

## Kathy Belyeu

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**From:** 佐鳥 竜太 / Satori, Ryuta <satori\_ryuta@hitachi-capital.co.jp>  
**Sent:** Monday, October 07, 2019 11:29 PM  
**To:** Policy  
**Cc:** 一松 哲夫 / hitotsumatsu, tetsuo; 山下 幸慈 / Yamashita, Kouji  
**Subject:** Feedback on proposed benchmark policy changes for 2020

Dear ISS members;

Below is feedback on the 2020 policy changes for Japan.

\* Opinions are my own and not the views of my employer.

I have no objection to the addition of the one-third standard. I think there is a good balance between the principle of capital majority, the basic principle of Japanese corporate law, and the protection of minority shareholders. However, it is questionable whether the 2person and one-third criteria can be used without considering the total number of directors (especially when the number of directors is small). I think it would be better to have exceptional mitigation criteria.

On the other hand, with regard to the companies with a U.S.-type three committee structure, it is unreasonable for the ISS to give top executives against if the criteria are not met.

In such a structure company, the nomination committee (which is obligated to be a majority of outside directors under the Companies Act) is determined by the nomination committee, and the top executive has no authority to participate.

Moreover, it cannot be involved in the selection of nominating committee members.

Against recommendations to top executives in this situation has meaningless and only hinders corporate activities.

This looks just a threat.

It is reasonable that the object of Against is the director who is the nominating committee member who has determined the candidate. Or, it is also reasonable to recommend that the ISS recommends FOR that the committee has been decided by an outside director (and usually independent).

Sincerely,

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