Summary of Comments in the Public Consultation Procedure
Regarding "Revision of Japan's Corporate Governance Code based on the proposal of the Council"

Tokyo Stock Exchange, Inc. (hereinafter "TSE") released an outline of the revision of the Corporate Governance Code taking into consideration the proposal from the Follow-Up Council on March 30, 2018 and accepted a wide range of opinions in the period between March 30, 2018 and April 29, 2018. As a result, 69 comments were received.

A summary of the main comments received regarding this matter and the stance of TSE towards these comments is as follows.

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1. Revision of the Corporate Governance Code Overall		
1	・ We believe that the recent revision of the Corporate Governance Code and the formulation of the Guidelines for Investor and Company Engagement together with the revision of the Stewardship Code in May of last year will further advance corporate governance reform with a shift from form to substance through the promotion of constructive engagement between institutional investors and companies, and in doing so, make a significant contribution to sustainable growth and mid- to long-term improvements in corporate value.	※ We appreciate your support for the intent of the revision.
2	・ We highly commend this revision proposal for the effort to enhance the contents of matters that shareholders and investors have a high level of interest regarding, such as the clarification of the approach towards the reduction of cross-shareholdings, the roles of corporate pension funds as asset owners, the further specification and clarification of the roles and responsibilities of the board, and assessment of the cost of capital.	
3.	・ We commend the efforts of the Follow-Up Council towards the effective implementation of both codes and the focus on mid- to long-term improvements in corporate value.	
4	・ We commend this code revision for the more specific advice to companies and to investors as to their stewardship obligations. We welcome the specific recommendations relating especially on capital management, director training, and improving disclosures.	
5	・ We would like to thank the Council of Experts for their effort to enhance governance through the revision of the code. These efforts will encourage and provide meaningful guidance for good company behavior. We support the revisions of the Code and	

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	highly appreciate the effort to improve the alignment of interests between companies and long-term investors. ・ We want to positively acknowledge the following revisions: • Principle 1.4 – Suggests that listed companies examine whether the benefits and risks of each cross-shareholding cover the company's cost of capital • Supplementary Principle 1.4.2 – Asks listed companies to carefully examine the underlying economic rationale concerning transactions with cross-shareholdings • Supplementary Principle 4.1.3 – Reinforces the board's commitment to proactively manage the succession plan process for management; • Principle 5.2 – Asks listed companies to identify their cost of capital when developing business strategies and business plans.	
6	・ We support the corporate governance reform underway in Japan. We praise the efforts of TSE towards improvements in governance.	
7	・ As an international shareholder of Japanese companies, we welcome the revision of the Code. We believe the Code has had a positive impact on the standards of corporate governance in Japan and we encourage continued improvement in this area.	
8	・ The appointment/dismissal of the CEO, the nomination and remuneration function, and the diversity of the board are the core of corporate governance, and we largely agree with the contents of the revision.	
9	・ We welcome the Follow-Up Council's intent to further progress the state of corporate governance in companies listed in Japan. The council focuses on management responsibilities of the board in overseeing management, disclosure and rationale for cross-shareholdings, and the role of asset owners in stewardship of investee companies, and we believe these are relevant priorities when revisiting the corporate governance code.	

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	・ In particular, we support the move towards a higher ratio of independent board members, the suggestion that independent board members should play key roles on remuneration and nomination committees, and the specific reference to gender and international experience as aspects of recommended board diversity.	
10	・ We basically agree with the code revision proposal.	
11	・ Three years have elapsed since the formulation of the code, and it has become instilled in practice. It is considerably meaningful to review and revise the direction of the code in an aim for even further enhancement of governance in Japanese society at this timing. We largely agree with the purpose of this revision proposal.	
12	・ We welcome the revisions to the Corporate Governance Code and the Guidelines for Investor and Company Engagement. In particular, directors have an important role to play in shaping the strategic direction of a company and amongst board members there should be an appropriate range of skills and different perspectives and specialisms. In addition, the appointment of an effective CEO is a major strategic decision for any board and we welcome the Code measures surrounding appointment and dismissal procedures. External board members play an important challenge function to company boards and we are also supportive that there should be a suitable proportion of independent directors to carry out this function.	
13	・ Because improving the effectiveness of corporate governance as much as possible is an issue for listed companies, we hope that awareness is ensured on the revised contents and the related areas including the necessity of the revision in a manner that is easy to understand.	※ TSE held a briefing for listed companies that introduced the background behind the revisions of the Corporate Governance Code (the "Code") and the contents of the revision proposal, etc. together with the FSA at five cities in Japan in April of this year. We would like to raise awareness of the purpose of the revision, etc. through various means going forward.

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14	・ Because it is important to further advance the approach towards engagement between investors and companies and corporate governance from form to substance in the code revision and formulation of the engagement guidelines, it is important to conduct an objective and comprehensive examination of the effects, etc. of the current code and to also sufficiently focus on the state of innovations in accordance with the circumstance of each company making efforts in consideration of the code.	※ This code revision and formulation of the Guidelines for Investor and Company Engagement ("Engagement Guidelines") by the FSA have been conducted in consideration of an examination of the progress of corporate governance reform by the Council of Experts Concerning the Follow-up of Japan's Stewardship Code and Japan's Corporate Governance Code ("Follow-up Council") composed of corporate managers, institutional investors, academics, etc. who have a deep knowledge of corporate governance. ※ The Follow-up Council has provided opportunities to hear the opinions of listed companies and institutional investors in order to deepen its understanding of efforts and actions by listed companies related to corporate governance, and has discussed a range of issues in consideration of their opinions. In addition, the Follow-up Council always accepts a wide range of opinions regarding the progress, state, and issues of corporate governance, and it conducts discussions in consideration of these opinions. ※ The Follow-up Council will continue to sufficiently listen to the voices of stakeholders including listed companies and institutional investors and consider measures to improve the effectiveness of corporate governance reform in consideration of the state of
15	・ In order to promote effective corporate governance reform through engagement between investors and companies, it would be preferable to have discussions in consideration of the opinions of issuers in addition to the opinions of investors. Accordingly, we would like for you to consider increasing the ratio of members of the Follow-up Council from issuers in future discussions.	
16	・ It would be more in line with the actual circumstances and preferable if the code revision and formulation of the engagement guidelines were conducted in consideration of the results of an examination of matters such as what changes there have been for listed companies that are required to make disclosures through a comply or explain approach regarding compliance with the Code that has been established and what changes there have been in engagement between investors and companies with the introduction of the Stewardship Code.	
17	・ Looking at the members of the Follow-up Council, it seems like there are almost no members capable of speaking for issuer companies or local areas. We would like for you to consider a review of the members of the Follow-up Council so that fair discussions can be held in consideration of the opinions of local issuer companies in addition to the opinions of investors.	
18	・ While it is only natural that the areas that institutional investors and companies focus on differ, we must say that the balance is lost if only the issues of institutional investors	

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	are largely focused on when holding constructive engagement. ・ While there is the view that the explain approach would be acceptable, if this revision is enacted it would effectively serve as a code of conduct for companies and there would be high hurdles towards accountability as a result. A revision process that takes into sufficient consideration the opinions of companies as well regarding what items are focused on in constructive engagement between institutional investors and companies would be preferable.	corporate governance and a wide range of opinions on corporate governance.
19	・ The revision proposal contains statements that refine the current principles or indicate a specific concrete approach, and accordingly there is a possibility that this could narrow the range of interpretation by companies and limit discretionary judgments in corporate governance. In the revision of the Code, it is necessary to take into sufficient consideration such impacts and take care to ensure that the true significance of a principle-based approach is not lost.	※ Although this code revision includes sections that aim to clarify important points to improve the effectiveness of corporate governance reform in light of a number of issues at the current situation such as the lack of decisive decisions by management at many listed companies, it couldn't be thought that there have been any changes to the significance of the principle-based approach.
20	・ After the revision of the Code, many listed companies will hold the general meetings of shareholders and the corporate governance efforts and approach towards disclosure by their own company will be considered by executives appointed at the general meetings of shareholders. Accordingly, a sufficient period of time will be necessary, and it is necessary to give sufficient consideration to the submission timing of corporate governance reports in consideration of the revision of the Code.	※ The submission of reports concerning corporate governance in consideration of the revision of the Code will be as soon as they are prepared or by December 31, 2018 at the latest in order to ensure sufficient time for preparations and consideration for the creation of the reports. If it is difficult to implement the principles of the revised Code despite having the intent to implement these principles by December 31, 2018, it would be possible to state the plans for future efforts and an approximate implementation timing in the explanation
21	・ Is the understanding correct that it would be acceptable for companies holding the general meetings of shareholders in June or July to respond the revised Code from the general meetings of shareholders of next year if there is no time to prepare the creation of corporate governance reports in consideration of the revised Code from this year?	

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22	・ Is the understanding correct that it would be acceptable for listed companies planning to hold the general meetings of shareholders in June to respond the revised Code from the general meetings of shareholders of next year if there is no time to prepare the creation of corporate governance reports in consideration of the revised Code from this year?	for "reason for not implementing each principle of the Code".
23	・ We would like to confirm that it would be acceptable to submit a corporate governance report based on the former Code if there have been changes in the contents of the report by December 31, 2018.	※ That understanding is correct.
24	・ There should be a switchover for the corporate governance reports all at once on a specific date.	※ In terms of the response by listed companies to the code revision, because it is preferable for information to be provided to investors in a timely manner, reports concerning corporate governance that take into consideration the revised Code will be submitted as soon as they are prepared. ※ Note that listed companies are expected to take into consideration the perspective of users in their response through means such as clarifying whether the statements are based on the new or old Code when updating the reports concerning corporate governance.
25	・ We recommend that greater clarity be provided about how the Engagement Guidelines that are supplementary document should be used in relation to each code.	※ As stated in the introduction for the Engagement Guidelines, the Engagement Guidelines are intended to be a supplemental document to both codes and provide agenda items for engagement that institutional investors and companies are expected to focus on. Accordingly, although the intention is not to require institutional

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		investors and companies to "comply or explain" with respect to the Engagement Guidelines themselves, listed companies are expected to consider the contents of the Guidelines when they comply with a principle of the Corporate Governance Code, including principles calling for disclosure, or, if not, explain the reasons why they are not doing so.
26	・ Although there is the view that it would be acceptable to explain items of the Code that cannot be complied with, we believe that many companies and investors have a negative view towards explaining and that they believe the Code should be complied with. For matters that it is believed would be generally difficult to achieve, we would like for consideration to be given through means such as avoiding the phrase "should" and only listing examples.	※ As you understand, the Code does not require a uniform response by listed companies, and it is assumed that listed companies will not implement principles if there is a principle that implementation is not believed to be appropriate for in consideration of their individual circumstances, and that a sufficient explanation for not implementing the principle will be provided in this case. In the "Responses to the Corporate Governance Code and Next Steps of the 'Council of Experts Concerning the Follow-Up of Japan's Stewardship Code and Japan's Corporate Governance Code' released October 20, 2015 ("Opinion Statement No.1"), it states "With regard to the Corporate Governance Reports which have been submitted so far, some members point out that there seems to be a tendency for companies to hesitate to "explain", taking it for granted that "compliance" is necessary. At the same time, many members point out
27	・ Looking at the current users in relation to the comply or explain approach, it is believed that there are many investors, etc. who feel that matters should be complied with while using a checklist approach. We hope that further efforts are made to raise awareness of the comply or explain approach when the Code is revised.	

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		that we are encountering cases where companies proactively explain the reason why they do not comply with a certain principle and that these kinds of explanatory efforts are preferable to superficial compliance". TSE will continue to make efforts to further raise awareness of this stance in order to deepen the awareness of both listed companies and investors.
28	・ A process should be implemented in which a review is conducted in an aim for code implementation improvements at least once every three years, and I believe that the future timing and process should be established in advance. It would be preferable to clearly state the specific schedule for the next revision in the opening of the Code ("About the Corporate Governance Code").	※ Although the Follow-Up Council that is a secretariat jointly composed of TSE and the FSA will continue to hold discussions on the progress of corporate governance reform, firstly, it is important to follow-up on the effectiveness of the Code after revision and there are no plans at this time to clearly indicate a specific revision timing.
2. Management Decisions in Response to Changes in the Business Environment and the Policy of Investment Strategy and Financial Management		
29	・ In terms of Principle 5.2, we are supportive of the cost of capital being factored into corporate decisions, including the business portfolio and fixed assets investments.	※ We appreciate your support for the intent of the revision.
30	・ We firmly welcome this addition of specific wording to encourage companies to elaborate on their capital policy more systematically in Principle 5.2. ・ Although many have increased their dividend payout, they should also be able to explain to shareholders in detail how they plan to allocate capital in other ways such as investment and R&D. In addition, shareholder funds are often used in the form of cross-shareholdings, which we believe is not only an inefficient use of capital but also a restraint on governance reform and free competition. We encourage companies to address this matter when they devise their capital policy and reallocate the funds for	

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	better purposes.	
31	・ In terms of Principle 5.2, while it is only natural for management to undertake business with an awareness of the cost of capital, in other words, business with an awareness of investment efficiency, accurately identifying cost of capital is something that is difficult even for a finance expert, and it is not practical to set this as a code that should be uniformly followed by operating companies. ・ In addition, because reviews of the business portfolio and the allocation of management resources are important matters related to corporate strategy that can also have an impact on the competitive environment and corporate value, a careful response is needed in explanations to shareholders. This is something that should be left up to the discretion of companies because the status may differ depending on the company.	※ As stated in the Follow-up Council proposal "Revision of the Corporate Governance Code and Establishment of Guidelines for Investor and Company Engagement" (March 26, 2018), it has been pointed out that many companies are not making management decisions decisively in response to changes in the business environment. For example, it has been pointed out that the reviewing of business portfolios is not necessarily sufficient at Japanese companies, because management still does not adequately recognize a company's cost of capital. It has also been pointed out that there are differences between investors and companies in the awareness towards whether listed companies are achieving returns above the cost of capital. ※ For this reason, the Follow-up Council proposal states that "management should accurately identify a company's cost of capital", and Principle 5.2 has been revised to require each listed company to accurately identify the cost of capital of their own companies. ※ 1.2 of the Engagement Guidelines points "Does management accurately identify the company's cost of capital, reflecting risks associated with the business in an appropriate manner?", and in consideration of the purpose of this statement, it is expected for constructive
32	・ We would like for the wording in Principle 5.2 to be something like "indicate a profit plan and basic capital policy in consideration of your company's cost of capital" so that the expectations of investors are not too high and to avoid unrealistic discussions that are overly focused on figures.	
33	・ In relation to Principle 5.2, although we agree overall with the purpose of the revision proposal and believe that it is extremely important for listed companies to accurately identify their cost of capital, it is highly likely that using the phrasing "identify your own cost of capital" will results in many companies becoming only interested in the figures. The important thing is for the management team of listed companies to understand the concept that the cost of capital is equivalent to the expected profit ratio of investors and have an awareness of achieving profits that are in line with the expectations of investors. For this reason, the wording should be revised to "based on a sufficient awareness of the cost of capital for your company".	

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34	・ Although Principle 5.2 requires companies to establish and disclose business strategies and business plans after accurately identifying their own cost of capital, we have some doubts as to whether this needs to be specifically stated as this is something that is obvious, despite the fact that this may be stated in consideration of the fact that there are some companies that have not been able to accurately identify the cost of capital.	engagement to be held between investors and listed companies on matters such as the approach towards calculation in addition to the cost of capital that are identified. ※ Along with the stance described above, the Follow-up Council proposal also states that "decisive business decisions including reviewing business portfolios are important" and "strategic and systematic investment in fixed assets, R&D, and human resources are important". In accordance with this stance, this revision clarifies that reviews of the business portfolio and investment in fixed assets, R&D, and human resources are included in the allocation of management resources that explanations have been required for in Principle 5.2 up until now. It is expected that there will be constructive engagement between investors and listed companies regarding these points in consideration of the intent of 1.3, 2.1, and 2.2 of the Engagement Guidelines.
35	・ In terms of Principle 5.2, because the cost of capital is something that involves estimates and assumptions, we believe that it would be possible for investors and companies to share their awareness through means such as clearly indicating general calculation methods in a notes section or clearly indicating whether the cost of capital refers to the cost of shareholders' equity or a weighted average cost of capital.	※ The cost of capital is generally the cost for the procurement of funds that appropriately incorporates the risks of one's own business and it is viewed as the profit rate expected by the provider of such funds. The cost of shareholders' equity or WACC (weighted average cost of capital) are used frequently when
36	・ Does the cost of capital used in Principle 1.4 and Principle 5.2 have the same	

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	meaning? Does the cost of capital refer to WACC or the cost of shareholders' equity? Is the understanding correct that even if the cost of capital is identified, it does not have to be released or disclosed?	applying a cost of capital. ※ In relation to Principle 5.2, while your understanding is correct that the disclosure of actual figures for the cost of capital is not being required, in consideration of the inclusion of the statements "Does management clearly explain why they decided upon targets?" in 1.2 of the Engagement Guidelines, it is believed that companies are required to explain to investors the stance towards the cost of capital for their own company and the status of the use of costs in business in this principle that also states that companies should "present targets for matters such as profitability and capital efficiency".
37	・ Although the phrase "capital policy" is used multiple times in the Code (Principle 1.3, Principle 1.6, and Principle 5.2), because this word has multiple meanings that can differ depending on who is using it, we believe that it would be better to rethink the use of this phrase.	※ As you have pointed out, while the phrase "capital policy" can have multiple meanings, in this Code it mostly has the meaning of policy for managing capital, including the procurement of capital and debt necessary for the business execution by a listed company, returns to shareholders, the ratio of capital and liabilities, and the means of procurement. It is believed that the approach towards target leverage and returns to shareholders that were pointed out and investment plans accompanying the procurement of capital etc. are including in the basic capital policy in Principle 5.2 and Principle 1.3.
38	・ Principle 1.3 should clearly describe target leverage, the policy towards returns to shareholders, investment plans, etc. as a definition of capital policy.	
39	・ Although Principle 1.3 states that an explanation should be provided on the basic	※ Principle 5.2 also requires the indication of a basic

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	capital policy, because investors have strong doubts towards the capital policies of Japanese companies, it should be clearly stated in Principle 1.3 (i) that the basic capital policy is a matter that should be disclosed.	capital policy in the disclosure of business strategies and business plans as required in Principle 3.1 (i).
40	・ In relation to Principle 5.2, the need to effectively disclose business strategies and business plans could be further clarified. Doing so would provide shareholders with a better quality of information and facilitate better discussions between companies and shareholders.	※ Because disclosures on business strategies and business plans are important as has been pointed out, Principle 3.1 clearly requires disclosures on business strategies and business plans. In addition, the matters believed to be important in the formulation and disclosure of business strategies and business plans are further clarified in Principle 5.2 in this revision. ※ 1.1 of the Engagement Guidelines points "Are specific business strategies and business plans established and disclosed to generate sustainable growth and increase corporate value over the mid- to long-term?", and it is expected that there will be constructive engagement between investors and listed companies regarding these points. ※ Note that the Working Group on Corporate Disclosure of the Financial System Council of the FSA is currently reviewing disclosures of management strategy, etc.
41	・ Under Principle 1.3, we would encourage companies to provide further disclosures of how they prioritize their use of cash balances and future retained earnings. This will complement part 2 of the Guidelines for Investor and Company Engagement around investment strategy and financial management policy.	※ As pointed out, disclosures on the sources of funds and liquidity of funds are required in the analysis of financial position, results of operations, and cash flows section of the securities report, and it is expected that there are specific statements in line with the contents of
42	・ For 3.1, add "The disclosure of business strategy should include a separate financial	

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	strategy, which should help investors assess the company's management of its debt and equity capital, and the framework on how its expected free cash flow is allocated to deliver returns in excess of its cost of capital".	a company's business regarding, for example, major planned expenditures and the source of these funds during the submission fiscal year for securities reports. ※ In addition, in Principle 5.2 is stated that the basic capital policy should be indicated in the establishment and disclosure of business strategies and business plans, and it is believed that listed companies also make disclosures including the basic capital policy as necessary in consideration of their circumstances and the interests of stakeholders as was pointed out. ※ 2.2 of the Engagement Guidelines also points "Is financial management policy (including capital structure decisions and use of cash on hand in recognition of the company's cost of capital) established and managed appropriately??", it is expected for constructive dialogue to be held between investors and listed companies on the matter pointed out. ※ Note that the Working Group on Corporate Disclosure of the Financial System Council of the FSA is currently reviewing disclosures of information related to the sources of funds and liquidity of funds.
43	・ I highly commend and welcome the inclusion of the important phrase "cost of capital" for the first time in this revisions proposal. Although directors should also be required to have sufficient knowledge regarding the cost of capital and financial management,	※ Principle 4.11 states that "The board should be well balanced in knowledge, experience and skills in order to fulfill its roles and responsibilities, and it should be

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	because the wording in Principle 4.11 can be seen as meaning "while members with sufficient knowledge of finance and accounting are required for the *kansayaku*, they aren't necessarily required for the directors", Principle 4.11 should be revised to state "at least one member with the appropriate knowledge concerning finance and accounting should be appointed to *kansayaku* and board of directors".	constituted in a manner to achieve both diversity, including gender and international experience, and appropriate size.", and it is believed that knowledge regarding the cost of capital and financial management is also included in this "knowledge" in Principle 4.11. ※ Note that 3.8 of the Engagement Guidelines points "Do the independent directors possess the necessary knowledge to effectively contribute to sustainable growth and increasing corporate value over the mid- to long-term, including knowledge of finance, such as capital efficiency, and understanding of relevant laws and regulations?", and it is expected for constructive engagement to be held between investors and listed companies in consideration of the purpose of this statement.
44	・ We think that the statement that directors and *kansayaku* should learn about the concept of corporate governance and the cost of capital should be added to Principle 4.14.	※ Principle 4.14 states that listed companies should provide and arrange training opportunities suitable to each director and *kansayaku* to acquire and update necessary knowledge and skills for their expected roles and responsibilities. It is also believed that opportunities for training should be provided and introduced in cases which it is deemed necessary in consideration of the importance for corporate governance and the cost of capital as well. ※ Note that 3.8 of the Engagement Guidelines points

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		"Do the independent directors possess the necessary knowledge to effectively contribute to sustainable growth and increasing corporate value over the mid- to long-term, including knowledge of finance, such as capital efficiency, and understanding of relevant laws and regulations?", and 3.10 points "Are persons with appropriate experience and skills as well as necessary knowledge on finance, accounting, and the law appointed as *kansayaku*?", and accordingly it is expected for constructive engagement to be held between investors and listed companies in consideration of the purpose of these statements.
3. CEO Appointment/Dismissal and Responsibilities of the Board		
(1) CEO Appointment/Dismissal and Development		
45	・ We welcome the amendments to Supplementary Principle 4.1.3 to encourage the board to play more active roles in succession planning and such planning to be done more systematically. ・ We welcome the additional expectations for the board in relation to the appointment and dismissal of the CEO in Supplementary Principle 4.3.2 and 3. We find that most companies still have a set number of years of service for CEOs and replace them once the period is over, rather than choosing the right time to appoint new management based on performance. We expect the proposed amendments to highlight the critical importance of CEO appointment and dismissal. ・ We believe the revision of Principle 3.1 will be helpful in highlighting that transparency around dismissals of senior management is important.	※ We appreciate your support for the intent of the revision.

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46	・ Regarding the revision proposal, we highly commend the promotion of information disclosure regarding appointment and dismissal of members of senior management including the CEO in Principle 3.1, as well as the mention of the appointment of a qualified CEO in Supplementary Principle 4.3.2 and the procedures for the dismissal of the CEO in Supplementary Principle 4.3.3. In particular, we believe that the establishment of an independent supplementary principle regarding the dismissal of the CEO will provide an opportunity for each company to recognize that the establishment of a process for the dismissal of the CEO is an important issue and to promote effective measures. At this time, devices will be required for the board to assess the CEO as an individual. ・ In addition to appointment and dismissal, the same thing can be said for CEO succession plan that is mentioned in Supplementary Principle 4.1.3. We are supportive of the clear indication that the development of CEO candidates should be conducted under the supervision of the board to ensure that it is conducted with sufficient time and resources.	
47	・ We agree that one of the primary roles of the board is to hire and fire management. As part of its governing of management, the board should be responsible for the CEO evaluation and CEO succession planning. We support amendments to the Supplementary Principles 4.1.3 and Supplementary Principle 4.3.2 and 3.	
48	・ We agree with the contents and objectives of Supplementary Principle 4.1.3.	
49	・ We welcome the additional wording in Supplementary Principle 4.3.2 and 3 regarding the importance of an established process for the appointment/dismissal of the CEO. This is a critical issue which investors monitor in order to consider the effectiveness of the board.	
50	・ The new Supplementary Principles 4.3.2 and 3 are welcomed as a step towards	

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	transparency.	
51	・ With respect to Principle 3-1, improvements in disclosure are generally valued by shareholders. The provision of information regarding both the appointment and dismissal of the senior management is positive as it enables shareholders to better understand decisions taken by the board.	
52	・ Considering that "CEO" is a practical appellation at Japanese companies and that it is not necessarily used by all listed companies, the word "CEO" in Supplementary Principles 4.3.2 and 3 should be replaced with "top executives such as the CEO ("CEO, etc.")".	※ The word "CEO" in Supplementary Principles 4.3.2 and 3 is the "top executives" in Supplementary Principle 4.1.3, and it refers to the top member of management. It is believed that whether someone constitutes the "CEO" should be judged on whether they have such a level of responsibility depending on the circumstances of the individual listed company rather than the formal appellation for their post.
53	・ There are no principles regarding the ideal roles and responsibilities of the CEO in Supplementary Principles 4.3.2 and 3. In the establishment of procedures required by these supplementary principles, it should be necessary to clearly define the stance of the board towards the roles and authorities of the CEO.	※ It would be necessary to clarify a stance towards the qualifications required of the CEO for the appointment and dismissal of the CEO through objective, timely, and transparent procedures. In addition, it would be preferable to review the specific contents of such a stance as required in the process of procedures related to the appointment and dismissal of the CEO in consideration of changes in the business environment, etc. ※ 3.1 of the Engagement Guidelines points "Is there an established policy on CEO qualifications in order to appoint a CEO who can make decisions decisively to

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		generate sustainable growth and increase corporate value over the mid- to long-term?", and it is expected that there will be constructive engagement between investors and listed companies in consideration of the intent of these statements.
54	・ In regard to Supplementary Principle 4.3.2, it is only natural that the appointment and dismissal of the CEO should be decided on after sufficient deliberation by the board that takes into consideration various factors including corporate performance, the qualities of the CEO, and the social and business environment, and the statements "the appointment/dismissal of the CEO is the most important strategic decision for a company" and "the board should appoint a qualified CEO" in this proposal are self-evident. Purposely stating such things in the Code is not very meaningful.	※ Before the revision, Supplementary Principle 4.3.1 stated that the appointment and dismissal of the senior management should be implemented based on highly transparent and fair procedures. ※ In documents such as the "Corporate Boards Seeking Sustainable Corporate Growth and Increased Corporate Value over the Mid- to Long-Term 'Council of Experts Concerning the Follow-Up of Japan's Stewardship Code and Japan's Corporate Governance Code' Opinion Statement No. 2" released February 18, 2016 ("Opinion Statement No. 2") as well, it has been taken into consideration that the appointment and dismissal of the CEO is believed to be the single most important strategic decision for achieving sustainable growth and mid- to long-term improvements in corporate value for listed companies, and accordingly, Supplementary Principle 4.3.2 has been newly established to clarify this point. For this reason, it is required to appoint a qualified CEO through objective, timely, and transparent procedures, deploying sufficient time and
55	・ In relation to Supplementary Principle 4.3.2, the appointment and dismissal of the CEO is extremely important for the improvement of corporate value, and accordingly the establishment of objective, timely, and transparent procedures for this purpose is extremely meaningful. However, because a flexible response in light of changes in the social and business environment is also required in emergency situations in addition to objectivity, timeliness, and transparency, wording such as "using reasonable time and resources while flexibly responding to the social and business environment through objective, timely, and transparent procedures" would be appropriate.	
56	・ In relation to Supplementary Principle 4.3.2, because a flexible response in light of changes in the social and business environment is required for the appointment and dismissal of the CEO, wording such as "a policy for the appointment of a qualified CEO should be established using reasonable time and resources while flexibly responding to the social and economic environment through objective, timely, and	

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	transparent procedures" would be appropriate.	resources, rather than non-transparent procedures that place priority only on internal logic.
57	・ It states "the appointment and dismissal of the CEO... through objective, timely, and transparent procedures" in Supplementary Principle 4.3.2. What type of procedures are assumed as objective, timely, and transparent procedures?	※ In regard to the "objective, timely, and transparent procedures" are required in Supplementary Principle 4.3.2, it is believed that "timely" here includes the flexible appointment of a new CEO depending on the circumstances. ※ In addition, in consideration of the fact that "it is important to further promote the establishment and utilization of nomination committees in order to strengthen the independence and objectivity of the CEO appointment/dismissal process" as stated in the Follow-up Council proposal, Supplementary Principle 4.10.1 requires the establishment of an independent advisory committee such as an optional nomination committee for the nomination of senior management including the CEO and the seeking of appropriate involvement and advice from independent directors if independent directors do not compose the majority of the board at a Company with a *Kansayaku* Board or a Company with Supervisory Committee. ※ It is expected that there will be constructive engagement between investors and listed companies regarding the effectiveness of these procedures in consideration of the intent of 3.2 of the Engagement Guidelines.

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58	・ In relation to Supplementary Principle 4.3.3, although it is important to establish objective, timely, and transparent procedure for the dismissal of the CEO, it can be expected that the establishment of specific grounds for dismissal would result in rigid implementation, which in turn would not lead to improvements in corporate value. So that the board can make flexible and timely decisions on the dismissal of the CEO after sufficient deliberation in consideration of the performance of the company and the CEO and the social and business environment, etc., wording such as "the board should establish a... that takes into consideration various factors including corporate performance and the social and business environment" would be appropriate.	※ Taking into consideration the comment that because the appointment and dismissal of the CEO is believed to be the single most important strategic decision for achieving sustainable growth and mid- to long-term improvements in corporate value for listed companies, it is important to develop a framework for the dismissal of the CEO if it is deemed that the CEO is not adequately fulfilling the CEO's responsibilities in Opinion Statement No. 2 of the Follow-up Council., Supplementary Principle 4.3.3 has been newly established to require the establishment of objective, timely, and transparent procedures for the dismissal of the CEO. ※ As the dismissal of the CEO needs to be conducted flexibly rather than rigidly in consideration of factors including assessments of the business results of listed companies and changes in the business environment, it is believed that "timely" in "objective, timely, and transparent procedures" in Supplementary Principle 4.3.3 contains the objective of enabling such a flexible response. It is expected that there will be constructive engagement between investors and listed companies regarding the effectiveness of these procedures in consideration of the intent of 3.4 of the Engagement Guidelines.
59	・ While we understand that the objective of Supplementary Principle 4.3.3 is to state that specific standards and requirements for the dismissal of the CEO should be established, we have concerns that establishing specific dismissal standards and requirements in advance could result in accountability towards shareholders and investors in accordance with these standards and requirements and in turn result in rigid implementation. The dismissal of the CEO should be decided on after sufficient deliberation by the board that takes into consideration various factors including corporate performance, the qualities of the CEO, and the social and business environment, and it is not necessary for standards and requirements to be established in advance. ・ We are opposed to the new establishment of Supplementary Principle 4.3.3 that states that policies and procedures for the dismissal of the CEO should be established in advance, and we are also opposed to the revision of Principle 3.1.	
60	・ Principle 3.1(iv) and (v) should be left as is because a timely and flexible response is required for the dismissal of senior management, and there is the risk that requiring the disclosure of policies and grounds for dismissal could in turn result in rigid	

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	implementation.	※ So that these procedures contribute to sufficient engagement between investors and listed companies, Principle 3.1 has been revised to newly include the policy and procedures for the dismissal of senior management by the board in the scope of disclosure and to require listed companies to proactively provide information.
61	・ In relation to Supplementary Principle 4.3.3, because the appointment and dismissal of the representative director is something that is decided on by the board under the Companies Act and companies that have established a nomination committee, etc. make such resolutions at the board in consideration of transparent discussions in such committees including independent directors and sufficient objectivity, timeliness, and transparency are believed to be already secured in this manner, we would like to avoid the use of the wording "establish procedures" and use wording such as "the dismissal of the CEO should be discussed in an objective, timely, and transparent manner" instead.	※ It is believed that Supplementary Principle 4.3.3 can be in compliance by companies that believe that objectivity, timeliness, and transparency are already secured for CEO dismissal procedures by using the existing procedures. ※ It is expected that there will be constructive engagement between investors and listed companies regarding whether these procedures are effectively objective, timely, and transparent in consideration of the intent of 3.4 of the Engagement Guidelines as well.
62	・ Supplementary Principle 4.3.3 should state that an annual evaluation of the CEO should be conducted as a precondition for the dismissal of the CEO. Conducting an annual evaluation of whether the missions assigned to the CEO or the management targets in the midi-term management plan are being thoroughly attained and making adjustments to approaches in the appointment of the CEO will lead to corporate growth and value creation.	※ Principle 4.3 states that the board should appropriately evaluate company performance and reflect the evaluation in its assessment of the senior management. Supplementary Principle 4.3.3 requires the establishment of procedures such that a CEO is dismissed when it is determined that the CEO is not adequately fulfilling the CEO's responsibilities, and when making such determinations it is necessary to
63	・ In relation to Supplementary Principle 4.3.3, the grounds for dismissal are not limited to poor business performance because grounds for dismissal include involvement in	

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	illegal acts and the responsibility of management towards scandals, and objective, timely and transparent procedures are also required in these situations. Accordingly, we would like for consideration to be given to the phrasing so that the scope covered by these stipulations are not overly limited.	conduct evaluations of the CEO in a timely and appropriate manner, including evaluations based on the business results of the company in consideration of factors such as business strategies and business plans. ※ It is expected that there will be constructive engagement between investors and listed companies regarding the effectiveness of these evaluations in consideration of the intent of 3.4 of the Engagement Guidelines.
64	・ Principle 3.1(iv) states that "listed companies should proactively provide the information" regarding the "board policies and procedures in the appointment/dismissal of the senior management and the nomination of directors and *kansayaku* candidates". Is the understanding correct that this principle means that the "procedures" established under Supplementary Principle 4.3.3 should be disclosed?	※ Supplementary Principle 4.3.2 and 3 require the establishment of objective, timely, and transparent procedures for the appointment and dismissal of the CEO, and it is believed that the procedures are within the scope of matters that should be disclosed based on Principle 3.1(iv), and accordingly, listed companies are required to proactively provide information on these matters.
65	・ In relation to Supplementary Principle 4.1.3, because sufficient oversight of succession plan by the board is conducted in consideration of discussions by the nomination committee at companies that have established a nomination committee, etc., it can be considered that the formulation of succession plan is being conducted without any issues. Accordingly, the statement that "the oard should proactively engage in the establishment and implementation of successions plan" is not necessary, and this section should be left as is.	※ At the Follow-up Council it was pointed out that because the appointment and dismissal of the CEO is believed to be the most single important strategic decision for listed companies, spending sufficient time and resources for the development of CEO candidates is believed to be particularly important for achieving sustainable growth and mid- to long-term improvements in corporate value for listed companies. In consideration of this comment, Supplementary
66	・ In relation to Supplementary Principle 4.1.3, because at most companies in Japan there are many internal directors who could be successor candidates for the CEO, etc.,	

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	particularly at the board of a Company with *Kansayaku* Board at which the board decides on matters concerning execution of important business, consideration is required to potential conflicts of interest from the proactive engagement of the board in the establishment and implementation succession plans for the CEO as candidates for CEOs could establish plans for the CEO successor. Although it is important for the board to conduct appropriate supervision on succession plan for the chief executive officer (CEO), etc. as per the current code, it is not necessary to state that the board should be proactively involved in the establishment and implementation of plans in a uniform manner because there are various methods depending on the company, including the use of statutory or optional nomination committees.	Principle 4.1.3 requires the proactive engagement of the board in the establishment and implementation of a succession plan rather than leaving it solely up to the incumbent CEO, as well as appropriate oversight so that sufficient time and resources are used for the systematic development of succession candidates. ※ It is expected that there will be constructive engagement between investors and listed companies regarding the effectiveness of the involvement and oversight of the board in consideration of the intent of 3.3 of the Engagement Guidelines.
67	・ Supplementary Principle 4.1.3 requires the oversight of the board to ensure that sufficient time and resources are used for the systematic development of successor candidates for the CEO and other top executives. Specifically, what degree of oversight is assumed?	
68	・ The relationship between the proactive engagement of the board and appropriate oversight of the board in Supplementary Principle 4.1.3 with Supplementary Principle 4.3.2 that states that appointment should be conducted through objective, timely, and transparent procedures and Supplementary Principle 4.10.1 that describes the establishment and use of an independent advisory committee such as a nomination committee should be summarized and indicated.	※ It is believed that the appropriate establishment and implementation of a succession plan with the proactive engagement of the board based on Supplementary Principle 4.1.3 will contribute to the securing of objectivity, timeliness, and transparency in procedures for the appointment of a qualified CEO. It is assumed that the establishment and implementation of succession plans will be discussed by an independent advisory committee such as a nomination committee in light of the various supplementary principles regarding the appointment of the CEO, and it is expected that
69	・ Greater transparency surrounding the appointment and dismissal of the CEO under Supplementary Principle 4.3.2 and 3 should be considered in conjunction with the succession planning arrangements outlined in Supplementary Principle 4.1.3.	
70	・ The CGS Guidelines advocate the use of independent directors in succession plan for the CEO. In light of this, how about adding “succession plan including the	

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	appointment and dismissal of the CEO" to matters subject to appropriate involvement and advice from independent directors in Supplementary Principle 4.10.1?	there will be constructive engagement between investors and listed companies regarding the effectiveness of these measures in consideration of the intent of 3.3 of the Engagement Guidelines.
71	・ In regard to Supplementary Principle 4.1.3, according to survey results there are many companies that don't prepare written succession plans, so the wording "prepared by the human resources or research department, etc." should be added to ensure the creation of more concrete plans.	※ Substance is more important than form in the proactive engagement of the board in the establishment and implementation of succession plans, and in light of this, Supplementary Principle 4.1.3 does not necessarily require the establishment of a succession plan in writing. However, from the perspective of improving the effectiveness of the succession plan, it is believed that devices are required depending on the listed company, such as putting the important parts of the plan in writing.
72	・ Although Supplementary Principle 4.1.3 assumes the development of a successor, securing a successor is more reasonable and efficient.	※ Although Supplementary Principle 4.1.3 requires appropriate oversight by the board so that sufficient time and resources are used for the systematic development of succession candidates, the word "development" in Supplementary Principle 4.1.3 is believed to also include the selection of external human resources as necessary, and this point is clarified in 3.3 of the Engagement Guidelines.
73	・ In relation to Supplementary Principle 4.1.3, we believe succession planning should be assessed on an on-going basis. Therefore, we request wording in the Corporate Governance ode to encourage an effective succession plan to be in place and regularly	※ As it is believed that the contents of the succession plan are something that are subject to change depending on changes in the circumstances and business environment

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	reviewed by the board on a continuing basis.	for each listed company, the succession plan could be revised as necessary through the proactive engagement and appropriate oversight of the establishment and implementation of succession plans by the board.
74	・ The specific contents of disclosures of policies and procedures related to the involvement in and oversight of succession plans should be indicated in Principle 3.1.	※ As indicated in Footnote 1 of the Engagement Guidelines, even when complying under Supplementary Principle 4.1.3, it is believed to be beneficial to proactively explain the measures taken such as succession plan from the perspective of enhancing constructive engagement with investors. ※ In addition, under Principle 3.1(iv), the "board policies and procedures in the appointment/dismissal of the senior management and the nomination of directors and *kansayaku* candidates" are subject to disclosure and listed companies are required to proactively provide information on these matters. Accordingly, from the perspective of disclosures that offer high value-added to users, listed companies could decide to distribute information on succession plan, etc. as related information. ※ Furthermore, as 3-3 of the Engagement Guidelines points "Is a CEO succession plan appropriately established and implemented, and are CEO candidates developed or, if necessary, selected from outside the company, systematically deploying sufficient time and
75	・ In relation to Supplementary Principle 4.1.3, we would encourage further disclosure of succession planning arrangements in order to better understand how a board is thinking about corporate governance in the mid- to long-term.	
76	・ We would prefer that companies referred annually to shareholders, in occasion of the AGM, on the updates to their recruitment policy and their succession plan for the CEO.	

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		resources?", it is expected for constructive engagement to be held between investors and listed companies on matters such as succession plan in consideration of the intent of these statements.
77	・ The successor covered in Supplementary Principle 4.1.3 should not be limited to the chief executive officer (CEO), but should include successors for the management team overall.	※ Although it is stated in Supplementary Principle 4.1.3 that the scope of succession plan is the "chief executive officer (CEO), etc.", the selection of successors refers to members of top management with a particularly important role, and it is believed that the COO, etc. could also be included in the scope depending on the circumstances at each listed company. In addition, listed companies could also expand the scope of succession plan to the board overall based on their own judgment.
78	・ Although this is not something included in Supplementary Principle 4.1.3, board refreshment and succession planning is something that should be included. We believe that boards should annually evaluate their composition to determine how effective its members are in complementing the different skill-sets needed for the board in ensuring long-term value creation for shareholders.	
79	・ In relation to Supplementary Principle 4.1.3, companies should have an effective succession plan in place, so they are able to smoothly manage the transition of any board member. Such a plan should begin to consider the skill sets of board members and identify what future skills may be required based on the risks and opportunities that a company may face.	
80	・ In relation to Supplementary Principle 4.1.3, I think that the scope of Principle 4.14 regarding the training of directors and *kansayaku* could be expanded to include *shikkoyakuin*, etc. and be modified to include greater detail in order to enhance the development of successor candidates. ・ It would also be preferable to clearly indicate the disclosure of specific matters related to training.	※ Principle 4.14 states that listed companies should provide opportunities for training as appropriate for directors and *kansayaku* to fulfill the expected roles and responsibilities. Meanwhile, the provision of opportunities for training for *shikkoyakuin*, etc. also includes training for the development of successor candidates, and it is believed that such training should be decided on by each listed company.

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		※ As indicated in Footnote 1 of the Engagement Guidelines, even when complying under this principle, it is believed to be beneficial to proactively explain the details of specific efforts from the perspective of enhancing constructive engagement with investors.
81	・ In relation to Supplementary Principle 4.1.3, it is important to develop successors with management qualifications that include ethical values, foresight, and decisiveness to prevent corporate scandals that have repeatedly occurred recently, and this point should be clearly indicated.	※ It is believed that the point mentioned could be included in the qualifications of a CEO indicated in Supplementary Principle 4.3.2. When establishing and implementing succession plans based on Supplementary Principle 4.1.3, each listed company is expected to respond appropriately in accordance with the intend of Supplementary Principle 4.3.2.
(2) Determination of Management Remuneration		
82	・ In relation to Supplementary Principle 4.2.1, we support the revision that indicates specific measures that should be adopted when deciding on remuneration for management.	※ We appreciate your support for the intent of the revision.
83	・ While remuneration should function as an incentive for the achievement of long-term sustainable growth, at the same time an appropriate level should be secured in consideration of the scale of the company and the complexity of the business. We believe that the revision of Supplementary Principle 4.2.1 recommends more highly transparent remuneration operations.	
84	・ In relation to Supplementary Principle 4.2.1, there are various methods for deciding on the remuneration for directors in order to maximize the earnings power of the organization overall, and within the scope permitted under the Companies Act there are cases in which an actual remuneration amount is not decided on by the board, for	※ Supplementary Principle 4.2.1 requires the design of management remuneration systems and determinations on the actual remuneration amount to be conducted through objective and transparent procedures under the

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	example, there are companies at which the board only decides on the method for determining executive remuneration including the remuneration decision policy and the appropriateness of remuneration levels and the representative director is re-entrusted with deciding on the actual remuneration amounts. In addition, at companies with a nomination committee, etc., the actual remuneration amount could be decided on by a remuneration committee. Accordingly, in consideration of such companies, it would be appropriate to not require the decision on the actual remuneration amount to be a matter for a decision by the board.	responsibility of the board from the perspective of providing incentives for the promotion of a healthy entrepreneurship by management to generate sustainable growth of a listed company. ※ It is recognized that in actual practice the decision on the actual remuneration amount could be re-entrusted from the board to the representative director, etc. and Supplementary Principle 4.2.1 does not reject such a practice. However, even if such an approach is adopted, it is believed to be important for each listed company to adopt measures related to procedures under the responsibility of the board to ensure sufficient objectivity and transparency. ※ It is expected that there will be constructive engagement between investors and listed companies regarding the effectiveness of these procedures in consideration of the intent of 3.5 of the Engagement Guidelines. ※ Note that as indicated in preamble 14. of the original draft when the Code was established, it can be assumed that application will be conducted after necessary adjustments in accordance with the form of listed companies, and for Company with Three Committees, "board" in Supplementary Principle 4.2.1 should be adjusted as "remuneration committee".
85	・ The revision proposal for Supplementary Principle 4.2.1 can be understood as meaning that so-called "re-entrusted resolutions" are not considered appropriate. ・ However, various methods for determining remuneration are permitted under the Companies Act, such as the board only deciding on the policies and calculation methods for directors' remuneration and re-entrusting decisions on actual remuneration amounts to the representative director. It is not appropriate for a soft law like the Corporate Governance Code to set regulations on the methods for determining directors' remuneration that are explicitly allowed under the Companies Act, and the phrase "The board should… determine actual remuneration amounts" in this proposal should not be added. ・ At companies with a nomination committee, etc., the specific directors' remuneration for individual directors is decided on by a remuneration committee, and this proposal that states that the board should decide on the specific amount of directors' remuneration is not appropriate because it establishes regulations that are in conflict with the Companies Act.	
86	・ In relation to Supplementary Principle 4.2.1, a resolution of the board without exception should not be required for decisions on the actual remuneration amount for	

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	management. At some companies, there are cases in which the design and framework for the remuneration system overall or bonus formulas that are part of such frameworks are decided on by the board after discussions are held by an optional organization such as a remuneration committee, while other areas such as fixed remuneration that is paid to internal directors are re-entrusted to the representative director, and such practices should not be rejected. In addition, because the scope of re-entrusting is clear for such practices and re-entrusting has been deliberated and approved by the board, such practices are not in conflict with objectivity or transparency. Considering the current situation in which there are various methods for determining the remuneration of directors depending on the company that are highly transparent, including decisions by the remuneration committee at Companies with Three committees. and the formation of optional committees at Companies with *Kansayaku* Board, we believe the current stipulations are sufficient. In addition, if the actual remuneration amount is decided on by the board, this would also mean that individual remuneration amounts would be known (although only by people involved with the board), and we cannot agree with this in consideration of personal information protection.	
87	・ In relation to Supplementary Principle 4.2.1, because there are also many companies that have established a statutory or optional nomination committee and many companies in which the board only decides on policy and decisions on directors' remuneration are made within that scope, it should not be a requirement to decide on specific remunerations as a matter for decision by the board.	
88	・ In relation to Supplementary Principle 4.2.1 regarding decisions on the actual remuneration amount, we don't believe it is reasonable to indicate only one route, namely that of the decision being made by the board, when there could also be a policy	

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	of using a remuneration committee. It would be reasonable to stipulate these matters based on the assumption that there are also other options and modifying this stipulation should be considered.	
89	・ In relation to Supplementary Principle 4.2.1 that states "The board should… determine actual remuneration amounts", we would like to clarify whether the intent here is to reject re-entrusting to the representative director or to allow for re-entrusting to the representative director if there are standards that do not allow for arbitrary judgments by the representative director.	
90	・ In relation to Supplementary Principle 4.2.1, there are cases in which the actual remuneration amount for individual members of management is decided on by a director such as the president who is entrusted by the board. Although it is stated in Supplementary Principle 4.2.1 that "The board should… determine actual remuneration amounts" in relation to this point, is the intent here to avoid the re-entrusting of decisions on specific remuneration amounts of individual members of management to directors? Or is the intent to allow for the handling described at the beginning if a remuneration system is designed in accordance with objective and transparent procedures if that system design includes re-entrusting to a director? We would like to ask for your view on this point?	
91	・ In relation to Supplementary Principle 4.2.1, as investors we observe many instances where companies seek to grow revenues without making proper evaluation of whether the potential returns justify the cost of the incremental investment or cost of acquisition (M&A). Many companies also retain low-return business segments which depress the whole company's return on equity. For this reason, we suggest to replace "sustainable growth" with "sustainable returns".	※ The aim of the Code is to encourage the sustainable growth and mid- to long-term increase in corporate value for listed companies, and it is believed that through this it will be possible to ensure mid- to long-term investment returns for investors. ※ 2.1 of the Engagement Guidelines asks "Are investments in fixed assets, R&D, and human resources

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		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?" and it is expected that there will be constructive engagement between investors and listed companies in consideration of this intent. It is expected that such engagement will help to bring about increases in mid- to long-term returns for investors as well. ※ It is expected that listed companies will provide explanations that are easy to understand for shareholders regarding whether the remuneration system is effectively operating as a healthy incentive along with constructive engagement between investors and listed companies in consideration of the intent of 3.5 of the Engagement Guidelines.
92	・ We believe that so-called clawback conditions (reduction or return of remuneration) for major financial reporting violations, illegal acts, etc. should be included in Supplementary Principle 4.2.1 in reference to OECD principles in order to strengthen measures to prevent corporate scandals and regulations.	※ Supplementary Principle 4.2.1 requires appropriate remuneration system design so that the remuneration of management can operate as a healthy incentive to generate sustainable growth of listed companies, and individual listed companies could include the contents suggested in accordance with individual circumstances when considering the specific details of the remuneration system.
93	・ We recommend that it is emphasized that companies should consider social and environmental factors when determining compensation. We believe that this is one means by which executive pay can be better aligned with performance and to protect and create long-term value.	

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		※ It is expected that listed companies will provide explanation that are easy to understand for shareholders regarding whether the remuneration system is effectively operating as a healthy incentive along with constructive engagement between investors and listed companies in consideration of the intent of 3.5 of the Engagement Guidelines.
94	・ The disclosing adequate information regarding executive remuneration is important. The board should disclose clear and understandable remuneration policies and reports which are aligned with the company's long-term strategic objectives.	※ Principle 3.1(iii) states that the "board policies and procedures in determining the remuneration of the senior management and directors" should be disclosed and requires listed companies to proactively provide information. In consideration of the intent of Supplementary Principle 3.1.1 and 2, listed companies are expected to enhance information disclosure and provision including the disclosure and provision of information in English so that such disclosures offer high value-added to users. ※ 3.5 of the Engagement Guidelines points "Is the appropriateness of the remuneration system and of the actual remuneration amount clearly explained?", and it is expected that there will be constructive engagement between investors and listed companies in consideration of this intent. ※ Note that the Working Group on Corporate Disclosure of the Financial System Council of the FSA is currently
95	・ For Supplementary Principle 4.2.1, we suggest amending this principle to clearly state the linkage of clear performance metrics and targets to the overall payout of executive remuneration. Companies should describe and disclose the types of metrics that are used in the short-term and long-term, and articulate how those metrics link to the strategy of the company.	
96	・ Although we are largely in agreement with the revision in Supplementary Principle 4.2.1, if only objective, timely, and transparent procedures are called for without effectiveness, we have concerns that it will not be possible to achieve the target of the remuneration of management functioning as a sound incentive aimed at sustainable growth. At the very least, specific standards should be presented, such as requiring disclosures up to the actual remuneration amount.	
97	・ In regard to Supplementary Principle 4.2.1, we find that remuneration policies remain unclear at most Japanese companies where such disclosure is limited. While we are not necessarily seeking disclosure of the amount paid to individuals, we strongly encourage companies to provide more details on their remuneration policy, including	

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	the proportion of performance pay and what metrics are used to calculate it.	reviewing disclosures related to executive remuneration.
98	・ In relation to Supplementary Principle 4.2.1, the current levels of disclosure regarding executive remuneration are extremely poor. The matters related to the remuneration amount and remuneration procedures and design subject to disclosure should be more clearly stated in Principle 3.1. In particular, it should be required to make disclosures respectively for executive directors including managers and non-executive directors (outside directors, supervisory committee members, etc.).	
(3) Use of Independent Advisory Committees		
99	・ In relation to Supplementary Principle 4.10.1, we would like to commend that the nomination committee and remuneration committee are mentioned as specific efforts rather than vague wording with examples. If this revision is achieved, it can be expected to provide further momentum for the introduction of the nomination committee and the remuneration committee at Japanese companies. ・ The roles of the two committees consisting of the nomination committee and the remuneration committee are essential for the establishment of corporate governance, particularly for improvements in mid- to long-term corporate value. The nomination committee and the remuneration committee including optional frameworks will contribute to the oversight of CEO succession plan by the board, the design of a remuneration system as a sound incentive, and decisions on actual remuneration amounts as well. We also have high expectations towards the provision of good advice and oversight towards CEO leadership through the establishment of both committees.	※ We appreciate your support for the intent of the revision.
100	・ We support the addition of the word “independent” in Supplementary Principle 4.10.1. We believe that this revision will further emphasize the importance of the independence of advisory committees related to nomination or remuneration.	
101	・ The revision of Supplementary Principle 4.10.1 that recommends the establishment of	

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	advisory committees at Companies with *Kansayaku* Board or Companies with Supervisory Committee is beneficial. It will continue to strengthen corporate governance in Japan regardless of the selection of organizational design.	
102	・ In relation to Supplementary Principle 4.10.1, we consider that the establishment of the advisory committee contributes shaping healthy governance and are regarded as best practice.	
103	・ We are in agreement with Supplementary Principle 4.10.1 because it makes efforts to document and clarify the practices of the establishment of optional committees such as a nomination committee or remuneration committee as part of efforts for further enhancement of corporate governance through the use of optional frameworks as necessary.	
104	・ In relation to Supplementary Principle 4.10.1, although it is extremely important for the nomination and remuneration of senior management including the CEO to be decided on with appropriate involvement and advice from independent directors, it is difficult to uniformly stipulate the best approach towards involvement and advice from independent directors to achieve sustained growth because companies find themselves under various differing circumstances. Accordingly, it would be appropriate to use "independent advisory committees under the board, such as an optional nomination committee and an optional remuneration committee" as examples, and use phrasing such as "independent advisory committees, for example, nomination committees and remuneration committees" would be appropriate.	※ In discussions at the Follow-up Council, it was pointed out that the establishment of independent and objective procedures is important for the consideration of important matters including the nomination and remuneration of senior management and directors including the CEO, and in consideration of this comment, Supplementary Principle 4.10.1 requires the establishment of an independent advisory committee such as a nomination committee and remuneration committee at a Company with a *Kansayaku* Board or a Company with Supervisory Committee where independent directors do not compose the majority of the board.
105	・ In relation to Supplementary Principle 4.10.1, there are various means of appropriate involvement by independent directors. In addition, because there are also companies that are strengthening the independence and objectivity of the functions of senior management and the board through the use of optional frameworks, the range of	※ The Code has adopted "comply or explain" approach in

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	options should not be narrowed down. Accordingly, "independent advisory committees under the board, such as an optional nomination committee and an optional remuneration committee" should only be an example. Specifically, use phrasing such as "independent advisory committees, for example, nomination committees and remuneration committees" would be appropriate.	consideration of the various situations that listed companies are in. If an advisory committee will not be established due to the circumstances of a listed company, it would be possible to respond to this requirement by sufficiently explaining the reason for not establishing a committee. In relation to this point, it states "With regard to the Corporate Governance Reports which have been submitted so far, some members point out that there seems to be a tendency for companies to hesitate to "explain", taking it for granted that "comply" is necessary. At the same time, many members point out that we are encountering cases where companies proactively explain the reason why they do not comply with a certain principle and that these kinds of explanatory efforts are preferable to superficial comply." in Opinion Statement No.1 of the Follow-up Council. ※ As has been pointed out, Supplementary Principle 4.10.1 requires gaining the effective involvement and advice from independent directors in the examination of important matters such as nomination and remuneration, and the establishment of an advisory committee in form only is not believed to be sufficient for responding to Supplementary Principle 4.10.1. It is important for each listed company to adopt measures in
106	・ In relation to Supplementary Principle 4.10.1, although it is important to ensure the appropriate involvement of independent directors in the matters of nomination and remuneration of the senior management and directors at companies without an organizational design with committees, the method use should be left up to the voluntary efforts of each company depending on the size, industry, and number of independent directors of each company, and we are opposed to the indication of the involvement of an independent advisory committee in nomination and remuneration of the senior management and directors, as it would serve as an obligation for practical purposes. Obligating a company with a *kansayaku* board to have uniform involvement by committees would interfere with innovation among companies related to corporate governance and could lead to governance efforts becoming a mere formality.	
107	・ In relation to Supplementary Principle 4.10.1, sufficient consideration is necessary as to whether methods other than an advisory committee could function as methods for appropriate involvement and advice from independent directors, and it would not be reasonable to limit such consideration to advisory committees that are optional frameworks.	
108	・ Is the understanding correct regarding Supplementary Principle 4.10.1 that a company is not in compliance if an independent advisory committee is not established?	
109	・ In relation to Supplementary Principle 4.10.1, we believe that the nomination and remuneration committees should be mandatory and therefore we request that the word	

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	"optional" is removed from both references.	consideration of the intent of this revision such as the clarification of specific roles for each advisory committee so that effective involvement and advice from independent directors can be gained when examining these matters. It is expected that there will be constructive engagement between investors and listed companies regarding these points in consideration of the intent of 3.2 and 3.5 of the Engagement Guidelines. ※ Note that the intent of the use of the word "optional" in Supplementary Principle 4.10.1 is clarify that the advisory committee is not a committee that must be established under the Companies Act, and that it is necessary to establish an independent advisory committee as required in the Code in order to comply with Supplementary Principle 4.10.1.
110	・ In relation to Supplementary Principle 4.10.1, because the word "optional" is used, one could interpret this section as meaning that it would not be in violation of Supplementary Principle 4.10.1 even if a committee is not established because such a committee is "optional". I would like for this section to be modified to avoid misunderstanding.	
111	・ In relation to Supplementary Principle 4.10.1 as currently stipulated, because the involvement of an advisory committee that is only established in form would be limited and could lead to cases in which the involvement of the independent advisory committee was only on the surface, this section should be revised to clarify that only a formal response is insufficient.	
112	・ In relation to Supplementary Principle 4.10.1, it would be beneficial to specifically mention specific roles that could include regularly assessing the composition of the board taking into account the diversity policy, developing a skills matrix describing desired board composition aligned with the company's strategic objectives, leading the process for nominating board candidates for shareholder approval, ensuring that conflicts of interest among committee members are identified and avoided; oversee the process for board evaluation including the appointment of any external consultant, entering into engagement with shareholders regarding board nominations, leading the development, implementation and review of succession planning; determining the company's remuneration policy; designing implementing monitoring and evaluating short-term and long-term incentives for the CEO; ensuring that conflicts of interest among committee members are identified and avoided; appointing independent remuneration consultants; and maintaining appropriate communication with shareholders on the subject of remuneration.	

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113	• The definitions of "independent" and "significant" in Supplementary Principle 4.10.1 are vague. We believe that a majority of independent directors should be clearly indicated. • In addition, contents on whether the CEO should be a committee member should be included because effective monitoring may not function even if an independent advisory committee is established in cases such as those in which the CEO has strong authority.	※ In terms of the meaning of "independent" in Supplementary Principle 4.10.1, considering the intent of the role required of an advisory committee and the requirement for an independent director to fulfill his or her roles and responsibilities "from a standpoint independent of the management and controlling shareholders" in Principle 4.7(iv), it is believed that effective judgments should be made from the perspective of whether there are any risks of conflicts of interest with general shareholders. The specific configuration of committees should be decided on in a reasonable matter by individual listed companies while also taking into consideration whether the CEO, etc. should participate.
114	• The current wording of Supplementary Principle 4.10.1 could lead to the misunderstanding that a company is in compliance even if independent directors are not significant members of the advisory committee, so the wording should be revised to avoid such misinterpretations. • Furthermore, to make the recent revisions more meaningful, it should be clearly prescribed that the management should not be involved in the nomination and remuneration decision process for the management.	
115	• In relation to Supplementary Principle 4.10.1, no executive director should sit on the nomination committee, this includes, and especially, the President/CEO/executive Chairman. It is important the committee is able to freely discuss and act on sensitive areas without the President in attendance.	※ Note that in order to comply with Supplementary Principle 4.10.1, it is necessary for independent directors to make significant contributions on advisory committees. For the meaning of "significant" in Supplementary Principle 4.10.1, it is believed that a reasonable judgment should be made from the perspective of whether appropriate involvement and advice can be effectively gained from independent directors regarding important matters such a nomination and remuneration at individual listed companies in consideration of the intended scope of

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		Supplementary Principle 4.10.1 at a Company with a *Kansayaku* Board or a Company with Supervisory Committee is where independent directors do not compose the majority of the board for specific contents such as the number and ratio of independent directors and the attributes of committee heads. ※ It is expected that there will be constructive engagement between investors and listed companies regarding whether advisory committees function effectively in consideration of the intent of 3.2 and 3.5 of the Engagement Guidelines.
116	・ In relation to Supplementary Principle 4.10.1, even if independent directors account for the majority of the board, it is sufficiently possible that it would be more efficient to establish an advisory committee and hold discussions through the committee rather than having everything being discussed by the board, and deep deliberations by highly specialized committee members would also be appropriate from the perspective of effectiveness. Accordingly, we believe that it would be appropriate to modify this section so that the establishment of an advisory committee is required in the same manner even if independent directors compose the majority of the board.	※ In general, the need to try to strengthen the influence of independent directors is indicated in Supplementary Principle 4.10.1, and the scope of Supplementary Principle 4.10.1 has been limited in consideration of the comment mentioning "a Company with a *Kansayaku* Board or a Company with Supervisory Committee where independent directors do not compose the majority of members of the board". However, even if such a case does not apply, it is possible for a listed company to use an independent advisory committee based on their own judgment in order to gain more effective involvement and advice from independent directors. ※ It is expected that there will be constructive engagement

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		between investors and listed companies regarding these points in consideration of the intent of 3.2 and 3.5 of the Engagement Guidelines.
(4) Responsibilities of the Board		
117	・ While there has been much discussion in the past regarding diversity from the perspective of internal or external, due to subsequent advances in efforts to promote the active participation of women and the further globalization of management, it is now desirable to achieve diversity of the board that goes beyond the perspective of internal or external. The phrase “including gender and international experience” has been added to Principle 4.11, and we really agree with this addition in light of the perspective described above. We hope that companies make innovations to achieve diversity in the true sense of the word regardless of the format and to create mid- to long-term corporate value.	※ We appreciate your support for the intent of the revision.
118	・ We agree with the revision to Principle 4.11, including the addition of the phrase “including gender and international experience”. We hope that board that are abundant in diversity including the perspectives of gender and international experience makes it possible to incorporate differing perspectives in management and prevent organizations from adopting lopsided thinking.	
119	・ The explicit inclusion of gender and international diversity is positive and improving the diversity of boards should be encouraged. Whilst it is recognized that this will take time to implement, the clear indication of this within Principle 4.11 will effect change and encourage engagement of this between directors and shareholders.	
120	・ In relation to Principle 4.11 which states “it should be constituted in a manner to achieve both diversity, including gender and international experience, and appropriate size”, we agree with this statement as we believe this response is also in line with the	

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	approach of information disclosure on the promotion of women indicated in the Future Investment Strategy 2017.	
121	・ The delayed response to diversity including gender has had an effect on factors that are also connected to business results, and the presence of female with the appropriate capabilities in top management who are able to make suggestions and proposals will also be important for the Japanese economy overall in the future. Prompt measures to discover, develop, and promote such leaders are necessary.	
122	・ Principle 4.11 suggests that board composition should be well balanced in experience and skills and should be constituted in a manner to achieve board diversity. As is noted in the revised Code, gender and international experience are essential aspects of diversity for the board, and we are in agreement with this revision.	
123	・ We commend the revision of Principle 4.11 to include additional statements on gender and international experience.	
124	・ In relation to Principle 4.11, we firmly welcome the amendments particularly the specification of gender and international experience as key elements of diversity, as we are concerned that most Japanese boards remain starkly dominated by male Japanese executives even at companies that operate internationally and have diverse customer bases. Diversity and equality has been among top priorities for many governments and companies globally in the recent years and we expect to see further progress.	
125	・ In relation to Principle 4.11, we welcome the suggestion that there should be a greater diversity of backgrounds amongst directors. Boards of Japanese companies have been slow to harness the talents and experiences of well-qualified women and experiences from other markets have indicated a more diverse gender balance will result in positive benefits. Japanese corporations are increasingly competing in global markets and this requires an understanding of different operating environments and more international	

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	experience. We would encourage Japanese corporations to consider incorporating a greater diversity of national backgrounds within their board membership to help prepare companies for the challenges of competing in overseas markets.	
126	・ Principle 4.11 explicitly states that diversity "including gender and international experience", and we agree with this statement as it an appropriate example of incorporating differing perspectives in management.	
127	・ In relation to Principle 4.11, what kind of diversity a board needs to have will differ depending on the characteristics of the company. The wording should be revised so that it is clear that gender and international experience are examples of type of diversity.	※ The Follow-up Council proposal states that because the board has the responsibility to support management including the CEO, it is important for the board as a whole to possess the appropriate knowledge, experience, and to ensure sufficient diversity including gender and international experience, in order for the boar to sufficiently fulfill this responsibilities. From this perspective, Principle 4.11 clarifies that diversity includes gender and international experience, and then states that the board should be constituted in a manner to achieve both diversity and appropriate size.
128	・ We are opposed to the revision of Principle 4.11. The point of gender is an issue that should be addressed from a wider perspective that includes encouraging the active participation of women at companies, responding to concerns of labor shortages, responding to the diversification of customer needs and globalization, and ensuring the diversity of human resources. Meanwhile, companies of a certain size or more are required to establish and disclose action plans under the Act on Promotion of Women's Participation and Advancement in the Workplace, and such companies are moving to the implementation of specific measures accordingly. In terms of the point of international experience, there is no need for companies that specialize on the Japanese market without any plans at all for global expansion to appoint foreign directors. ・ In terms of the structure of the board, each company should consider an appropriate structure and diversity that suits their own company after taking into sufficient consideration factors such as the scale, business format, and characteristics of the business area for their company along with the voices of stakeholders including shareholders and investors. Using gender and international experience as examples is	※ The Code has adopted "comply or explain" approach in consideration of the various situations that listed companies are in, and if a company believes that it is not necessary to ensure diversity in terms of gender and international experience, the reason for this can be explained. ※ It is expected that there will be constructive engagement between investors and listed companies in

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	either not needed or not appropriate because it could interfere with the creative ingenuity of companies.	consideration of the intent of 3.6 of the Engagement Guidelines.
129	・ In relation to Principle 4.11, although we believe that regional listed companies also need to take diversity into consideration, the reality is that there are limits in human resources. Firstly, directors who are expected to be able to contribute to corporate management should be selected, and it is possible that as a result, no directors that contribute to diversity in term of gender and international experience will be selected. Is the understanding correct that consideration can be given to diversity through the selection of multiple independent directors with a variety of career backgrounds?	
130	・ In relation to Principle 4.11, we believe that it is necessary to take into consideration factors such as the size, industry, and business environment of the company. For diversity, we think that it would be preferable for companies to have a wide range of response they can select from rather than uniform numerical requirements.	
131	・ In relation to Principle 4.11 regarding gender and international experience, it is necessary to work towards diversity while taking into consideration the aims of the company (management philosophy, etc.) and the mid- to long-term management strategy, and this point should be clarified.	
132	・ In relation to Principle 4.11, while we have no particular objections to the mention of gender and international experience, we believe some rephrasing could be required so that these are not the only two points being focused on in connection with the diversity of the board.	
133	・ In relation to Principle 4.11, we believe the use of wording that gives the impression that the appointment of female directors is an absolute condition should be avoided when using gender as an example.	
134	・ Is the understanding correct that a company is not in compliance with Principle 4.11	

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	the structure of the board does not incorporate diversity including gender and international experience?	
135	・ In relation to Principle 4.11, although the diversity of the board is an extremely important element as Japanese companies respond to globalization and aim for mid- to long-term improvements in profitability and profit growth, we believe that it is not necessarily needed to appoint a foreign director, and the appointment of a Japanese director with abundant business experience overseas would be sufficient as a director with the quality of international experience.	※ Although the inclusion of international experience in Principle 4.11 does not require all listed companies to appoint a foreign director, there may be cases in which it is necessary to appoint a foreign director, for example at a listed company that is widely engaged in an international business. ※ It is expected that there will be constructive engagement between investors and listed companies regarding whether the board is structured in a manner that ensures sufficient diversity including international experience in consideration of the intent of 3.6 of the Engagement Guidelines.
136	・ The company's approach toward the diversity of the board should be indicated in the disclosures on the policy towards the diversity of the board that includes specific targets and achievement deadlines.	※ Supplementary Principle 4.11.1 requires disclosures that stipulate the view on diversity and appropriate board size, and along with these contents, disclosures could also be provided on matters such as specific targets and efforts aimed at ensuring the diversity of the board made under the judgment of a listed company from the perspective of disclosures that offer high value-added to users. ※ 3.6 of the Engagement Guidelines points "is the board constituted in a manner that ensures diversity?", and it is hope that sufficient explanations will be provided on
137	・ In relation to Principle 4.11, from international experience, it is considered that recommendations regarding gender and diversity on the board may be ineffective, if they are not linked with targets and with reporting (possibly, in a comply-or-explain framework).	
138	・ In relation to Principle 4.11, the director nomination procedures and policy should consider elements of diversity that are most appropriate to the company's long-term business needs, and the board should disclose the policies or procedures used to ensure board diversity.	

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139	・ In relation to Principle 4.11, although we commend the revision concerning the securing of diversity of the board including gender and international experience, we suggest that a clear indication also be made on disclosures relating to the status of efforts aimed at ensuring the diversity of the board.	specific targets, measures, etc. in engagement with investors.
140	・ In relation to Principle 4.11, we suggest that an evaluation of the diversity of the board also be required in evaluation of the effectiveness of the board.	※ In the evaluation of the effectiveness of the board, we believe that it is important to appropriately evaluate the effectiveness of the board as a whole, and continually link evaluations to future efforts. In this process, the diversity of the board can be included in the scope of evaluations as necessary in consideration of the intent of Principle 4.11.
141	・ In relation to Supplementary Principle 4.11.3 regarding the evaluation of the effectiveness of the board, companies should be required to clearly indicate the definition of effectiveness or clearly indicate the definition for the company.	※ In order to appropriately evaluate the effectiveness of the board, we believe that it is important for listed companies to firstly clarify the roles and responsibilities that should be fulfilled by the board to encourage the sustainable growth and mid- to long-term improvements in corporate value for listed companies. After doing so, we believe that it is necessary to conduct an effective evaluation on whether the structure and operation status of the board is effective in light of these roles and responsibilities. ※ There are various specific methods that could be used for evaluations of the effectiveness of the board, and it would also be possible to conduct an evaluation with external input based on the judgment of each listed
142	・ In relation to Supplementary Principle 4.11.3 regarding the process for the evaluation of the effectiveness of the board, the process should be independent, robust and be conducted to high standards in order to be a useful exercise. The process should go beyond just a self-evaluation questionnaire. It should include in-depth interviews with directors of the board and be led by an independent director. In addition, we request the inclusion of wording which promotes the use of formal board effectiveness reviews using an external evaluator every three years. This will support the board to constantly improve the quality of discussions, decisions and oversight.	
143	・ In relation to Supplementary Principle 4.11.3, we appreciate that a number of companies have started conducting board evaluation since the introduction of the Corporate Governance Code in 2015, and now expect to see further improvement of	

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	the quality and effectiveness of such evaluation. As we believe that external evaluation can provide more rigorous and objective assessment, we propose adding a statement that evaluation should be done by an independent third party.	company in order to improve the independence and objectivity of the evaluation. ※ It is expected that there will be constructive engagement between investors and listed companies regarding whether the evaluation of the effectiveness of the board is being conducted appropriately in consideration of the intent of 3.7 of the Engagement Guidelines.
144	・ Although it is not clearly stated in the current Code that the *kansayaku* board is within the scope of evaluations of effectiveness, audits by *kansayaku* are also important as a function of corporate governance and there is no change in the need to improve the effectiveness of the *kansayaku* board. Accordingly, we believe that the *kansayaku* board should be included in the scope of evaluations of effectiveness in Supplementary Principle 4.11.3.	※ Although Supplementary Principle 4.11.3 requires an evaluation of the effectiveness of the board, Companies with a *Kansayaku* Board could also conduct an evaluation on the effectiveness of the *kansayaku* board based in the judgment of each listed company in consideration of the important roles and responsibilities played by the *kansayaku* board, which could facilitate the sufficient fulfilling of responsibilities by the *kansayaku* board. ※ 3.11 of the Engagement Guideline points "Do *kansayaku* conduct business audits appropriately and act effectively to secure proper accounting audits?", and the effectiveness of the *kansayaku* board could be evaluated through engagement related to this point.
145	・ Because it has become common practice in Europe and North America to conduct individual effectiveness evaluations on not only the board, but also the audit committee and other committees, effectiveness evaluations on the *kansayaku* board should also be included in Supplementary Principle 4.11.3.	
146	・ We would like to highlight that the chair of the board plays a significant role in leading the discussion and ensuring the effectiveness of the board. We thus believe that the Code should articulate expectations for the chair.	※ As indicated in Basic Principle 4, etc., the board has roles and responsibilities that include setting the broad direction of corporate strategy, establishing an environment where appropriate risk-taking by senior
147	・ There should be a clear division of responsibilities between the role of the board	

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	chairman and the CEO. The chairman is responsible for leading the board, whilst the CEO is responsible for managing the company which is two distinct roles. This also helps to avoid the entrenchment of power in one single individual who may dominate board decision-making.	management is supported, and carrying out effective oversight of directors and the management from an independent and objective standpoint, and we believe that the chair of the board plays a significant role in displaying appropriate leadership so that the board can fulfill these roles and responsibilities. ※ In addition, we also believe that it is important to ensure the independence and objectivity of the board so that the board can fulfill its role of effective oversight of the management from an independent and objective standpoint. There are various measures that could be used to improve the independence and objectivity of the board, and one approach that could be taken as necessary based on the judgment of each listed company could be the separation of the roles of CEO and chair of the board. ※ 3.7 of the Engagement Guidelines points "Is evaluation of the board's effectiveness …implemented appropriately?" while taking into consideration Supplementary Principle 4.11.3, and discussions also could be held on ensuring the independence and objectivity of the board in engagement regarding this point.
148	・ The roles of chair and CEO should not be exercised by the same individual. We believe that in the efforts to improve board independence and effectiveness at Japanese companies, having an independent non-executive chair can have a considerable effect.	
149	・ In relation to Principle 4.6, it would be preferable to add that a non-executive officer such as an independent director should serve as the chair of the board in order to perform the supervisory function of the board.	
150	・ We discourage the practice of a company's retiring CEO remaining on the board and becoming chairman. We would encourage Japanese boards to communicate a convincing rationale in the annual report as to why CEO succession to chairmanship is in the best interests of the company.	
151	・ We welcome the decision by the TSE to encourage more disclosure from companies around the appointment of former executives being retained as consultants, advisors,	※ There is a system for disclosing the names, titles, positions, and business details of positions for

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	etc. to the board. Such consultants, advisors, etc. should not be in a position to influence decision-making and it would be helpful for more transparency around the type of advice received and any associated fees.	consultants, advisors, etc. assumed by former presidents or CEOs in the reports concerning corporate governance. We hope for further use of this system in order to improve the transparency of corporate governance.
152	・ We strongly request additional notes on the treatment and governance of retired senior executives. We are concerned about a significant lack of transparency and accountability about the roles of senior advisors and consultants, who are typically former CEOs and senior executives. Ensuring that former senior executives do not interfere with the current management is as important as appointing the right person as CEO.	※ Because the roles of consultants and advisors vary depending on each listed company and we don't believe it is appropriate to make uniform generalizations on whether it is good or bad for former presidents or CEOs to serve as consultants and advisors, we believe it is important for companies to decide on the appropriate roles and treatment within the company and provide information externally after objectivity has been ensured in order to gain the understanding of investors and other external shareholders regarding the appropriateness of internal structures related to corporate governance. ※ In addition, we believe that it is important for each listed company to make efforts to ensure that the responsibilities of the CEO and board can be sufficiently fulfilled in consideration of the revision of the Code and the establishment of the Engagement Guidelines from the perspective of encouraging the sustainable growth and mid- to long-term improvements in corporate value for listed companies.

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153	・ In relation to Supplementary Principle 4.12.1(v), we suggest to add "Consider conducting separate meetings to ensure that board meetings focus on corporate strategy and governance matters, and management meetings discuss operational matters." As investors we notice most companies still hold monthly board meetings, where the above matters are all discussed. Outside directors are rarely able to make proper contributions on operational matters which should be the responsibility of executive management. The combined board meetings also confuse what should be the separate and distinct function of the board to debate and evaluate long-term strategic and governance issues, while the "executive"/inside should discuss operational issues.	※ In Opinion Statement No. 2 of the Follow-up Council, it is stated that in order for Japanese companies to address changes in the business environment and increasingly complex business challenges, it is important that boards enhance their discussions on strategic directions and appropriate evaluation of corporate performance, etc., and it is necessary for the board to adopt devices related to the operations including the narrowing down of agenda covered to ensure ample discussions. ※ 3.7 of the Engagement Guidelines points "Is evaluation of the board's effectiveness... implemented appropriately?" while taking into consideration Supplementary Principle 4.11.3, and discussions also could be held on devices related to the operations of the board in engagement regarding this point.
154	・ In relation to Supplementary Principle 4.3.4, we believe the board has a significant role in ensuring effective internal control and risk management. The board should make disclosures on its risk monitoring structure. Furthermore, the board should regularly review and approve the risk management plan that management will implement.	※ As has been pointed out, it is necessary to ensure effectiveness in the development of internal control and risk management systems, and accordingly, each listed company could conduct regular reviews as necessary after developing an appropriate internal control and risk management system. ※ 3.7 of the Engagement Guidelines points "Is evaluation of the board's effectiveness …implemented appropriately?" while taking into consideration

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		Supplementary Principle 4.11.3, and discussions also could be held on the status of the development of internal control and risk management systems in engagement regarding this point.
(5) Appointment of the Independent Directors and Their Responsibilities		
155	・ In relation to Principle 4.8, we welcome the strengthening of wording regarding the need to appoint a sufficient number of directors dependent on the circumstances of the company.	※ We appreciate your support for the intent of the revision.
156	・ Given the fundamental importance of independent directors and positive trend across the Japanese market, we would support language that encourages companies to achieve higher independence levels beyond two independent directors.	
157	・ We are pleased with the progressive stance that has been taken in improving independence on corporate boards to one third. We believe that such a movement is important to provide an appropriate balance between independent and non-independent directors and to ensure the board has the right mix of expertise, diversity and knowledge.	
158	・ We support the incremental changes to board independence in Japan and appreciate Principle 4.8 outlining that companies should appoint at least two independent directors with some companies appointing at least one-third independent directors.	
159	・ Principle 4.8 contains the statement “if a company believes it needs to appoint at least one-third independent directors... it should appoint a sufficient number of independent directors”, this is extremely difficult to understand. We cannot understand what is trying to be said with the wording “if a company believes it needs to appoint at least one-third independent directors”. Furthermore, because it is unclear how many people would be “a sufficient number of”, we would like for this wording to be reconsidered.	※ The first paragraph of Principle 4.8 requires all listed companies for which the principle applies to appoint at least two independent directors that sufficiently have qualities. Although some members of the Follow-up Council had the view that listed companies should be required to appoint at least one-third independent

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160	・ In relation to Principle 4.8, because the market for management experts is not fully developed in Japan, there are very few candidates for independent directors, particularly in regional areas, making it very difficult to secure independent directors. In consideration of this point, we would like for sufficient external explanations provided so that at least one-third does not become understood as a standard for all companies and that it is understood that the principle applies for companies who believe it is necessary in comprehensive consideration of factors including the industry, size, business characteristics, organizational design, and business environment of the company.	directors, in consideration of the comment that while the number of such directors was of course important, the capabilities of independent directors and the effectiveness of the board was more important, the appointment of at least one-third independent directors was not made a requirement. ※ In regard to the second paragraph of this principle, when the Code was established, it was necessary to disclose the roadmap for doing so "if a listed company believes it needs to appoint at least one-third of directors as independent directors". In consideration of a comment stating that it is not important to not only disclose this roadmap, but to also appoint a sufficient number of independent directors depending on the circumstance for each listed company, it is revised to state "if a listed company believes it needs to appoint at least one-third of directors as independent directors", it should appoint "a sufficient number of independent directors" based on their own judgment. ※ The scope of the second paragraph of the principle is listed companies that believe they need to appoint at least one-third of directors as independent directors, and while "comply or explain" is not required of listed companies that don't believe such appointment is required, 3.8 of the Engagement Guidelines points "Is a
161	・ In relation to Principle 4.8, there is a mixture of standards for the number of independent directors that should be appointed of at least two independent directors and at least one-third independent directors. Because this could lead to confusion, it should be clarified that at least one-third independent directors is a target for the number of independent directors that should be appointed, while at least two independent directors should be appointed for the time being. As part of this process, the party that makes decisions on the necessity of appointing at least one-third independent directors should be clearly indicated for cases in which the necessary standard is considered.	
162	・ In relation to Principle 4.8 in cases which the appointment of at least one-third independent directors is necessary, we believe that the party that determines this necessity should be stipulated as a listed company that such appointment could be considered necessary based on a comprehensive judgment rather than stipulations assuming that listed companies will make a judgment on their own. ・ In addition, "at least two independent directors" in the first half is followed by "at least one-third" in the second half, and there is no need to make such a limitation. We	

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	would like the expansion of the range through wording such as "at least one-third or a majority" to be considered.	sufficient number of qualified independent directors appointed?", and it is expected that there will be constructive engagement between investors and listed companies in consideration of this intent.
163	• Principle 4.8 states that "if a company believes it needs to appoint at least one-third independent directors... it should appoint a sufficient number of independent directors". Is the understanding correct that explanation will not be required by listed companies that deem that there is no need for such appointment?	
164	• Although we are basically in agreement with Principle 4.8, the three expressions of "at least two independent directors", "at least one-third independent directors", and "a sufficient number of" are used, and because the relationship between these expressions my not necessarily be clear, the phrasing should be improved.	
165	• Because the phrasing "a sufficient number of" has been added to Principle 4.8, the mutual relationship between three phrasings that also include "at least two independent directors" and "at least one-third independent directors" is hard to understand.	
166	• Multiple standards (thresholds) including "at least two", "at least one-third", and "a sufficient number of independent directors" are indicated in Principle 4.8, and there is the possibility that companies could be unsure of whether their company is in compliance or not.	
167	• The three standards of "at least two independent directors", "at least one-third independent directors", and "a sufficient number of" are indicated as the number of independent directors, and it would be preferable to clarify the relationship between these standards.	
168	• The expression "at least one-third independent directors" in Principle 4.8 can only facilitate a superficial response, and it should not be included in the Code.	
169	• In relation to Principle 4.8, given that the vast majority of companies listed on the first section of TSE already have two independent directors, we suggest that the Code	

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	require that at least one-third of the board should be independent at companies on the first section of the TSE.	
170	・ In relation to Principle 4.8, we believe independence is the cornerstone of accountability and we generally recommend a majority independence level for the board. However, our current proxy voting practice for Japan applies a minimum threshold of one-third independence when voting for the board. We believe that a one-third independence level for the board for Japan is the minimum acceptable at this time as the market evolves.	
171	・ In relation to Principle 4.8, we believe that Japanese companies should strive for one-third independent directors or have a minimum of three as it would then be possible to have fully independent board committees.	
172	・ "Should appoint at least two independent directors" in Principle 4.8 should be changed to "should appoint at least three independent directors".	
173	・ In relation to Principle 4.8, we would encourage a stronger stance regarding the need to appoint greater than two independent directors. Many Japanese companies have made good progress on board independence since the introduction of the Corporate Governance Code therefore we would encourage continued progression in this area.	
174	・ In relation to Principle 4.8, we welcome that the Corporate Governance Code moves forward, from recommending that companies disclose a road map for appointing a sufficient number of independent directors, to recommending that companies actually appoint a sufficient number of directors. On the other hand, we regret that the new Code does not identify clearly sufficient independence on the board, rather leaves it to the board's discretion.	
175	・ In relation to Principle 4.8, at companies with a *kansayaku* board that compose approximately 70% of listed companies in Japan, there are *kansayaku* board with	※ Although we agree with the comment that *kansayaku* and the *kansayaku* board have important roles and

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	powerful authorities based on a unitary system, and this *kansayaku* board is obligated to attend the board under the Companies Act. In particular, independent *kansayaku* along with independent directors help to ensure the independence of the board. Accordingly, it would be appropriately to clearly state in a note, etc. that *kansayaku* are also included in the count of "at least one-third" for companies with a *kansayaku* board. There are also advisory policies that at least one-third of executives (directors and *kansayaku*) at companies with a *kansayaku* board must be independent executives (independent directors and independent *kansayaku*) in the criteria for judging independence in the proxy voting criteria for major proxy voting advisory companies.	responsibilities for Companies with a *Kansayaku* Board, Principle 4.8 requires the effective use of independent directors as members of the board from the perspective of ensuring the independence and objectivity of the board in management oversight, and accordingly the judgment on at least one-third should be made based only on the ratio of independent directors to the total number of directors.
176	・ In relation to Principle 4.8, approximately 75% of listed companies in Japan are companies with a *kansayaku* board, and while *kansayaku* do not have voting rights at the board, they play an extremely important role in the governance of companies with a *kansayaku* board due to their term of office of four years and strong audit authority as an independent body. In consideration of these circumstances for listed companies in Japan, it is not appropriate to discuss or evaluate whether governance is sufficient for a company with a *kansayaku* board based only on the number or percentage of independent directors. Recently, there has been a growth in understanding towards the significance of *kansayaku* at companies with a *kansayaku* board, as well as (overseas) institutional investors and proxy voting advisory companies that use numbers and percentages that total independent directors and independent *kansayaku* as benchmarks for the independence of the board, and accordingly it should be clearly stated in a note, etc. that the approach of including independent *kansayaku* in the quantitative criteria of at least one-third is available.	
177	・ To provide a stronger foundation for independent directors, we would encourage that Principle 4.9 outlines the official definition of independence in Japan. We believe that	※ Principle 4.9 requires the establishment and disclosure of independence standards aimed at securing effective

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	official independence criteria being stipulated in the Corporate Governance Code will enhance the quality of boards and assist boards and nomination committee in their director appointment processes. Furthermore, embedding a definition would allow companies to clarify and disclose in a consistent manner the aspects that investors consider could impact independence including business relationships, tenure and time lapses between former roles.	independence of people serving as independent directors at listed companies, and these standards should take into consideration the independence criteria set by securities exchanges. These independence criteria set by securities exchanges will be studied as necessary in consideration of changes in circumstances.
178	・ It may be useful to include definition of 'independence' in Japan's Corporate Governance Code as this would provide clarity to boards in their independent director appointment processes. In particular, we recommend disclosure on factors that could impact independence including, cross-shareholdings, major client and supplier relationships, former regulatory body, the provision of consultancy services and family ties.	※ 3.8 of the Engagement Guidelines points "Is a sufficient number of qualified independent directors is appointed?", and it is expected for discussions to be held as necessary on independence judgment standards in engagement between investors and listed companies in consideration of this intent.
179	・ We find the existing criteria for independent directors set by TSE rather weak. We encourage companies to apply more stringent criteria regardless of the TSE's standards when they appoint independent directors.	
180	・ Further, we propose to encourage limitation of the numbers of the companies one such individual work as independent directors because, naturally, one person can only have limited time.	※ We believe that independent directors should devote sufficient time and effort required to appropriately fulfill their roles and responsibilities, and according to Principle 4.11.2, where director including an independent director also serves as an executive at other company, such positions should be limited to a reasonable number, and listed companies should disclose the status of such service every year.
181	・ We advocate that independent directors must have the time to commit to a company - they should not be 'over-boarded' that is to say, sit on too many boards in order to be able to be effective in their role.	※ 3.9 of the Engagement Guidelines points "Do independent directors provide advice and monitor

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		management appropriately in response to business issues?", and it is expected for discussions to be held as necessary on the status of concurrent service in engagement between investors and listed companies in consideration of this intent.
182	• We request under Principle 4.7 (iv) that "Engage with minority shareholders and represent their views……." is added to the beginning statement that stipulates the roles and responsibilities of independent directors, and that an additional statement should be made in Supplementary Principle 5.1.2 to promote engagement with shareholders. • To assist in developing high quality engagement, we encourage companies to disclosure their attempts to engage with investors, and who at the company undertook that discussion. As shareholders, we particularly value the ability to speak directly to the board, as in our experience it is more likely to facilitate positive change.	※ With the establishment of the Engagement Guidelines, it is expected that there will be constructive engagement between investors and listed companies. It has been pointed out in the Follow-up Council that because independent directors have roles and responsibilities of appropriately incorporating the opinions of stakeholders including minority shareholders in the board, the participation of independent directors is important in engagement with investors. ※ In this regard, Principle 4.13 states that directors should proactively collect information to effectively fulfill their roles and responsibilities. In addition, Supplementary Principle 5.1.1 states that the senior management or directors,including independent directors, should have a basic position to engage in dialogue with shareholders, and it is expected that listed companies work towards effective engagement with investors in consideration of this intent. ※ 3.9 of the Engagement Guidelines points "Do independent directors recognize their roles and

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		responsibilities, and provide advice and monitor management appropriately in response to business issues?", and it is expected for discussions to be held as necessary on the persons who are in charge of dialogue between investors and listed companies in consideration of this intent.
(6) Appointment of *Kansayaku* and Their Responsibilities		
183	・ We acknowledge that under Principle 4.11, the corporate governance code outlines the need for finance, accounting and law knowledge to be appointed as *kansayaku*. We welcome this addition as we believe these are essential skillsets for this position.	※ We appreciate your support for the intent of the revision.
184	・ In relation to 4.11, we support the additional expectations for *kansayaku*.	
185	・ In relation to 4.11, we feel that the approach of using persons with knowledge on finance, accounting and the law as *kansayaku* is appropriate and we are in agreement with this point.	
186	・ Principle 4.11 stipulates that appropriate experience and skills as well as necessary knowledge on finance, accounting and the law are prerequisites for *kansayaku*. Is such experience, skills, and knowledge necessary for all *kansayaku*? While there would be no problem if all *kansayaku* had such skills and knowledge, would the *kansayaku* board not also function by leveraging the expertise of multiple *kansayaku* and achieving a balance?	※ Principle 4.4 states that business and accounting audits are the important roles and responsibilities expected of *kansayaku* and the *kansayaku* board, and it is believed that the "necessary knowledge on finance, accounting and the law" in Principle 4.11 refers to the knowledge required to fulfill these roles and responsibilities, and that such knowledge is required of each individual *kansayaku*.
187	・ In Principle 4.11 it should be clarified that it is not necessary for all individual *kansayaku* to have appropriate experience and skills as well as necessary knowledge on finance, accounting and the law, and that it would be acceptable to ensure a good balance through the collective strength of the *kansayaku*.	※ 3.10 of the Engagement Guidelines points "Are persons with appropriate experience and skills as well as necessary knowledge on finance, accounting and the
188	・ In relation to Principle 4.11, is each individual *kansayaku* necessarily required to have	

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	knowledge on finance, accounting and the law?	law appointed as *kansayaku*,?" and accordingly it is expected for constructive engagement to be held between investors and listed companies in consideration of the intent of these statements.
189	・ In relation to Principle 4.11, it should be clarified the requirements that should be fulfilled by at least one *kansayaku* for audits should be "finance, accounting, and auditing" rather than "finance and accounting" for an effective response that ensures appropriate business audits along with proper accounting audits by the *kansayaku* board. The knowledge on auditing to fulfill this required would include not only audits of financial statements, but also business audits and internal audits.	
190	・ In Principle 4.11, it would be appropriate to also mention auditing in addition to finance and accounting as a form of knowledge and expertise required of *kansayaku*.	
191	・ In relation to Principle 4.11, the qualifications of *kansayaku*, etc. should not be limited to finance, accounting, and the law, and the phrasing should be revised here in consideration of the fact that experts on personnel and information are necessary.	※ Under Principle 4.11, *kansayaku* are required to have the necessary knowledge on finance, accounting, and the law that is believed to be the knowledge necessary for fulfilling the roles and responsibilities expected including business audits and accounting audits. Furthermore, Principle 4.13 and Supplementary Principle 4.13.2 state that *kansayaku* should proactively collect information, and as necessary, request listed companies to provide them with additional information, and consider consulting with external specialists.
192	・ It should be clearly indicated that *kansayaku* need to be people with healthy common sense and sound skepticism.	
193	・ Principle 4.11 requires *kansayaku* with sufficient knowledge concerning finance and accounting, particularly the ethics required for sound business activities, in light of recent corporate accounting fraud cases at companies. In addition, because there have also been many quality fraud cases recently, the appropriate experience and skills required of *kansayaku* is not limited to finance, accounting, and the law, but also involves knowledge and experience on manufacturing, inspections, development, and other related activities, and as such it is important to ensure the collective strength of the *kansayaku* based on diverse experience and knowledge.	※ In addition, Principle 4.11 requires the appointment of at least one person who has sufficient expertise on finance and accounting, and there is no change in the meaning of a person who has sufficient expertise on finance and accounting here from prior to the revision,
194	・ In relation to Principle 4.11, there should be at least one professionally qualified accountant on the audit committee, etc.	
195	・ In relation to Principle 4.11, we would advocate that at least two persons should have	

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	sufficient expertise on finance and accounting rather than just one.	as it believe that such knowledge is necessary for the appropriate implementation of audits by the accounting auditor and to facilitate judgments on the appropriateness of the methods and results of such audits. Persons with such knowledge are not limited to persons with qualifications such as certified public accountants and such persons would include persons that have accumulated experience through practical work at a company, and accordingly, each listed company could appoint people with qualifications or multiple people with such knowledge based on their own judgment. ※ 3.10 of the Engagement Guidelines points "Are persons with an appropriate experience and skills as well as necessary knowledge on finance, accounting and the law appointed as *kansayaku?"*, and accordingly it is expected for constructive engagement to be held between investors and listed companies in consideration of the intent of these statements.
196	・ At companies with a *kansayaku* board, the *kansayaku* board is in a position to audit the establishment and implementation of internal control systems by management as part of audits on the execution of duties by management, and there can be resistance towards the issuing of order by the *kansayaku* board to the internal audit department. As a result, coordination between the *kansayaku* board and the internal audit department is only on the level of sharing information, and this leads to risks regarding	※ Principle 4.13 states that listed companies should establish a support structure for *kansayaku* including providing sufficient staff, and Supplementary Principle 4.13.3 requires the securing of coordination between the internal audit department and *kansayaku* as part of that support structure. In addition, Supplementary Principle

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	the quality of audits. For this reason, the Code should stipulate that the *kansayaku* board has the right to issue orders related to the audit function to the internal audit department.	3.2.2(iii) states that adequate coordination between external auditor and each of the *kansayaku* (including attendance at the *kansayaku* board), the internal audit department, and outside directors should be ensured in order to discovered problems at an early stage and ensure appropriate audits. Listed companies are expected to make full efforts in consideration of the intent of these principles. ※ 3.11 of the Engagement Guidelines points, "Is a sufficient support structure for *kansayaku* established and appropriate coordination between *kansayaku* and the internal audit department ensured?", and it is expected that there will be constructive engagement between investors and listed companies in consideration of this intent.
197	・ Although there have traditionally been many negative opinions towards *kansayaku* issuing direct orders to the internal audit department that is under the command of management, it is necessary to develop internal structures that allow for *kansayaku* to also issue orders to the internal audit department. In addition, opportunities for the three parties of *kansayaku*, the internal audit department, and external auditor led by the *kansayaku* to gather and share information should be created and used in order to ensure the effectiveness of the audit function overall, and this point should be clarified in the Code.	
198	・ Detecting early signs of scandals and quick response are important measures against corporate scandals, and the Code should indicate that the *kansayaku* board, internal audit department, and external auditors should coordinate as necessary to enable such information gathering and early detection of issues.	
199	・ An addition should be made to Supplementary Principle 4.10.1 stating that an advisory committee mainly composed of independent directors and *kansayaku* should be established for the nomination of *kansayaku* to ensure the independence and objectivity of *kansayaku*. Although it is necessary for *kansayaku* to be independent from the scope of audits in terms of human resources in order to conduct an audit of the execution of duties by directors from an independent and objective standpoint, in many cases, the reality is that the CEO essentially has authority over appointments. To avoid this issue, one useful measure could be for an advisory committee to be involved in the establishment of appointment proposals.	※ As stated in Principle 4.4, *kansayaku* and the *kansayaku* board play important roles and responsibilities including business and accounting audits, and as stated in Principle 4.5, it is expected that with due attention to the fiduciary responsibility to shareholders, they fulfill such roles and responsibilities. ※ *Kansayaku* are provided with the right to consent to, propose, and state opinions regarding *kansayaku* appointment proposals under the Companies Act. In addition, measures have been adopted to ensure the

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		independence of *kansayaku* in relation to appointment and dismissal procedures for *kansayaku* that include the need for a resolution of shareholders meeting for the dismissal of a *kansayaku*, and listed companies are required to appoint *kansayaku* appropriately through such procedures. ※ In addition, as mentioned in the comment, listed companies can also consider separate procedures based on their own individual circumstances in order to better ensure the independent and objective standpoints of *kansayaku*. ※ 3.11 of the Engagement Guideline points "Do *kansayaku* conduct business audits appropriately and act effectively to secure proper accounting audits?", and such procedures could be discussed engagement with investors in consideration of this intent.
200	・ Company with Supervisory Committee or Company with Three Committees should appoint full-time supervisory committee members or audit committee members. Although the appointment of full-time committee members is not legally required for supervisory committee or audit committee, we believe that full-time committee members are an essential keystone for improving the ability of both committees to gather information, conduct organizational audits, and exchange information and communicate with all non-executive officers.	※ As pointed out, although Company with Three Committees or Company with Supervisory Committee are not required to appoint full-time audit committee members or supervisory committee members under the Companies Act, such listed companies could appoint full-time members based on their own judgment if deemed useful for effective audits.
201	・ We propose the addition of *kansayaku* to people that to handle engagement with shareholders in Supplementary Principle 5.1.1. A variety of corporate scandals have	※ Although it is stated in Supplementary Principle 5.1.1 that the senior management and directors, including

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	occurred recently, and people are becoming more interested in audits including audits by external auditors, and it is expected that *kansayaku* who are company officers responsible for audits engage with shareholders and provide explanation to shareholders as necessary.	outside directors, should have a basic position to engage in dialogue with shareholders, in some cases it may be appropriate as necessary for *kansayaku* to engage with shareholders to improve the effectiveness of engagement depending on the circumstances of each individual listed company.
202	・ Because similar conditions are required for supervisory committee members and audit committee members as the *kansayaku* described in Principle 4.11, such members should be included here.	※ Note that as indicated in preamble 14. of the original draft when the Code was established, it can be assumed that application will be conducted after necessary adjustments in accordance with the formof a listed companies, and for Companies with Three committees or Companies with Supervisory Committee, "*kansayaku*" in Principle 4.11 should be adjusted as "audit committee members" or "supervisory committee members", respectively.
4. Cross-shareholdings		
(1) Assessment of Whether or not to Hold Cross-Shareholdings		
203	・ In relation to Principle 1.4, it was pointed out that companies were not examining whether cross-shareholdings were improving business value, and we are in agreement with the revision proposal on the need for companies to examine cross-shareholdings and make appropriate disclosures.	※ We appreciate your support for the intent of the revision.
204	In relation to Principle 1.4, we agree that it is important for companies to annually assess whether the company should continue to hold individual cross-shareholdings from a business and risk perspective, providing justification and in-depth disclosures on the economic rationale.	

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205	・ In relation to Principle 1.4, the recommended annual assessment of cross-shareholdings is undoubtedly considered a positive measure.	
206	・ In relation to Principle 1.4, the strengthening of wording with regards to cross-shareholdings is a positive development. We agree that companies should improve disclosure in this area, particularly with regards to their policies regarding the reduction of such holdings going forward. Additionally, the recommendation to annually assess the appropriateness of each holding is an important one. ・ The proposed amendments in this area will strengthen the ability of shareholders to assess the appropriateness of such holdings and facilitate engagement on the issue between shareholders and companies, and allow shareholders to challenge decisions when necessary. The supplementary principles additionally reinforce the importance for management to consider both the interests of the company and of shareholders when taking decisions on cross-shareholdings.	
207	・ We support the revisions to Principle 1.4 and in particular the new Supplementary Principles 1.4.1 and 1.4.2. ・ It is expected that the code revisions will help improve the quality of disclosure regarding the economic rationale for cross-shareholdings. It is also expected that the introduction of the supplementary principles will help encourage change in traditional business practices where cross shareholding relationships are prevalent which can have a detrimental effect on the standards of corporate governance and can be an impediment to investor stewardship.	
208	・ In relation to Principle 1.4, we firmly welcome the amendments to more explicitly promote the reduction of such holdings. We have been encouraging companies to reduce cross-shareholdings as we believe they have a number of negative consequences including potential hindrance to fair competition, obstruction to governance reform and unfair treatment of shareholders. We are concerned that	

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	corporations as owners of cross-shareholdings may enjoy extra benefits such as favorable deals, which are not available to other groups of shareholders including institutional and retail investors. Because this would be an unequal treatment of shareholders which goes against the fundamental principle of Section 1 of the Code, we request further steps to ensure that Supplementary Principles 1.4.1 and 1.4.2 are strictly observed by corporations.	
209	・ We agree with the aim to reduce cross-shareholdings in Principle 1.4 and Supplementary Principles 1.4.1 and 1.4.2.	
210	・ In relation to Principle 1.4, we understand that equity investments for purposes other than pure investment are cross-shareholdings in the same manner as for the securities report, but this definition should be clarified so that companies do not apply their own interpretation.	※ Cross-shareholdings in Principle 1.4 generally include shares held for purposes other than pure investment by listed companies, as well as shares that are not directly held by a listed company but in practice are under the listed company's control, such as deemed cross-shareholdings as in the Cabinet Office Ordinance on Disclosure of Corporate Affairs clearly indicated in the Engagement Guidelines. In addition, cross-shareholdings by listed companies are not limited to only mutual cross-shareholdings, but also include cases in which only one listed company holds the shares of another listed company.
211	・ We would like to highlight that the use of the term "cross-shareholdings" here can be somewhat misleading. We understand that these holdings are not always "cross" (mutual) but may be unilateral. We suggest that clarification should be made that all types of shareholdings other than what is considered 'pure investment' are included here.	
212	・ In relation to "cross-shareholdings" in Principle 1.4, the note to 4.1 of the Engagement Guidelines states "cross-shareholdings include shares that are not directly held by a company but in practice are under the company's control", and we would like it to be clarified whether the meaning of cross-shareholdings is the same in the revision proposal for the Code and the proposal for the Engagement Guidelines.	
213	・ The note to 4.1 of the Engagement Guidelines states "cross-shareholdings include shares that are not directly held by a company but in practice are under the company's control" regarding cross-shareholdings. Is this only an interpretation that applies for the Engagement Guidelines, and is separate interpretation in the Code possible?	

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214	・ In relation to the cost of capital in Principle 1.4, there are various means of understanding the cost of capital including the cost of shareholders' equity and a weighted average cost of capital, and we would like to confirm whether a response based on a company's perspective is possible.	※ The cost of capital is generally the cost for the procurement of funds that appropriately incorporates the risks of one's own business and it is viewed as the profit rate expected by the provider of such funds. The cost of shareholders' equity or WACC (weighted average cost of capital) are used frequently when applying a cost of capital. ※ 4.1 of the Engagement 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 cover the company's cost of capital?", and it is expected that there will be constructive dialogue between investors and listed companies in consideration of the intent of this statement..
215	・ What is the definition for cost of capital in Principle 1.4?	
216	・ In relation to Principle 1.4, the scope of examination of the appropriateness of holdings by the board should be limited to "major" cross-shareholdings as under the current Code. Matters related to cross-shareholdings are within the scope of the execution of business, and it is sufficient for the board to conduct relatively important matters, namely the examination of the reasonableness of policies on cross-shareholdings and major cross-shareholdings. Investors do not desire the board to have discussions on the execution of business in more detail than this.	※ In the Follow-up Council proposal, it has been pointed out that cross-shareholdings are meaningful in promoting strategic partnerships. However, it has also been pointed out that the presence of shareholders who are expected to support company management could lead to a lack of management discipline, and that such holdings are risk assets on company's balance sheet that are not proactively used and therefore inefficient in terms of capital management, and considering these circumstances, it is important for investors and
217	・ The matters that should be deliberated by the board vary by company, and the significance and scale of cross-shareholdings differ for each share issue. Accordingly, we would like to confirm that Principle 1.4 does not require the board to conduct the	

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	verification work for all share issues on its own.	companies to deepen their engagement on cross-shareholdings. In light of these circumstances, the proposal requires listed companies to assess whether or not to hold each individual cross-shareholding, and clearly disclose and explain the results of this assessment after specifically examining the purpose, benefits, and risks of each holding. In addition, it is important to clearly disclose policies with respect to cross-shareholdings, including the policies regarding the reduction of cross-shareholdings. ※ While it can be assumed that the execution side will conduct some preparation work when the board assesses whether individual shareholdings are appropriate, even in such cases, it will be necessary for the board to assess individual holdings on its own when complying under Principle 1.4. ※ It can be assumed that the board will not assess certain cross-shareholdings in light of individual circumstances under "comply or explain" approach, and in this case, it will be necessary to provide a sufficient explanation of the reason for explaining under Principle 1.4 and to disclose the details of the cross-shareholdings that were examined by the board.
218	・ As the important matters that should be deliberated by the board vary by company and there are various forms of holding for each cross-shareholding share issue, we are concerned that having the board conduct an examination on all share issues could lead to a decline in the effectiveness of the function of the board, and that in some cases it could be appropriate to delegate the examination of cross-shareholding other than major cross-shareholding to the business execution side. In relation to Principle 1.4, is the understanding correct that it is not required for the board to conduct all examination work for all listed cross-shareholdings?	
219	・ Although the board is required to conduct sufficient discussions and make prompt decisions on various important management issues, is the understanding correct that examination of appropriateness of holding in Principle 1.4 is not limited to the method of all examination work being conducted by the board?	
220	・ Although an examination should be conducted on the appropriateness of individual cross-shareholdings and the results should be disclosed, is the understanding correct that examination work is not required for all share issues?	
221	・ Causing an excessive burden on businesses should be avoided, and disclosures on the policies on cross-shareholdings and results on the examination of the appropriateness of holdings should not be a requirement.	※ In consideration of the comments in the Follow-up Council proposal stating that it is important for investors and listed companies to deepen their engagement on

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222	・ In relation to Principle 1.4, because sufficient information on cross-shareholdings is currently being provided in the securities report, we have not heard comments from investors calling for more detailed information disclosure or disclosure of the results of the examination of the appropriateness of individual holdings. Because the results of the contents of examinations often include highly confidential matters such as the details of transactions and business strategy (for example, shareholdings of companies for which acquisitions or business alliances are being considered in the future), external disclosure or explanation is difficult from the perspective of corporate secrecy. Accordingly, the disclosure of the results of examination is not required.	cross-shareholdings and that the results of the assessment of the appropriateness of cross-shareholdings are important for such engagement, Principle 1.4 requires disclosures on the results of this assessment. However, it is not necessarily required to disclose the results of examination including the appropriateness of cross-shareholding for each individual cross-shareholding. On the other hand, rather than a general or abstract disclosure such as merely "the appropriateness of all cross-shareholdings was recognized as a result of examination", it is expected that specific disclosures are provided in consideration of the intent of the Code, such as: ・What points were focused on and what standards were set in the assessment of the appropriateness of cross-shareholdings, including whether the purpose of holding is appropriate or whether the benefits and risks from each holding cover the cost of capital? ・What kind of discussions were held in consideration of the standards that were set to examine the appropriateness of individual cross-shareholding? ・What kind of conclusions were reached on the appropriateness of cross-shareholdings as a result of discussions?
223	・ In relation to Principle 1.4, although it is important to examine the appropriateness of cross-shareholdings, if the results of the examination of individual holding are disclosed, it would result in a burden for companies and there would also be many cases in which the results of examination could not be disclosed from the perspective of corporate secrecy because such results involved the details of transactions and corporate strategy. Accordingly, this section should be revised to "Examine the appropriateness of cross-shareholdings and disclosure an summary of this examination".	
224	・ We cannot agree with the section in Principle 1.4 stating "the details of examination should be disclosed" in relation to individual cross-shareholdings. In regard to this section, we believe that explanations on the aim and reasonableness of principal cross-shareholdings that have already been disclosed are sufficient. Meanwhile, we believe that it would be difficult from a practical standpoint for the board to review and examine each individual cross-shareholding and it would be difficult in practice to disclose the details of such reviews and examinations on individual cross-shareholding in light of the confidentiality of transactions with the companies whose shares are held. ・ Note that because companies have confidentiality obligations as a company with	

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	companies whose shares are held in relation to disclosures and careful discussions must be held with companies whose shares are held, we would like for general disclosures to be adopted and to specifically indicate consistency with the disclosures in the securities report.	※ 4.1 of the Engagement Guidelines states "Does the company clearly disclose and explain the results of this assessment?" regarding the assessment of the appropriateness of individual cross-shareholdings, and it is expected that there will be constructive engagement between investors and listed companies in consideration of the intent of this statement. ※ Note that the Working Group on Corporate Disclosure of the Financial System Council of the FSA is currently reviewing disclosures related to cross-shareholdings in the securities report.
225	・ The examination of the appropriateness of cross-shareholdings is important, and ensuring the transparency of the process of examination is important. However, if the results of the examination of individual cross-shareholdings are disclosed, there are concern that it could result in large volumes of disclosures, which would be a burden for issuers. Furthermore, because the results of examinations also involved the details of individual transactions and corporate strategy, there could also be many individual holdings that could not be disclosed from the perspective of corporate confidentiality. For this reason, we would like to confirm that the disclosures of the results of the examination of holdings required in Principle 1.4 does not refer to the disclosure of the results of examination for each individual share issue.	
226	・ In relation to Principle 1.4, there would be extremely high volumes of disclosures if the results of the examination of all share issues were to be disclosed and it would be difficult to disclose the results of examinations from the perspective of confidentiality including the details of transactions and contents related to corporate strategy. Accordingly, is our understanding correct that this section is not calling for the disclosure of the results of examination of all share issues? ・ In addition, does the result of examinations refer to the methods and frameworks of examinations or to the results of examinations?	
227	・ Because the actual purpose of cross-shareholdings is often closely aligned with business strategy in many cases, it can be assumed that there are share issues for which individual disclosure is not possible from the perspective of corporate confidentiality. Accordingly, is the understanding correct that the disclosure of the results of	

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	examinations mentioned in Principle 1.4 is not referring to disclosures for each individual share issue?	
228	・ In relation to Principle 1.4, it would be a tremendous burden to companies due to the large volumes of work if disclosures had to be provided on the details of the examination of the appropriateness of each individual cross-shareholding. Accordingly, we would like to confirm that the disclosure required here is not for each individual share issue.	
229	・ In relation to Principle 1.4, we would like some clarification because it is hard to understand specifically what results of examinations should be disclosed.	
230	・ What degree of disclosures are required on the results of examinations of individual cross-shareholdings?	
231	・ In relation to Principle 1.4, because there is a high possibility that the results examined will not be disclosed clearly, we propose the indication of the following specific matters in Principle 3.1 as the results of examinations that should be disclosed. ・Results of examination and examination process (process up to holding and sales) ・Whether each cross-shareholding is mutual or unilateral ・Holding period for each cross-shareholding ・Oversight by body (committee composed only from independent directors) independent from management on conflicts of interest arising from cross-shareholdings and reports	
232	・ In consideration of the burden if scope of disclosure were to consist of each individual holding, it should not be necessary to disclose the results of examinations for each individual share issue, but to make disclosures based on certain categories to contribute to the understanding of shareholders and investors.	
233	・ We advocate for boards to justify what the business benefits, in a financial sense, are	

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	for having cross shareholdings and disclose this in the form of a cost/benefit analysis.	
234	・ In relation to Principle 1.4, if companies do not actually conduct response or implementation based on the results of the examination of the appropriateness of holdings, such examination will have no meaning. Accordingly, we believe that it is essential for each company to have discipline towards actual implementation based on the results of examination.	※ 4.1 of the Engagement Guidelines points, "Does the company appropriately make decisions based on such assessment?" regarding the examination of the appropriateness of cross-shareholdings, and it is expected that the results of examinations reflect matters such as policies regarding the reduction of cross-shareholdings in policies for cross-shareholdings in consideration of the intent of this statement. In addition, 4.2 of the Engagement Guidelines states "As part of its cross-shareholding policy disclosure, does the company make clear its policy regarding the reduction of cross-shareholdings, and take appropriate actions in accordance with the policy?", and it is expected that there will be constructive engagement between investors and listed companies regarding the response toward cross-shareholdings in consideration of the intent of this statement.
235	・ We encourage Japanese companies to commit to a target to reduce their cross shareholdings over a specified period of time.	
236	・ In relation to Principle 1.4, we welcome the additional wording in the Corporate Governance Code regarding the disclosure of assessments examining the purpose of individual cross-shareholdings. However, to further strengthen the usefulness of disclosure to shareholders, we request that the word "financial" is included in the disclosure of benefits and risks to provide additional transparency in reporting.	※ "Benefits and risks from each holding" in Principle 1.4 includes benefits and risks related to finance.
237	・ Although Principle 1.4 could be read as meaning that holdings could be justified if the holding purpose is appropriate and the benefits and risks from each holding cover the cost of capital, shouldn't it be clearly prescribed that cross-shareholdings should be	※ In the Follow-up Council proposal, it has been stated that while cross-shareholdings have decreased recently, the decrease by non-financial corporations is modest,

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	reduced as a general rule?	and the ratio of voting rights accounted for by cross-shareholdings still remains high. ※ It has been pointed out that cross-shareholdings are meaningful in promoting strategic partnerships between listed companies. However, it has also been pointed out that the presence of shareholders who are expected to support company management could lead to a lack of management discipline, and that cross-shareholdings are risk assets on company's balance sheet that are not proactively used and are therefore inefficient in terms of capital management. In consideration of these comments and others suggesting that cross-shareholdings should be reduced as much as possible, with this revision, Principle 1.4 clearly indicates that "When companies hold shares of other listed companies as cross-shareholdings, they should disclose their policy with respect to doing so, including their policies regarding the reduction of cross-shareholdings". ※ Although this revision does not necessarily uniformly require the reduction of cross-shareholdings, it states that "the board should annually assess whether or not to hold each individual cross-shareholding, specifically examining whether the purpose is appropriate and whether the benefits and risks from each holding cover the company's cost of capital", and it is believed that
238	• From the perspective of improving corporate value, it is only natural to constantly examine the reasonableness of cross-shareholdings and to dispose of holdings that are held for no reason in consideration of explanations on the purpose and reasonableness of holdings in engagement with investors. • On the other hand, there are also cross-shareholdings that are necessary from the perspective of mid- to long-term improvements in corporate value for purposes such as the establishment and strengthening of long-term and stable relationships with business partners and the facilitation and strengthening of business alliances and joint ventures. • Accordingly, it would be appropriate to modify Principle 1.4 to something such as "the policies and approaches towards the reduction and holding of cross-shareholdings".	
239	• Cross-shareholdings are held for various purposes depending on the type of industry or business, and because there are various purpose that contribute to long-term improvements in corporate value including the maintenance and strengthening of long-term and stable business relationships with business partners and the forming of corporate alliances through capital partnerships, such holdings should not be reduced uniformly. • In addition, because companies started to dispose of holdings found to be held for no reason as the result of examinations of the reasonableness of cross-shareholdings due in part to the introduction of the code as steady progress has been made toward the reduction of cross-shareholdings that are not reasonable, it is not necessary to force companies to reduce cross-shareholdings in Principle 1.4, and the method used should be left up to the voluntary efforts of each company.	
240	• In relation to Principle 1.4, there are various purposes for holding cross-shareholdings that depend on the business model, and there are also reasonable grounds. Because it is	

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	important to examine the reasonableness of holdings, provide explanations through engagement, and dispose of holdings that are held for no reason, and we don't believe that wording that could be understood as requiring an uniform reduction should be used, the phrasing "it is important to clearly disclose policies toward cross-shareholdings, including the policies and approaches towards the reduction and holding of cross-shareholdings" should be used.	cross-shareholdings will be reduced in many cases as a result of such examinations. ※ While some have the opinion that cross-shareholdings can be allowable if reasonableness and transparency is ensured in cases such as strategic alliances, because there are also views that presence of shareholders who are expected to support company management could lead to a lack of management, and that such holdings are risk assets on company's balance sheet that are not proactively used and therefore inefficient in terms of capital management, it is necessary to carefully disclose and explain the details of examinations in order to gain the understanding of stakeholders including investors.
241	・ In relation to Principle 1.4, although cross-shareholdings have been used in Japan to establish long-term business relationships at a low cost through the mutual bearing of risks with cross-shareholdings including the establishment of value chains, we believe that the wording of the revision proposal could give the impression that the reduction of cross-shareholdings is customary, and we would like for the use of wording that gives the impression that reduction itself is a positive to be avoided.	
242	・ In relation to Principle 1.4, because cross-shareholdings also include holdings that are reasonable, measures should be taken so that one does not get the impression that a uniform reduction is being called for, for example, through the use of wording such as "policies towards the reduction and holding of cross-shareholdings".	
243	・ Although we are basically in agreement with Principle 1.4, it has been pointed out that cross-shareholdings can be effective in corporate management despite the criticism that has been received, and we have doubts over the appropriateness of the addition of wording that could be understood as implying that reduction is desirable as a principle. Because we believe that the establishment of the second sentence that requires the examination of the appropriateness of holdings and the disclosure of the details would be sufficient, we would like for you to consider either the deletion of the additional section of the revision of the first sentence or a revision to the wording of this sentence.	
244	・ In relation to Principle 1.4, is the understanding correct that "policies and approaches towards the reduction and holding of cross-shareholdings" does not call for uniform	

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	reduction without taking into consideration whether holdings contribute to mid- to long-term improvements in corporate value?	
245	・ If the basic approach is to reduce cross-shareholdings, the reason for this should be clearly stated in approach in General Principle 1. ・ In light of this necessity to reduce cross-shareholdings, it would be reasonable to stipulate that the reasonable necessity of individual holdings should be examined and that the board should verify that reasonable measures to prevent adverse effects from holding have been established and effectively implemented.	
246	・ Principle 1.4 mentions "policies regarding the reduction of cross-shareholdings". Would this principle be complied with if policies and approaches towards reduction were not disclosed, and the policies towards cross-shareholdings were disclosed?	※ In relation to the section "policies regarding the reduction of cross-shareholdings" in Principle 1.4, in order to make an engagement between investors and listed companies regarding cross-shareholdings more constructive and effective, it is believed that the following could be indicated depending on the company's individual circumstances. ・ In what kind of cases a company will have cross-shareholdings in consideration of factors such as the holding cost ・ What kind of response will be adopted for cross-shareholdings for which the holding criteria do not apply in consideration of the results of examination If policies and approaches towards reduction are not indicated in consideration of the individual circumstances at your own company, it is necessary to
247	・ In relation to Principle 1.4, a company could increase cross-shareholdings, and regardless of the fact that there is a greater need to explain in such cases, the revision proposal can be read as saying that there is no necessity for explanation of the policies, etc. if there is an increase in cross-shareholdings, and it is not appropriate to require disclosure only when there is a reduction.	

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		sufficiently explain the reason to provide an explanation for this principle. ※ Under Principle 1.4, if there is an increase in cross-shareholdings, it is necessary to examine the appropriateness of the cross-shareholdings that increased and disclose the details of this examination. ※ In addition, it is expected that there will be constructive engagement between investors and listed companies regarding the appropriateness of increases in cross-shareholdings and whether that increase is in line with policies towards cross-shareholding including policies regarding the reduction of cross-shareholdings in consideration of 4.1 and 4.2 of the Engagement Guidelines.
248	・ In relation to Principle 1.4, we welcome the call for disclosed specific standards on voting rights at cross shareholdings.	※ We appreciate your support for the intent of the revision.
249	・ Although Principle 1.4 states that "Companies should establish and disclose specific standards with respect to the voting rights as to their cross-shareholdings, and vote in accordance with the standards." in relation to the exercising of voting rights for cross-shareholdings, because there is a wide variety of companies that issue shares that are held as cross-shareholdings, it is difficult to specify standards for the exercising of voting rights and it would be practically impossible to respond accordingly after making such disclosures, we would like for the Code to remain as is regarding this issue.	※ Principle 1.4 before the revision required the establishment and disclosure of standards to ensure an appropriate response towards the exercise of voting rights in consideration of concerns such as the oversight function of the general shareholder meeting on the exercise of voting rights becoming a mere formality, in other words, a situation in which the exercise of voting rights loses substance. However, regarding these standards, it has been pointed out regarding these standards that in some cases the contents are not very
250	・ While Principle 1.4 states that "companies should establish and disclose specific standards with respect to the voting rights as to their cross-shareholdings, and vote in	

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	accordance with the standards", is the understanding correct that a judgment manual-like approach is not necessary for every proposal?	clear and they should be disclosed to ensure more substantial contents and that efforts should be made to ensure the appropriateness of the exercise voting rights related to cross-shareholdings. ※ In light of these comments, under this revision, Principle 1.4 requires the establishment and disclosure of specific standards to ensure an appropriate response to the exercise of voting rights, and it has been clarified that companies should respond in accordance with such standards. ※ 4.1 of the Engagement Guidelines states "Has the company established appropriate standards that are clearly disclosed with respect to the voting rights as to cross-shareholdings?", and it is expected that there will be constructive engagement between investors and listed companies regarding whether the contents of these standards are sufficiently specific in consideration of the intent of this statement.
(2) Relationships with Cross-Shareholders		
251	・ In relation to Supplementary Principle 1.4.1, cross-shareholdings also include holdings aimed at mutual intentions to strengthen partnerships and expand transactions through mutual shareholdings and improve corporate value as a result (so-called "capital alliances"), and because such cross-shareholdings include assumptions that the selling of shares will lead to a reduction in partnerships or business transactions based on agreements or contracts between the parties, this section should be reviewed or even deleted.	※ Supplementary Principle 1.4.1 is established based on comments on the importance of regulations on issuing companies at the Follow-up Council in consideration of comments on the presence of cases of issuing companies that try to hinder the sale of shares by, for instance, implying a possible reduction of business transactions if a listed company with

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252	・ Mutual expansions of transactions and business alliances, and by extension, measures to improve mutual corporate value assume the maintenance of mutual long-term business relationships between companies, and because setting rights and obligations in contracts is not necessarily sufficient, in many cases mutual shareholdings are assumed as a commitment to the maintenance of long-term business relationships and the improvement in the corporate value of the other company. In such cases, it is only natural for the selling of cross-shareholdings to lead to a reduction in partnerships or business transactions, and when long-term cross-shareholdings as an assumption for business alliances is included in a contact, the dissolution of such business alliances due to a sale is a natural consequence of such a contract, and accordingly it is not be reasonable to prohibit implication of the reduction of business transactions without exception in response to consultations on the selling of cross-shareholdings.	cross-shareholdings indicates the intention to sell shares to an issuing companies if an examination of the appropriateness of cross-shareholdings finds that the cross-shareholdings have little meaning. ※ While the view is also presented at the Follow-up Council that cross-shareholdings could be unnecessary to maintain business relationships, Supplementary Principle 1.4.1 does not necessarily prohibit such agreements or contracts that were mentioned in such comments. However, this principle does clarify that issuing companies should not hinder the sale of the cross-held shares by, for instance, implying a possible reduction of business transactions if a listed company with their cross-shareholdings indicates their intention to sell the cross-shareholdings.
253	・ While we are in basic agreement with Supplementary Principle 1.4.1, we would like for the wording to be considered carefully because there are cases in which it should be permitted for the selling of cross-shareholdings to lead to a reduction in partnerships or business transactions, such as cases in which capital alliances and business alliances are closely related, and a business alliance is dissolved.	
254	・ A distinction should be made between arms-length transactions in general business relations that should be focused on in Supplementary Principle 1.4.1 and participation in business and capital alliances that could be exceptions to this supplementary principle.	
255	・ In relation to Supplementary Principle 1.4.1, because there are cases in which it should be permitted for the selling of cross-shareholdings to lead to a reduction in partnerships or business transactions, it would be reasonable for decisions on the reduction of transactions to be conducted based on the economic rationality of transactions.	
256	・ Supplementary Principle 1.4.1 is reasonable as a transitional measure.	※ We appreciate your support for the intent of the

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	・ There has been a considerable degree of tolerance towards cross-shareholding until recently, and the taking of these measures to avoid the unfair suffering of inconveniences by current listed companies through actual burdens and disadvantages should be commended. ・ Going further, we should support the efforts of listed companies towards the elimination of cross-shareholdings through measures such as making it an obligation to sell the shares of the other parties or disclose the intention to sell shares if the amount of transactions with a specific listed company are reduced by even 1 yen from FY2017.	revision. ※ Firstly, regarding Supplementary Principle 1.4.1, we believe it is important to work to ensure effectiveness through engagement between investors and listed companies in consideration of the intent of 4.3 of the Engagement Guidelines as well.
257	・ I understand that the economic rationale of transactions in Supplementary Principle 1.4.2 includes the importance of an examination from the perspective of the legitimacy and fairness of the transaction, for example, whether the process of the transaction is advantageous or disadvantageous and whether it is hard to consider the transaction arms-length due to relationships including forces or involuntary intent close to submission. ・ However, if the wording "economic rationale" is used without a supplementary explanation, there is the risk of the status quo being maintained without improvement as the economic rationale of transactions will be established when comparing the transaction amount in proportion to the amount of cross-shareholdings and the internal logical of the issuing company is applied as up until now. ・ Accordingly, the wording "economic rationale of transactions" should be revised to the "legitimacy and fairness of transactions", or at the very least a supplementary explanation on this inclusion should be stated.	※ Supplementary Principle 1.4.2 indicates that it is important for listed companies to examine the underlying economic rationale of the actual transactions with cross-shareholders in consideration of the comment in the Follow-up Council that there is the possibility that transactions between listed companies and cross-shareholders might lack an economic rationale for such listed companies. For this reason, the "underlying economic rationale" in Supplementary Principle 1.4.2 is believed to include the perspective of the legitimacy and fairness of transactions. When examining the economic rationale of transactions, it is important to consider why a business partner that is a cross-shareholder recognized a transaction as reasonable, for example, through comparison of transaction conditions, etc. with other similar business partners who are not cross-shareholders.
258	・ Consideration should be given to clearly express that even if transactions with advantageous conditions for the other party between cross-shareholders do not directly constitute the giving of benefits prohibited under Article 120 of the Companies Act,	

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	the giving of special benefits based on cross-shareholdings is an extremely inappropriate business practice.	
259	・ Directors have a duty of care of a prudent manager towards the company under the Companies Act, and it is natural that they should not conduct transactions that damage the joint interests of the company and shareholders. It is not needed to purposely state such matters in the Code regarding transactions with cross-shareholders.	
260	・ There is room to consider whether prescribing a prohibition as in the revision proposal for Supplementary Principle 1.4.2 is appropriate. We believe that it would be appropriate to prescribe a clear indication of the taking of some action regarding the necessity of transactions and the reasonableness of transaction conditions such as requiring examination on transactions with cross-shareholders.	※ Supplementary Principle 1.4.2 indicates the importance of examining the appropriateness of actual transactions with cross-shareholders by listed companies, and in light of the fact that the "maintenance of business relationships" is often given as the reason for cross-shareholdings, a direct prescription is made so that such transactions do not harm the interests of the company or common interests of its and shareholders.
261	・ We suggest that companies should disclose their policy towards capital allocation. This should include disclosure on the top 30 cross shareholdings by value as well as the total number, not only in the securities report, but also on the company's website in English.	※ It is expected that an appropriate response is made regarding cross-shareholdings in consideration of the intent of Principle 1.4 of the Code, Supplementary Principles 1.4.1 and 1.4.2, 4.1 to 4.4 of the Engagement Guidelines related to this matter, and Supplementary Principle 3.1.2 that states that "companies should take steps for providing disclose and provide English language disclosures" from the perspective of constructive engagement with investors including overseas investors. ※ Note that the Working Group on Corporate Disclosure of the Financial System Council of the FSA is currently
262	・ In relation to Principle 1.4, companies should be required to disclose the nature of their top 30 cross-shareholdings of either entity along with any position that exceeds 1 percent of the capital base.	

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		reviewing disclosures related to cross-shareholdings and approaches toward the provision of information in English.
263	・ The following principle should be established as Supplementary Principle 1.4.3 for the specific disclosure of policies and approaches towards the reduction of cross-shareholdings. ・ "Companies should examine whether holdings are appropriate by specifically examining whether the purpose of holding is appropriate or whether the benefits and risks from each holding cover the cost of capital in order to reduce cross-shareholdings, and make specific disclosures on the number of shares held, value of shares held, purpose of holding, investment yield, unrealized losses or gains on the ending fair value, and reduction plan for each share issue."	※ Regarding the cross-shareholdings, Principle 1.4 newly requires disclosures on policies regarding the reduction and the results of the assessment. ※ In addition, the Working Group on Corporate Disclosure of the Financial System Council of the FSA is currently reviewing disclosures related to cross-shareholdings.
264	・ Although I am in agreement with the intent and contents of the revision proposal for Principle 1.4, the following matters should be disclosed for each individual share issue so that discussions can be held on the necessity, etc. of specific cross-shareholdings for each share issue. (1) The presence of specific business alliance contracts (2) Whether the amount of sales or other revenue gained from transactions with a company invested in during each fiscal year is more than the book value of the shares invested in (3) Whether the purpose of holding is either (a) an ongoing customer, (b) a potential customer, (c) a group company, or (d) other ・ The matters in (1) to (3) above should be disclosed in the securities report, and I hope that such legal revisions will be made ultimately.	
265	・ It would also be helpful for such disclosure to include the real identify of the cross-shareholder, for example whether or not they are a parent company, subsidiary,	

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	supplier and so on. This would help provide greater transparency around progress being made and identify more clearly which companies are dominant in this practice.	
266	・ In relation to cross-shareholdings in Principle 1.4, we propose the clarification that the disclosure of items in important business contracts in the securities report including main purposes if there is a contract as the purpose of holding each share issue as a best practice, assuming the signing of a contract that clarifies the conditions for the continuation or dissolution of a relationship.	※ Note that the Working Group on Corporate Disclosure of the Financial System Council of the FSA is currently reviewing disclosures related to cross-shareholdings. ※ If there is a significant contract related to cross-shareholdings, it should be disclosed under the important business contracts section of the securities report. ※ 4.1 of the Engagement Guidelines points "Does the company clearly explain the purpose of each cross-shareholding?", and it is expected that there will be constructive engagement between investors and listed companies on the purpose of cross-shareholdings in consideration of the intent of the statement.
5. Asset Owners		
267	・ We welcome the inclusion of Principle 2.6 regarding corporate pension funds. This principle clearly highlights the link between corporate pension funds and their sponsors in ensuring an established relationship is formed and that corporate pension funds have the knowledge to perform their duty of high quality stewardship.	※ We appreciate your support for the intent of the revision.
268	・ We are in agreement with Principle 2.6 because it is appropriate to require plan sponsor companies to develop environments that enable corporate pensions funds to effectively fulfill the functions expected as asset owners in order to supplement the Stewardship Code.	
269	・ We welcome the establishment of Principle 2.6 and the reference to the important role that corporate pension funds play as asset owners. It is incumbent on asset owners such	

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	corporate pension funds to take seriously their stewardship obligations as recommended in Japan's Stewardship principles.	
270	・ We welcome the establishment of Principle 2.6 that requires disclosures on corporate pension funds' stewardship activity and measures taken. We note the importance of pension funds' stewardship activity to drive standards of fund governance and stewardship throughout the investment chain, as well as high standards of corporate governance.	
271	・ In relation to Principle 2.6, we welcome the addition of this principle, given the slow take-up of the Stewardship Code by corporate pension funds to date. We hope that this would encourage more corporate pension funds to take part in stewardship activities and promote constructive dialogue between companies and investors.	
272	・ We agree with the contents of Principle 2.6. Corporate pension funds not only have the important role of stable asset formation for the companies' employees and its own financial standing, they also play an important indirect role in boosting the efficiency of the financial systems by influencing the structure of securities markets.	
273	・ In relation to Principle 2.6, stewardship activities are extremely important from the perspective of making the corporate governance of companies effective. On the other hand, corporate pension funds are diverse in sizes, and it can be expected to be difficult in practice for all corporate pension funds to accept the Stewardship Code and develop the structures prescribed in the principle. ・ Accordingly, it is important to first carefully consider the adoption status of the recently revised Stewardship Code that was recently revised without incorporating this item in this Code revision, closely follow-up the stewardship activities of asset managers, and promote stewardship activities for the market overall. ・ In addition, in spite of the calls for independence in asset management for pension beneficiaries, there are concerns that if this item is incorporated it could damage the	※ In the Follow-up Council proposal, it has been pointed out that the role of asset owners who are positioned closest to the ultimate beneficiaries and that encourage and monitor asset managers that are the direct counterparties in engagement with companies is extremely important to deepen corporate governance reform and promote the investment chain function. At the Follow-up Council it has been also pointed out that corporate pension funds have not sufficiently developed investment structures including stewardship activities and that such efforts have not necessarily been

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	independence of investments by corporate pension funds from increased involvement by plan sponsor companies in terms of human resources and operational practice by corporate pension funds.	sufficient. ※ Although these are issues that should primarily be addressed by corporate pension funds themselves, in the Follow-up Council proposal it is stated that plan sponsor companies that support the operations of corporate pension funds should sufficiently recognize that the investment by corporate pension funds impacts stable asset formation for employees and companies' own financial standing and take measures on their own to improve human resources and operational practice so that corporate pension funds can perform their role as asset owners. In the Follow-up Council proposal, it is expected that each company makes efforts depending on their own circumstances in consideration of the various forms and size of corporate pension funds so that corporate pension funds fulfill their function as asset owners, the Stewardship Code becomes more widely accepted, and effective stewardship activities are implemented. Principle 2.6 is newly established in consideration of this view. ※ Furthermore, it is important to appropriately manage conflicts of interest that could arise between plan sponsor companies and corporate pension fund beneficiaries as a result of these activities, and Principle 2.6 also incorporates this view.
274	・ We are opposed to Principle 2.6 for the following reasons. ・The relationship between the management of the reserves of corporate pension funds and corporate governance is unclear, and we have doubts towards the incorporation of such matters as a principle in the Corporate Governance Code. ・While corporate pension funds have a variety of sizes and knowledge and there is wide variation in the ability to bear costs, there is a risk that requiring the assignment of human resources for the actually limited purpose could be only partially optimal from the perspective of the development of Japanese capital markets and asset management. ・If investments by Corporate pension funds (defined-benefit pension funds) do not go well, companies incur losses, and from this perspective, they are no different from other business areas. Because the importance of the impact that the operation of corporate pension funds has on sustainable growth and mid- to long-term improvements in corporate value as required by the Corporate Governance Code differs depending the circumstances of the company, establishing specific regulations on the systematic recruitment or placement of appropriate human resources for the specific area of corporate activities of investments by corporate pension funds is not appropriate in consideration of the objective of the Corporate Governance Code and the Engagement Guidelines. ・In spite of the calls for independence in asset management for pension beneficiaries, there are concerns that if this item is incorporated it could damage independence from increased involvement by plan sponsor companies.	

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	・Because we believe that it would be difficult for listed companies to implement this principle as there could be calls for the independence of corporate pension funds from plan sponsor companies related to the operation of corporate pension funds and transparency towards the operation of corporate pension funds from pension beneficiaries, this principle should only be in the guideline that "comply or explain" is not required for and it should not be incorporated as one of the principles of the Corporate Governance Code.	
275	・ Principle 2.6 should be deleted. ・ While plan sponsor companies position corporate pension funds as a part of risk management of business activities, it is not in line with the nature of the Code to focus only on corporate pension funds and require the disclosure of such efforts. ・ In addition, corporate pension funds establish asset management policies while working towards the stable financial management of funds within the acceptable range of risks of the plan sponsor company. Asset allocation is the most important policy, and this is followed by selecting the investment institution and assessing individual investments. Because the stance towards asset management risk and financial management differs for each fund, there are also differences in monitoring and stewardship efforts. In consideration of the priority order of objectives and methods in asset management by corporate pension funds, we would like for consideration to be given so that the strengthening of stewardship activities is not uniformly imposed on all funds.	
276	・ Principle 2.6 should be deleted. ・ Corporate pension funds have a variety of sizes, and there is considerable variation in cost burdens, etc. The principle should not be uniformly applied. In addition, monitoring activities by corporate pension funds can only lead to increased costs for	

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	asset management companies and for corporate pension funds by extension. ・ The plan sponsor company will incur losses if investments do not go well at defined-benefit pension funds, and this is not different from the other business departments of plan sponsor companies. Establishing specific regulations on the systematic recruitment or placement of appropriate human resources for the specific area of corporate activities of investments by corporate pension funds is not appropriate in consideration of the intent of the Corporate Governance Code.	
277	・ We are opposed to the establishment of Principle 2.6. ・ Because there are some corporate pension funds that have not developed a structure for monitoring asset managers or that would have difficulties supporting this principle, there are some companies for which it would be difficult to respond if a uniform response were required. ・ In addition, because the importance of the impact that the operation of corporate pension funds has on sustainable growth and mid- to long-term improvements in corporate value as required by the Corporate Governance Code differs depending the circumstances of the company, establishing specific regulations on the systematic recruitment or placement of appropriate human resources for the specific area of investments by corporate pension funds is not appropriate in consideration of the intent of the Corporate Governance Code. ・ Furthermore, although conflicts of interest should be managed appropriately, there are concerns that if this item is incorporated it could damage the independence of investments by corporate pension funds from increased involvement by plan sponsor companies in terms of human resources and operational practice by corporate pension funds, and by extension, require listed companies to comply with the Stewardship Code beyond the scope of the Corporate Governance Code.	
278	・ Although we don’t have any specific objections to the idea that measures should be	

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	taken in human resources and operational practice such as the recruitment or placement of qualified human resources for the operation of corporate pension funds, we believe that it would be appropriate to reconsider this point because we feel uncomfortable towards the contents of Principle 2.6 being prescribed as a principle of the Corporate Governance Code.	
279	・ I believe that it would be better to add Principle 2.6 as an article in the Stewardship Code.	
280	・ Principle 2.6 concerns the operation of corporate pension funds, and it would be appropriate to include it in the Stewardship Code.	
281	・ It is necessary for corporate pension funds themselves to establish corporate governance in order for corporate pension funds to fulfill their responsibilities as asset owners. We propose the following supplementary principle as Supplementary Principle 2.6.1. [Supplementary Principle 2.6.1 revision proposal] Listed companies should endeavor to enhance the governance function for corporate pension funds so that corporate pension funds fulfill their responsibilities as asset owners. Specifically, the establishment of a management committee as a supervisory body for the purpose of ensuring the neutrality and independence of corporate pension funds should be considered.	
282	・ We welcome this change. However, in relation to Principle 2.6, it would be preferred that companies submit to shareholders a report on the measures they adopted towards corporate pension funds.	※ Principle 2.6 requires listed companies to disclose measure to improve the expertise of corporate pension funds as asset owners. 5.1 of the Engagement Guidelines also states, “Are these measures clearly disclosed and explained?”, and it is important for listed companies to clearly disclose and explain such
283	・ Policies should be disclosed which describe how real or potential conflicts of interest are minimized along with the remedies to mitigate them.	
284	・ It is also very critical that corporate pension funds manage the potential conflict of	

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	interests that may arise between the pension fund beneficiaries and the company. The corporate pension fund should establish and disclose its investment policies/practices, its corporate governance principles and its overall stewardship on behalf of its beneficiaries.	measures in consideration of the intent of the statement.
285	・ Do the corporate pension funds in Principle 2.6 include not only defined benefit plans, but also defined contribution plans? ・ Defined contribution plans are also managed by companies, and there is no difference in their responsibilities towards employees. In fact, considering that investment risks and costs are directly attributed to employees, and accordingly the importance of monitoring asset managers and investment instruments and preventing conflicts of interest is actually higher than for defined benefit plans, from this perspective it would be appropriate to also include defined contribution plans in "corporate pension funds".	※ The term "corporate pension funds" in Principle 2.6 basically assumed fund-type and trust-type defined benefit plans and employee pension funds. ※ As you have pointed out, because the management of defined contribution plans has an impact on the asset formation of employees in the same manner as defined benefit plans, in general it is expected that appropriate measures will be taken by listed companies in areas including the selection of investment institutions and asset managers and the implementation of education on asset management to employees.
286	・ Because it seems that the term "corporate pension funds" in Principle 2.6 refers to defined benefit plans, it would be better to clarify this point.	
287	・ Does the term "corporate pension funds" in Principle 2.6 include trust-type defined benefit plans and defined contribution plans?	
288	・ We would like to confirm specifically what is being referred to as "human resources and operational practice".	※ "Human resources and operational practice" includes, but is not limited to, the assignment of qualified human resources to the corporate pension fund office or asset management committee, the development of such human resources, and the support required for engagement on stewardship activities conducted by that body with entrusted asset managers, and it is important for such measures to be conducted appropriately depending on the circumstance of each company and for the measures taken to be clearly disclosed in
289	・ Although it is stated that the measures taken should be disclosed, specifically what type of disclosure would be appropriate? We would like for a description or example to be provided because this is an extremely broad and abstract disclosure requirement.	

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		consideration of the intent of 5.1 of the Engagement Guidelines.
290	・ It should be clarified to whom the plan sponsor company would have what type of responsibility towards, if Principle 2.6 is newly established in the Corporate Governance Code.	※ Because improving expertise of corporate pension fund as asset owners is believed to contribute to the asset formation of employees who are stakeholders of the plan sponsor companies and such contribution to employees and positive impact on the financial standing of plan sponsor companies lead to improvements in mid- to long-term corporate value, we believe they are also important for ensuring the interests of shareholders and other stakeholders.
291	・ In relation to Principle 2.6, although we agree with the point that the measures taken should be disclosed, it should be clarified what should be disclosed to whom (disclosure to corporate pension fund beneficiaries or disclosure to shareholders). Furthermore, we believe that it is necessary to clearly what kind of disclosure documents should be used for disclosure.	※ The disclosures required under Principle 2.6 are disclosures to stakeholders including investors and employees primarily through the reports concerning corporate governance in the same manner as the disclosures required under other principles.
292	・ Stewardship activities are extremely important for the performance of the function of asset owners in an aim for the appropriate management of corporate pension funds, and accordingly we commend the new establishment of Principle 2.6 that requires the necessary efforts and the disclosure of the details of such efforts. Furthermore, corporate pension funds should consider acceptance of the Stewardship Code within the scope possible, and the following contents should be added to encourage proactive efforts in this area. Corporate pension funds should work towards proactively accepting the Stewardship Code.	※ Promotion of the acceptance of the Stewardship Code by corporate pension funds, etc. has been set forth in the Japan Revitalization Strategy 2016 (Cabinet decision on June 2, 2016), based on which efforts by stakeholders have been promoted, including studies towards the acceptance of the Stewardship Code by the Stewardship Study Group of the Pension Fund Association. In the Follow-up Council proposal, it is expected that the efforts required under Principle 2.6 are conducted so that corporate pension funds fulfill their
293	・ It should be indicated in Principle 2.6 that it would be desirable for corporate pension	

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	funds to accept the Stewardship Code.	function as asset owners, the Stewardship Code becomes more widely accepted, and effective stewardship activities are implemented.
294	・ In relation to Principle 2.6, the establishment of a provision should be considered because there could also be problems with the independence of the exercises of voting rights at shareholding associations established and managed by listed companies, such as employee shareholding associations.	※ In relation to Principle 2.6, in the Follow-up Council proposal was pointed out that it was expected corporate pension funds would also perform a function as asset owners after emphasizing the role of asset owners in the investment chain, and corporate pension funds are within the scope because it is important for plan sponsor companies to make independent efforts in terms of human resources and operational practices so that corporate pension funds can effectively perform the functions expected as asset owners.
6. Other		
295	・ ESG efforts are essential for sustainable growth and mid- to long-term improvements in corporate value for companies, and engagement between investors who have a mid- to long-term perspective with companies is centered around discussions regarding ESG. For this reason, we propose the inclusion of a statement on disclosures of ESG information in Chapter 3 “Ensuring Appropriate Information Disclosure and Transparency”.	※ In consideration of this comment, it will be clarified in Chapter 3 “Notes” that the non-financial information referred to here includes information related to ESG elements. ※ In the provision of statutory disclosures and voluntary disclosures of non-financial information including such information by listed companies, it is important to consider the contents appropriate for disclosure in consideration of the roles of each disclosure and the interests of stakeholders.
296	・ The level of response to ESG issues by companies invested in addresses the risk of damage to corporate value in the future, and this is important information for institutional investors. ・ In addition, promoting this type of information disclosure also contributes to improvements in the understanding of institutional investors in the investee companies and constructive engagement.	

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	・ For the above reasons, there should be a statement in Chapter 3 "Ensuring appropriate information disclosure and transparency" that encourages disclosures related to ESG issues.	
297	・ ESG efforts are essential for sustainable growth and mid- to long-term improvements in corporate value. Engagement between investors who have a mid- to long-term perspective with companies is centered around discussions regarding ESG, and for this reason, we propose the inclusion of a statement on disclosures of ESG information in Chapter 3 "Ensuring Appropriate Information Disclosure and Transparency".	
298	・ In order to attract international investment and achieve long-term corporate growth, Japanese companies must be encouraged to more meaningfully disclose the material ESG risks associated with their business activities and the measures they are taking to address such risks, and on this basis, we recommend revising the Code.	
299	・ In relation to Principle 2.3, as well as being proactive in considering sustainability issues, companies could be encouraged to disclose more on their management of such issues.	
300	・ Principle 2.3 should be revised to require disclosures in line with the formats required by various countries in light of current international trends related to ESG disclosures.	
301	・ In consideration of the human rights and environmental problems that occur in business supply chains, information concerning business and company structures and supply chains as well as information concerning major environmental, social, and governance risks related to businesses and supply chains and information concerning risk assessments and risk management measures should be included in the disclosure items in Principle 2.3.	
302	・ Suggest to add under Supplementary Principle 2.3.1 the following text "The board should include the assessment and management of any material sustainability issues (both risks and opportunities), and disclosing the process and results of such	

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	assessments, ideally in the annual report.”	
303	・ We recommend that the incorporation of sustainability considerations should be further strengthened with explicit reference to the need for the board to consider ESG issues for long-term value creation. ・ We recommend that Chapter 2 of the Code is further strengthened by making explicit reference to ESG issues with the text of Principle 2.1. ・ We recommend that Japanese companies begin to look to disclosure frameworks, such as those provided by the Task Force on Climate-related Financial Disclosures for example, to broaden their definitions of financial information provided and develop the disclosure of their financial statements.	
304	・ Companies jointly recognize that responding to sustainability issues is not only part of risk management, but also leads to profit opportunities. Because mention is made of profit opportunities in the revised Stewardship Code, Supplementary Principle 2.3.1 should be revised to “dealing with sustainability issues is an important element of risk management and the creation of profit opportunities (or business opportunities)”.	※ Supplementary Principle 2.3.1 focuses on the fact that the mishandling of the response to sustainability issues could cause significant damage to the reputation of listed companies, and accordingly it states, “With the recognition that dealing with sustainability issues is an important element of risk management, the board should take appropriate actions to this end”. As pointed out, responding to sustainability issues could also lead to profit opportunities, and we believe this is contained in the intent of Principle 2.3 that states “Companies should take appropriate measures to address sustainability issues”.
305	・ We recommend that the Code provides more substantive and robust language on ensuring policies, practices and initiatives to encourage the development of a diverse pipeline of staff and executives which includes diversity of gender, race and ethnicity.	※ As pointed out, because various perspectives and values at companies that reflect varying experiences, skills, and attributes can be strengths in ensuring the sustainable growth of listed companies, listed

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		companies should work to ensure diversity including promoting the active participation of women. Accordingly, it is important for individual listed companies to appropriately consider the specific response under a principles-based approach in light of the intent and spirit of the Code.
306	・ In relation to Principle 2.5, we would like for the statement "in consideration of the Guidelines for Business Operators Regarding the Establishment, Maintenance and Operation of Internal Reporting Systems Based on the Whistleblower Protection Act (December 9, 2016, Consumer Affairs Agency) as well" to be included in order to improve the effectiveness of internal reporting systems in light of recent corporate scandal incidents. These are the only integrated guidelines released by the government on the various elements and series of processes required for the effective establishment and operation of internal reporting systems, and it is necessary to encourage the spread of internal reporting systems in consideration of these guidelines as a government overall. ・ Even if this would be difficult for reasons in relation to the principles of the Code, we believe it is necessary to make additions to the Code in areas where the current Code is believed to be insufficient. In particular, we believe it is essential to make additions to matters concerning the evaluation and improvement of internal reporting systems (IV2 of the Consumer Affairs Agency's Guidelines).	※ In the establishment of an appropriate framework for whistleblowing required in Principle 2.5, the government guidelines, "Guidelines for Business Operators Regarding the Establishment, Maintenance and Operation of Internal Reporting Systems Based on the Whistleblower Protection Act (December 9, 2016, Consumer Affairs Agency)", could be taken into consideration based on the judgment of each listed company. ※ The establishment of an appropriate framework for whistleblowing required in Principle 2.5 could include the evaluation and improvement of internal reporting systems, as well as efforts related to other matters as necessary.
307	・ We agree with the comment submitted from the Consumer Affairs Agency related to internal reporting systems.	
308	・ In Principle 2.5, it should be clearly indicated that efforts should be made to develop and enhance structures related to internal reporting in consideration of the Guidelines for Business Operators Regarding the Establishment, Maintenance and Operation of	

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	Internal Reporting Systems Based on the Whistleblower Protection Act and to conduct regular evaluations and improvements on the status of the development and implementation of this structure.	
309	・ In order to achieve a Code that encourages self-aware "comply" or "explain" regarding internal reporting systems, a statement such as "in compliance with the Guidelines for Business Operators Regarding the Establishment, Maintenance and Operation of Internal Reporting Systems Based on the Whistleblower Protection Act (December 9, 2016, Consumer Affairs Agency)" should be included in Principle 2.5.	
310	・ It is necessary for the Code to indicate specific points to note when developing internal reporting systems to prevent the occurrence of corporate scandals. Accordingly, it should be indicated in Principle 2.5, for example, that an appropriate system should be developed for internal reporting in compliance with the Guidelines for Business Operators Regarding the Establishment, Maintenance and Operation of Internal Reporting Systems Based on the Whistleblower Protection Act (December 9, 2016, Consumer Affairs Agency).	
311	・ The following matters should be included in Principle 2.5 or Supplementary Principle 2.5.1 in consideration of the Guidelines for Business Operators Regarding the Establishment, Maintenance and Operation of Internal Reporting Systems Based on the Whistleblower Protection Act that were announced in December 2016 by the Consumer Affairs Agency. ・A message from top management regarding the significance and importance of the internal reporting system should be communicated ・All executives and employees should be made thorough aware and informed of the internal reporting system framework ・An internal reporting system that can be trusted and securely used by users (employees, etc.) should be established and implemented	

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	・The effectiveness of the internal reporting system should be continuously improved through the implementation of the PDCA cycle ・Efforts should be made to improve the effectiveness of the system through related businesses overall, including subsidiaries and the supply chain	
312	・ The sentence "Regular evaluations and improvements on the status of the development and implementation of the internal reporting system should be conducted so that the system functions effectively" should be added to Supplementary Principle 2.5.1.	
313	・ In Supplementary Principle 2.5.1, the establishment of an internal report contact point independently by outside directors or *kansayaku* should be given as an example of an option.	※ The statement "for example, a panel consisting of outside directors and outside *kansayaku*" in Supplementary Principle 2.5.1 is an example, and the response suggested in the comment could be an option based on the judgment of each listed company.
314	・ The section in the brackets below should be added to Supplementary Principle 2.5.1. "As a part of establishing a framework for whistleblowing, companies should establish a point of contact that is independent of the management (for example, a panel consisting of outside directors and outside *kansayaku*), 'and ensure the effectiveness of this framework.'	※ Ensuring effectiveness is required when responding as required by this principle.
315	・ The following should be added as Supplementary Principle 2.2.2. "Information provision to and discussions with employees (or labor unions) should be conducted appropriately when establishing the code of conduct to ensure that the code of conduct that should be followed by employees who are members of the company is broadly spread and complied with."	※ General Principle 2 states that listed companies should work to cooperate appropriately with stakeholders, and we believe that each listed company should make appropriate judgments on the specific measures such as those in the comment during such cooperation with stakeholders.
316	・ The following should be added as Principle 2.7. "In order to contribute to sustainable growth and mid- to long-term improvements in	

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	corporate value, listed companies should proactively engage with stakeholders other than shareholders. In particular, senior management and directors (including outside directors) should make efforts to understand the current state and issues in the field and make appropriate improvements through engagement with employees (or labor unions)."	
317	・ The following should be added as Supplementary Principle 4.7.1. "Independent directors should proactively engage with stakeholders other than shareholders in order to appropriately incorporate the opinions of stakeholders in the board. In particular, independent directors should endeavor to exchange information and share opinions based on an independent and objective position, for example, by regularly holding meetings with employees (or labor unions)."	
318	・ The wording "the measures taken should be disclosed" should be added to Principles 2.1 to 2.5 in the same manner as Principle 2.6.	※ As indicated in Footnote 1 of the Engagement Guidelines in addition to the principle pointed out, even when a company complies with a principle, it is believed to be beneficial to proactively explain the details of specific efforts from the perspective of enhancing constructive engagement with investors. ※ 3.11 of the Engagement Guidelines points "Do *kansayaku* conduct business audits appropriately and act effectively to secure proper accounting audits?", and it is expected that there will be constructive engagement between investors and listed companies in consideration of this intent. ※ Note that the Working Group on Corporate Disclosure of the Financial System Council of the FSA is currently
319	・ Disclosures on the policies and implementation status of the establishment of a framework for whistleblowing should be clearly indicated in Principle 2.5.	
320	・ Wording that calls for disclosures and explanations should be added to Supplementary Principles 3.2.1 and 3.2.2 in order to encourage disclosures and explanations on whether companies have appropriately developed an environment for external company audits in consideration of the growing interest of investors towards accounting audits due to a series of major accounting scandals recently.	

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		reviewing disclosures of information related to accounting audits.
321	・ It is still difficult to say that there have been improvements to the concentration of dates on which the general meeting of shareholders is held, or that sufficient consideration has been given to ensure opportunities for shareholders to attend the general meeting of shareholders by avoiding the setting of the date for the general meeting of shareholders during period which such concentration can be expected, in consideration of the fact that the general meeting of shareholders is a forum for constructive engagement with shareholders. ・ For this reason, we request that consideration be given to further measures, such as revision of the Corporate Governance Code so that listed companies appropriate set the appropriate date on which the general meeting of shareholders is held.	※ Listed companies are required to make efforts to diversify the date on which the general meeting of shareholders is held under the Securities Listing Regulations in order to improve the concentration of such date, and Supplementary Principle 1.2.3 also states "the determination of the date of the general shareholder meeting and any associated dates should be made in consideration of facilitating sufficient constructive engagement with shareholders". In addition, the Financial Services Agency and Ministry of Justice revised government orders in January and March of this year, respectively, to facilitate the setting of appropriate dates for the general meeting of shareholders by each company. ※ It is expected that each listed company sets appropriate dates for general meeting of shareholders while also taking into consideration their individual circumstances.
322	・ We advocate that companies allow for sufficient time for investors to make informed voting decisions between the announcement of the meeting and the meeting date itself. The general meeting agenda should be posted on the company's website, in English, at least one month prior to the meeting taking place.	※ Supplementary Principles 1.2.2 and 1.2.3 state "While ensuring the accuracy of content, companies should strive to send convening notices for general shareholder meetings early enough to give shareholders sufficient time to consider the agenda." and "The date of the general shareholder meeting should be set appropriately", respectively, while in consideration of

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		factors including the ratio of overseas investors among their shareholders, Supplementary Principles 1.2.4 and 3.1.2 state “English translations of the convening notices of general shareholder meeting should be provided” and “companies should, to the extent reasonable, take steps for providing English language disclosures.”, respectively, and it is expected that each listed company conducts the appropriate measures in consideration of this intent.

提出者：1, 35 = Japan Investment Advisers Association, 2, 33, 39, 201, 297, 320 = Japan Stewardship Forum, 3, 25, 93, 270, 303 = PRI (*), 4, 42, 91, 153, 302 = Robeco Hong Kong(*), 5, 122, 140, 156, 170 = CalPERS(*), 6, 94, 112, 136, 147, 150, 151, 171, 178, 181, 207, 233, 235, 261, 265, 269, 283, 322 = ICGN(*), 7, 40, 51, 69, 75, 79, 83, 101, 119, 155, 173, 206 = Baillie Gifford(*), 8, 13, 46, 99, 117 = Japan Corporate Governance Network, 9 = Norges Bank(*), 10, 118, 167, 203, 232, 242, 255 = Japan Federation of Bar Associations, 11, 89, 165, 212, 229 = Dai-Ichi Tokyo Bar Association, Comprehensive Law Research Office, Companies Act Research Committee, Volunteer,12, 29, 125 = IBA Japan(*),14, 15, 20, 55, 58, 84, 104, 175, 217, 225, 238, 251, 273 = Keidanren,16, 26, 61, 65, 86, 133, 159, 186, 223, 224, 240, 241, 249, 274, 289 = Japan Foreign Trade Council, Legal Committee,17, 23, 27, 127,160, 214, 228, 288 = Regional Banks Association of Japan, 18, 31, 54, 59, 66, 85, 106, 128, 135, 176, 188, 216, 222, 239, 252, 259, 277 = Association of Corporate Legal Departments, 19, 107, 126, 164, 185, 243, 253, 268 = Tokyo Bar Association, Legislation Committee, 21, 32, 218, 226 = Japanese Bankers Association, 22, 57, 67, 129, 163, 215, 220, 230 = Second Association of Regional Banks, 24 = Toyo Keizai Inc., 30, 45, 82, 97, 100, 124, 143, 146, 148, 152, 169, 179, 180, 184, 208, 211, 271 = Hermes Equity Ownership Services(*), 34, 72, 77, 96, 103, 161, 191, 234, 247 = Aoyama Gakuin University, Corporate Law Workshop,37, 63, 68, 88, 111, 116, 132, 162, 190, 245, 258, 260, 278, 290, 291 = Jojokaishahosei No Arikatawo Kangaerukai, 38, 48, 74, 98, 113, 149, 166, 202, 209, 231, 280, 286 = Nikko Research Center, 41, 49, 73, 109, 115, 142, 157, 177, 182, 183, 195, 236, 262, 267 = Legal & General Investment Management(*), 44, 237 = Strategic Capital, 47, 78, 95, 123, 138, 154, 158, 204, 272, 284, 305 = CalSTRS(*), 50, 76, 102, 137, 174, 205, 282 = PIRC(*), 52, 53, 196, 281 = Institute of Corporate Governance, Japan, 62, 141, 144 = ProNed Inc., 71, 81, 131, 192, 198, 263 = Japan Society for Business Ethics, Governance Research Committee, Volunteer, 92 = Pay Governance Japan, 120, 189, 321 = Japanese Institute of Certified Public Accountants, 130 = Teijin, 139, 300, 319 = Human Rights Now, 168, 221 = Kansai Economic Federation, 187, 193, 197, 199, 200 = Kansa Konwakai, 194, 248, 299 = Schroders Investment Management(*), 219, 227, 244 = General Insurance Association of Japan, 276 = Cpn-Corporate Pension Network Council, 292, 314, 315, 316, 317, 318 = Japanese Trade Union Confederation, 294 = RMB Capital, 295 = Asset Management One, 298 = Rainforest Action Network(*), 306 = Consumer Affairs Agency, 28, 36, 43, 64, 70, 80, 90, 108, 110, 114, 121, 134, 145, 172, 210, 213, 246, 250, 254, 256, 257, 264, 266, 275, 279, 285, 287, 293, 296, 301, 304, 307, 308, 309, 310, 311, 312, 313 = Individuals , 56, 60, 87, 105 = Anonymous

（*）Comments made in English. TSE has summarized the comments and has introduced them.