vote have been cast against" be added.</p>	<p>It is expected that each listed company will make an appropriate decision on the amount of "a considerable number of votes" cast against, while taking into account the circumstances pointed out.</p>
92	<p>It is not clear how many negative votes constitute "a considerable number of votes cast against," and companies are free to interpret it. Therefore, it is useful to provide guidelines in the form of footnotes, for example, that "Though it is not always appropriate to set uniform standards based on the shareholder composition of each company, for example, the Corporate Governance Code in the United Kingdom requires an explanation when more than 20% of votes are opposition votes."</p>	<p>It is expected that each listed company will make an appropriate decision on the amount of "a considerable number of votes" cast against, while taking into account the individual circumstances.</p>
93	<p>Section 4.1.1 of the Guidelines is unclear about the number of votes cast against, leaving room for interpretation. For example, we need guidelines such as "the Corporate Governance Code in the United Kingdom requires an explanation when more than 20 percent of the votes are opposition votes."</p>	

No.	Summary of Comments	Our View
94	<p>With regard to Section 4.1.1 of the Guidelines, we think it would be appropriate to mention the concept of what constitutes a "significant number" of opposition in dialogue concerning a company's proposal that was approved at the general shareholder meeting but for which a significant number of opposition votes were cast. Normally, if about 20% of the votes are against a proposal, it would be considered as a substantial number of opposition. However, in cases where there is a controlling shareholder, it may be meaningful to suggest in the Guidelines that it may be reasonable to consider about 10% of the total number of voting rights as a substantial number of opposition in terms of opposition by minority shareholders.</p>	
95	<p>With regard to Section 4.1.1 of the Guidelines, is it correct to understand that each company evaluates and judges whether or not there are "is considerable number" of opposition votes?</p>	
96	<p>Regarding Section 4.1.1 of the Guidelines, it would be helpful to note that the Corporate Governance Code in the United Kingdom has a guideline of 20% or more because "a considerable number of votes cast against" differs depending on the company. In addition, for companies with controlling shareholders, we would like you to add that "a considerable number of votes cast against" should be considered for general shareholders excluding controlling shareholders.</p>	<p>Thank you for your valuable opinion.</p>
97	<p>There are cases where it is difficult to identify who the actual shareholders are and who is opposed to the proposal, but we would like to clarify whether the purpose of "analyzing the causes of the large number of negative votes" in Section 4.1.1 of the Guidelines is to require a survey to identify shareholders.</p>	<p>It depends on individual circumstances, but it is not always necessary to conduct a shareholder identification survey in order to analyze the cause of the increase in the number of votes against.</p>

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98	<p>With regard to Section 4.1.2 of the Guidelines, it is consistent with Supplementary Principle 1.2.2 of the Corporate Governance Code to add a reference to the provision of information electronically in order to ensure consistency with the revision of the Companies Act. In addition to the timeliness of information provision, the following amendments should be considered.</p> <p>(Proposed revision) Section 4.1.2 Does the company strive to disclose information included in the convening notice electronically to give shareholders sufficient time to consider the agenda, such as through TDnet and on the company's website promptly after the contents are finalized? Are efforts being made to enhance the information provided to shareholders?</p>	<p>Thank you for your valuable opinion. The disclosure on TDnet and the Company's website, etc. in Section 4.1.2 of the Guidelines refers to the disclosure by electronic means.</p>
99	<p>It is extremely important from the perspective of establishing corporate governance to create an environment in which shareholders can obtain sufficient and reliable information in advance and exercise their rights at shareholders' meetings, with regard to the disclosure of securities reports prior to shareholders' meetings and the appropriate scheduling of shareholders' meetings. We welcome the proposal in Section 4.1.1 of the Guidelines to add additional items to be considered and efforts to enhance the provision of information to shareholders.</p> <p>In particular, we welcome the reference in Section 4.1.3 of the Guidelines to the disclosure of annual securities reports prior to general shareholder meetings as a specific example of efforts to enhance constructive dialogue with shareholders, and the reference to the appropriate setting of schedules related to general shareholder meetings so as to allow more time for closing and auditing.</p>	<p>We appreciate your support for the intent of the revision of the Guidelines.</p>
100	<p>A general shareholder meeting is an important venue for constructive dialogue with</p>	<p>With regard to the disclosure of securities reports prior to general</p>

No.	Summary of Comments	Our View
	<p>shareholders. From the viewpoint of making dialogue with shareholders more effective, we believe that disclosure of securities reports prior to general shareholder meetings should be mentioned not only in the Guidelines but also in the Corporate Governance Code. For example, it is expected that companies listed on the Prime Market will be required to disclose information prior to the general shareholder meetings in Section 3: Ensuring Appropriate Information Disclosure and Transparency.</p>	<p>shareholder meetings, the Guidelines provide this as an example of efforts to enhance constructive dialogue with shareholders, in response to the fact that the importance of such disclosure has been pointed out from the perspective of making decisions on the exercise of voting rights more substantive. As to whether or not this should be the subject of "comply" rather than just an example, it is considered that at this stage in Japan it is a matter that requires further discussion and accumulation of practices, so we hope that Companies will continue to make proactive efforts.</p>
101	<p>The Guidelines has been changed to suggest that investor and company dialogue include considerations about the timing of when securities reports are published. As investors that consider proxy voting as a key component of our engagement and investment strategies, it is crucial to have relevant financial disclosures such as the annual securities report (Yukashoken Hokokusho) ahead of the meeting to make objective decisions on agenda proposals, such as the allocation of surplus capital and the appointment of directors. Hence, we would recommend that this reference also be included in Principle 3.1 of the Corporate Governance Code.</p>	
102	<p>Although it is beneficial to have the disclosure of the annual securities report prior to the general shareholder meetings in Section 4.1.3 of the Guidelines, shareholders do not have time to analyze it if it is disclosed one or two days prior to the general shareholder meetings. Therefore, for example, we think it would be more effective if you indicate, "Annual securities reports should be submitted three weeks before the general shareholder meetings so that shareholders can fully analyze and refer to the information.</p>	<p>Thank you for your valuable opinion.</p>

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103	<p>With regard to Section 4.1.3 of the Guidelines, from the perspective of investors, the setting of dates related to general shareholders meetings should be considered from the viewpoint of not only securing enough time for closing and auditing, but also securing time to consider agenda items for voting (In the Follow-up Council proposal, it was also stated "in light of such factors as~"). In addition, the fairness of the information provided to domestic and foreign investors should be clearly stated. Therefore, the following amendments should also be considered. It was also suggested that the phrase "even in the event of unforeseen circumstances" is unnecessary because the issue of setting appropriate dates related to general shareholders meetings is not limited to cases where unforeseen circumstances are assumed.</p> <p>(Proposed amendment) Section 4.1.3</p> <p>Does the company consider measures to enhance constructive dialogue with shareholders, for example, by submitting the annual securities report prior to the date of the general shareholder meeting while recognizing that the general shareholder meetings are an opportunity for constructive dialogue with shareholders?</p> <p>In addition, does the company examine the way the general shareholder meeting is handled, including the appropriate setting of the dates related to the general shareholder meeting, so that it can provide accurate information to shareholders even in the event of unforeseen circumstances, while ensuring sufficient time for closing and auditing and ensuring that shareholders have an adequate opportunity to review general meeting proposals? For companies listed on the Prime Market, is English disclosure of material information to overseas investors adequate?</p>	<p>Thank you for your valuable opinion. Securing sufficient time for consideration of proposals is considered to be included in the "measures to enhance constructive dialogue with shareholders" as stated in Section 4.1.3 of the Guidelines.</p>

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104	<p>The appropriate setting of dates related to general shareholder meetings as stipulated in Section 4.1.3 of the Guidelines is not limited to "the event of unforeseen circumstances," and the phrase "even in the event of unforeseen circumstances" may be perceived as limiting the situations in which it can be applied. It should be deleted.</p>	<p>Thank you for your valuable opinion.</p>
105	<p>With regard to the prior submission of annual securities reports, while there are many companies that find it difficult to comply with the current preparation practices, it seems that the prior submission of annual securities reports does not immediately lead to "enhancement of constructive dialogue with shareholders." Therefore, it is incongruous to cite the prior submission of annual securities reports as an example of "measures to enhance constructive dialogue with shareholders."</p> <p>In addition, with regard to the second sentence of Section 4.1.3, it is unclear what is envisioned by the phrase "so that it can provide accurate information to shareholders even in the event of unforeseen circumstances, while ensuring sufficient time for closing and auditing" and what kind of schedule is envisioned by the phrase "the appropriate setting of the dates related to the general shareholder meeting." Please provide examples.</p>	<p>At the Follow-up Council, it was pointed out that, from the perspective of promoting dialogue between investors and companies and more effective exercise of voting rights, each company is required to make efforts to submit its annual securities report prior to the general shareholder meetings, taking into account the status of dialogue with investors.</p> <p>In light of the above, it is expected that companies should set the dates related to the general shareholder meeting appropriately so that they can ensure sufficient time for closing and auditing, taking into account individual circumstances. For example, by reviewing the record date for exercising voting rights and the record date for dividends, it may be an option to make the period from the closing date to the date of the general shareholder meetings more than three months.</p>
106	<p>Please clarify what "transparency and fairness" in Section 4.1.4 of the Guidelines specifically refers to.</p>	<p>With respect to the state of "transparency and fairness" in Section 4.1.4 of the Guidelines, each listed company is expected to make appropriate judgments, while referring to the practical measures set forth in the "Guidelines on Approaches to Hybrid Virtual Shareholder Meetings" (published by the Ministry of Economy, Trade and Industry on February 26, 2020).</p>

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107	<p>Some may argue that virtualizing shareholder meetings would allow them to attend more than one meeting via a computer, and that virtualization should be prioritized over staggering the dates of meetings. However, it is burdensome to watch multiple business reports and question-and-answer sessions at the same time, and some shareholders may not have a computer and may only have a smartphone, making it troublesome to switch screens. Consideration should also be given to the need to concentrate on one company's participation. It would also be beneficial to encourage listed companies to actively consider this point, as it would be beneficial for shareholders as well. In recent years, an increasing number of individuals have entered the stock market as a result of the 20 million yen retirement issue and the COVID-19 disaster, so it is extremely important to create an environment that facilitates participation in shareholder meetings. Companies that do not hold either virtual or staggered shareholder meetings should explain the reasons for not doing so and take other measures to make it easier for shareholders to attend shareholder meetings.</p>	Thank you for your valuable opinion.
108	<p>As a general rule, all securities companies send individual shareholder notices by post, but I think it should be possible to apply to securities companies online and eliminate the need for postage in principle, just as the government is promoting e-government.</p> <p>Convocation notices for general shareholder meetings are sent by mail, but there is inequity between Tokyo, where the three major trust banks are located, and remote areas. It would be disadvantageous if the Postal Act is revised and postal service becomes even slower. Therefore, we should consider how convocation notices and</p>	Thank you for your valuable opinion.

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	<p>voting forms should be sent out in a way that can be completed online. It should be fair even for remote islands and remote areas.</p> <p>As exposed by COVID-19, the Companies Act needs to be amended to allow general shareholder meetings to be held online, including the submission of motions and questions.</p> <p>Even if you participate in the general shareholder meetings, it cannot be said that the discussions are sufficiently thorough. Opportunities for dialogue between the company and shareholders should be enhanced through opportunities to remain and discuss individually (at round-table meetings for shareholders, social gatherings, and company information sessions). However, it is a precondition that the COVID-19 is under control.</p> <p>There are stocks that are restricted for foreign investment, etc. From the perspective of Japan's security, we should consider a clause that completely excludes foreigners and a way to have voting rights only for dividends and special benefits without voting rights. This has been exposed in the cases of Fuji Media Holdings, Tohoku Shinsha, and NTT.</p>	
Others		
109	<p>With regard to Section 4.4.1 of the Guidelines, there should be no hierarchy of roles for outside directors, who are expected to supervise management from an independent standpoint, and the concept of "lead independent director" is not practically compatible. In the first place, we believe that it is inappropriate to cite the "the appointment of the 'lead independent director'" as an example of "appropriate measures for dialogue with shareholders," since it is generally believed that there are</p>	<p>We believe that the person who engage in dialogue with shareholders should be decided appropriately based on the requests of shareholders and the main concerns of the dialogue.</p> <p>Regarding who should engage in dialogue with shareholders, one option would be to appoint the "lead independent director" in order to respond to the requests of shareholders and the main concerns of the dialogue.</p>

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	<p>many cases where outside directors are not the ones to meet with shareholders.</p> <p>It is also inconsistent with the fact that the expectation of the "lead independent director" in the Supplementary Principle 4.8.2 of the Corporate Governance Code is to "establish a framework for communicating with the management and for cooperating with <i>kansayaku</i> or the kansayaku board."</p>	
110	<p>Regarding Section 4.4.1 of the Guidelines, in light of today's external environment, why not include a perspective on the use of IT, such as web conferencing?</p>	<p>We think that the most appropriate method of interview should be determined by the investor and the company, but it may be possible to use web conferencing or other methods while taking into consideration the environment surrounding the company.</p>
111	<p>The Guidelines has been newly added to suggest that investor and company engagement include the appointment of a Lead Independent Director. As investors that consider active discussions with management as a key component of our engagement and investment strategies, we strongly support this consideration and would suggest it be included as part of the Supplementary Principle 4.8.2 of the Corporate Governance Code: Lead independent director for companies to be listed on the Prime Market.</p>	<p>We appreciate your support for the intent of the revision of the Guidelines. In addition to Section 4.4.1 of the Guidelines that you pointed out, Supplementary Principle 4.8.2 of the Corporate Governance Code states that independent directors should endeavor to establish a framework for communicating with the management and for cooperating with kansayaku or the kansayaku board by, for example, appointing the lead independent director from among themselves.</p> <p>Based on the purpose of the Corporate Governance Code and the Guidelines, listed companies are expected to take appropriate measures in light of the circumstances of their respective companies.</p>
112	<p>With regard to Section 1.4 of the Guidelines, we understand the purpose of adding "with higher growth potential," but we believe this is natural when investing in new businesses, so we would like to clarify the purpose of adding "with higher growth</p>	<p>This revision is to clearly state that it is important to invest in new businesses while being aware of "growth potential."</p>

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	potential." On the other hand, it should be noted that, for example, companies responsible for social infrastructure are required to have a stable financial structure, and in some cases, supporting social infrastructure and returning profits to society are more important than growth and profitability.	
113	We agree with the proposed revisions to Section 2.1 and 2.2 of the Guidelines.	We appreciate your support for the intent of the revision of the Guidelines.
114	<p>In recent years, activist movements have been active in Japan as well, and even recently, there have been reports that foreign funds have offered to acquire companies that possess technologies important to national interests.</p> <p>In this revision, there was no discussion about how to respond to hostile takeovers that could affect national interests. However, from the perspective of ensuring corporate sustainability as a part of social infrastructure, I hope that the importance of corporate governance in preparation for hostile takeovers and other situations (for example, the further use of independent outside directors and engagement with a wide range of institutional investors) will continue to be recognized.</p>	Thank you for your valuable opinion.
115	With regard to Section 2.2 of the Guidelines, it is necessary to have a medium- to long-term perspective on "whether sufficient operating cash flows have been generated" and "whether sustainable management and investment strategies have been pursued." We would like to know how long the evaluation is expected to take.	As you pointed out, a medium- to long-term perspective is necessary for the realization of sustainable management and investment strategies. Generating operating cash flow should also be evaluated from a medium- to long-term perspective in order to realize such management and investment strategies.
116	Regarding Section 2.2 of the Guidelines, it would be better to clarify the time perspective, such as stating "generating sufficient operating cash flow to support the 'schedule' for implementing investment strategies."	Since investment strategies require a medium- to long-term perspective and are expected to be implemented over a medium- to long-term span, generating operating cash flow must also support the implementation of

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		such investment strategies.
117	<p>While personnel expenses have been added to Section 2.1 of the Guidelines, it is also important to correct high compensation for executives and salaries for senior managers that are not commensurate with their work, as well as salaries for young and non-regular employees that are too low.</p> <p>In cases where the number of outside directors has increased but the business performance has remained flat or decreased, depending on the economic trends of society as a whole, it is possible that directors who contribute to the sustainable growth of the company and the enhancement of corporate value over the medium- to long-term have not been appointed, and in such cases, it is necessary to explain the reasoning so that investors and other stakeholders will be satisfied.</p>	<p>As stated in Section 2.1 of the Guidelines, it is important that investments in human capital be made strategically and systematically in order to achieve sustainable growth and enhance corporate value over the medium-to long-term. It is expected that these points will be discussed intensively in the dialogue between investors and companies.</p>
118	<p>The phrase "investment in human capital" which is used in several places in the Follow-up Council proposal and the draft revision of the Corporate Governance Code, is not used at all in the draft revision of the Guidelines.</p> <p>"Investment in human capital" is similar to "Investment in human resources including personnel expenses" in the draft revision of Section 2.1 of the Guidelines. However, the range of expressions used in Section 2.1 of the Guidelines seems to be narrower than those used in the Follow-up Council proposal and the draft revision of the Corporate Governance Code.</p> <p>In addition, there is a possibility that the scope of speculation and interpretation will be expanded, such as "What is the intention to use a different expression?"</p> <p>If you have a clear intention to use different expressions, please explain it to us. If you don't have such an intention, it would be easier to understand if you unify the</p>	<p>Based on your comments, we have revised Section 2.1 of the Guidelines as follows.</p> <p>2.1 Are investments in fixed assets, R&D, and human capital including personnel expenses to generate sustainable growth and increase corporate value over the mid- to long-term carried out strategically and systematically using the company's resources and from the standpoint of generating returns which cover the company's cost of capital on a mid-to long- term basis?</p>

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	expressions.	
119	<p>We propose to change "financial management" to "capital policy" and to change the first sentence of Section 2.2 of the Guidelines to "Is capital policy (including capital structure decisions, use of cash on hand, policies for dividends and shareholder returns, and KPIs focused on when assessing capital efficiency) established and managed appropriately based on the company's business and investment strategies?"</p> <p>The Code does not use the term "financial management," but rather "the basic policy of capital policy should be explained," so we think it would be easier to understand if the terms are unified. In addition, given the current lack of awareness of "management based on cost of capital," we think it would be useful to provide specific examples of what investors expect in the Guidelines.</p>	<p>"Financial management" is used in a broader sense than "capital policy," so we will maintain the current descriptions.</p> <p>Management with an awareness of the cost of capital is important also from the perspective of improving corporate value over the mid- to long- term, and is mentioned in Principle 5.2 of the Code and Section 1.2 of the Guidelines. It is expected that constructive dialogues will be promoted based on an appropriate understanding of the purpose of the Principles, etc., and that companies will proceed with their measures.</p>
120	With respect to Section 2.2 of the Guidelines, could the phrase "generating sufficient operating cash flow" lead to incentives to pursue scale?	The phrase "generating sufficient operating cash flow" in Section 2.2 of the Guidelines is part of the realization of "sustainable management and investment strategies" to "support the implementation of its investment strategy." It is expected that companies will take this into consideration when making their actions.
121	With respect to Section 2.2 of the Guidelines, one of the issues that many Japanese companies are facing is that investment cash flow plus R&D expenses are not linked to corporate value. For example, for companies with a market capitalization of 1 trillion yen or more, the index of market capitalization divided by investment cash flow plus R&D expenses shows a large gap, with a median of about 7 times for US companies	With respect to investments, as stated in Section 2.1 of the Guidelines, the key is "the standpoint of generating returns which cover the company's cost of capital on a mid-to long-term basis." Investments should be made strategically and systematically from such standpoint.

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	<p>and about 3 times for Japanese companies. In light of this situation, we believe that the following statement should be included: "Whether the investment strategy is appropriately verified and explained so that it can be understood by the capital market."</p>	
122	<p>There is a reference to human capital investment in Section 2.1 of the Guidelines. Figures indicate that human capital investment in Japanese companies is insufficient, and the scale of such investment is likely to be smaller than before. Considering that human capital investment does not produce results in a short period of time, we would like you to mention the importance of not only consuming budgets but also performing it besides measuring returns.</p> <p>With respect to the investment strategy in Section 2.2 of the Guidelines, generating operating cash flow is a matter of course, but we are concerned that in many cases the measurement and setting of numerical KPIs are insufficient. We would like you to emphasize the importance of numerical management using ROIC and other indicators when executing investments.</p>	<p>As indicated, in terms of human capital investment, it is a prerequisite that investment strategies are formulated and implemented from the perspective of the goal of improving corporate value over the mid- to long- term, rather than simply consuming budgets.</p> <p>Listed companies are expected to utilize the Guidelines in light of the said viewpoint of the Code.</p>
123	<p>With respect to the change to "investments (...) human resources including personnel expenses" in Section 2.1 of the Guidelines, what is the meaning of the addition of "including personnel expenses"? The conceptual nature of human resource investment (distribution of resources) and personnel costs (cost items) is considered to be different, and the intention of adding the phrase is unclear. We believe that there may be a more appropriate expression than "personnel expenses."</p>	<p>At the Follow-up Council, it was pointed out that the move to secure profits by controlling personnel expenses would be detrimental to future corporate growth, and that it was important to pay appropriate wages to human resources and invest in human capital. Based on these comments, the term "investments (...) human resources including personnel expenses" was adopted.</p>
124	<p>With regard to Section 2.1 of the Guidelines, isn't it the skill set that is necessary to</p>	

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	improve corporate value, and isn't the personnel expenses a means to satisfy it? The amount of human resources as a multiplication of the number of employees and the level of human resources is necessary.	
125	With regard to Section 2.2 of the Guidelines, since institutional investors often have two separate departments, one for equity investment and the other for bond investment, it is necessary to select appropriate personnel for dialogue and to reduce the burden on listed companies.	Footnote 15 of the Stewardship Code states "when institutional investors have an engagement team dedicated to dialogue with investee companies, internal communication with other teams is important." In accordance with such statement, it is expected that institutional investors promote cooperation between their internal departments.
126	We are in favor of the revision of Section 4.2.1 of the Guidelines.	We appreciate your support for the intent of the revision of the Guidelines.
127	In relation to controlling shareholders and cross-shareholdings, we recognize that there has been a clear trend in reducing cross holdings, partly in the recognition that it ties up precious capital but also, encouraged by changing guidance and regulation. We agree that independent shareholders can better supervise the corporate governance standards necessary to compete in the modern world and support the revisions that necessitate the effective involvement of independent directors.	We appreciate your support for the intent of the revision of the Guidelines.
128	With regard to cross shareholdings, we would like to see the word "benefits" deleted from "...whether the purpose is appropriate and whether the benefits and risks from each holding..." of Section 4.2.1 of the Guidelines, and the words "it is inappropriate to make shareholding a condition for business relationships" added thereafter. With regard to cross shareholdings, we believe that measures should be taken to clarify the purpose of the Code, as the recognition and efforts by companies are extremely insufficient. First, with regard to the purpose of shareholding,	With regard to cross shareholdings, it has been pointed out that: (i) the existence of stable shareholders can cause a loosening of discipline in corporate management; (ii) they are risk assets that are not utilized in the balance sheets of listed companies; and (iii) they are inefficient in terms of capital management. In Principle 1.4 of the Code, listed companies are required to examine whether the purpose is appropriate and whether the benefits and risks from each holding cover the company's cost of capital,

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	<p>Supplementary Principle 1.4.1. of the Code states that "companies should not hinder the sale of cross-held shares by (...) implying a possible reduction of business transactions." It is clear that the phrase "maintaining and strengthening business relationships," which many companies cite as the reason for cross shareholdings, is inconsistent with the purpose of the Supplementary Principle, and therefore it is necessary to explicitly point it out in the Guidelines. In addition, we believe that the term "benefits" itself is inappropriate, since, if cross shareholdings bring "benefits" that exceed the rights of ordinary shareholders, it would be contrary to "secure effective equal treatment of shareholders" as stated in General Principle 1.</p> <p>Secondly, in light of the current situation where very few companies specifically state their policy on reduction, if a company has a specific policy on reduction resolved at a meeting of the board, etc., the company's stance can be confirmed by disclosing the policy. In addition, if a company does not disclose its policy, it can be inferred that the company has not yet decided on a specific reduction policy or measures, and this will promote dialogue among investors. Further, it is possible that management may not be aware of interactions in the sales field (rejection of requests to sell) on the part of those who let their vendors hold policy shares. Therefore, it would be effective to confirm that companies explicitly state in the corporate governance report, etc., that the company is complying with Supplementary Principle 1.4.1 of the Corporate Governance Code, and to confirm that all employees of the company are thoroughly aware of the Supplementary Principle.</p>	<p>and to disclose and explain the results in an easy-to-understand manner.</p> <p>Supplementary Principle 1.4.1 clarifies that companies should not hinder the sale of the cross-held shares by, for instance, implying a possible reduction of business transactions when cross-shareholders indicate their intention to sell their shares.</p> <p>Section 4.2.1 of the Guidelines states that, with respect to the examination of the appropriateness of holding each individual cross shareholding, "does the company specifically and clearly disclose and explain the results of this assessment, including the assessment methods?" In light of this, it is expected that constructive dialogues will continue to be held between investors and companies.</p>
129	We request that the following be added to Section 4.2.2 of the Guidelines: "When the board resolves a policy to reduce cross-shareholdings, the policy should be disclosed	Under Principle 1.4 of the Code, if a company does not present its "policy and stance on reducing its policy holdings" based on its individual

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	<p>promptly."</p> <p>With regard to cross shareholdings, we believe that measures are needed to clarify the purpose of the Code, as companies' awareness and efforts are extremely insufficient.</p> <p>First of all, with regard to the purpose of shareholding, Supplementary Principle 1.4.1 of the Code states that companies should not imply a possible reduction of business transactions due to the sale of cross-held shares. It is clear that the phrase "maintaining and strengthening business relationships," which many companies cite as the reason for cross shareholdings, is inconsistent with the purpose of the Supplementary Principle, and therefore it is necessary to explicitly point it out in the Guidelines. In addition, we believe that the term "benefits" itself is inappropriate, since, if cross shareholdings bring "benefits" that exceed the rights of ordinary shareholders, it would be contrary to "secure effective equal treatment of shareholders" as stated in General Principle 1 of the Corporate Governance Code.</p> <p>Secondly, in light of the current situation where very few companies specifically state their policy on reduction, if a company has a specific policy on reduction resolved at a meeting of the board, etc., the company's stance can be confirmed by disclosing the policy. In addition, if a company does not disclose its policy, it can be inferred that the company has not yet decided on a specific reduction policy or measures, and this will promote dialogue among investors.</p> <p>Further, it is possible that management may not be aware of interactions in the sales field (rejection of requests to sell) on the part of those who let their vendors hold policy shares. Therefore, it would be effective to confirm that companies explicitly state in</p>	<p>circumstances, it is required to fully explain the reasons for not doing so as an "explanation" to the Principle.</p> <p>In addition, based on Section 4.2.2 of the Guidelines, it is expected for companies to clarify the policy and approach regarding the reduction of cross shareholdings, and to hold constructive dialogues with investors on whether appropriate measures are being taken in line with such policy and approach.</p>

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	<p>the corporate governance report, etc., that the company is complying with Supplementary Principle 1.4.1, and to confirm that all employees of the company are thoroughly aware of the Supplementary Principle.</p>	
130	<p>We propose to add in Section 4.2.3 of the Guidelines that whether a company explicitly states in the corporate governance report that the sale of shares will not be prevented by, for instance, implying a possible reduction of business transactions, and add "whether such stance is thoroughly understood by all employees."</p> <p>With regard to cross shareholdings, we believe that measures are needed to clarify the purpose of the Code, as companies' awareness and efforts are extremely insufficient. First of all, with regard to the purpose of shareholding, Supplementary Principle 1.4.1 of the Code states that companies should not imply a possible reduction of business transactions due to the sale of cross-held shares. It is clear that the phrase "maintaining and strengthening business relationships," which many companies cite as the reason for cross shareholdings, is inconsistent with the purpose of the Supplementary Principle, and therefore it is necessary to explicitly point it out in the Guidelines. In addition, we believe that the term "benefits" itself is inappropriate, since, if cross shareholdings bring "benefits" that exceed the rights of ordinary shareholders, it would be contrary to "secure effective equal treatment of shareholders" as stated in General Principle 1 of the Corporate Governance Code.</p> <p>Secondly, in light of the current situation where very few companies specifically state their policy on reduction, if a company has a specific policy on reduction resolved at a meeting of the board, etc., the company's stance can be confirmed by disclosing the policy. In addition, if a company does not disclose its policy, it can be inferred that the</p>	<p>In relation to the response to Supplementary Principle 1.4.1 of the Code, we believe it is important to ensure effectiveness through dialogue between investors and companies, based on Section 4.2.3 of the Guidelines.</p>

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	<p>company has not yet decided on a specific reduction policy or measures, and this will promote dialogue among investors.</p> <p>Further, it is possible that management may not be aware of interactions in the sales field (rejection of requests to sell) on the part of those who let their vendors hold policy shares. Therefore, it would be effective to confirm that companies explicitly state in the corporate governance report, etc., that the company is complying with Supplementary Principle 1.4.1. of the Corporate Governance Code, and to confirm that all employees of the company are thoroughly aware of the Supplementary Principle.</p>	
131	<p>With regard to Section 4.2.1 of the Guidelines, please clarify the purpose of including "effective involvement of independent directors" as an example, in addition to the assessment by the board specified in Principle 1.4 of the Code, i.e., assessment of the purpose of cross shareholdings conducted at a board meeting attended by independent directors.</p>	<p>In relation to cross shareholdings, it has been pointed out that while disclosure requirement in annual securities reports has been strengthened, many companies make only formulaic disclosures regarding verification of the effects of shareholdings, etc., and there is a divergence from the disclosure expected by investors. Further, at a meeting of the Follow-up Council, it was pointed out that improvements are expected through rigorous verification by independent outside directors.</p> <p>In light of such comments, Section 4.2.1 of the Guidelines has been revised to include the following statement: "whether the assessment of holding effects is sufficient based on the perspective of the common interests of shareholders, for example through the effective involvement of independent directors."</p>
132	<p>Cross shareholdings are referred to in detail in Section 4.2 of the Guidelines, but we believe that the scale of overall cross shareholdings should be verified as part of</p>	<p>Principle 1.4 of the Code requires the Board to assess whether the purpose is appropriate and whether the benefits and risks from each holding cover</p>

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	<p>investment strategy and financial management, as it is a part of capital policy as well as the level of cash and deposits held. For this reason, we propose the following modification to Section 4.2.2 of the Guidelines.</p> <p>"Is the company's capital allocation and financial management policy, including the composition of capital with an awareness of the company's cost of capital, the use of cash reserves, and cross shareholdings, properly formulated and implemented?"</p>	<p>the company's cost of capital in relation to each individual cross-held share. With regard to the assessment of the appropriateness of holding, Section 4.2.1 of the Guidelines states, "Does the board 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 correspond to the company's cost of capital?"</p> <p>Further, the revised Guidelines newly states, "whether the assessment of holding effects is sufficient based on the perspective of the common interests of shareholders, for example through the effective involvement of independent directors." In light of this, it is expected that constructive dialogues between investors and companies will be held to determine whether the Board conducts sufficient scrutiny and verification in terms of whether the benefits and risks associated with holding cover the cost of capital.</p>
133	<p>Section 4.2 of the Guidelines requires the effective involvement of independent directors in assessing the effects of cross shareholding. However, this does not mean that it is sufficient for independent directors to merely review the results or that it is acceptable to continue cross shareholding as long as certain numerical hurdles are met.</p> <p>In addition, as a problem for the companies who let others hold the shares, it is necessary for investors to confirm through dialogue that such companies will not interfere with the sale of the shares if they are approached by shareholders of the company to sell the shares.</p>	<p>Principle 1.4 of the Code requires the Board to review the appropriateness of each individual cross shareholdings by specifically examining whether the purpose of the holding is appropriate and whether the benefits and risks associated with the holding cover the company's cost of capital. Section 4.2.1 of the Guidelines states, "Does the board assess whether or not to hold each individual cross-shareholding, specifically examining whether the purpose is appropriate and whether the benefits and risks cover the company's cost of capital?" In light of this, it is expected that the benefits and risks associated from each cross shareholding will be verified in terms</p>

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		of whether they cover the cost of capital, taking into account the perspective of balance sheet risk management.
134	With regard to Section 4.2.1 of the Guidelines, in spite of the many complaints from members on the investor side, the discipline on cross-shareholding is still lukewarm. Why don't you take a cue from the LRA standards familiar to lawyers and set up some sort of criteria like Less Holdable Alternatives (LRAs), such as "it is impossible or extremely difficult to achieve a particular business objective by means other than cross shareholding, and the degree of cross shareholding is minimal?"	With regard to cross shareholdings, Section 4.2.1 of the Guidelines states, "Does the board assess whether or not to hold each individual cross-shareholding, specifically examining whether the purpose is appropriate and whether the benefits and risks cover the company's cost of capital?" With these points in mind, it is expected that constructive dialogue between companies and investors will continue to take place.
135	Regarding assessment of the appropriateness of cross shareholdings, for companies listed on the prime market with a <i>kansayaku</i> board, we propose adding independent <i>kansayaku</i> as "effective involvement of independent directors and independent <i>kansayaku</i> " in line 8.	Effective involvement of independent <i>kansayaku</i> as well is considered to be included in "effective involvement by independent directors."
136	In footnote 7 of Section 4.2.1 of the Guidelines, it is stated that "Cross-shareholdings include shares that are not directly held by a company but in practice are under the company's control." We request to confirm that so-called "deemed holding of equity securities" fall under this category. In addition, in Section 4.3.2 of the Guidelines, we believe that it should be added that corporate pension plans should verify whether their holding of deemed shareholdings is appropriate from the perspective of investment risk management.	Footnote 7 of the Guidelines and Footnote 2 of the Follow-up Council proposal state that cross-shareholdings include shares contributed to retirement benefit trusts, which are not directly held by companies but are in substance held by companies for strategic purposes. We also accept your valuable comments on Section 4.3.2 of the Guidelines.
137	We are in favor of the proposed revision of Section 4.3.2 of the Guidelines.	We appreciate your support for the intent of the revision of the Guidelines.
138	We welcome the additional item in the Guidelines on enhancement of the dialogue between shareholders and companies. Over the last few years, we have seen that	

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	Japanese companies are increasingly willing to engage with shareholders. We would welcome further engagement directly with independent directors, especially in companies where the chairperson is an executive.	
139	With regard to Section 4.3.2 of the Guidelines, there is no immediate problem with using one's own business partners as an investment trustee, and the question should be whether or not the company is unfairly involved in the selection of investment trustees by, for example, forcing them to choose certain entities. In this context, we would like you to clarify the purpose of citing "requiring (...) to select an investment trustee from the perspective of maintaining relationships with business partners" as an inappropriate example.	<p>In the discussion at the Follow-up Council, it was pointed out that there are a significant number of corporate pension plans that place importance on the business relationship with their mother company (rather than on investment performance or ability) when deciding on investment trustees, and that it is important to further manage conflicts of interest between mother companies and corporate pension plans.</p> <p>In light of these comments, Section 4.3.2 of the Guideline adds an agenda item by stating: "Does the company avoid interfering with the appropriate management of its corporate pension plan, or otherwise require the corporate pension funds to select an investment trustee from the perspective of maintaining relationships with business partners?"</p>
140	Detailed guidance is necessary for Section 4.3.2 of the Guidelines since, if it is a defined-benefit corporate pension plan, the degree of difficulty in exercising influence would differ between the fund-type (with independent legal personality) and the covenant-type (handled by a certain department of the company), so detailed guidance is needed.	Since various situations in which conflicts of interest may arise can be envisioned depending on the situation in which the mother company or corporate pension plan is placed, we do not provide a detailed framework in advance in the Guidelines. It is expected that constructive dialogue between companies and investors will take place in accordance with the circumstances of the companies.
141	We would like you to consider adding a new section on the appropriateness of English language disclosure in the Guidelines.	With respect to English language disclosure, Supplementary Principle 3.1.2 of the Code states that companies should, to the extent reasonable, take

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	(Proposal) Do English language disclosures adequately cover matters of importance to investors?	<p>steps for providing English language disclosures, and that companies listed on the Prime Market should disclose and provide necessary information in their disclosure documents in English.</p> <p>In response to this Principle, it is expected that each company will make efforts to disclose information in English in a manner that appropriately covers matters of importance to investors.</p>