
*Trends of Corporate Governance,
Proxy voting and Takeover defence issues
in Japan 2008~2009*

February 2009

Stock Transfer Agency Department

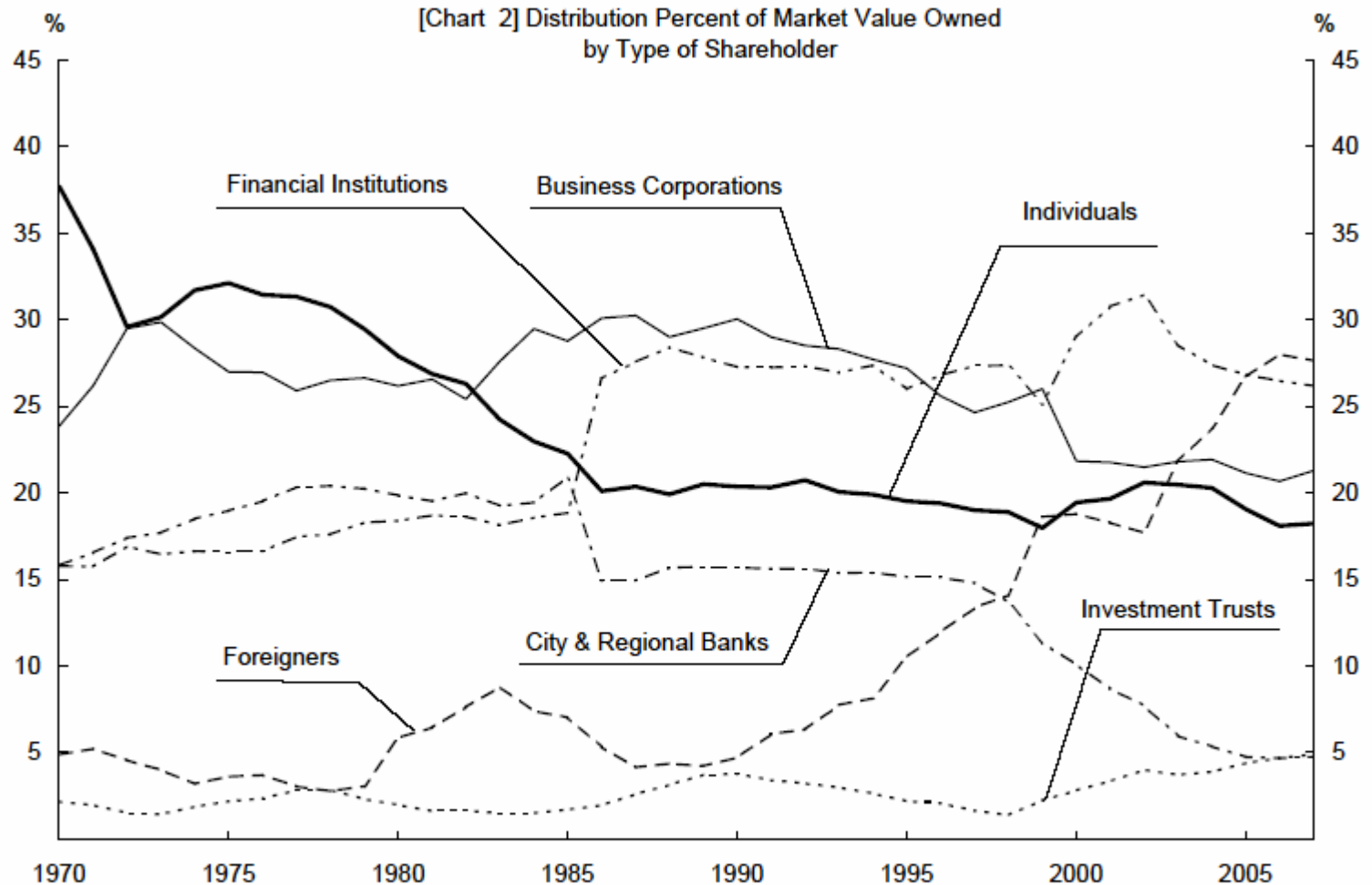
The Sumitomo Trust & Banking Co., Ltd.



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Shareholder Composition of Japanese companies



(Notes) 1. Survey has been conducted on a "Unit-of-Share" basis since 1985 Survey.
 2. The market value of Financial Institutions excludes that of City & Regional Banks.

<http://www.tse.or.jp/english/market/data/shareownership/index.html>



Shareholder Composition of Japanese Companies

[Table 3] Distribution Percent of Market Value Owned by Type of Shareholder

(Units: %)

Survey Year	Govt. & Local Govt.	Financial Institutions	City & Regional Banks	Trust Banks	Trusts		Life Insurance Cos.	Non-life Insurance Cos.	Other Fin. Institutions	Securities Companies	Business Corps.	Foreigners	Individuals
					Investment Trusts	Annuity Trusts							
1970	0.6	31.6	15.8	—	2.1	—	10.0	3.7	2.1	1.3	23.9	4.9	37.7
1975	0.4	35.5	19.0	—	2.2	—	10.2	4.4	2.0	1.4	27.0	3.6	32.1
1980	0.4	38.2	19.9	—	1.9	0.4	11.5	4.6	2.3	1.5	26.2	5.8	27.9
1985	0.3	39.8	20.9	—	1.7	0.8	12.3	4.1	2.4	1.9	28.8	7.0	22.3
1986	0.9	41.5	14.9	7.3	1.9	1.0	12.8	4.0	2.5	2.1	30.1	5.3	20.1
1987	0.5	42.5	14.9	8.6	2.6	1.1	12.4	4.0	2.6	2.3	30.3	4.1	20.4
1988	0.4	44.1	15.7	9.8	3.1	1.0	12.6	4.1	2.0	2.3	29.0	4.3	19.9
1989	0.3	43.5	15.7	10.2	3.7	0.9	11.8	3.9	1.9	2.0	29.5	4.2	20.5
1990	0.3	43.0	15.7	9.8	3.7	0.9	12.0	3.9	1.6	1.7	30.1	4.7	20.4
1991	0.3	42.8	15.6	9.7	3.4	1.0	12.2	3.9	1.4	1.5	29.0	6.0	20.3
1992	0.3	42.9	15.6	9.9	3.2	1.2	12.4	3.8	1.2	1.2	28.5	6.3	20.7
1993	0.3	42.3	15.4	10.0	2.9	1.4	12.1	3.7	1.1	1.3	28.3	7.7	20.0
1994	0.3	42.8	15.4	10.6	2.6	1.6	12.0	3.7	1.1	1.2	27.7	8.1	19.9
1995	0.3	41.1	15.1	10.3	2.2	1.8	11.1	3.6	1.0	1.4	27.2	10.5	19.5
1996	0.2	41.9	15.1	11.2	2.0	2.4	11.1	3.6	0.9	1.0	25.6	11.9	19.4
1997	0.2	42.1	14.8	12.4	1.6	3.8	10.6	3.5	0.9	0.7	24.6	13.4	19.0
1998	0.2	41.0	13.7	13.5	1.4	4.7	9.9	3.2	0.8	0.6	25.2	14.1	18.9
1999	0.1	36.5	11.3	13.6	2.2	5.0	8.1	2.6	0.9	0.8	26.0	18.6	18.0
2000	0.2	39.1	10.1	17.4	2.8	5.5	8.2	2.7	0.7	0.7	21.8	18.8	19.4
2001	0.2	39.4	8.7	19.9	3.3	6.0	7.5	2.7	0.7	0.7	21.8	18.3	19.7
2002	0.2	39.1	7.7	21.4	4.0	5.8	6.7	2.6	0.7	0.9	21.5	17.7	20.6
2003	0.2	34.5	5.9	19.6	3.7	4.5	5.7	2.4	0.9	1.2	21.8	21.8	20.5
2004	0.2	32.7	5.3	18.8	3.9	4.0	5.4	2.2	1.0	1.2	21.9	23.7	20.3
2005	0.2	31.6	4.7	18.4	4.4	3.6	5.3	2.1	1.0	1.4	21.1	26.7	19.1
2006	0.3	31.1	4.6	17.9	4.7	3.5	5.4	2.2	1.0	1.8	20.7	28.0	18.1
2007	0.4	30.9	4.7	17.5	4.9	3.5	5.5	2.2	1.0	1.6	21.3	27.6	18.2
High (Year)	0.9(1986)	44.1(1988)	20.9(1985)	21.4(2002)	4.9(2007)	6.0(2001)	12.8(1986)	4.8(1979)	2.6(1987)	2.3(1988)	30.3(1987)	28.0(2006)	37.7(1970)
Low (Year)	0.1(1999)	30.9(2007)	4.6(2006)	7.3(1986)	1.4(1998)	0.4(1982)	5.3(2005)	2.1(2005)	0.7(2001)	0.6(1998)	20.7(2006)	2.7(1978)	18.0(1999)

(Notes) The number of Trust Banks are included in that of City & Regional Banks in and before 1985 Survey.

History of Corporate Governance in Japan

- 1994: Japan Corporate Governance Forum (JCGF) founded
- 1998: Corporate Governance Principle by JCGF
- 2001: ICGN Conference in Tokyo
- 2002: Japan Securities Investment Advisors Association (JSIAA)'s Proxy voting guideline for asset managers
- 2003: Pension Fund Association (PFA)'s Proxy voting Principle and Guideline
- 2004: PFA's Guideline on independence of non-executive directors
- 2004: PFA's Corporate Governance Fund (80 companies in 2008)
- 2005: PFA's Proxy voting guideline on takeover defence plan
- 2007: PFA's Proxy voting guideline on ROE requirements
- 2008: Asian Corporate Governance Association's "Japan White Paper"
- 2008: PFA's revised Proxy voting guideline on takeover defence plan

Opposition votes at May and June AGM 2008

May 2008

- Aderans: Steel Partners (29%) and Dodge & Cox (11%) opposed reelection of CEO and directors – Management agenda was disapproved and EGM on August 9 approved 2 new NEDs proposed by Steel Partners. (SP and DC owned 40% of Aderans’ issued shares and other foreign shareholders followed despite ISS and Glass Lewis’ “For” recommendation)

June 2008

- Nippon Koa Insurance: South Eastern Asset Management (20.05%) opposed reelection of CEO. (Management proposal was approved at AGM, while 43% was owned by foreign shareholders. NED, a representative of Dalton Investment Tokyo was approved.)



Shareholder proposals at June AGM 2008

SONY- by Shareholder Ombudsman to disclose individual directors' remuneration (Disapproved with 60.3% against 39.7%)

J-Power - by TCI (9.9%) to restrict cross shareholding, appoint 3 new NEDs on board, increase of dividend from original JPY60/share to JPY80 or JPY120, start share-buy back (Disapproved)

Gakken - by Effissimo Capital (19.9%) to dismiss CEO (Withdrawn because of Restructuring Plan including introduction of NED)

Hibiya Engineering - by Brandes (9.48%) to increase dividend and start share buy-back (Disapproved with 20% against 80%, 30% against 70%, respectively)

Ono Pharmaceutical - by Brandes (7.34%) to increase dividend and start share buy-back (Withdrawn because of higher dividend than Ono's original proposal and share buy-back scheme newly introduced)



Shareholder Proposals at 2007 AGMs P: Passed, D:Denied

M/Y	Subject company	Proposed by	Agenda	Result
12/06	Tokyo Steel	Ichigo Asset Managmt.	Merger	P
03/07	Sapporo Holdings	Steel Partners	TDP	D
03/07	Noritz	Furusa Alternative	Dividend	D
05/07	Aderans	Steel Partners	TDP	D
06/07	Ezaki Glico	Steel Partners	Dividend	D(app.20%)
06/07	Fukuda Denshi	Steel Partners	Dividend	D(<16%)
06/07	Inaba Denki	Steel Partners	Dividend	D(13. 7%)
06/07	Bulldog Sauce	Steel Partners	TDP	D(<20%)
06/07	J-Power	The Children's Inv.	Dividend	D(<34%)
06/07	Chubu Ele. Power	The Children's Inv.	Dividend	D(<10%)
06/07	Ono Pharmerceut.	Brandes Investment	Dividend	D(31.8%)
06/07	TBS	Rakuten	TDP/Director	D(23%)

Proxy Voting Results by Pension Fund Association

	06/2008			06/2007
	FOR	AGAINST	AGAINST RATE	AGAINST RATE
Dividend Allocation	600	11	1.8%	0.2%
Amendment of Articles of	244	15	5.8%	3.5%
Election of Directors	444	282	38.8%	38.8%
Election of Statutory Auditors	557	35	5.9%	4.5%
Retirement Allowance	153	142	48.1%	50.4%
Revision of Remuneration for	131	8	5.8%	3.8%
Stock Option	69	6	8.0%	16.3%
Election of Audit Firm	20	0	0.0%	0.0%
Restructuring	17	0	0.0%	0.0%
Other Company Proposals	491	41	7.9%	1.1%
Total	2726	540	16.6%	14.6%

Source: PFA's website in English

http://www.pfa.or.jp/top/jigyuu/pdf/gov_inhouse20_6-e.pdf

PFA set harder guideline to Bulldog Source type poison pills.

(Opposition rate to poison pill agendas: 2008 38.5% from 2007 1.5%)

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Survey on NED of Japanese companies

NEDs at Three Committee System companies

Sample: 40 companies out of 61 TSE listing as of September 2007 (21 subsidiaries excluded)

Number of NEDs: 4.7 per company (average, total 185)

5 or more (up to 11) - 20 companies, fewer than 5 (2 to 4) - 20 companies

NED ratio: 50% or lower – 21 companies, more than 50% - 19 companies

Source: other companies (Chairman, CEO, director, employee, etc.) 115 (62.2%)

Lawyers 22 (11.9%), Accountants 19 (10.2%), Professors 18 (9.7%), others 11 (5.9%)

Concurrent NEDs: 103 (55.7%) acting as NEDs, independent statutory auditors, directors, executive officers, etc. for other companies

Companies: SONY, Konica Minolta Holdings, Hitachi, Parco, AEON, HOYA, Shinsei Bank, ORIX, Nomura Holdings...)

Remark: More than half of 819 companies including Three Committee System companies at June AGM season on PFA's portfolio introduced 1 or more NEDs.



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Further discussions on NED and New issuance

1. American Chamber of Commerce in Japan (ACCIJ)

Oct. 2008 - 10 requests to Japanese Government including Commercial Law revision and TSE Listing Rule revision

http://www.ustr.gov/assets/World_Regions/North_Asia/Japan/Regulatory_Reform_Initiative/asset_upload_file931_15171.pdf

2. Financial Services Agency (FSA) with Tokyo Stock Exchange (TSE)

Study Group on Globalisation of Financial Market's discussions in Oct. 2008, Dec. 2008 and Jan. 2009

Summary report expected by summer 2009

3. Ministry of Economy, Trade and Industry (METI)

Corporate Governance Study Group's discussions in Dec. 2008

Summary report expected by June 2009

Other topics at 2008 AGM season

- 591 companies as of September 2008 introduced poison pills (15% of total listed companies) , 208 between July 2007 and June 2008
- Repeal of poison pills by 4 companies, Shiseido, Nissen Holdings, Nihon Optical and eAccess
- Japanese domestic institutional investors opposed appropriation of surplus, election of directors agendas and poison pills
- Steel Partners changed tactics to direct dialogues with companies than shareholder proposals in 2007
- Increase of proxy voting ratio from non-Japanese shareholders over 50%, with new instruction from Norway, Sweden, the Netherlands, Singapore, Korea, Hong Kong, etc. (samples of 60 STB client companies; US 70%~80%, UK 30%~60%, European Continent 10%~30% on global custodian basis)
- DOE (Dividend on Equity = ROE x Dividend Payout Ratio) is highlighted by The Life Insurance Association of Japan



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Websites: <http://www.japaninvestforum.com> (English agendas)

<http://www.e-gian.com> (Japanese agendas)

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