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Summary Translation

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Opinions submitted to the Legislative Advisory Council's Company Law Subcommittee in the Ministry of Justice (Summary)

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<Basic understanding>

1. Many of the matters currently being discussed by the Legislative Advisory Council's Company Law Subcommittee in the Ministry of Justice are those for which there is some doubt as to whether or not circumstances are urgent enough to require amendments to the law.
2. If the government generalize from a small sampling of cases involving perpetrators who contravene or evade the law, tighten regulations accordingly, and impose cumbersome procedures on all companies, it will be highly probable that the Japanese economy as a whole will suffer from a loss of global competitiveness.

<I. Corporate governance>

1. Under the Companies Act, a company with statutory auditors should not be obligated to appoint outside directors. If the appointment of outside directors were made a requirement pursuant to some set of official rules, it would be advisable to have this matter regulate through stock exchange listing rules.
2. The tightening of requirements concerning the independence of outside directors is slightly premature. There is also little need at present to revise the so-called past career condition, which requires outside directors not to have been a managing director, employee, or other such member of the company or subsidiary in question at any time in the past.
3. There is no need to establish a third form of corporate governance along with the system of statutory auditors and the system of committees as long as there is no prospect of its adoption by many

companies.

4. We oppose adoptioning a system under which employees decide on some candidates for statutory auditor since such a system would have significant adverse effects.
5. The legal authority vested in statutory auditors is currently sufficient, such that the strengthening of authority to statutory auditors, including the authority to appoint and/or remove representative directors, are not required.
6. The right of consent as currently retained by statutory auditors with respect to the determination of proposals to elect accounting auditors at general meetings of shareholders and the remuneration amounts to be paid to accounting auditors is sufficient, such that there is no need to convert the said right of consent to a right of decision.
7. There is no need to introduce new provisions in the Companies Act with respect to the upgrading of staff members who support statutory auditors and audit committees, and the links between auditing and internal controls.
8. Regulations governing increases in capital amounts by way of third-party allotments is sufficient for the time being through implemented amendments to the Tokyo Stock Exchange listing rules, such that there is no need at present to amend the Companies Act on this point.

<II. Parent-subsidiary relationship>

1. There is no need to adopt far-reaching new systems as measures to protect the shareholders of parent companies in the context of relationships between formed parent companies and subsidiaries, such as so-called multiplex shareholders' representative suits (a system to enable a shareholders' representative suit to be brought by shareholders of a parent company directly against the directors of a subsidiary) and/or a new regulatin in which decision-making at subsidiaries is obligated to be brought before general meetings of shareholders of a parent company.
2. A blanket ban on the listing of parent and subsidiary companies at the same time and on the listing of subsidiaries is definitely not an action that should be undertaken, even for the purpose of protecting the minority shareholders of subsidiaries in the context of relationships between formed parent companies and subsidiaries. In addition, while it

would be possible to implement technical improvements as they might apply to regulations concerning transactions between parent companies and subsidiaries, there is no need to adopt such far-reaching new systems as those that might be seen in the German-style Konzern (conglomerate) Regulations and the concept of the fiduciary duty of dominant shareholders.

3. Efforts with respect to the rules governing the processes of the formation and dissolution of the relationship between a parent company and a subsidiary should be limited at this time to technical improvements. The adoption of such far-reaching new systems as the raising of requirements for any resolution to be adopted at a shareholders' meeting when cashing out and European-style squeeze-out and sell-out procedures is not an action that should be undertaken.