

Interview With the Chairman

Yoichiro Ushioda

Chairman and Chief Executive Officer



Q At the general meeting of shareholders held on June 17, 2010, the number of outside directors was increased to at least one-third of the total. What was the objective behind this move?

A We increased the number of outside directors because we wanted to create an even stronger relationship of trust with our shareholders by adding more input to management from outside the Company and increase the level of transparency.

Q What do you expect from outside directors?

A Our outside directors all have many years of management experience at large Japanese companies. Based on their abundant experience, I hope that they will help improve both the decision-making capability of the Board of Directors and management supervision by providing advice, drawing on their wide-ranging and expert insight.

Q You have created the new posts “Vice President, Corporate Officer” and “Senior Corporate Officer.” Why?

A Currently, the business environment surrounding the JS Group is going through unprecedented change, and companies that are unable to respond to these changes will be weeded out. Amid this challenging environment, we decided to transfer from a system of optimizing parts of the organization in which individual operating companies are the main entities, to a system in which the Group is the focus and we work to optimize the Group’s business overall. We also will vigorously work to globalize our businesses in pursuit of growth. I believe

that in order to effectively carry out these strategies we must strengthen our execution. That’s why we created the new posts. Furthermore, by inviting many experienced business managers from outside the Company to serve as corporate officers, we are building a management team that is not constrained by convention.

Q Aggressive M&A activity has resulted in an increase in the number of operating companies. What kind of corporate governance will you institute?

A The JS Group has a CEO for each segment as part of the segment-based management system that goes beyond the scope of individual operating companies. Newly added operating companies are each placed in a segment, and by practicing solid segment-based management we will achieve effective corporate governance for the entire JS Group.

Q As you step up overseas business expansion, do you have any concerns about the corporate governance system?

A Of course our management approach will depend on the specific country. Therefore, we have to place ultimate importance on dialogue with managers. Last year we brought the Asia-Pacific division of American Standard under the Group umbrella. We have many discussions with the management team about corporate governance, management philosophy and management policies so we are on the same page, and are communicating well with one another.

Comment From a Newly Appointed Outside Director

I feel that from the time it is founded a company should continuously earn profits based on its management philosophy and action guidelines, and thereby fulfill its social responsibilities such as rewarding shareholders, paying taxes and providing employment.

Also, we are in an era in which corporate activities are not only carried out domestically, but around the world, and companies are required to have fair and transparent internal controls which pass global scrutiny. In recent years, Japan has enhanced its legal framework with respect to internal controls,

beginning with Japan’s Corporate Law and the Financial Instruments and Exchange Law. In step with these developments, the JS Group has strengthened its internal controls, positioning this as one of the most important management issues.

Going forward, in line with this philosophy, I will do my best as an outside director to fairly and appropriately utilize the Company’s assets, including products, personnel and monetary funds, to meet the expectations of shareholders and all other stakeholders.

Fumio Sudo
Outside Director