

CONTENTS

Feature Articles

This month's focus: **“Improving the Risk-taking Capability of Japanese Companies”**

Overview *Tetsuo Kitagawa* 3

Articles

Roles and Responsibilities of Asset Management Industry—Strengthening Corporate Governance *Yoichiro Iwama* 7

The recent introduction of both a Stewardship Code and a Corporate Governance Code in Japan is aimed at fostering the medium to long-term corporate value of listed public companies by establishing a mutual understanding of corporate strategy and governance issues between investors and investee companies through meaningful dialog. The importance of “long-termism” is stressed and the public anticipates sustainable growth of the economy bolstered by such efforts. The asset management industry is now urged to play a key role in materializing the objectives of the codes through effective and meaningful engagement.

In this paper, we overview a series of actions fostering investee companies' medium to long-term corporate value and present our survey results to check our members' efforts in relation to the Stewardship Code. In addition, we look at the current situation in the UK, which introduced both codes much earlier than Japan, and summarize future perspectives regarding corporate governance in Japan.

Exercise of Shareholder Voting Rights at Listed Companies and Points to Note for the Future *Kengo Nishiyama CMA, CIIA* 18

A notable feature of the outcome of voting by shareholders of Japanese listed companies is that the percentage of votes in favor of proposals regarding external directors with little independence, the appointment of auditors, the payment of director bonuses, and takeover defense measures is less than that for proposals regarding other issues. Some see a risk that voting will come to be taken less seriously because of the emphasis on purposeful dialog in both the Stewardship Code and Corporate Governance Code.

To the contrary, however, we think that the exercise of voting rights is likely to become more important because a vote for or against a proposal that has been the subject of meaningful dialog is not a mere formality but represents a decision made on the basis of debate.

Rationale for Regulation of Proxy Advisory Firms: Recent Initiatives	<i>Mayumi Takahashi</i>	27
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Recently, proxy advisory firms have become prominent among Japan’s listed corporations. The US and EU already consider them to be major players in the corporate governance area and have been considering whether to introduce some specific binding or non-binding regulations pertaining specifically to them. This article analyses the rationale for the regulation of proxy advisory firms referring to proposed/final regulations in some jurisdictions.

Board Evaluation Practices and Challenges	<i>Yoshiko Takayama</i>	39
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Board evaluation has been a focal point among Japanese companies since it became a requirement under Japan’s Corporate Governance Code which was published in March 2015. Such an evaluation is a very unfamiliar concept for Japanese issuers as well as investors, but companies in other major countries have already been conducting such evaluations for many years as part of good governance practice.

Based on the established practices in those countries and board situation unique to Japan, this paper aims to explain how Japanese companies can undertake an effective evaluation and how Japanese investors evaluate the results that are disclosed. The paper covers evaluation methods, major assessment points, issues associated with the disclosure of results, and investor perception of board evaluation. As more companies conduct such practices and initiate dialog with investors based on evaluation results, board evaluation will be regarded as a very useful process to improve board effectiveness.

The 30th SAAJ Annual Conference : *Improvement of Profitability of Japanese Companies*

Opening Address (<i>Akiyoshi Oba, CMA</i>)/ Commendation Ceremony, 2014 Securities Analysts Journal Prize, 2015 Award for Excellence in Corporate Disclosure		49
--	--	----

Prospects

Questions raised by the AA Class Shares Issued by Toyota Motors	<i>Sadakazu Ohsaki, CMA</i>	58
---	-----------------------------	----

Economic and Industrial Analysis

Characteristics of Japanese Companies Held by Foreign Investors	<i>Sadayuki Horie, Yusuke Takahashi, CMA</i>	64
---	--	----

Point of View	<i>Atsushi Yamaguchi, CMA</i>	73
----------------------------	-------------------------------	----

Book Reviews	<i>Chieko Matsuda CMA, CIIA / Kimie Harada / Tadashi Nunami</i>	76
---------------------------	---	----

SAAJ News		86
------------------------	--	----