



May 22, 2014

Masahiko Shibayama  
Member of the Japanese Diet  
2-1-2-822, Nagata-cho,  
Chiyoda-ku,  
Tokyo 100-8982 Japan

Yasuhisa Shiozaki  
Member of the Japanese Diet  
2-2-1-1102, Nagata-cho,  
Chiyoda-ku,  
Tokyo 100-8981 Japan

Dear Mr. Shibayama and Mr. Shiozaki:

I am writing on behalf of the Council of Institutional Investors (CII), a U.S.-based nonprofit, nonpartisan association of pension funds and other employee benefit funds, foundations and endowments with combined assets of over \$3 trillion. CII's mission is to educate its members, policymakers and the general public about corporate governance, shareowner rights and related investment issues and to advocate on our members' behalf.<sup>1</sup>

I am writing to express CII's support for the draft Company Law's proposed "comply or explain" requirement that Japanese corporate boards include at least one independent outside director. Adoption of this requirement would be an important first step in strengthening Japan's standards for corporate governance.

CII encourages the Japanese government to further expand the independent director requirement in the future. CII believes independent boards are the cornerstone of effective corporate governance, and CII's membership, which includes some of the largest U.S. institutional investors, has long valued the role of independent directors in overseeing management and protecting the interests of shareowners. CII policy for best practice on this issue states:

**Independent Board:** At least two-thirds of the directors should be independent; their seat on the board should be their only non-trivial professional, familial or financial connection to the corporation, its chairman, CEO or any other executive officer. The company should disclose information necessary for shareowners to determine whether directors qualify as independent. This information should include all of the company's financial or business relationships with and payments to directors and their families and all significant payments to companies, non-profits, foundations and other organizations where company directors serve as employees, officers or directors.<sup>2</sup>

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<sup>1</sup> For more information about the Council of Institutional Investors, including its members, please visit CII's website at [http://www.cii.org/about\\_us](http://www.cii.org/about_us)

<sup>2</sup> Council of Institutional Investors, Corporate Governance Policies § 2.3 (updated May 9, 2014), [http://www.cii.org/corp\\_gov\\_policies#BOD](http://www.cii.org/corp_gov_policies#BOD).

We also applaud efforts to create a robust corporate governance code for Japan. Broader reforms that require public companies to be more transparent and accountable to shareholders will strengthen investor confidence in Japan's capital markets.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ann Yerger". The signature is fluid and cursive, with the first name "Ann" and last name "Yerger" clearly distinguishable.

Ann Yerger  
Executive Director