



For Immediate Release

ACCJ, EBC, ANZCCJ and CCCJ Urge Strengthened Requirements for Independent Directors in Upcoming Amendments to the Japanese Company Law

October 27, 2011 -- At a time when countries around the globe have experienced catastrophic failures of risk management in technology, the environment and finance, Japan is amending its Company Law with a view to improving corporate governance. The Ministry of Justice (MOJ) Legal System Advisory Council Company Law Committee (the "MOJ Committee") is currently deliberating proposed amendments to the Company Law intended to strengthen the corporate governance of publicly-traded companies. At this critical juncture in Japan's future, the American Chamber of Commerce in Japan (ACCJ), the European Business Council in Japan (EBC), the Australian and New Zealand Chamber of Commerce in Japan (ANZCCJ) and the Canadian Chamber of Commerce in Japan (CCCJ) urge the MOJ Committee and the Government of Japan to adopt meaningful and progressive amendments that will restore foreign confidence in Japanese corporate governance, thereby increasing foreign investment in Japan and stimulating Japanese growth.

In meetings, our members have observed that Japan's listed companies significantly lag those of other leading economies in the use of independent outside directors. We believe the failure to utilize independent outside directors has:

- reduced the confidence of foreign investors in Japanese listed companies, which continue to be viewed as "insider-dominated" and out-of-step with global governance standards, because only directors with close ties to the company's management, main bank or majority shareholder tend to be appointed;
- impeded M&A transactions that would enhance the value of Japanese companies, because inside directors are more likely to oppose a sale or break-up of a company because it may impact their management positions; and
- increased the risk to public shareholders in respect of transactions involving conflicts-of-interest, such as transactions with related parties or management buy-outs (MBOs).



To address these significant issues, we recommend the following specific changes to Japanese law and regulation:

- Amend the Company Law to include a definition of “independent outside director” that is consistent with global best practices;
- Amend the Company Law and/or listing rules of Japanese stock exchanges to require that a meaningful number of directors on a listed company’s board of directors be independent outside directors;
- Amend the Company Law to require that decisions with regard to specified types of board resolutions where the risks of self interest and conflicts are inherently high be taken by a suitably independent committee.

We note that, according to press reports, the MOJ Committee is considering the introduction of a third voluntary governance structure -- in addition to the current statutory auditor and committee systems -- which would allow statutory auditors to vote on certain matters. Unless this proposal is a transitional measure and part of a comprehensive plan to achieve a mandatory corporate governance system incorporating the policies outlined above, we believe that this proposal will be ineffective and will hinder future, more positive changes.

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About the ACCJ

The American Chamber of Commerce in Japan (ACCJ) was established in 1948 by representatives of 40 American companies and has grown into one of the most influential business organizations in Japan. Consisting mainly of executives from American companies, the ACCJ has members representing over 1,000 companies with offices in Tokyo, Nagoya, and Osaka. Working closely with the governments of the United States and Japan and other business organizations, the ACCJ promotes trade and investment flows between the United States and Japan, promoting the interests of U.S. companies and members, and improving the environment for international business in Japan. Over 60 committees representing various industries play a central role in making ACCJ policy recommendations by issuing Viewpoints, Public Comments and White Papers and holding over 500 events and seminars annually on public policy and economic trends. The ACCJ also undertakes charitable efforts and supports its members' CSR activities.

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About the EBC

The European Business Council (EBC) is the trade policy arm of 17 European national chambers of commerce and business associations in Japan. It is also registered with the Ministry of Trade, Economy and Industry as the European (EU) Chamber of Commerce in Japan. Established in 1972, the EBC works to improve the trade and investment environment for European companies in Japan. The EBC currently represents more than 3,000 local European companies and individuals who are members of their national chambers of commerce. Some 400 of these companies participate directly in the EBC's 30 sector-based committees.

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About the ANZCCJ

The Australian and New Zealand Chamber of Commerce in Japan (ANZCCJ) was established in 1991 to promote the development of commerce between Australia and Japan, and New Zealand and Japan. It is a non-profit organization with approximately 600 members. The Chamber is managed by the members through an Executive Council and sub-committees that deal with specific areas of interest.

CONTACT: ANZCCJ Executive Director Mr. Timothy Beck (phone: 03-5312-1987; fax: 03-5312-1982; email: exec.director@anzccj.jp).

About the CCCJ

The Canadian Chamber of Commerce in Japan (CCCJ) is the longest serving Canadian Chamber in Asia, promoting the development of commerce between Canada and Japan since 1975. We are a Member-driven, not-for-profit business organization serving members through communications, networking and advocacy. The CCCJ is comprised of roughly 300 representatives of businesses ranging over 35 business sectors.

CONTACT: CCCJ Executive Director, Mr. David Anderson (phone: 03-5775-9500; fax 03-5775-9507; email: david.anderson@cccj.or.jp)