

RMB Capital Continues Activist Approach in Japan to Promote Best Practices for Corporate Governance

Opposition to Tokyo Stock Exchange Proposal Latest in Line of Shareholder Actions

CHICAGO- March 27, 2019 –RMB Capital (“RMB”), an independent investment and advisory firm with approximately \$8.8 billion in assets under management,¹ announced that the firm has submitted its opposition to a proposal by the Japan Exchange Group Inc.’s (JP 8697) Tokyo Stock Exchange (“TSE”) to split listed companies by market capitalization. RMB believes this proposal will not help the quality of publicly listed companies in Japan. Instead, RMB suggests that the Japan Exchange Group revise listing criteria based on improving corporate governance and protecting minority shareholders.

This is the latest in a string of activist proposals that RMB has recently made to Japanese companies aimed at improving corporate governance and shareholder value. The effort has been spearheaded by Masakazu Hosomizu, partner and portfolio manager of RMB’s Japanese investment strategies. Japan recently enacted a new corporate governance structure code as part of Abenomics (Prime Minister Shinzo Abe’s comprehensive economic and social reform movement, which also includes monetary easing and fiscal stimulus), and Hosomizu has persistently pushed Japanese companies to adhere to these reforms, believing that they will help protect shareholders’ capital, as well as promote stability, sustainable growth, and economic prosperity.

“The TSE proposal is not in the best interest of shareholders in Japanese companies,” Hosomizu said. “It could have the unintended effect of encouraging companies near the threshold to engage in aggressive or risky actions to maintain their market capitalization, and it provides no incentive for companies above the threshold to continue to improve their corporate value. We believe that compelling companies to protect shareholders and be good stewards of their capital is the best way to increase the quality of the Japanese stock market.”

RMB believes new listing criteria based on the Corporate Governance Code should be added to improve the quality of the listed companies. Specifically, RMB suggests two new mandates for publicly

¹ Total assets under management (“AUM”) presented here differs from regulatory assets under management (“RAUM”) reported on RMB Capital’s Form ADV. AUM reflects net assets under management for private funds and mutual funds managed by RMB Capital, while RAUM reflects gross assets under management. AUM also includes RMB West’s assets under advisement, which are not included in RMB Capital’s RAUM. AUM estimated as of 12/31/18.

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listed companies. First, they should establish nomination and compensation committees. Next, to promote independent guidance, companies should ensure a majority of board members are outsiders. Regardless of the level of a company's market capitalization, RMB believes many recent corporate scandals could have been prevented if these two mandates had been in place.

In addition, RMB proposes that listed subsidiaries and family-owned companies be omitted from the TSE First Section. Publicly listed subsidiaries (where the majority of shares are owned by its parent companies) and family-owned companies (where the majority of shares are owned by founders or management) should be downgraded to the TSE Second Section unless such ownership percentages decrease below one-third of the total outstanding shares after a certain period (such as three years). RMB believes the potential conflict of interest between controlling shareholders and minority shareholders is an imminent corporate governance issue unique to Japan's stock market, and that revising this listing requirement will alleviate this and raise the quality of the Tokyo stock market significantly.

RMB has achieved positive results from its previous shareholder activism in Japan at three other companies, resulting in nomination and compensation committees being added, and the buyback and cancellation of shares. Hosomizu will continue to engage in shareholder actions to uphold corporate governance reform in Japan as the firm believes it is beneficial to investors, including but not limited to issues involving: compensation and nominating committees, reducing executive conflicts of interest, promoting transparency and responsibility in allocation of capital, ensuring outside representation on company boards, and advocating for fair valuation for shareholders in M&A situations.

ABOUT RMB ASSET MANAGEMENT

RMB Asset Management specializes in long-term, concentrated, active investing strategies. From long-only strategies to a select lineup of differentiated absolute return offerings, its products span the market-cap spectrum and the globe. Its team of experienced portfolio managers and analysts are united by an emphasis on fundamental research and a belief that quality portfolios outperform.

ABOUT RMB CAPITAL

[RMB Capital](#) is an independent investment and advisory firm. Its businesses include wealth management, family office services, asset management, and retirement plan consulting. Headquartered in Chicago, RMB also has offices in Denver; Jackson Hole, Wyo.; Lake Forest, Ill.; Milwaukee; Minneapolis; New York; Oakbrook Terrace, Ill.; St. Joseph, Mich.; and Washington D.C. To learn more about RMB, visit www.rmbcap.com.

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