

Here are my responses to public comment (underlined).

Do you consider the proposed threshold of one-third of the board comprising outside directors appropriate as applicable to companies with three committees or with an audit committee? If not, what percentage of outsiders would your organization consider acceptable when voting on the election of directors at companies with an audit committee and companies with three committees?

-> 50%, to be achieved by 2021, would be much better; with one-third by 2019. The new CG Code will go in that direction anyway. 50% is the crucial line correlating with better performance both abroad and in Japan. One-third is just a halfway house that by itself accomplishes little relative to 50%. "One-third" makes this a very weak proposal .

➤ Should the proposed policy be applied as well to companies with a statutory auditor system? (Note: if the policy is to be applied to companies with that governance system, adverse recommendations will be made at 73.2 percent of such companies based on ISS data as of August 2017.)

Yes. The CGC attempts to go in a "monitoring board" direction for all companies, and applies that thinking to all companies.

➤ Do you think that a one-year transition period, i.e. with implementation of the proposed policy from February 2019, is sufficient? If not, please explain why it is not sufficient.

Yes, IF followed by 2021 as above.

➤ The proposed policy does not require independent directors, but requires outside directors, because of concerns that too much emphasis on independence would prompt companies to recruit individuals with little business background. Notwithstanding such concerns, should the proposed policy still require independent directors?

It should require independent directors, not just outside directors. It is not that hard to find persons with a business background. Very few companies are presently engaging in broad searches, e.g. using recruitment agencies or BDTI's Director Bank, etc. Focusing on "outside directors" just encourages companies to fill their boards with trade counterparties and advisors. This will not jive with the CGC; it is counterproductive, in fact.

"One-third", "outside" and "not statutory auditor companies" make this an extremely weak amendment to ISS' policy.