



JCGN's Opinion on the Public Comment on the Amendment of the Companies Act
(Summary)

(1) Mandatory appointment of outside directors

We support mandatory appointment for companies submitting securities reports (Proposal B), and although we anticipate it will function as oversight for management in general and oversight against conflicts of interests, the number of one or more is insufficient, and it is possible that the oversight of the board of directors will not function in this state. The number of outside directors should be aimed at being a majority, and the appointment of one or more should be seen as a transitory measure until this is achieved.

Along with the mandatory appointment of outside directors, it is also necessary to provide backing in terms of authority to carry out oversight functions. In addition, authority for certain matters decided by the board of directors in a company with a board of company auditors should be transferred to the representative director.

(2) Strengthening of externality requirements

We support the addition of parent companies, sibling companies and relatives to externality requirements. With regard to "important business partners" the concepts and requirements of "important" and "business partner" should be clarified, and this content should be added to the requirements if realistic and appropriate.

(3) Limitation of period covered

We generally support the 10-year requirement, but 10 years elapsing does not necessarily guarantee independence. The person proposing a director or company auditor candidate should disclose that there has been no interest between the company and the candidate for the past 10 years and the reason for hazarding to reappoint the candidate.

(4) Companies with audit and oversight committees

We do not actively support this. The nomination and compensation of directors and are the most important issues in the creation of a healthy governance system, but audit and oversight committees are not given that much authority.

There is a danger that instituting companies with audit and oversight committees will hinder discussion aimed at a clearer monitoring model. This system must be positioned as a transitory measure for realizing a sound and effective system of governance.