

August 2, 2019

**Statement by Kengo Sakurada, Chairman of Keizai Doyukai
on Governance of Listed Company Controlled by Its Majority Shareholder**

1. One key issue left behind Japan's corporate governance reform is how to ensure governance of a listed company ("A") controlled by its parent listed company ("B") that has controlling interests of A. For example, suppose that A's assets are disposed of by B, or A's independent directors, who are in a neutral position to protect interests of A's minor shareholders, are dismissed by B. This is a case of conflict of interests arising between A and B, leading to disadvantage of A's minor shareholders. The problem is that, even in such case, the minor shareholders cannot file a lawsuit against B. Advanced countries including the United States, the United Kingdom, and Germany have, for the purpose of resolving such issues and ensuring effective protection of the minor shareholders, a certain legal framework that holds B responsible for protecting their interests. In Japan, however, there is no such framework well established, allowing for a risk of the minor shareholders' interests being undermined by B as well as conflicts between A and B, which may wither the sentiments of general shareholders. We are concerned about the current status.
2. Looking to early correction of the current situation, we request a revision of the Companies Act and the Corporate Governance Code. With this, we aim to have the Code well-established in Japan like in countries advanced in corporate governance, and to gain trust from overseas investors. In other words, the revision is to enhance rules considerate to investors in general. We are expecting this measure to proactively prevent the occurrence of disputes between listed controlled companies and their controlling shareholders, leading to doubts about governance and disadvantages both parties suffer.

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