Corporate Governance Agenda
At the time of Global Financial Crisis
(Institutional Investor’s Perspective)

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Capital Market Reform in Asia
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Introduction

Experience of Japan

Revitalization of Banking System is Essential for Recovery of Economy, but---

For Banks:
May take longer to recover adequate capital base
  after recognition of all losses on their F/S, and injection of sufficient capital to make up such losses

For Borrowers, e.g., Individual Sector:
May take longer to resume active borrowing
  after sufficient reduction of debt in line with the decline of asset value

Depends on the Recovery of Housing Market
Experience of Japan –2

How to avoid “Collective Action Dilemma”?  
- When everybody heads for Downsizing  
- Needs of Continuous Government Spending and Patience of Tax payers

At the time of Depression  
- Needs strong Optimism and Encouragement  
- Needs Deregulation rather than Regulation
How Poor Corporate Governance Contributed to Financial Crisis?

- Insufficient Corporate Governance function would be one of the important Cause of Financial Crisis
  - Board of many Financial Institutions
    - Failed to Understand and Manage Risk
    - Overlooked Inappropriate Incentive System
  - Shareholders failed to hold boards to account
    - Sometimes focus short-term return
ICGN Agenda

- Strengthening Shareholders Right
- Strengthening Board
- Fair and Transparent Market
- Accounting Standard
- Remuneration
- Credit Rating Agencies
Japan Perspective

- Reconsider the contents of “Long–term Value Creation”
  - Appropriate Balance of “Long–term” and “Short–term” objective
  - Risk Management
  - Appropriate Care about other Stakeholders
  - CSR, Sustainability Issues
Corporate Governance Agenda in Japan

- **How to Survive at Crisis?**
  - How to Respond to Stronger Market Pressure?
  - Enhance Risk Management
    - Higher ROE vs. Liquidity
- **Other Major Issues from Investors’ Perspective**
  - Rigorous Review of Business Portfolio
  - M&A Strategy
  - Enhance Effective Board Monitoring Function
    - Outside Directors
  - Timely Effective Disclosure
- **Enhancing Market Mechanism through M&A**
  - Cross Shareholding