



Governance > Interview with Outside Director

## Interview ISHII Yasuo

### Biography

Apr 1970 Joined Yamanouchi Pharmaceutical Co., Ltd.  
 Jun 2000 Director of the Board and Director of Ethical Products Marketing Department of Sales & Marketing Division of the same company  
 Jan 2001 Director of the Board of the same company and Chairman of Yamanouchi Europe B. V.  
 Mar 2003 Director of the Board of Yamanouchi Pharmaceutical Co., Ltd. and Chairman of Yamanouchi U.K. Limited and Yamanouchi Europe B. V.  
 Jun 2003 Managing Director of the Board of Yamanouchi Pharmaceutical Co., Ltd.  
 Jun 2004 Senior Corporate Executive of the same company  
 Jun 2005 Senior Corporate Executive of Astellas Pharma Inc. and Chairman & CEO of Astellas Pharma Europe Ltd.  
 Jun 2008 Executive Vice President and Representative Director of Astellas Pharma Inc.  
 Jun 2011 Vice Deputy Chairman and Representative Director of the same company  
 Jun 2013 Retired from the office of Vice Deputy Chairman and Representative Director of the same company  
 May 2015 Outside Audit & Supervisory Board Member of J. Front Retailing Co., Ltd.  
 Audit & Supervisory Board Member of Daimaru Matsuzakaya Department Stores Co. Ltd.  
 May 2017 Outside Director of J. Front Retailing Co., Ltd. (present)  
 May 2018 Director of Daimaru Matsuzakaya Department Stores Co. Ltd. (present)

### The Company's governance initiatives

When I became the Company's Audit & Supervisory Board Member three years ago, people were talking about the importance of outside officers and corporate governance. In such a situation, the Company, which was a Company with an Audit & Supervisory Board, established a voluntary "Governance Committee." And the Company discussed the way the organizational structure should be. As a result, the direction that it should transition to a Company with Three Committees (Nomination, Audit and Remuneration Committees) was shown.

I think there are three points of changes in the Company's governance. Firstly, they have promoted initiatives to ensure the effectiveness of the Board of Directors as a whole. Secondly, they introduced the International Financial Reporting Standards (IFRS) and B/S-based management from the standpoint of governance in a broad sense. It is particularly symbolic that they have set an ROE target of 8% or more in the recent and current Medium-term Business Plans. And thirdly, they created a specialized unit named "ESG Promotion Division" in March 2018 to clarify their stance on important sustainability issues. I think these three points are great changes that represent the development of the Company's governance.

Also at the 11th Annual Shareholders Meeting, I saw obvious changes. I think they are typified by the following three matters. Firstly, the Chairperson of the Board of Directors reported the operational status of the Board of Directors and the chairpersons of the three statutory committees reported the operational status of these committees at the Shareholders Meeting. This exactly

represents the development of the governance of the Company as a Company with Three Committees (Nomination, Audit and Remuneration Committees). Secondly, I also saw changes in questions from shareholders this year. I have the impression that there were many questions concerning requests from a customer's perspective in the past. This year, however, many questions were raised concerning the policies, strategies and governance of the Company. I think this change occurred because shareholders understood changes in the Company's governance. Thirdly, the President of the Company who chaired the Shareholders Meeting explained very precisely in person in his own words. These three matters have renewed my feeling that the Company's governance has changed.

In addition, I feel the Group structure is changing. For example, they discuss the roles of the auditors of consolidated subsidiaries. I think studying such a thing itself is a specific example of proceeding with the Group management. Their view is that it is not easy to survive in the future without considering new businesses and associated businesses other than the Department Store Business beyond the framework of retail and aiming to change their business portfolio. Business portfolio was actively discussed at my previous company, and as a result, they pulled out of associated businesses one after another to focus on their main business. Meanwhile, given the industry structure, I think it will be difficult for the Company to focus excessively on retail in the future. Though I think the Company's direction and idea of "exceeding the framework of retail" is correct, the questions are what business to choose and where to expand it.

## Changes seen in the Board of Directors

Compared to my first year as an outside Board member, I think the Company's policies and strategies are much more intensively discussed at the Board of Directors meetings. The Board members including myself discussed in depth the Group Vision, the Medium-term Business Plans, annual strategies and others. It was striking that the Company ran into issues concerning "people" such as the development and securing of human resources in any discussions. Each strategy is not a "pie in the sky" and it is important to realize it. Another keyword for realizing strategies is "speed." In discussions on strategies, issues of "people" and "speed" were always raised.

The Company evaluated the Board of Directors three times. Seeing the results, I feel the evaluations were generally correct. Inside Directors also told what they really thought more than I had thought. The results of the evaluation of the Board of Directors are not its purpose but what to do thereafter based on issues seen from the evaluation is important. Evaluation results are only interim evaluation at that point in major governance reform and it is important to continuously conduct evaluations. Currently the Board of Directors of the holding company is evaluated and I think the evaluation should be expanded in the future to cover major consolidated subsidiaries partly in order to deepen discussions on the Group management.

The main item on the agenda of the meetings of the voluntarily established Governance Committee is the way the organizational structure should be to improve effectiveness based on the evaluation of the Board of Directors. In the past, the Committee discussed the members of the Board of Directors, agenda items to be discussed, time allocation, the number of the Board meetings, etc. Presently, the Committee discusses even the way related operating subsidiaries and their roles and functions and audit systems should be as well as the functions and roles of the holding company. I feel the Governance Committee has also entered the second phase.

In general, diversity is considered as the issue of women, nationality and race, and age. However, I think diversity is the issue of how to use people with different thoughts as well as genders, nationalities and ages. I think the final form of diversity is to use the individuality of each and every worker, regardless of whether he/she is an officer or an employee, instead of excluding people who think differently, so that people with different thoughts can perform well in a company. As discussed with Mr. Yamamoto, President, previously, it is important to create an environment where consolidated subsidiaries can easily provide advice to the holding company. I think openness to accept different opinions is critical to enhance corporate value.

## Roles to be filled as Outside Director

I think people with different insights and experiences in different industries should be appointed as Outside Directors. I am conscious of an external perspective as well as the standpoint of a representative of shareholders. I think to say consciously in the position of Outside Director what is difficult to ask or say in the position of Inside Director helps improve corporate value and actually I am doing so. I think it is important to improve the executive level first in a company. If only Outside Directors are strong and Executive Officers are not strong, the company will become an armchair theorist. I exercise oversight and provide advice consciously so that the executive level will be improved.

In such a situation, I think it is good that the "Risk Management Committee" focuses on the both positive and negative sides of risk. Literally, there is a "risk of not investing." The Company has many things to consider including ICT and e-commerce, M&A, and new businesses. Japan as a whole will trend toward depopulation and market shrinkage in the future. They are the issues facing not only the Company but also all industries in Japan. However, I think the Company should make a little more effort to address these issues.

I think the Company put in place an internal control system and formulated the great Medium-term Business Plan during the past year. Going forward, it is important how they will be operated and promoted, and to this end, I would like to thoroughly fulfill my supervisory role. It is also important how the policy and direction of the entire Group Management will be established beyond the framework of retail. Currently the Company is at a major "turning point" and in the very phase of changing the Group structure. How will the Company proceed with these changes? I would like to look at the future of the Group management from the standpoint of the business plan, development of new businesses and overseas business management, in which I had engaged over my career.

I think the Company is in the course of very interesting change now. For example, the business concept of the present pharmaceutical companies has changed completely from before. They are a so-called "information industry" in which it is important not to sell products but to input and output information. In these circumstances, the perspective of how to use data is becoming important. Though there may be ways of doing business continuing for hundreds of years in the retail industry, I think some of them can be changed. A keyword "creation" is shown in the new Group Vision and I give attention to how the Company will become a "creative company" in the future. For example, it may be interesting to aim for a "research-and-development-based retailer." I expect the Company will produce tangible results that meet the keyword "creation" in the Vision.