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Survey of global institutional investors calls for Japanese companies to initiate engagement with shareholders.

Outreach should focus on issues of corporate governance, the role of the board, sustainability, environmental practices and social policy

Japanese companies should take the initiative and engage in meetings and dialogue with institutional investors to inform them about governance practices and correct misperceptions, according to a survey whose results were announced today by Sodali and J-Eurus IR.

The Sodali J-Eurus survey polled key global institutional investors from the firms' database to determine how Japanese companies are perceived on corporate governance and related matters. In addition, the survey examined the sources of information and methodologies used by these investors to evaluate Japanese companies and vote their shares at annual meetings. The survey questions generated an unusually strong response. Forty-three institutional investors, including many of the firms with the largest equity investments in Japanese companies, responded to the survey.

The survey confirmed the widely-held view that institutional investors have a negative perception of Japanese corporate governance. Rating the performance of Japanese companies on average against companies in other developed markets, "corporate governance policy" received the lowest score of only 1.79 on a scale of 1 (poor) to 5 (excellent).

"This result was not a surprise," said John Wilcox, Sodali chairman. "What was surprising is that negative perceptions about corporate governance seem to have a spillover effect in areas where Japanese companies are on a par or do relatively better than their peers in other countries — environmental practices, sustainability, financial disclosure. The lesson is that Japanese companies are broadly impacted by investors' governance concerns and need to work aggressively to counteract them," he noted.

Yoshiko Iwata, president of J-Eurus, noted that investors' responses relating to governance and share voting policies – as well as the specific comments they submitted confidentially -- reflect awareness that Japanese business traditions and culture differ from other countries. "However, this awareness does not reduce investors' concerns about corporate governance," she said.

Yoshiko Takayama, J-Eurus managing director, noted that investors responding to the survey do not support a rules-based approach to governance in Japan, but favor the European Union's principles-based, comply-or-explain model. "This is an invitation to Japanese companies to meet the governance challenge on their own terms," she said.

"Some companies may wish to consider voluntary governance reform, following the example of Toyota Corporation, which has been widely praised for its recent decision to add three outside directors to its board," she said.

Ms. Iwata further noted, “Whether or not Japanese companies adopt governance reforms, if they want to compete for capital in today’s global markets they need to explain how their governance arrangements and board practices serve shareholder interests.

“The Japanese consensus-based, bottom-up approach to running businesses is very different than the top-down, board-oversight model that prevails in the rest of the world,” she said. “Without judging which approach works better, Japanese companies need to understand how global investors think. The burden is on individual companies to explain how their businesses are managed and to correct misperceptions that can increase the cost of capital and lead to unnecessary activism.”

About Sodali

Sodali is an international consultancy and service provider that has achieved prominence as a leader in corporate governance, the development of institutional investor relations, the management of shareholder meetings and the mechanics of cross-border share voting. The firm’s mission of “aligning interests” is based on the conviction that a company’s governance and business strategy should work together to serve the long-term economic interests of the enterprise and its stakeholders. In addition to its assignments with some of the world’s largest publicly-traded corporations, Sodali also works extensively with developing market companies, family-owned businesses, mutual companies and state-owned enterprises. The firm has offices in Athens, Copenhagen, Geneva, London, Madrid, Milan, New York, Paris, Rome and representatives in Sao Paulo and Tokyo.

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About J-Eurus IR

J-Eurus IR Co., Ltd. is an independent consulting firm founded in Japan in 2000 by pioneering Investor Relations practitioners for the purpose of helping Japanese companies deal with the global challenges of corporate governance and relations with shareholders and investors. The firm’s founders participate in major domestic and international organizations on matters of governance and the capital markets, including the Tokyo Stock Exchange Best Disclosure Companies Selection Board and the International Corporate Governance Network Board of Governors. J-Eurus is a thought leader on these issues in Japan and helps bring the Japanese perspective to other financial markets.

For a complete copy of the survey and responses, please contact:

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