

## **Minutes of the Fifth Council of Experts Concerning the Follow-Up of Market Restructuring**

Date: Wednesday, December 28, 2022 13:00 – 15:00

Place: Tokyo Stock Exchange 15F Special Conference Room

Attendees: See member list (Mr. Nagami was absent)

[Kikuchi, Director, Listing Department, TSE]

The time has now come to begin the fifth Council of Experts Concerning the Follow-Up of Market Restructuring. Thank you for gathering here today, despite your busy year-end schedules. Thank you for joining us today.

First of all, I would like to mention that Mr. Nagami is absent and that Mr. Kumagai and Mr. Matsumoto are joining us online.

Now, I would like to begin proceedings straight away. First, let me explain today's agenda.

[Ikeda, Senior Manager, Listing Department, TSE]

At our last meeting, we had an intensive discussion on the handling of transitional measures. We would like to discuss specific proposals regarding transitional measures based on our discussion at a future meeting. So today we would like to have a focused discussion on specific measures to encourage listed companies in general to make an effort to enhance their corporate value over the medium- to long-term.

Specifically, based on Documents 2 and 3, we would like you to discuss the following four points: I. raising awareness of capital efficiency and stock price, II. improving the quality of corporate governance, III. further expansion of English disclosure practices, and IV. improving the effectiveness of dialogue with investors. Thank you very much.

[Kikuchi, Director, Listing Department, TSE]

Now, we would like to start with an explanation from TSE based on the documents. As we have already explained in the preliminary explanation, we would like to keep the explanation short.

[Monden, Manager, Listing Department, TSE]

I will now explain Document 2.

Starting with page 1, the introduction. This page introduces the meetings held to date and the items to be discussed at the fifth meeting.

The following pages, pages 2 to 4, summarize our previous discussions from the perspective of promoting initiatives to enhance medium- to long-term corporate value, which we would like you to discuss today. As this was explained during the preliminary explanation, we will skip it today and proceed to page 5.

On pages 5 and 6, we have listed four main perspectives for future action that we would like you to discuss today. For each topic, we have listed specific initiative proposals. We would like to ask if there are any matters that need to be kept in mind when promoting such initiatives, and if there are any other initiatives that could be considered.

The first topic is to “raise awareness of capital efficiency and stock price.” In previous discussions, members have pointed out the importance of raising awareness of capital efficiency and stock prices in order to ensure that autonomy in the management functions properly. Specific proposals to promote awareness are listed in items a to d.

All initiatives from a to d, are related each other. Item a is about disclosure, and to encourage or require listed companies with PBR or ROE below a certain level to disclose policies and initiatives for improvement from the perspective of promoting dialogue with investors.

Item b is whether it is possible to publish a list of PBR and ROE, etc. from TSE in conjunction with encouraging such disclosure.

Item c is about conducting a comprehensive inspection of the Code of Corporate Conduct established in the listing rules to see if there is any need to review it or to see if there are any shortcomings in it from the perspective of responsibilities as a listed company.

Item d is about other measures to encourage listed companies to introduce

equity compensation plans and to be more proactive in providing training opportunities related to capital markets and in compiling and publishing case studies as a way to raise awareness.

Topic II is to “improve the quality of corporate governance.” Two specific initiatives are listed.

Item a is a question about whether TSE should perhaps compile and publish a list of key points and examples of how to Explain based on the suggestion that Explain has become a mere formality.

Item b is a question about whether we should research the actual status of activities of nomination committees and remuneration committees based on the information disclosed in corporate governance reports and other documents, and compile and publish the status of their activities and examples from the perspective of improving the effectiveness of these committees.

Moving on to page 6, topic III is the “further expansion of English disclosure practices.”

TSE has been promoting various initiatives to disclose information in English from the viewpoint of motivating listed companies to disclose in English and share their know-how, and more than 90% of companies listed on the Prime Market disclose information in English.

At the same time, however, the disclosure of necessary information, if looked at by document, is still insufficient, and foreign investors are still calling for improvement.

Given this situation, subtopic 1 asks what you think about the future direction of requiring disclosure in English on a mandatory basis in the Prime Market from the perspective of further promoting English-language disclosure, with an eye to when the transitional measures will expire. It also asks about what documents should be prioritized in that case.

Subtopic 2 asks about your thoughts on how English disclosure practices should be promoted in other market segments, such as the Standard Market and the Growth Market, in light of your comments that English-language disclosure is also important in these market segments.

Lastly topic IV is “improve the effectiveness of dialogue with investors”.

First, subtopic 1 is about encouraging or requiring listed companies to

disclose the status of dialogue with investors, in their corporate governance reports, for example, from the viewpoint of promoting dialogue with investors.

Subtopic 2, is about the investor side, and asks if there is anything the exchanges can do to expand the base of investors who are responsible for dialogue while maintaining quality. In particular, we are also asking if there are any initiatives that could be taken to increase awareness and interest in dialogue with companies among asset owners including pension funds.

That completes my explanation of Document 2. In the other reference materials, we have included the Corporate Governance Code's principles, TSE's efforts to date, initiatives taken by other countries, and various other data related to the issues we would like you to discuss. Please refer to them as appropriate.

That's all from me.

[Kikuchi, Director, Listing Department, TSE]

Now I would like to hear your opinions. We have four issues to discuss today, so I would like to divide them into two parts. First, I would like to ask for your comments on page 5 of the document on raising awareness of capital efficiency and stock price, and on improving the quality of corporate governance. We will have time later to hear your comments on the further expansion of English disclosure practices and improving the effectiveness of dialogue with investors.

If you would like to speak, please raise your hand and I will nominate you. Since some members are joining us online today, I would appreciate it if you would first start by saying your name before stating your opinion. Mr. Kumagai and Mr. Matsumoto, our online participants, if you wish to speak, I would appreciate you indicating it in the chat.

So, who would like to start?

[Kumagai, member]

In this discussion, I believe it is extremely important to encourage individual listed companies to make an effort to improve their corporate value while enhancing their ability to promote market metabolism. With that in mind, I would

like to offer my opinion on each of the topics.

Regarding the reform of awareness of capital efficiency and stock price, I believe that it is appropriate to promptly consider the implementation of the initiatives in a to d of subtopic 1 in topic I on page 5 of Document 2 in order to create an environment and system for listed companies to work on improving capital efficiency, etc. on their own. In particular, I believe that the initiatives in a (disclosure) are efficient measures to make the autonomy of corporate management function at companies with PBR below a certain level on an ongoing basis. I think that TSE should define the content of the main disclosures and check disclosures, not from the viewpoint of whether they are good or bad, but from the viewpoint of whether they provide all the information necessary for investors to make investment decisions. Based on such disclosure practices, I believe that encouraging dialogue with investors and having listed companies disclose the progress of their initiatives is a necessary process to enhance the independence of listed companies.

A further review of TOPIX is scheduled to be conducted in January 2025. When considering the replacement of the TOPIX composite, I think one idea would be to promote discussion at JPX Market Innovation & Research to encourage listed companies with PBR below a certain level to work towards improving capital efficiency and profitability.

I think it would be meaningful to compile case studies on improving the quality of corporate governance, such as those in a and b of subtopic 1 of topic II on page 5 of Document 2, in order to encourage listed companies to improve the quality of their corporate governance. In addition, the details in corporate governance reports published by listed companies may be reviewed by TSE. For example, it is desirable to continuously check the status of items in corporate governance reports that are marked as “under consideration” in the next fiscal year and beyond. However, it would not be appropriate under the Corporate Governance Code's principle-based approach for TSE to indicate a uniform interpretation to determine whether it is applicable to the Comply principle and the content of Explain is sufficient. I recognize that those points need to be resolved through constructive dialogue between listed companies and investors.

[Koike, member]

Since we are institutional investors, I would like to express my opinions from two perspectives: one is from the perspective of investors, and the other is from the perspective of the responsibilities that listed companies should fulfill.

First of all, PBR below 1 is an alarming situation for investors, and we would like to see it resolved as soon as possible. However, when judging companies to invest in, we sometimes look at two segments, management indicators and stock price indicators. While management indicators such as ROE can be improved by companies' self-help efforts, stock price indicators are determined by the market, and we need to be cautious about setting benchmarks to drive them. The level of PBR we want as investors is not 1, and we expect companies with PBR of 1 or more to increase their PBR to 2 or 3. We believe that the essential issue is to consider measures to increase market competitiveness that will raise the overall level of such companies. As we talk with companies in our engagements, we feel that the situation is increasingly polarized. Some companies understand that monitoring their capital cost and creating a portfolio of businesses that exceed their capital cost will result in higher PBR and stock prices, but we sense that they account for only the top few percentage of the companies listed in the Prime Market. The problem lies with the rest of the companies. Rather than focusing on these companies, we believe that it would be easier to trigger dialogue if the market as a whole were to disclose how much the management considers their capital costs are, what business they allocate their capital to, what kind of return they earn, and how they think about their valuation and stock price. As I have mentioned before at this meeting, what is needed is capital market literacy among the management, and we believe that disclosure will increase literacy and we need to provide training for this purpose. We believe that companies that cannot respond to this will have no choice but to exit the market. In addition, we believe that a certain level of literacy should be required of the management in new listing examinations.

The formal aspects of corporate governance are gradually coming together, such as the number of independent directors and the number of female directors, but we believe that there are still many outstanding substantive issues, and we are now in the second stage of raising the substance. Therefore,

we feel it would be more appropriate to demand literacy of investors rather than companies. Finally, we believe that we should start by seeking proper clarification with regard to companies that state “under consideration” as their Explain, as it should not be ignored given the market discipline.

[Ando, member]

I would like to make two comments.

With respect to reforming awareness of capital efficiency and stock price, I acknowledge that the autonomy of corporate management is the most important factor in strengthening corporate governance and increasing corporate value. And item a of subtopic 1 in topic I (disclosure) is essential to improve the quality of autonomy. One methodology is to include it in revisions to the Corporate Governance Code. However, since the Code will not be revised until sometime in the future, it would be better to encourage disclosure in the listing rules or enforcement rules. In this case, the market is understandably focusing on PBR. Naturally PBR changes and so specific criteria will need to be discussed, but I expect that requiring disclosure will promote dialogue with investors and provide a great opportunity for investors to reevaluate Japanese companies. We need to discuss whether disclosure should be mandatory or voluntary. In my opinion, from the perspective of increasing autonomy, it would be best to require disclosure on a principles basis and for companies to disclose specific measures to increase corporate value that are appropriate for their companies.

Next, I would like to comment on b in subtopic 1 with respect to improving the quality of corporate governance. Although OMRON is a company with audit & supervisory board, we have established three advisory committees: the Personnel Advisory Committee in 2000, the Remuneration Advisory Committee in 2003, and the President Nomination Committee in 2006 which focuses on the selection and dismissal of the president, and we disclose the details of these committees through various media. Now looking at companies as a whole, as shown on page 16 of Document 3, 80% of the companies have already established a voluntary nomination and remuneration committees. This is clearly an effect of the Corporate Governance Code. However, in many cases, no information is disclosed on how each advisory committee operates and contributes to enhancing corporate value, and some companies do not even

disclose a list of committee members. I would have to say that this makes the nomination and remuneration advisory committees a mere formality, and we need to encourage disclosure of their actual activities.

[Matsumoto, member]

Regarding the ROE and PBR indicators, I don't see the point in listing them since they are easily available to anyone through media such as Bloomberg. Rather, when TSE takes action I think it should be cautious about publishing the list of indicators that is already accessible to anybody. It may not look professional.

When we actually tried to contact company's independent directors in an engagement about corporate governance, there were more than a few times, even those with solid backgrounds, that we were told that they couldn't talk to investors because they were independent directors. Although independent directors are supposed to protect the interests of shareholders and the Ministry of Economy, Trade and Industry (METI) guidelines state that independent directors should be willing to talk with shareholders, I feel that there is a misunderstanding and this misunderstanding is rampant. I strongly suggest that TSE should conduct educational activities for independent directors of listed companies, such as creating and sending them a brief handbook like the "Independent Directors' Guidelines" and describing the roles expected of independent directors on the TSE website. There are cases of misunderstanding as I mentioned earlier, or cases where the CEO has told independent directors not to speak when contacted by investors. With this in mind, I believe there is a need for proactive educational activities regarding what is expected of independent directors.

[Sampei, member]

One important issue of the Follow-up Council is how to take advantage of the three market segments. When we think about how to promote the revitalization of each market by effectively utilizing the three market segments, I do not think it is appropriate to separate each market segment from the outset. While what we expect from the market is the same regardless of the segment, there are gradations in how strongly we expect it. I think we should be able to communicate well what we absolutely think should be done, and what we would

like to see done if possible, although the priorities are different.

As many members have already mentioned, unfortunately, I have the impression that the directors of listed companies are not fully aware of their listing responsibilities, and that they are not interested in the capital markets, despite the fact that they are taking advantage of them. The companies that surprise me the most are the ones that say they are working so hard but the market doesn't appreciate or doesn't see their endeavors. In most cases, the market is actually watching, and I think we need to resolve situations in which companies don't realize that the market cannot evaluate them based on what it sees.

Regarding specific initiatives, item a in subtopic 1 of topic I, there are two quantitative drivers of corporate value, return on capital and growth potential, but the document only describes initiatives related to return on capital. The message of increasing return on capital has been put forth in previous governance reforms, and I think it sounded as if that was the only goal. Of course, steering toward growth without achieving return on capital is damaging, so there is an order to follow, but the problem is that we always seem to be fixated solely on return on capital. I think we need to explain these things. At that time, since the priority for start-ups is to establish a business model, I think it is necessary to communicate what needs to be done while explaining, for example, that in some cases, growth potential should be captured first, then a business model should be established, after which capital profitability should be secured gradually.

PBR below 1 means that the company is getting a failing grade from the market, as it were, so they need to make a commitment to improve, and I think they can improve within about 2 years, not 5 years or so, which is too long.

Regarding the publication of indicator b, as Mr. Matsumoto mentioned, anyone can obtain these indicators, so even if TSE publishes the list, it would be meaningless unless it also publishes the commitment to improvement. I also think it is misleading to list indicators in order of market capitalization. Since we are talking about quality, I think that by using ROE or PBR order and market segmentation as a whole, we can see the reality that companies that are generally considered blue-chip companies have low indicators.

I am aware that, after the Code of Corporate Conduct in item c was enacted

in 2007, the role of independent directors has been clarified by the enactment of the Corporate Governance Code in 2015 which clarifies fiduciary responsibilities and the 2021 amendment of the Companies Act which requires the appointment of independent directors. Since the 2018 revision of the Corporate Governance Code, we have been in a situation in which the cost of capital is front and center. I think we should specially write these things into the Code of Corporate Conduct.

I think the introduction of equity compensation plans mentioned in d is generally a good idea, but I think it would be meaningless if it was not linked to the commitment to make improvements. Various compensation systems have been discussed when introducing the equity compensation plans, but most of them have resulted in PS (Performance Share). The reason for this is due to a lack of understanding of the difference in significance and purpose between PS and RS (Restricted Stock), and I am concerned that simply introducing a equity compensation plan will amplify the misunderstanding.

Regarding topic II, I think there is a need to explain again what is meant by Comply or Explain. I think we need to explain in details that as long as you achieve the objectives of corporate governance, you are allowed a certain amount of freedom in how you achieve the objectives, and that it is not Explain if your message is not being understood.

As for the nomination committees and remuneration committees in b, their activities and frequency of meetings will be disclosed in the annual securities report from the next fiscal year. I think it would be good to give them an explanation that would encourage them to be more proactive in explaining their activities. For example, I think we need to explain in details what we want companies to indicate, such as whether independent directors are taking the lead in making improvements and reforms, how independent directors are exercising their functions in terms of creating special committees as well as the nomination committees and remuneration committees, whether independent directors are just commenting on the secretariat's proposals, and whether they are asking for necessary information, etc.

[Kuronuma, member]

First, from a general perspective, I believe that when promoting initiatives to enhance corporate value, it is necessary to sort out the relationship between the

Code of Corporate Conduct and the Corporate Governance Code. The TSE's Code of Corporate Conduct is unique in that it has prescriptive details that indicate the conduct that listed companies are legally permitted but must not and should not be engaged in, from the standpoint of protecting general investors, and the sanctions for violations. The Corporate Governance Code, although formally incorporated into the Code of Corporate Conduct, is unique in that it indicates best practices from the perspective of corporate governance, and its value standard is based on the enhancement of medium- to long-term corporate value through collaboration with stakeholders.

In light of these factors, I believe that the items listed in this document should also be considered. Of the potential initiatives listed, I will start with topic I, "raising awareness of capital efficiency and stock price," which considers management responsibility of listed companies to their investors. Although it has not been addressed in the Code of Corporate Conduct and Corporate Governance Code, I think it is appropriate to address this issue this time. Specifically, I think it would be desirable to encourage companies to take initiatives to improve their capital efficiency and profitability by focusing on PBR and ROE, and for TSE to inspect these efforts. I do not think it is meaningful to disclose PBR and ROE figures, but I think it is necessary to have companies disclose their management improvement plans with these figures in mind, and then have them reviewed by TSE regardless of how much they check.

Next, regarding the recommendation for the introduction of equity compensation plans, I think this is a good idea in terms of clarifying what exactly companies should do. However, some of the current equity compensation plans pay the management after they leave the company and I wonder if such plans are effective in terms of providing incentives for management efforts. I don't think it is a good idea to make a recommendation on just this one issue.

Improving the quality of corporate governance in topic II is an ongoing issue. In light of the recent clarification of the relationship between market segment and the Corporate Governance Code, I believe it will be necessary to question the state of actual compliance. In particular, since the introduction of voluntary nomination committees and remuneration committees is recommended in the Corporate Governance Code, I believe that TSE is required to not merely do a document check, but also to make an effort to understand the actual situation

through interviews, etc., and to encourage individual improvements if the voluntary committees are not functioning.

[Kanda, member]

Broadly speaking, I sensed that foreign investors do not seem to expect Japanese companies to have improved earnings or growth potential when talking to them about PBR and ROE. Even for companies with high ROE, many investors say that they will find their own investment opportunities, so they just need to distribute the funds they have, or sell the business assets and distribute the consideration for them. Since investors see it that way, PBR is low, and I think we are in a vicious circle.

I don't think it makes much sense to disclose the PBR and ROE figures themselves, but what a company thinks about its PBR and ROE are inextricably linked to its business model. So of course if it has an improvement plan, it should include the plan to improve PBR and ROE. I think TSE can encourage it to disclose its thought and what kind of dialogue with investors it has had based on that thought.

It has been 15 years since the Code of Corporate Conduct was formulated. Although there have been some revisions, I would like to see the Code of Corporate Conduct inspected as a whole. I would also like to see the measures to ensure effectiveness examined, including their balance.

Regarding equity compensation plans, the document recommends their introduction, but from the perspective of today's discussion, it seems important to know what it is linked to. This is a big topic, so while it is difficult to generalize at this point in time, I think it is a good idea to consider this as a measure.

Regarding corporate governance, listed companies in the Prime and Standard markets are required to conduct Comply or Express with all 83 principles of the Code under the Code of Corporate Conduct. So if a company does not conduct Comply or Express, it is in violation of the listing rules and subject to the application of measures to ensure effectiveness, which is the TSE regulatory scheme. But in reality, I think there is a problem with enforcing this. It was formulated in 2015, and not enough time has passed until today, so this could still be called a preparation period. That said seven years have passed

and first off, I think it would be good to publicize cases that are not properly explained, as suggested in the document. I think it is time to show that we will take action if the cases are not properly handled.

As explained earlier, the committees' matter will be disclosure items in annual securities reports, and it would be good to compile the status and case studies based on the disclosed information. However, the situation differs from company to company, and there is a gap between statutory and voluntary committees in terms of their roles, etc. The decision to recommend voluntary committees was made during the 2018 revision of the Corporate Governance Code. However, the role of statutory committees was to determine director nominees to be proposed to the general meetings of shareholders, whereas in the context of corporate governance, the focus was on developing a succession plan for the CEO, and thus a misalignment occurred. I think it would be a good to first grasp the actual status of the committees and their activities, such as whether voluntary committees are actually performing either function or both functions, or whether statutory committees are also voluntarily responsible for formulating the succession plan, and to make this information public. Based on this, if there are things that need to be improved, companies should be encouraged to improve them. For example, there are cases where nominations and compensation are handled by a single committee and since the situation varies from company to company, what should be encouraged and how may vary from company to company, and I believe that this is a topic that should be focused on in the future.

[Okina, member]

With regard to the problem of PBR below 1, I also believe the main reason for this is that management of Japanese companies does not fully understand the importance of the cost of capital. I would like to request that efforts be made to promote a change in awareness so that the management of listed companies can properly understand that as long as they are listed, they are required to have a rate of return on capital that exceeds their cost of capital. In this sense, it is important to have the company's board of directors discuss the company's approach to the cost of capital and their approach to productivity of capital such as ROE, ROIC, ROA, etc. If a company's PBR is below 1 or these indicators of capital efficiency are extremely low, I think it is important to have the management commit through disclosure to the direction it will take to improve

the situation. I think it is critical to seek autonomy in this regard on a principled basis. And I think it is necessary for TSE to create an environment that will help to link this to dialogue with investors.

Mr. Ando talked (at the third meeting) about sustainability management with an emphasis on the cost of capital. The term sustainability management has been used a lot recently, and it is vital to understand that the first requirement of sustainability management is to engage in management that is conscious of ROIC and cost of capital, and ESG and sustainability are to be discussed after that. This could be introduced as one specific example of how to encourage a change in management awareness.

It is often said that Japanese companies, for example, have a high cash holding ratio, and I believe this is also due to their disregard for capital efficiency. I hope that establishing the concept of cost of capital and return on capital will be a good opportunity for companies to consider various management issues and come up with a framework that will promote management reform. I think it is critical for the management of companies to understand the relationship between the cost of capital and return on capital, and so while it is necessary to take the actions listed in item c of subtopic 1 of topic I on page 5 of Document 2 (inspection of the Code of Corporate Conduct, etc.), I think it would be good to consider awareness and management reforms starting with the efforts referred to in a (disclosure).

From the perspective of improving the quality of corporate governance, I think it is good in itself to compile and publicize good practices in order to improve the quality as suggested in the document. In the UK, the regulator, the FRC, is responsible for compiling good practices, and while the details are helpful, I think we should carefully consider how TSE, whose position differs to that of the FRC, should go about this. Having said that, I think it is a very good idea to make sure that these good examples are properly put out there, and I think it is also helpful to introduce best practices regarding committee activities.

[Kikuchi, Director, Listing Department, TSE]

Thank you. Now that we have received comments from all committee members, I would like to move on to the next topic. I would like to hear your opinions on the further expansion of English disclosure practices and improving the effectiveness of dialogue with investors.

[Kumagai, member]

Regarding III. 1 (English disclosure practices in the Prime Market), based on the concept of the Prime Market, I think it is necessary to consider timely English-language disclosure of materials required by foreign investors. At the same time it is also needed to consider future mandatory disclosure based on their usage. As shown in the data on page 25 of Document 3, one idea would be to start with the English-language disclosure of earnings summaries, which are required by a high percentage of investors, and then move on to English-language disclosure of IR presentation materials, timely disclosure materials, and annual securities reports, taking into account their status of use. As pointed out in the report by the Financial System Council's Disclosure Working Group, the disclosure of annual securities reports in their entirety in English requires considerable work, and therefore, it is conceivable that it could be implemented for items for which there is a high usage need.

With regard the Standard Market and Growth Market in subtopic 2, based on this concept, efforts should be made not by all listed companies, but by those companies that deem it necessary from a business perspective and an IR perspective. However, since the environment surrounding listed companies changes, TSE may take steps to promote English-language disclosure by disseminating information on the overseas regulatory environment for disclosure and changes in overseas investors' behavior based on that environment.

Regarding IV (improving dialogue effectiveness), based on this concept, it is conceivable that listed companies in the Prime Market should actively engage in dialogue with investors and may be required to disclose the status of dialogue. I believe that we need to encourage disclosure in both the Standard Market and the Growth Market, since the importance of actively engaging in dialogue with investors remains the same.

In particular, as you pointed out in the first part of today's discussion, it is a very serious problem that independent directors acting as dialogue partners are limited to a few listed companies. Since the role of independent directors is to oversee the management from the perspective of ensuring the company's sustainable growth and increasing its corporate value over the medium- to long-term in response to shareholder entrustment, I believe that efforts are necessary to encourage a strong recognition of this role. For example, as part

of the training for directors and corporate auditors described in Principle 4-14 of the Corporate Governance Code, I suggest that companies consider initiatives that involve having directors and corporate auditors participate in training courses as appropriate, utilizing the Practical Guidelines for Independent Directors published by the METI. I believe it is critical for independent directors to reflect the results of their dialogue with investors in the discussions at meetings of the Board of Directors and to promote initiatives aimed at sustainable growth and medium- to long-term improvements in corporate value.

Regarding initiatives for investors who lead dialogue, one conceivable proposal is to listen to the status of dialogue with companies conducted by asset owners such as GPIF and Pension Fund Association, and to increase their significance and interest in dialogue with companies by introducing case studies to other asset owners.

[Matsumoto, member]

First of all, while I think that English-language disclosure is important as Mr. Kumagai mentioned, there have recently been advances in AI-based machine translation technology such as DeepL, and if the original Japanese is written in a logical manner, AI can almost translate it accurately. Earlier I said that it is meaningless to provide a list of PBR and ROE. Similarly, disclosure in English is cumbersome for companies. While responding by disclosing information in English gives the impression that companies are heeding TSE's orders, in fact the issue can be resolved using AI. When considering using this opportunity to effectively change companies, I think it would be better, strategically, not to place a high priority on disclosure in English.

Dialogue is a very important topic. With fiduciary duty and Principles for Responsible Investment and other requirements that investors must engage appropriately, in order to ask what kind of engagement investors and shareholders have had and how the company has responded to that engagement, it may seem like a somewhat crazy idea, but for example, TSE could operate a bulletin board where investors can write about their engagement with companies and their reactions to it. If there are any errors in the content, companies can also write them down. If this was possible, it would have an impact as it would convey what I mentioned earlier about investors trying to talk to independent directors but not being able to, or having access

but being told by independent directors that they cannot talk to investors. Rather than TSE saying what they should do, I think it would be efficient and effective to enable various issues to be solved by themselves through healthy dialogue enabled by increasing the effectiveness of dialogue between investors and companies rather than taking a direct hands-on approach and by requesting them to disclose the content of such dialogue to some extent, and also through making companies feel embarrassed if they do not engage in appropriate dialogue.

As for independent directors, as I said before, there have been many cases where independent directors have misunderstood or pretended to be unaware of their responsibilities. So I think it would be effective for TSE to prepare and distribute a handbook to the directors, especially to independent directors of listed companies, that briefly outlines what is expected of them.

[Koike, member]

Regarding English disclosure practices, since the Prime Market is a framework that assumes dialogue with global investors, I think that not issuing English-language disclosures may be a violation of the rules. On the other hand, as Mr. Matsumoto said, if AI can handle translation work, listed companies can disclose information without incurring costs. If we did not address this issue, foreign investors would say that the Prime Market is not forthcoming with information despite being based on a premise of dialogue with global investors.

Regarding the effectiveness of dialogue with investors, I believe, with regard to asset owners, that there are only a very limited number of funds that are keenly aware of these issues. Therefore, I believe that raising awareness among asset owners will be extremely effective. Asset owners will demand engagement from asset management companies as trustees, so if the awareness of asset owners is raised, the engagement skills of asset management companies will indirectly improve. I think a cycle will be created in which asset management companies who fail to improve the engagement skills cannot be entrusted with assets.

Furthermore, with regard to corporate disclosure in an engagement, I think what to disclose, and to what extent to disclose is an extremely important topic. If the 1,800 listed companies in the Prime Market require disclosure all at once,

the management company may not be able to respond adequately, or may not have the capacity to respond. We ourselves would find it virtually impossible to respond if 1,800 companies suddenly called us and asked us to engage with them. So I think we need to encourage dialogue gradually.

Regarding independent directors, for your information, there is currently a debate in the asset management industry about the role of independent directors. As Mr. Matsumoto mentioned, there is a tendency for independent directors to misunderstand their responsibilities, but I have heard that, due to the way in which the management ask them to become an independent director when they were appointed in the first place, there are also quite a few independent directors that mistakenly believe that they are being asked to give advice to the company concerned. I feel that this is happening. Although independent directors should actually be in a position to supervise, when they give advice, they are no longer able to supervise. I would like to add here that, as with the training of independent directors, there has been a realization and discussion within the asset management industry that we, as investors, must evaluate the suitability of independent directors.

[Ando, member]

I would like to make two comments regarding the second set of topics. Regarding the further expansion of English disclosure practices in topic III, I have no objection to this direction, but from a corporate management standpoint, as stated on page 22 of reference materials Document 3, I have some doubts about whether overseas investors are using this kind of information. The materials cover everything from earnings summaries to annual securities reports, but in my experience, when active investors research a company, they read the annual report first, not all of it, my impression is that they give priority to reading the message from the CEO and the CFO, and the approach to capital efficiency. In this sense, I recognize that annual reports are a high priority. And as for annual reports, about 800 companies published integrated reports in the 2022 calendar year, and English-language disclosure has advanced considerably.

It seems to me that it is going too far to assume that just because a company is listed in the Prime Market, it will disclose all of its documents, including earnings summaries, IR presentation materials, corporate governance reports,

and annual securities reports, in English as a matter of course, and I would like a priority to be assigned to documents. Mr. Kumagai mentioned earlier that companies should “start with their earnings summaries,” but I think it would be better to encourage companies to publish an annual report, preferably an English version of the integrated annual report, if they are assuming long-term investors. Otherwise I am concerned that the burden on companies will be too great and no one will follow this lead. As I said earlier, I have no objection to the direction of expanding English disclosure practices, but I feel that the idea that English-language disclosure is par for the course for companies listed on the Prime Market is out of sync with reality.

On the other hand, while there are both statutory and voluntary disclosure documents that carry a variety of historical backgrounds, each document tends to be created separately. Therefore, what is required of the management of companies is to take stock of all disclosure materials, both statutory and voluntary, and to then rethink what kinds of stakeholders they are disclosing information to and whether English-language disclosure is necessary in light of this. After all, if we are going to recommend disclosing information in English, we should encourage companies to include integrated disclosure practices as a prerequisite for such disclosure.

Improving the effectiveness of dialogue with investors in topic IV, is an excellent way of increasing autonomy in corporate management, and it is natural to assume that the CEO would be open to dialogue with long-term investors.

Mr. Matsumoto pointed out something earlier about dialogue with independent directors and I am not aware of many cases in which a CEO refuses to permit dialogue if we approach the CEO with a request for dialogue with an independent director, rather than making an appointment directly with the independent director. However, it seems to me that in some cases, if companies properly disclose information, then that should be sufficient, and investors will not need to interact with independent directors.

Roughly a decade ago, the IR officer's role was all about how to engage in dialogue with active investors. However, the structure of shareholders has changed, and it is necessary to emphasize once again that information disclosure has become even more important, and that disclosure is an important means to promote corporate value to passive investors who do not engage in dialogue, or to ESG evaluation organizations. Of course, dialogue

with active investors is extremely effective, but I would like to add that such dialogue alone is not enough.

[Koike, member]

I would like to add to Mr. Ando's comments. I talked about overseas investors at the last meeting. They too are not looking for full disclosure in English. The key point is for information to be concise, comparable, and timely, and the starting point will be to provide a brief overview of the company, such as IR presentation materials. So therefore, I think it is necessary to have a set of concise documents in English for external use.

For reference, the kinds of situations in which we engage with independent directors are situations in which we are not being listened to in our normal engagement with the management, essentially cases where we need to talk to independent directors rather than the executive side to ascertain the true intentions of the company, such as when there is a major corporate event or scandal. That's the situation. We've only had a few of such cases. This is not to say that engagement with independent directors is meaningless, but my impression is that there are not many examples in Japan as a whole.

[Sampei, member]

First of all, regarding topic III, disclosure in English, there have been various discussions, but I think that TSE should essentially require disclosure of earnings summaries and timely disclosures, and these two disclosure materials, especially for the Prime Market, should naturally also be disclosed in English.

However, I have a few thoughts on the various discussions that have just taken place. I say these from the perspective of foreign investors I have seen over the years, mainly active investors. The top class active managers go to the original source, so they look at all the annual securities reports and so on. Even foreign investment management firms are responding by going so far as to hire staff who can read annual securities reports in Japanese.

Some US investment management companies look at US companies up to Form 10-K, while others do not. There are vendors that collect not only financial information but also textual information, and those companies that do not look directly at Form 10-K use secondary information provided by such vendors. Such investors do not really know what information is written where, and sometimes they do not know where notes and other information is written, but

they are able to use the information normally. The reality is that when we ask each investor whether or not they need the documents, there are many investors who do not really know which documents they need. This is true not only in Japan but also in other countries around the world.

However, if a company is listed on the Prime Market, I think it is necessary to disclose at least earnings summaries and timely disclosure in English. As the name suggests, timely disclosure is an important timely disclosure, so I think such disclosures should also be in English, not only for companies listed on the Prime Market.

Although there may not be much point discussing this here, annual securities reports have recently become very rich in content with a focus on descriptive information. Reports now contain much better descriptions of information that would have been better to put out in English from the outset, to convey the efforts of Japanese companies, includes management policies, MD&A and business and other risks. I also think that the “material contracts” that are being discussed right now will be highly valuable information if they are properly disclosed in English, and I think that the new sections on sustainability information should also be a focus of attention. The sections on the state of corporate governance are also rich in content, and the same is true for KAM. One piece of information that I would definitely want to see before a general meeting of shareholders is specific investment shares. There are not many companies that put this information in English, so I have been wondering if that is quite hard to do.

What is more, the sections other than the ones I just mentioned are routine items and once they have been translated into English, I think they can be reused almost every year, so I still find it strange that they are not being translated into English.

Something to bear in mind as an all-too-familiar and troubling notation in English is the use of circles and crosses when creating tables. Since the meaning of circles and crosses is completely different in Japan and in other countries, I think it would be a good idea for TSE to inform companies that there are notations such as these that are not conveyed internationally.

I also think that English-language disclosure is more important for companies that are not well known and for companies with external financing needs. Then, disclosure in English is actually critically important in the Growth Market, and if

we could convey this to the companies listed in the Growth Market, I am sure they would understand. If a company wants to raise overseas funds quickly, this is a question of how to efficiently disclose information in English, so I think it is important to convey what a concise and to-the-point disclosure should look like.

There is a UK case study on page 27 of Document 3. In the UK, business model disclosure is required as an institutional disclosure, but it is not mandated for the emerging AIM market. However, we approached AIM companies to see what would happen if they were to disclose information in accordance with the guidance, and one company raised its hand and investors found it a very good disclosure that was concise and easy to understand. That company decided to go full-in on voluntarily disclosing information, and I think there is a way to encourage listed companies in the Growth Market to disclose voluntarily in this way, while also looking at ways to drive motivation.

Also, with regard to topic IV, dialogue, I think that companies will definitely follow the numbers when it comes to having to disclose the status of dialogue implementation. Rather, even if the number of times is small it would be more valuable to look back over the year and disclose three to five cases of dialogue that were fruitful, such as dialogue that led to many insights, dialogue that convinced investors, and dialogue that led to concrete action.

By looking at such reports, we can see what kind of dialogue companies are having with each other, and we can also tell investors how to engage in dialogue that will be insightful. Also, if a number of companies do this, we will elicit good examples, and it would be extremely satisfying if TSE could compile such examples. If we show that to asset owners, they will know what to expect from the asset manager and they can use it for monitoring.

However, as Mr. Koike mentioned earlier, it will be extremely difficult to mass-produce dialogue that would produce such results overnight. It takes a lot of preparation to engage in dialogue, and of course it requires knowledge, skills, and resources.

If we look at several of the steps involved, first of all, identifying what should be on the agenda for dialogue and what issues are directly related to corporate value that should be prioritized, is very difficult. If this is not possible, then we are just box ticking.

The next step is to think about how to resolve issues, the direction, and what actions are expected, considering the path to improving corporate value. This is not that easy because some paths may not be connected to improving

corporate value.

We need to think about how much time we need to consider when expecting more, and if the time frame spans multiple years, we need to check progress, so we need to set KPIs to monitor progress. I believe that it is actually the investment side that thinks about KPIs, and investors should tell companies that they will monitor the company using these KPIs, but in reality, many investors do not really think about this.

There is also the matter of who is the most effective person to interview as a dialogue partner. Independent directors were mentioned earlier, but it is not always independent directors. On top of that, how to communicate with the other person, and everything else involved is actually quite difficult.

When it comes to talking to independent directors, it is standard in other countries, especially in the UK, for the lead director or chairman of the board to talk with investors. The intent is that when investors ask a company to make a change, they want it to be on the agenda of board meetings, so they inform the chairman. On the other hand, Japanese dialogue still often involves talking with the management, and this is not a problem if the management is making decisions on its own. As Mr. Koike mentioned earlier, however, when there is something wrong with the corporate culture, I think investors would like to hear from someone with an outside perspective, and that is where independent directors comes in. I think we also need to consider which people to talk to in which situations. I think it is a question of the extent to which this is possible.

[Kanda, member]

Regarding English disclosure practices, I think that basically it goes without saying that any company, if it has a demand for funds and is oriented toward foreign investors, will disclose information in English, without being asked to do so. In this context, the Prime Market is systematically classified as a market segment for companies that are oriented toward foreign investors and information should be disclosed in English. That said, the question of what and to what extent information should be disclosed in English will change as the standard of automated translation improves. It is not a simple issue because it will create a burden on companies. It is not clear whether the enormous burden on companies is a matter of the cost of outsourcing or the administrative burden of checking the returned translation even if outsourced, and this burden will surely vary from document to document. I suppose it is possible to leave it to

the translator and not make the company responsible for the English text itself, but I think that this would be difficult in practice.

In terms of institutional theory, I am concerned about the scope of the target documents, and whether it is statutory or voluntary disclosure. Companies will write what they want to promote and will not provide information that is not favorable to them in voluntary disclosure, while in statutory disclosure, companies will include at least financial information, whether it is favorable or not. Regarding non-financial information, there are some issues when it comes to statutory disclosure, but there is a trend toward improving disclosures in the future, and if that happens, I am not comfortable with statutory disclosure documents not being translated into English. However, I think it would be good to find a practical solution to the question of whether everything should be disclosed in English and whether English-language disclosure should be done immediately.

On the other hand, for the Standard and Growth Markets, unlike the Prime Market, it ultimately comes down to what the listed companies think of foreign investors. If there is a demand for funds from overseas investors, companies will naturally be required to disclose information in English, and I think this is a good stance to take.

The issue in IV, relating to dialogue with investors is a very difficult question. In Japan, we started talking about dialogue with investors sometime just before the introduction of the Corporate Governance Code and the Stewardship Code. Such dialogue is the European way of doing things. European-style dialogue assumes that the stock market is mature, but that reality does not exist in Japan, so I think this is a sticky issue.

As for whether a company chooses the investors with which it engages in dialogue, there is a question of fairness between shareholders. Although IR efforts are being made, it is a difficult issue. On the other hand, investors are in a sense free to approach companies, and I think it is less problematic, if not impractical, to talk to 1,800 companies.

However, there is the issue of who ideally should be engaging in dialogue with who, and it is also difficult because some investors are asset owners or

asset managers, and there are different types of asset managers, such as active or passive managers.

Furthermore, the institutional difficulty in promoting dialogue as TSE is that it is not possible to create a Code of Conduct that targets institutional investors. It is the Stewardship Code and dialogue guidelines that deal with institutional investors, and this is not something that can be done directly by TSE.

Also, the logic behind dialogue is not clear. If institutional investors interact with the management to achieve a high level of engagement, then independent directors will not be necessary, but we have to ask ourselves why institutional investors would interact with independent directors. I think it is true in an abstract way that we expect independent directors to act and change things at companies as a result of engaging in dialogue with independent directors. However, it has been some time since the Stewardship Code and the Corporate Governance Code were introduced, and the reality is that dialogue has improved. Given this, I think it is good to have both dialogue with the management and with independent directors as a direction, but I think we are still in the trial-and-error, middle-of-the-road stage.

This might not sound very good, but I believe that people who take on positions as independent directors are people who are good for nothing else. Independent directors in the original Western model are people who don't have time, subordinates, or information. The reason why such people are appointed as independent directors is because they are independent, and it is the Western model that has demanded such independence. It does not seem productive to engage in a dialogue that asks too much of someone who does not have time, subordinates, or information. Of course, this is a case-by-case situation. While it is possible to have a dialogue about corporate culture, it is also possible that dialogue with independent directors may be difficult in situations such as scandals, which makes it difficult to consider each issue.

I don't have the answer to this. I think it is a case of trial and error, but I think that we will continue to engage in dialogue, as it has been almost 10 years since we took the step toward promoting dialogue while leaving it to each investor.

[Okina, member]

Regarding English disclosure practices, as long as the Prime Market is a market based on dialogue with global investors, I think it is necessary to think in the direction of encouraging expansion. However, there are various opinions on what should be disclosed, so I think we have to sort them out and then make sure we tackle the highest priority items first.

Naturally, while voluntary annual reports are vital to showcase the long-term story of corporate value enhancements, there is also concern about the delay to statutory disclosures in English. We would appreciate your consideration of how to mandate and how to prioritize them.

Regarding subtopic 2 in topic III, especially with the Growth Market, from the perspective of scaling up their operations, it is very important for startups to receive funds from foreign investors, and I believe that English-language disclosure should be encouraged as much as possible.

Regarding subtopic 1 in topic IV, I myself serve as an independent director, and the independent directors of the company concerned sometimes meet with investors on an ad hoc basis. Even though I am willing to engage in dialogue with them as necessary there are many troubling points, such as the viewpoint of fairness that Mr. Kanda pointed out. If independent directors should respond, I think it is important to gradually expand the dialogue by such means as having the lead outside director or the outside director chairing the Board of Directors respond or attend IR meetings. Of course, I think it is very important to encourage CEOs and CFOs to disclose what kind of dialogue they are having.

On the other hand, someone pointed out that independent directors are not aware of their role in dialogue with shareholders. Raising the level of independent directors has been an issue for a long time, and the Practical Guidelines for Independent Directors developed by the METI includes the importance of taking the perspective of minority shareholders, such as listed subsidiaries, and of dialogue. It is extremely important to encourage independent directors to change their mindset, and I think that such existing guidelines, etc. should be checked and revised as necessary, or the guidelines themselves should be made more pervasive, etc., as a separate and necessary measure.

With regard to subtopic 2 in topic IV, even though the Pension Fund Association, the asset owner, commits to the Stewardship Code, I think there is very little awareness of how to engage with companies as an asset owner or how to encourage the fiduciary financial institution to engage. While there is a change in pension funds that employ professionals, many companies still have people in charge of their pension fund who used to be in charge of human resources, and they seem to be less conscious of their role as investors. While the contributors to corporate pension funds include both young and old people, it has been pointed out that their intentions are not being reflected and that they are disconnected from the investment chain. It is also very important to explore what kind of investments the fund contributors would like to see made, taking into account the SDGs and the concept of sustainability, and then consider investments accordingly. As principles regarding corporate pensions have been established in the Corporate Governance Code, I think it is important to carefully consider such perspectives in corporate management too.

[Kuronuma, member]

Regarding the further expansion of English disclosure practices, companies listed on the Prime Market should be prepared for it, and it would be desirable to move in the direction of making disclosure in English mandatory in the Prime Market. However, in terms of disclosure on a mandatory basis, priorities should be assigned, rather than suddenly mandating the disclosure of all documents in English. There are various opinions, but I think one way to do this would be to publish the status of disclosure in a comparable manner.

For other market segments, especially the Standard Market, only voluntary disclosure should be encouraged, given that some listed companies have chosen to list on the Standard Market to avoid disclosing information in English.

Regarding improving the effectiveness of dialogue, Stewardship activities are being conducted by institutional investors, but there are also companies that disagree by exercising voting rights or do not make changes even after engaging in individual dialogue. Institutional investors also disclose their Stewardship activities, but the reality is that the details and results of the dialogue are disclosed without naming the company involved. Therefore, while aggregating the activities of institutional investors is conceivable in order to improve the effectiveness of dialogue, one way would be to require listed

companies to disclose their activities.

It is conceivable that institutional investors do not engage in dialogue with all listed companies, but rather with important investees and companies that can be expected to improve through dialogue. Disclosure including the actual situation would be an opportunity for companies to change their behavior.

[Matsumoto, member]

As Ms. Okina just touched on this, the role of independent directors was discussed in depth in the Practical Guidelines for Independent Directors compiled by the METI, which is the most clearly organized set of guidelines. In the guidelines, it states that independent directors should monitor conflicts of interest with controlling shareholders and communicate to the management the perspectives gained through dialogue with shareholders.

There are two types of companies: those whose management is willing to listen to outside opinions and improve the company, and those whose management does not listen to outside opinions and does not change. Given that there are so many companies in Japan with PBR below 1, one can assume that there are a certain number of companies that are not listening to their shareholders and are not making the necessary changes. In such cases, the role of independent directors is to protect the interests of minority shareholders, and it is extremely important to ensure there is proper dialogue between independent directors and shareholders in order to increase the overall efficiency of Japanese companies. Independent directors are thus in a position to play an important role, and independent directors should be people who can withstand such a task. We need to keep our focus on protecting minority shareholders, without wavering.

[Ando, member]

We have yet another very fruitful discussion today with various opinions and concrete suggestions being put forward. A common thread among all the topics has been the role of TSE and I would like to comment on this.

Several members have commented on the nuance of encouraging companies to take new action and then having TSE check the details for the appropriateness when companies disclose the results. However, I do not think that TSE should be responsible for checking each company individually or for making fixed-point observations chronologically.

[Sampei, member]

Various people have said that dialogue between independent directors and investors is not going well, and when we think about why that is, what Mr. Ando said earlier may seem normal at a glance, but it is not normal. It is conceivable that TSE may grasp the actual situation as to where a company is stuck in its efforts to increase its corporate value and make arrangements.

Regarding the state of dialogue with independent directors, on page 32 of Document 3 it says that 2.4%, or roughly 30 companies, have engaged in individual dialogues in response to shareholder requests, but I am not sure that this figure reflects the actual situation, as I personally have met with many more independent directors than that.

When I meet with independent directors, I think it is always polite to inform the IR contact or company so that they do not think I am contacting the outside director via the back door. If you ask the IR contact to set up a meeting, there are many internal steps and it can take a very long time, even a year, but if you say you want to meet with an outside director for this reason when you meet with the president, if it is a legitimate reason, the president will agree and the meeting can take place within a few months.

I think it would help promote dialogue for TSE to lay out the essentials of a successful matching process, such as the company saying, for example, that it would be a problem if the meeting is held without the company's knowledge, or what channels should be used, or that it would be easier to arrange a meeting if the agenda for the meeting is announced in advance, or an investor saying that a meeting can be held if it is arranged in this way, and so on.

[Kikuchi, Director, Listing Department, TSE]

Thank you.

We have received comments from all members and so now I would like to ask the Ministry of Economy, Trade and Industry as an observer to comment.

[Director Asano, Industrial Finance Division, Ministry of Economy, Trade and Industry]

METI's comments, that were distributed at the last meeting, have been redistributed again today as Document 4. The comments summarized on page 1 are basically a rehash of the things discussed from the last meeting to this

meeting.

Again, corporate governance reform and the exercising of stewardship are extremely important, and as we have been stressing since the Ito Report, we remain aware of the importance of market discipline as an issue.

During the previous meeting's discussion on transitional measures, a very short period of time, such as three years was suggested. We believe that clear standards and their strict application are crucial in light of the nature of an exchange, and basically the shorter the transitional measures period, the better.

Moreover, we are not discussing whether the concept of each market is appropriate, or right or wrong at this point, but we believe that we should take the time to look at and review the design and operation of a system that appropriately reflects the concept.

The proposition is to match the concept with reality. For example, if the concept of the Prime Market is for companies that focus on constructive dialogue with global investors, then English disclosure should be mandatory, with the content selected and refined in the future.

As for the Growth Market, progress has been made in that the insolvency criteria will be reviewed. However, given the concept of a market for companies with high growth potential, it is important to incorporate growth indicators into listing criteria in the future, and we believe that this is something that should be considered.

And although it is outside the scope of discussion of this Council, the review of TOPIX is also an important topic, and the document discusses the regular replacement of constituent stocks and the treatment of stocks with a PBR below 1.

Overall, it is vitally important to match the concept with reality, and we believe that such discussions should proceed once a decision has been made on the handling of transitional measures.

There was also discussion that there might be a lack of institutional enforcement, but no matter how brilliant a system or mechanism may be, unless it is enforced, it may lead to formalization, tokenism, and misunderstandings.

Although this is a fundamental point for the exchanges and I think you should point out the practical perspective, we believe it is necessary to establish a suggestion box for companies that do not agree to engagements, and to provide some guidance after ascertaining the actual situation. We also need a system that does not produce such companies, including firm guidance to those

companies that continue to give brusque answers. Rather than intervening in a company's decision, we believe that discipline can be brought about by pointing out the obvious differences.

There is no doubt that recent governance reforms have created a corporate governance side, and I hope we can have a discussion on what functions are necessary for the exchanges to have engagement actually function to be firmly integrated into capitalism in Japan.

The METI is also in the process of holding a council meeting to consider new opportunities for economic and industrial policy. The issue of PBR below 1 is a major topic of discussion, and we believe that engagement is also an issue that should be taken up and we will continue to learn from you.

[Kikuchi, Director, Listing Department, TSE]

Thank you. With that, we will conclude today's discussion.

Finally, I would like to explain the schedule for the next meeting.

[Ikeda, Senior Manager, Listing Department, TSE]

Thank you very much for the lively discussion again today. We are hoping to summarize our discussions to date at the next and subsequent meetings.

That covers everything.

[Kikuchi, Director, Listing Department, TSE]

With that, I hereby declare today's meeting adjourned.

Thank you very much for your participation today. We look forward to talking to you all again at the next meeting.

End