



Japan Association of Corporate Directors

Japan Association of Corporate Directors
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Standard & Poor's Financial Services LLC
55 Water Street
New York New York, 10041
USA

Comments on the General Criteria: *Management and Governance Credit Factors.*

Dear Sirs or Madam:

Thank you very much for sending us the "Request for Comments" dated March 13, 2012 (the "Request"). On behalf of the Japan Association of Corporate Directors (JACD) and our members, I would like to take this opportunity to submit our comments on your proposal of to revise the General Criteria: Management and Governance Credit Factors.

Please find our comments on the items described in the Request that we have concerns about as follows:

(1) General Comment

When evaluating Japanese companies, it should be taken into consideration that the current applicable law including the Companies Act and the relevant listing regulations (both hard laws and soft laws) do not strictly oblige the companies to designate outside (independent) corporate directors, and therefore, most of the corporate directors in Japanese companies are internal directors.

(2) Specific Comments

Regarding Table 1, Item 1. "Strategic planning process" (paragraphs 17 and 18), focus should be placed not only the short-term goals but also the mid-term and long-term goals.

Regarding Table 2, Item 1. "Board independence from management" (paragraph 44) and Item 3. "Management

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culture” (paragraph 46), taking into account the structure of the applicable laws and regulations in Japan as described above, and the actual application thereof in which internal directors account for most of the board members in many companies, when evaluating the level of assurance of substantive independence of the board of directors from the management, not only an evaluation on the mere fact that outside (independent) directors have been designated, but a detailed evaluation on the directors’ substantive contribution and other relevant factors is also necessary. In particular, factors such as (i) the qualities of the directors (not only the issues of formal independence and conflicts of interest, but also whether the directors are sufficiently discerning and capable of fairly confronting the management, and, if necessary, urging that they resign), (ii) whether the directors have received training in terms of the knowledge, skill, and mindset that is required of persons who are responsible for corporate governance (for example, whether the directors are members of the Japan Association of Corporate Directors and continue receiving necessary training), and (iii) whether the directors endeavor to obtain information from the company that is sufficient to fulfill their duties as outside directors of the company, and whether the directors expend sufficient time fulfilling their duties as outside directors of the enterprise, should be included in the evaluation factors.

Should you have any questions on the above comments, please do not hesitate to contact us to the attention noted at the top of this letter.

Yours truly,



Shigeru Matsumoto, Managing Director
Japan Association of Corporate Directors

The Japan Association of Corporate Directors (JACD) is the only association in Japan with a membership that includes top management, experts, academics, independent directors and institutional investors.

The aim of JACD is to facilitate the development of corporate activities through the enhancement of Corporate Governance with the ultimate goal of revitalizing the Japanese economy.

JACD obtains all types of information regarding Corporate Governance and disseminates its opinion. JACD promotes sustainable development of corporations by improving the quality of management and directors.

JACD was established on March 13, 2002. Chairman: Yoshihiko Miyauchi (Chairman, ORIX Corporation)

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