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To whom it may concern

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Regarding “Urgent Opinion on Corporate Governance of Listed Subsidiaries in Japan” Published by Japan Association of Corporate Directors

ASKUL Corporation hereby announces that “Urgent Opinion on Corporate Governance of Listed Subsidiaries in Japan (2019)” was published by Japan Association of Corporate Directors yesterday.
https://www.jacd.jp/news/law/190730_-2019.html
(The following is the summary of the urgent opinion.)

・ Our opinion shall not be construed as denying the parent-subsidiary listing as it has an aspect of incubation support function which accelerates the business expansion of subsidiaries. However, as is the case of Renault and Nissan, the parent-subsidiary listing has a risk of developing a conflict of interest between a parent company and minority shareholders and general shareholders of a subsidiary, which calls for a disciplined governance mechanism and its appropriate handling. This is also referred to in Practical Guidelines on the Group Governance System (Group Guidelines) published by Ministry of Economy, Trade and Industry in June. The Guidelines require that independent outside directors of a listed subsidiary shall play an important role to protect the interest of minority shareholders.

・ However, in the conflict between Yahoo and ASKUL over the reappointment of ASKUL President, Yahoo exercised the voting rights to oppose the reappointment of not only a director who is the candidate for ASKUL President but also all of independent outside directors for the same reason, which raises a material problem from the perspective of the governance of parent-subsidiary listing. If independent directors who are expected to check the control of tyranny shareholders can be dismissed for no urgency or illegal act, the basic structure of governance will fail.

・ With respect to the appointment of ASKUL President, Yahoo reserves a veto at the Meeting of Shareholders as the parent company, and Yahoo doesn’t need to go that far as opposing the reappointment of independent outside directors. However, on the ground of a conflict of opinion over the appointment of executive management, if independent directors who are expected to check the control of tyranny shareholders can be dismissed for no urgency or illegal act, the basic structure of governance for the parent-subsidiary listing will fail. The non-reappointment is clearly contrary to the concept of the CGS Guidelines where independent directors are expected to protect the interest of minority shareholders of a listed subsidiary in the event of conflicts of interest between a parent company and a subsidiary. The non-presence of independent directors on the board creates a material problem from the perspective of Corporate Governance Code of the Financial Services Agency and the Tokyo Stock Exchange, as well as the Companies Act that stipulates the accountability of the appropriateness of a non-presence of independent directors.