**Study Group to Review Minority Shareholder Protection and other Framework of Quasi-Controlled Listed Companies: Second Phase**

**Minutes of the Fourth Meeting**

Date: Monday, August 21, 2023 12:00 – 13:40

Place: Tokyo Stock Exchange 15F Conference Room 2

Attendees: See member list

Absent: Mr. Ouchi, Mr. Goto, Mr. Takei

**Kikuchi, Director, Listing Department, TSE：**

We will now hold the fourth meeting of the second phase of the study group to review minority shareholder protection and other framework of quasi-controlled listed companies.

Thank you very much for taking time out of your busy schedules to attend today's meeting, despite the very hot weather and at noon.

Mr. Ouchi, Mr. Goto, and Mr. Takei are absent today. Observers from the Financial Services Agency and the Ministry of Justice are participating online.

First, we would like to explain today's agenda.

**Ikeda, Senior Manager, Listing Department, TSE:**

Thank you for your cooperation.

There are two main topics for discussion today. First, regarding the role of independent directors in listed companies with controlling shareholders. Based on the previous discussion, we have summarized the outline of the report. We would appreciate your opinion on this. Regarding the second issue, ensuring independent directors' independence from controlling shareholders, I think there would be various discussions. We would like to deepen the discussion by receiving opinions from various perspectives.

**Kikuchi, Director, Listing Department, TSE：**

TSE will now explain based on the material.

**Shirozu, Manager, Listing Department, TSE:** The Secretariat would like to provide an explanation of the information in Document 2.

First, on page 3, we reiterate our previous confirmation of how to proceed with the discussion on governance of listed companies with controlling shareholders. First, it states that we would like to proceed with discussions on how to deal with the use of independent directors to oversee the risk of conflicts of interest in listed companies with controlling shareholders.

Starting on page 4 is a discussion of the first major issue: the role of independent directors in listed companies with controlling shareholders.

As indicated on page 5 as items for discussion, based on this discussion, the Exchange would like to present the roles expected of independent directors from the perspective of protecting minority shareholders. We have included a summary of their roles on the next page and beyond and would like to receive your feedback on this.

The figure at the bottom of page 5 shows the overall picture of the summary. First, the basic approach to protecting minority shareholders is presented, followed by the roles of independent directors derived from this approach. The situation in which the role will be fulfilled is primarily the board of directors and, in some cases, we also envision the special committee as a way to enhance its functions. Then, as targets of monitoring and involvement, transactions and actions that may create conflicts of interest and the nomination of independent directors are envisaged, and how they should monitor and be involved in these issues, respectively, is to be summarized. Finally, we will also indicate the actions that companies will need to take to support the actions of these independent directors.

The summarized contents of those are described beginning on page 6.

Page 6, titled Basic Approach to Minority Shareholder Protection, indicates the reasons for protecting minority shareholder interests: Minority shareholders are so-called general shareholders, and the interests of minority shareholders are usually aligned with the interests of the company because they have no interests other than those as shareholders. Therefore, it is important for listed companies to appropriately protect the interests of minority shareholders in corporate management in order to continuously enhance their corporate value.

On page 7, we show the key points for protecting minority shareholder interests. Both the controlling shareholder and the minority shareholder are in a position in which they both benefit from an increase in corporate value, and their interests are aligned in this respect. On the other hand, however, it is possible that a controlling shareholder exercises its influence over the company for its own benefit, to the detriment of minority shareholders and to the benefit of the controlling shareholder alone. Therefore, it is stated that monitoring the risk of such conflicts of interest is essential for the protection of minority shareholders.

The term "controlling shareholder" is used throughout this document. However, we would like to add that the contents we are summarizing this time are also applicable to the case where a listed company has a shareholder with substantial controlling power, the so-called "quasi- controlling shareholder," although it does not fall under the TSE's definition of controlling shareholder.

On page 8, you see the general remarks on the role of independent directors. It is stated that independent directors, as directors, are entrusted by shareholders under the Companies Act

and have roles and responsibilities to contribute to the enhancement of corporate value of the company, and at listed companies with controlling shareholders, their roles and responsibilities to appropriately protect the interests of minority shareholders are to be defined as part of the directors' roles and responsibilities.

On page 9 is activities of the board of directors. The primary setting in which an independent director plays such a role is the board of directors, and the independent director should check for conflicts of interest in the execution of business operations as part of his/her daily monitoring. It also states that when the board of directors deliberates or makes a decision on a specific transaction or action that poses a risk of conflict of interest, the independent director must particularly consider the transaction or action from the perspective of whether the interests of minority shareholders are being served in the transaction or action.

On page 10 is activities on the special committee. It is stated that in cases where a special committee is established as a mechanism to supplement the monitoring of conflicts of interest by the board of directors, the independent director, as a member of the special committee, is required to consider whether the interests of minority shareholders are being served. It is noted that although such special committees are not established as a matter of course under the Companies Act and are not granted powers and responsibilities under the Companies Act, they may be utilized when the ratio of independent directors who are independent of the controlling shareholder on the board of directors is not high or when particularly careful consideration is required regarding conflicts of interest.

Starting on page 11, we provide a summary of specific actions and how they should be monitored.

On page 11, at the beginning, it states that in monitoring "transactions and actions that have potential for conflicts of interest," independent directors are required to examine each transaction or action from the perspective of whether it is in the interest of minority shareholders. Having said that, it is not realistic for an independent director to directly monitor all transactions and actions, and therefore, the concept that the independent director is required to appropriately exercise monitoring depending on the materiality of the transaction or action is stated.

Based on this, on pages 11 through 13, you see the outline by category of transaction/action. For each of the following types of transactions: (1) direct transactions, (2) business transfers or adjustments, (3) conversion into a wholly owned subsidiary by a controlling shareholders, and (4) other (instructions on business and management, etc.), the document describes the origins of conflicts of interest and focuses of monitoring including factors to be considered in determining whether transactions are in the interests of minority shareholders and possible factors to be considered in determining materiality.

For example, (1) direct transactions, could be transactions that could also occur with third parties or intra-group transactions specific to the group. Depending on the nature of the transaction, the company may consider whether it is in the interests of minority shareholders by comparing the terms of the transaction with those of a third-party transaction and considering the benefits that the company will derive from the profits that will accrue to the controlling shareholder group as a result of the transaction.

The top of page 14 discusses involvement in nomination of candidates for independent director. It is stated that in order to ensure independent directors' independence from

controlling shareholders, independent directors are expected to be involved in the nomination of such candidates.

The bottom of page 14 is about involvement in procedures under listing rules. The Code of Corporate Conduct of the Securities Listing Regulations states that if it is mandatory to obtain an opinion that the transaction will not undermine the interests of minority shareholders, independent directors are expected to express their opinions in relation to such procedures, in addition to their involvement in internal deliberations and other activities.

Page 15 indicates that in order for such roles of independent directors to be fully realized, it is also important for the company to provide support in terms of the governance structure and its operation, as well as information disclosure.

Those slides summarizes the role of independent directors in listed companies with controlling shareholders.

Then, starting on page 16 is the second major point of discussion: ensuring the independence of independent directors from controlling shareholders.

The background to the discussion is summarized at the beginning of page 17. It is assumed that controlling shareholders can exercise their voting rights on the appointment and dismissal of directors, including independent directors, as a way to discipline the company in order to enhance corporate value. On the other hand, for independent directors to fulfill their role in protecting minority shareholders, it is important that their independence from controlling shareholders is ensured.

In the past discussions on how to ensure independence from controlling shareholders under such circumstances, we have received opinions on the approach of utilizing the results of exercise of voting rights by minority shareholders, specifically, the MoM (Majority of Minority) as a requirement for nominating independent directors under the listing rules, and measures such as disclosure of the ratio of approval or disapproval of minority shareholders in the appointment of independent directors. In this meeting, we would like to receive opinions on these issues from various perspectives, particularly from the viewpoints of necessity, effectiveness, and impact on the voting rights of the controlling shareholder.

The word MoM here is not intended to be a mechanism in which a majority of minority shareholders approve the appointment of a director under the Companies Act, but only a mechanism to decide whether to accept or reject nomination of an independent director under the listing system.

Members also suggested that a possible measure to ensure the independence of independent directors would be to utilize a nomination committee. In this regard, first of all, as a discussion on the basic concept, we would like to receive your opinions on what role the nomination committee is considered to have when a listed company with a controlling shareholder has a nomination committee, especially from the viewpoint of nominating independent directors.

Page 18 discusses the approach of using the voting results of minority shareholders. We have summarized the opinions submitted regarding mainly the MoM in the nomination of independent directors, in terms of necessity, effectiveness, and impact on the voting rights of controlling shareholders.

Page 19 contains, for your reference, the disclosure of the results of the resolution on the election of directors in the Extraordinary Report.

Page 20 tabulates the actual status of nomination committees in listed companies with controlling shareholders. Nomination committees are essentially a mechanism to mitigate conflicts of interest between management and shareholders in listed companies where voting rights are dispersed. On the other hand, even in cases where there is a controlling shareholder and voting rights are concentrated, for example, if the controlling shareholder is the listed parent company, the rate of establishment is around the same as for ordinary listed companies.

See page 21. Among the companies that have established a nomination committee, even in very small numbers, some companies have disclosed that they have positioned their nomination committee as a "policy and measure to ensure independence from the parent company," and examples of such disclosures are shown below.

Page 22 contains the feedback we have received to date regarding the nomination committee.

On page 23, for your reference, we have summarized the role of the nomination committee in the appointment of the management of a listed subsidiary, which was summarized in METI's Group Guidelines.

On page 24, we summarized the overall regulatory framework for conflicts of interest in the US, UK, and Japanese markets.

That concludes the explanation from the Secretariat.

**Kikuchi, Director, Listing Department, TSE：**

Now, we would like to get some input from you, members. Today, we have two major issues to discuss, so we would like to divide our discussion into the first half and the second half. The first half discusses the issue of the role of independent directors in listed companies with controlling shareholders. As indicated on page five under items for discussion, we would like to receive your comments on the items listed on page six and thereafter.

If you would like to speak, please raise your hand and I will nominate you. If you are participating online, please say your name at the beginning and then please speak up.

We have received a written opinion from Mr. Ouchi, who is not present today, and I would like to begin by introducing his opinion.

**Shirozu, Manager, Listing Department, TSE:**

First of all, I would like to share with you some comments received from Mr. Ouchi regarding the role of independent directors in listed companies with controlling shareholders.

1. Role of independent directors in listed companies with controlling shareholders

On page 6 of the document, it states that "in listed companies with controlling shareholders (parent companies or non-corporate controlling shareholders)," "since minority shareholders have no stake in a company other than that of a shareholder the interests of minority shareholders are usually aligned with those of the company." The intent seems to be that the only interest of minority shareholders is the economic interest of the company unless there are special circumstances, which is consistent with the common interest of shareholders. While not erroneous in this regard, the situation is different from "usual" in cases, i.e., when investors (e.g., greenmailers) who cause the abandonment of corporate value are among the minority shareholders (in extreme cases, when they constitute a majority of the minority shareholders). Although the above expression itself is not incorrect, I believe that it is not appropriate to ignore cases that are not "usual" and consider the company's organizational structure, etc. based on the idea that minority shareholders' interests = only economic interests = common interests of shareholders.

That's all for the opinion of Mr. Ouchi.

**Kikuchi, Director, Listing Department, TSE：**

Now, we would like to hear from our members.

**Kikuchi, member:**

First, I would like to offer my opinion on some assumptions regarding the role of independent directors.

While I thought the information you summarized in the material was easy to understand, I also felt that it was too biased toward emergency situations. Even on a normal phase, there are things that should be monitored by the outside directors of both the parent and subsidiary companies. So, I think it would be easier to understand if the content that the role in normal times is also important is added.

Specifically, to begin with, from the parent company's point of view, there is the problem of outflow of profits and the internal administrative costs involved in listing a subsidiary. From the subsidiary's point of view, there are issues such as whether useful opportunities are being missed because the group's management policies are given from above. Even in day-to-day situations where no major problems seem to occur, I think it is important to consider such advantages and disadvantages as monitoring targets, although it is not necessarily an issue that should be checked on a daily basis.

The next question is what to think about in emergency situations. This relates to the themes in the second theme. You have introduced a case study of the Mitsubishi Chemical Group Corporation, and I think it is easy to understand to start with a summary like this case study. It means that the parent company declares that it "respects the independence and autonomy of its subsidiaries." If a contingency occurs, it is expected that the various processes will be transparent, including whether the occurrence of a contingency is reasonable, since such a declaration has been made. Therefore, in terms of transparency of the process, I think it would be a useful disclosure to include a summary as a prerequisite as in the example.

While it is basically better that contingencies do not happen, some cases seem to be neutral about what happens, such as conversion into a wholly owned subsidiary. In such cases, it would be sufficient if the reasons for making the company a subsidiary, pricing and other factors are reasonably explained, but recently various issues have been raised regarding the reasonableness of the price. The case of the parent company's declaration is a helpful example in that the disclosure is a major premise that could lead to an explanation of the reasonableness of the price.

**Kuronuma, member:**

The basic concept of protecting minority shareholders has been well summarized, and I fully agree with it.

I also agree with your stance on including the 4th bullet on page 7, which says that the so-called quasi-controlling shareholder has the same problem.

As noted on page 8, independent directors were originally established to ensure the independence of the board of directors from management. However, in the case of a quasi-controlled listed company, management control is usually unlikely to occur in the subsidiary because the parent company's governance is in effect. In this respect, in a sense, the role of independent directors has been relaxed, but instead, it is extremely important to ensure their independence from the parent company. Also, even in quasi-controlled listed companies, the relationship between management and shareholders can be an issue, so it remains important to ensure oversight of management. Therefore, I think it is important to emphasize that the roles and responsibilities assumed by independent directors are expanding and their responsibilities are significant, especially in quasi-controlled listed companies.

I think it is important, the issues regarding transactions and actions that may create conflicts of interest, which you summarized. Of course, it is impossible for an independent director to oversee everything, so the response would be based on materiality. I believe that the independent directors are expected to fulfill their role on the board of directors in all situations except for contingencies where specific conduct is in question. However, they will also need to keep an eye out for actions that do not come up to the board of directors. Therefore, I think it would be a good idea to write about the relationship with the deliberations of the board of directors. I mean that even actions that do not come up to the board of directors may need to be monitored. For example, I believe that direct transactions generally come up on board agendas, but that blanket approval is given for transactions that are repetitive and ongoing, and if the approval is for something that happens every year, then it is often treated lightly. However, it is important to review such transactions every few years, and I believe that independent directors can play a significant role in this process. This is another point that should be kept in mind.

**Kanda, member:**

It is difficult to determine at what level of abstraction I should offer my opinion, but I think the material is well done.

The basic policy for protecting minority shareholders is described on page 6. Since the quasi-controlled listed company is the subject of the discussion, the minority shareholders here are "general shareholders" from the perspective of the Exchange. Therefore, I believe that the Exchange is also interested in minority shareholders and expects independent directors to take the necessary actions.

There are two ways in which independent directors can be involved, as described on page 14. The first is involvement in the nomination process. The second is the involvement required by the current Code of Corporate Conduct in the event that it becomes necessary to ensure the fairness of transactions, including intra-group transactions, in normal times, or what some might position as a contingency, described in the words of the material as involvement in the procedures under the listing rules. I think we can discuss whether we can take this a little further; for example, with regard to the second point, are there other cases where they should be involved? Regarding the first point, involvement in the nomination process, that will be on the agenda for later today.

I would like to make a few points about the concept, albeit in an abstract way.

Regarding the first point, the question is whether it is an independent director or a special committee, or to change the wording, whether it is a board of directors or a special committee. Japan’s Corporate Governance Code takes the view that the necessity of establishing a special committee depends on the percentage of independent directors on the board of directors. Therefore, I think we are summarizing that when there are fewer independent directors, there are correspondingly more opportunities for special committees to come into play.

I think the issue to consider is whether it is possible for TSE to take this further, or to add some rules, such as a corporate code of conduct, based on this. There are several important perspectives to consider in this process. First, it goes without saying, and is duly noted in this document, that the "independence" of today's theme is not independence from management, but independence from the controlling shareholder. We should not confuse this, I believe.

Second, the special committee is not a body under the Companies Act, so it is established on a voluntary basis in relation to the Companies Act. On the other hand, the board of directors, needless to say, is an organization under the Companies Act. Therefore, I think essentially it would be better to discuss this at a board meeting. Based on this, my second point is whether there is anything that needs to be further sorted out regarding the positioning of the special committee.

The third point is a difficult one to discuss. If the company is a quasi-controlled listed company under group management including controlling shareholders, there will be intra-group transactions and group management. The situations in which independent directors should play a role in protecting the interests of minority shareholders, such as conflicts of interest, include not only situations in which corporate value increases or decreases, but also situations in which the transfer of profits between controlling shareholders and minority shareholders is an issue. In other words, situations in which the size of the pie remains the same but the interests of minority shareholders are harmed and those of controlling shareholders are benefited. I believe that they will be required to play a role in checking this. The current Code of Corporate Conduct covers "material transactions" "involving the controlling shareholder" according to the wording on page 14, but I think there is room to

consider whether that is enough to cover the issue, or whether there are other types of transactions that are not covered.

The fourth point, which seems not to have been discussed so far, is that if the controlling shareholder is the parent company, there would be an independent outside director there as well. I think the independent directors of quasi-controlled listed companies should have more dialogue with the independent directors of their controlling shareholders and others. We have not discussed this through the discussion of the Corporate Governance Code as well. I think it is very important to exchange opinions on group management policies on a regular basis, rather than suddenly forming a special committee to deal with any problems. The company should ensure that there are opportunities for dialogue on a regular basis with outside officers who are not in charge of business execution, such as independent outside directors of controlling shareholders or outside directors in the case of companies without independent directors, and, although the actual situation may differ by group, if dialogue is taking place, for example, you could request disclosure of the status of such dialogue.

**Kansaku, member:**

I would like to comment on two points. Overall, the material is well summarized and I agree with the basic concept.

First, I would like to talk about the special committee on page 10. As Mr. Kanda mentioned, I understand that the Corporate Governance Code requires that a sufficient number of independent directors be appointed when there is a controlling or quasi- controlling shareholder. Under such circumstances, it is undesirable to put too much emphasis on the special committee system, and it would be better to link it to the description on page 14 and rather give the message that even if a special committee has to be established, the independent director will be the core of the operation of the special committee, for example, as the chair of the special committee.

The second point concerns page 14. I appreciate your description of the involvement in the nomination of candidates for independent director. However, when I last spoke on this point, I also stressed the importance of independence from management. As to why, I may be wrong in my image of the practice, but I imagine that controlling shareholders do not often directly approach management, outside directors and others. After all, the controlling shareholder will work through the managers who are backed up by him or her, whether it is to make personnel appointments or to formulate and execute management strategies. Since the executive department of a quasi-controlled company, which is backed up by the controlling shareholder, reflects the will of the controlling shareholder, independence from the controlling shareholder is of course important, but I think it is very important to be independent of management that reflects the will of the controlling shareholder. In that sense, I think the first bullet on page 14 is a point that cannot be dropped; it is important to ensure the independence of the independent directors from current management and controlling shareholders.

**Sampei, member:**

I would like to comment on six points regarding the first half of the discussion.

First, I will discuss the plan for governance discussions on page 3. While it would be before or after the first bullet, I think that the following sentence, which was added to Notes to General Principle 4 of Section 4, Responsibilities of the Board in the 2021 revision of the Corporate Governance Code, should be included: "Controlling shareholders should respect the common interests of the company and its shareholders and should not treat minority shareholders unfairly." With this as a basic premise, the discussion turns to what kind of governance structure should be in place at the quasi-controlled companies in a way that strikes a balance. In particular, since this is the Notes of the General Principle, it also applies to listed companies in the Growth Market. Therefore, I think it is a good idea to raise it first and then move the discussion forward.

This is an extremely important issue from a foreign perspective and, to use a strong word, concerns the issue of abuse of capital majority rule. Principle 9 of ICGN Global Governance Principles, Shareholder rights, emphasizes this point. Principle 9 states that the minority shareholder's voting rights are directly linked to the minority shareholder's economic stake and that the minority shareholder’s right to vote on significant corporate decisions or transactional actions that affect the minority shareholder's economic interest must be ensured. Principle 9 includes a detailed guidance entitled 9.7 Equality and redress, which states that minority shareholders should be protected from transactions and actions that create a clear conflict of interest with management or controlling shareholders and should have effective means of redress and that the board is encouraged to ensure adequate shareholder protection measures in the company’s bylaws. I think that an effective means of redress here is almost intended to be MoM. Thus, it makes it clear that opinions should be respected in proportion to their economic stake. This is a point that we would like to keep in mind when summarizing this issue, as I sometimes hear about the lack of trust from abroad toward Japan in this regard.

Second, the figure on page 5 focuses on quasi-controlled listed companies. However, in light of what I have just said, I think that if you extend the box at the top, "Basic approach to minority shareholder protection," to the right, and then hang a box at the far right, "Actions expected from controlling shareholders," with an arrow extended and the content described at the Note to explain that, the overall picture will become clearer. In that case, the phrase "companies" in "Actions expected from companies" is ambiguous, so I think it would be better to say "Actions expected from the board of directors." I imagine that there will be "actions expected from the board of directors" and within that, what the "roles of independent directors" is will be further specified.

The third point is about page 8. If we think of those general remarks as a simple three-step process, it would essentially mean that the board of directors should first fulfill its responsibility to protect minority shareholders, rather than having an independent director appear out of the blue. However, I believe that the importance of the role of the independent director in protecting minority shareholders will increase at the stage where important decisions or transactional acts that would clearly create a conflict of interest occur, the so-called contingency, against directors who are related parties that support the logic of the controlling shareholder. This is where individual independent directors must fulfill their function. However, if we think about making it more effective, I believe that a special committee would be one way to develop a group of independent directors who can respond as a group while demonstrating their diverse individual skill sets.

The fourth point is about the special committee on page 10. Taking the Governance Code as a starting point, Supplemental Principle 4.8.3 of the Governance Code states that a special committee may be an option depending on the composition of the board of directors. However, it was the Fair M&A Guidelines formulated by the Ministry of Economy, Trade and Industry that carefully discussed the use and membership of the special committee. The Fair M&A Guidelines do not necessarily assume the concept of Supplemental Principle 4.8.3 and do not use the ratio of independent directors as a starting point. There is a difference of opinion on this, so I think it is better to take a broader view than the premise of the Code.

The first bullet point on page 10, "the members of this committee are expected to be independent directors," is mildly worded compared to the Fair M&A Guidelines, with a fairly different implication. I feel that this expression is weak as far as describing the composition of the special committee once it is established. The Fair M&A Guidelines clearly state the priorities of constituent members. Outside directors are considered to be the most qualified, outside corporate auditors are positioned as a complement to outside directors, and it is not excluded that outside experts may serve on the committee in addition to the outside directors and outside corporate auditors. Thus, the emphasis of the ideas about the member is quite different. Therefore, in terms of clarifying the order of priority of the constituent members, I think the wording "the members of this committee are expected to be independent directors" is too weak.

The fifth point is about the bottom of page 10. The special committee is described as being "established according to the circumstances of each company." The phrase "according to the circumstances of each company" is based on Supplemental Principle 4.8.3 of the Governance Code, which would imply that the ratio of independent directors is not high. However, since independence is not the only significance of establishing a special committee, I think it would be better to modify such current writing. Moreover, I think it is not just about conflict-of-interest monitoring. The description of the first and second arrows on the bottom of page 10 does not seem to be consistent with the second and third bullet in "Involvement in procedures under listing rules" on page 14. By "not only monitoring independence and conflicts of interest," I mean that, based on the Fair M&A Guidelines, their role is to review and determine the appropriateness of the terms of the transaction and the fairness of the procedures.

The sixth point is about information disclosure on page 15. There are cases where a special committee is to be established in the event of a contingency, but the description on corporate governance report is sometimes very vague. If it only states that a special committee will be established when necessary without clearly disclosing the terms and conditions of its members, I am not sure if it is compliant with Supplementary Principle 4.8.3, and even if it is explaining. Some institutional investors respond by opposing the proposal to appoint a representative director if it is unclear about the establishment of a special committee. So, I think you need to be clear about how they need to disclose information about the special committee to get the message across.

**Kato, member:**

I am sure there is some overlap with the opinions of other members, but I would like to comment on three points.

The first point is on page 6 regarding the basic approach to minority shareholder protection. I have no objection to its content. However, from the perspective of clarifying the reason why the Exchange presents such idea, I think it would be better to emphasize more on points such as fostering confidence in the fairness of the capital market, so that market participants and listed companies will understand why TSE needs to make such an arrangement.

Second, I would like to address Mr. Kuronuma's comment regarding consideration of matters that are not brought before the board of directors. I think this is a very important point to make. Of course, it is impossible for an independent director to check every single matter that is not brought before the board. Therefore, I think it is necessary to have a system in which independent directors can be involved in the formulation of a kind of framework so that a system can be put in place to ensure that what needs to be put on the agenda is appropriately put on the agenda.

From this perspective, actions expected from companies, as described on page 15, are important. Here, as Mr. Sampei stated, it would be desirable to clarify that this is something that the board of directors, rather than the company, must do. I believe that the board of directors also decides on policies regarding agenda items, and independent directors also participate in the board meetings. In this context, I think it is very important for the board of directors to respect the opinions of independent directors, i.e., what kind of support they want, as they play an important role in protecting the interests of minority shareholders.

Third, I think it is appropriate that the current summary takes a neutral position on the institutional design of listed companies. However, depending on the institutional design, a single outside director may not have much authority. For example, I don't think individual directors on the board of directors of a company with a board of company auditors have much authority. Therefore, when companies actually implement the contents described on page 15, it will be necessary for individual companies to voluntarily develop, under the leadership of their boards of directors, a mechanism that would appropriately add to the authority of independent directors, based on what authority they have under the Companies Act in the design of their individual company's organization.

**Kikuchi, Director, Listing Department, TSE:**

Thank you very much.

We would like to move on to the second half of the discussion. In the latter half of the discussion, we would like to receive your comments on the items for discussion regarding the issue of ensuring independence of independent directors from controlling shareholders on page 17.

Mr. Ouchi has given us his opinion on this matter as well, and I would like to share it with you.

**Shirozu, Manager, Listing Department, TSE:**

I would like to share with you the opinion we have received from Mr. Ouchi regarding ensuring independence of independent directors from controlling shareholders.

2. Ensuring independence of independent directors from controlling shareholders

I oppose, for the following reasons, the requirement of a MoM resolution by minority shareholders when a listed company with a controlling shareholder notifies the TSE that it has an independent director.

(1) The TSE's independent director system adopts the concept of determining the independence of directors by focusing on objective attributes. Nonetheless, if the requirement for an independent director of a listed company with a controlling shareholder also includes a procedural requirement for a MoM resolution by minority shareholders, there will be confusion as to what attributes and election procedures should be used as criteria for independence, and it will effectively create a double standard for the criteria for independence.

(2) If there is a shareholder who holds more than a certain percentage of voting rights among minority shareholders, it is difficult to say that it contributes to the protection of the interests of general shareholders because the success or failure of a proposal is virtually determined at the sole discretion of that shareholder. (As noted in 1. above, if the case is not "usual," i.e., a shareholder who seeks to undermine the corporate value controls a majority of their voting rights of a group of minority shareholders, this would give that malicious shareholder a serious weapon.) To the extent that independent directors should be certified on their attributes, the appointment procedure should not be included as a requirement.

(3) If the ratio of shares held by controlling shareholders is high and the ratio of voting rights exercised by minority shareholders is low, the success or failure of a proposal will be decided only by a very small number of shareholders, which is a significant deviation from the principle of capital majority voting.

(4) With the shortage of independent directors becoming a major issue, if a MoM resolution by minority shareholders is required, there is a sufficient risk that some candidates will hesitate to accept the position due to the risk of being rejected by the MoM resolution, and this may place an excessive burden on companies to secure candidates for directors.

That is all for opinions from Mr. Ouchi.

**Kikuchi, Director, Listing Department, TSE:**

Now, we would like to receive feedback from our members.

**Kanda, member:**

There are two major points.

Regarding the first point, ensuring the independence of independent directors, specifically in the words of the material, the current system of independent directors/auditors should be developed with today's theme in mind.

What Mr. Kansaku said earlier is absolutely correct, and the independence from the controlling shareholder means independence from the controlling shareholder and independence from management. The reason is that the controlling shareholder usually chooses the management. That is what was written during the discussion at a session of the Legislative Council of the Ministry of Justice. Although the material emphasizes independence from the controlling shareholder, independence from the controlling shareholder and independence from management are required.

Then, looking at the current independent directors/auditors system from the perspective of independence from controlling shareholders, the outside requirements under the Companies Act take into account the absence of a relationship with the parent company in part with regard to employment and family relationships, but not with the "quasi-"controlling company. Therefore, in terms of the theme of this study group, the issue will be whether to take into account the quasi-controlling company in addition to the parent company.

Business and economic interests are not considered in the outside requirements of the Companies Act in the first place, thus are addressed in the current independent directors/auditors system of the stock exchanges, whereas it does not take into account relationships with controlling or quasi-controlling shareholders. Therefore, I think that the inclusion of relationships with quasi- controlling shareholders in the scope should be considered.

The second point, which is detailed in the material, is the involvement in the nomination process. I would first like to express my opinion that they could make a little more progress in disclosing information.

First, as Mr. Kansaku mentioned earlier, I believe that in a situation where a group management is being conducted, the parent company can dispatch directors, i.e., nominate candidates. This is an issue that has been raised by the Disclosure Working Group of the Financial System Council in the context of disclosure of material contracts, so we will also need to see the outcome of that issue. There are a variety of situations where there are dispatch agreements, recommendations, and de facto practices, and there are also a variety of formal differences, such as the fact that the quasi-controlled listed company may not be a party to the contract or agreement. In any case, I am wondering if it would be possible to take action to increase transparency in the area of the controlling shareholder's involvement (recommendation, dispatch, etc.) in the nomination process.

Second, the percentage of approval or disapproval of minority shareholders is almost guessable if the percentage of controlling shareholders is known, since the results of the resolution are disclosed in the Extraordinary Report. I think there is room for some more work on this disclosure. There may be an issue for the Extraordinary Report as well. In addition, although it is a matter of detail, even though the voting results for the day are so small that they may not be relevant, they could be disclosed in some form, even after the fact, on the assumption that it would not be burdensome for the company.

Third, I would like to discuss the nomination committee. Even today, indeed, information such as the membership of the nomination committee, the number of times it meets, and the rate of attendance is disclosed. However, there is no disclosure as to what was discussed. Of course, I don't think they can disclose the specifics. However, the discussions, for example, what kind of discussions took place and what conclusions were reached, are also almost completely undisclosed at present. This may also be more of an issue of disclosure in Annual

Securities Report, under the jurisdiction of the Disclosure Working Group. However, I think there are things that TSE can do to address this issue.

Fourth, among companies with controlling shareholders, there are companies that are managed as a group and companies that are managed independently. I think that the disclosure of information on group management policies and policies for managing subsidiaries within the group, and the position and role of the relevant quasi-controlled companies within that group, should be taken a little further from the disclosure that is currently being made.

Finally, I have one question common to the first and second halves. There are examination standards at the time of listing for quasi-controlled listed companies, but are these basically maintained in the post-listing compliance standards? If the standards are more at the time of listing examination, I would like you to check if there are excesses or deficiencies in the listing compliance standards.

**Shirozu, Manager, Listing Department, TSE:**

I would like to answer your last question regarding the relationship between the details of the examination at the time of initial listing and the post-listing regulations.

At the time of initial listing, one of the requirements of the Guidelines Concerning Listing Examination, etc. is that the management activities of the newly listed company's corporate group must be independent of its parent company, etc. (parent company or other associated company). Specifically, there are three central elements. First, the applicant company is not in a situation where it is recognized as a de facto business unit of the parent company; second, the corporate group of the parent company does not force or induce the transactions that are disadvantageous to the corporate group of the newly listed company; and third, the corporate group of the newly listed company is not overly dependent on the parent company, etc. to accept seconded staff, and the acceptance of seconded staff is not an obstacle to ongoing management activities. These three points are the focus of the independence review.

The first point, the applicant must not be in a situation where it is recognized as a de facto business unit of the parent company, is a broad range of factors to be considered. Specifically, the judgment is based on the relevance of the business content of the corporate group of the newly listed company to the business content of the corporate group of the parent company, etc., the status of business coordination from the corporate group of the parent company, etc., and the possibility of such coordination. In addition, individual factors such as the status of concurrent directors, sales to the parent company, etc., and real estate lease transactions, etc., from the parent company, etc., are also considered in determining whether the company is not in a situation where it is recognized as a business unit of the parent company.

As for post-listing regulations corresponding to the first element of not being recognized as a business unit of the parent company at the time of initial listing, when a parent company, etc. appears after listing, there are no regulations in terms of substance to check the status of business coordination or concurrent directorships with the parent company, etc., and the disclosure regulations are used to address these issues. As we have recently been addressing from the perspective of enhancing disclosure, disclosure of the status of business

coordination and concurrent directorships with parent companies, etc. is required in corporate governance reports and disclosure of matters concerning controlling shareholders.

The second point, the parent company or other corporate group does not force or induce transactions that would be disadvantageous to the corporate group of the newly listed company, is addressed in the post-listing management by the regulation that, in the case of a significant transaction with a controlling shareholder, the company must obtain an opinion from a non-interested party that the transaction is not disadvantageous to the minority shareholders.

Regarding the third point, the acceptance of seconded staff by the corporate group of the newly listed company must not be overly dependent on the parent company, etc., and must not be an obstacle to ongoing management activities, we do not examine or check the status of the parent company, etc., if they appear after the listing. The response is to require disclosure of independence based on those circumstances in the disclosure regulations.

These are the details of the examination at the time of initial listing and the corresponding relationship with the regulations after listing. Basically, at the time of initial listing, it is the timing to examine independence, whereas after listing, it is addressed in the procedural and disclosure regulations.

**Kikuchi, member:**

I would like to offer some opinions. Some of the comment overlaps with Mr. Kanda's opinion.

First, regarding the independence requirement, I think there is an issue with the TSE's independence criteria, which overlaps with my past opinions. In particular, since the major shareholder is not within the scope of the denial of independence, I think this point needs to be reconsidered.

We also need to consider the case of an economic relationship, as pointed out by Mr. Kanda, and there is also the factor of the existence of a material contract, which was clarified through this study group. In light of these factors, I think it is necessary to restructure how we treat the "independence stamp" that indicates the independence of outside directors.

In relation to "1. in the measures suggested in previous discussions" on page 17, if the listing system were to adopt a rule that a director cannot be designated as an independent director, whether or not this would be effective would depend on the impact of whether or not the director has the "independent stamp" of the TSE. Practically speaking, there are several institutional investors whose basic policy is to determine approval or disapproval at shareholder meetings based on whether or not an "independent stamp" is affixed. In light of this situation, the impact of whether or not an "independent stamp" is affixed is not small. Therefore, I think the first thing to do is to restructure the independence criteria.

I mentioned measure 1. on page 17, but I believe that measure 2. should be promoted first. However, disclosure of ratios alone would not be effective. Corporate Governance Code Supplemental Principle 1.1.1 states that "when the board recognizes that a considerable number of votes have been cast against a proposal by the company and the proposal was approved, it should analyze the reasons behind opposing votes and why many shareholders

opposed, and should consider the need for shareholder dialogue and other measures." However, I believe that it is necessary not only to analyze, but also to bring the analysis to the point of disclosure. Individual one-on-one conversations may discuss the analysis and what the company thinks about it. This is a major dialogue topic, especially if investors vote against it. At that time, although I often hear the company explain as a result of their analysis, "we believe that the reason for the high level of opposition is due to this reason," the results of that analysis and the company's thinking are rarely publicly available. I think it is necessary for a company to communicate its opinion on the results of the analysis. Not only cases where there is a significant number of objections to the company's proposal, but also cases where a certain number of votes are in favor of the shareholder's proposal shall be included in the analysis. Although it is difficult to determine the level of a significant number or a certain number, it is necessary to consider the disclosure of the results of the analysis.

As for the MoM, I don't think the investor side is unconditionally and unanimously in favor of it in all cases. As Mr. Ouchi noted in his opinion letter, the distribution of minority shareholders varies. I basically agree with that if the minority shareholders are very well diversified, but I think we need to consider the conditions under which the MoM should be used in what cases.

Finally, regarding the nomination committee, I think it is very important that you provide clarity to the parent company as well as the subsidiaries regarding how the nomination committee is working.

**Sampei, member:**

On page 17, the items for discussion are summarized as measures 1. and 2. We have discussed this in the past, but by summarizing it in this specific way, I think the issues have been clarified once again.

On top of that, I believe that the use of the term MoM could be quite misleading. As I mentioned at the beginning, Principle 9 of the ICGN includes a call for a real MoM. If we were to discuss MoM in Japan, they would be very pleased. Thus, even this material can be misunderstood. This point must be carefully considered. I think it would be better to revise the wording here because it includes something in the MoM that does not have the effect of a resolution. This was a point about the use of language.

About measure 1. This is almost the same as Mr. Kikuchi's statement. Considering the various combinations of what cases is possible, i.e., what the controlling shareholders are for or against and what the majority of minority shareholders think, such a measure ultimately makes some sense if the controlling shareholders are for and the majority of the general shareholders are against.

However, looking at this step, the fact that the majority of the general shareholders are against means that they believe that the targeted independent directors are not independent. Then, when the voting results are actually tabulated, they find out this situation. In response, the TSE will cancel the independent director notification even if it has been submitted. This would then be a form of falling behind. When the reappointment is proposed by the company one year later, the general shareholders oppose it again, but since they are few in number, the reappointment proposal is still approved. This reveals it ineffective and raises the

question of what the intent of the measure is. You might expect the company to think it will withdraw because of poor appearances, but I wonder if that would be effective.

Item 2. is to disclose the percentage of approval or disapproval of minority shareholders, which at first glance looks similar to item 1., but there seems to be a contradiction in the explanation in the material. I think the intention is to evaluate the effectiveness of the governance system in normal times and the involvement of independent directors in emergency situations based on the ratio of approval or disapproval of the resolution for their appointment at the general meeting. However, what is actually necessary is to exercise voting rights after evaluating whether the governance system is effective and whether the independent directors are fulfilling their functions, both in normal times and contingencies. Therefore, I feel that it is meaningless to evaluate it as not very effective based on the percentage of approval or disapproval after taking the resolution.

However, it is meaningful to analyze the ratio of approval to disapproval. Rather, I think the board should be obligated to explain promptly after the general meeting how it will consider and deal with a minority shareholders against vote (an expression of significant concern), and they should actually be required to explain it. In doing so, especially if there is a voluntary nomination committee, the voluntary nomination committee would have the role of analyzing and interpreting the against votes of minority shareholders and recommending to the board how they should be considered and dealt with. And having them disclose how they responded to it would be one important point involved in the evaluation of whether or not they are performing their functions. Although it will inevitably be an after-the-fact evaluation, I believe that information disclosure will reveal whether the functions are being properly exercised, i.e., whether the independent directors, the voluntary nomination committee, and the board of directors are each doing what they are supposed to be doing.

This may overlap with Mr. Kanda's earlier comment, but I will tell you what I thought when I saw the tally on page 20. Regarding the tendency of unlisted/non-corporate controlling shareholders not to have a nomination committee, it seems to me that perhaps one of the reasons for not having a nomination committee is that the controlling shareholder has the right to appoint the nominee, so it is pointless to have a nomination committee. If that is the case, then I think we should require disclosure of the controlling shareholder's authority to nominate and involvement in decisions, and we should require disclosure of the controlling shareholder's authority to make executive compensation decisions and involvement in those decisions.

Finally, the term "corporate value" is used in various places in this material. With regard to the Guidelines for Corporate Takeovers submitted for public comment by METI this summer, a number of foreign observers have voiced their doubts about the very vague definition of the term "corporate value" in Japan. Since there is no "corporate value" in the TSE's explanation of terms, I would very much like to see the definition of the term "corporate value" solidified. Otherwise, I feel that there will remain ambiguities in the explanations in these materials.

**Kuronuma, member:**

I would like to comment on two major points: the introduction of the MoM requirement and the use of the nomination committee, as referred to in this study group.

First, I agree with the MoM requirement because in a quasi-controlled listed company, it is important to have an independent director who can represent the interests of the general shareholders. The reason for this is that, as indicated by the opinion in the second arrow feather in <Necessity/effectiveness> in previous opinions on page 18, I believe that seeking MoM requirements is basically the same thing as seeking approval at a shareholder meeting in a company without a controlling shareholder. If so, this would not narrow the independent directors further in the appointment process after judging them on their attributes, nor would it create a double standard with companies that do not have a controlling shareholder.

In addition to this, I give several reasons to support the implementation of the MoM requirement. Even if we were to introduce it this time, it would not amend the Companies Act. It just means that the requirements for independent directors as stipulated by the TSE would not be met. So, I don't think it would mean rejecting the appointment proposal, nor would it be a significant departure from the principle of capital majority voting. In addition, some have expressed concern about securing candidates for the board of directors, but I would precisely like to ask them to find candidates who have the support of the minority shareholders. I would like to support the introduction of this, knowing very well that it will be somewhat burdensome.

Next, I would like to discuss the use of the nomination committee. It is not clear in some parts of this material what the purpose of the discussion of the role of the nomination committee is. In the first place, the nomination committee is a system designed to ensure the independence of the board of directors from management. The system is not designed to protect minority shareholders of quasi-controlled listed companies. So, basically, I don't think it is a replacement for MoM requirements.

One possible solution would be to strengthen the authority of the nomination committee with respect to quasi-controlled listed companies. For example, it would make sense if the quasi-controlled listed company must be a Company with Three committees, or if you would not certify a candidate as an independent director unless the candidate is chosen by the nomination committee, or even stronger, requiring the selection of a candidate by a nomination committee consisting solely of independent directors. I think that would make sense. However, these would be difficult to achieve in reality. In that sense, the nomination committee may not be a substitute for the MoM requirement.

In addition, a disadvantage of increasing the independence of the nomination committee by strengthening the authority of the nomination committee of a quasi-controlled listed company, as just mentioned, is that the nomination committee also decides on candidates for general directors, thereby reducing governance by the controlling shareholders to exercise their voting rights as shareholders. This point needs to be carefully considered.

**Kansaku, member:**

I also think the MoM approach is very logical based on the basic idea of having an independent director represent the interests of minority shareholders of a quasi-controlled listed company. Furthermore, I think a consistent approach would be to go one step further and state that as long as a person is proposed to the general shareholders meeting as an independent director, he or she would not even hold the position of director if the MoM requirements are not met.

Here, I have a question for you. Is the reason proposal 1. does not go that far is because proposal 1. is based on the assumption that it is not possible to go that far under the current Companies Act, or because it is based on the judgment that it is not appropriate to go that far even if it is possible under the Companies Act, for example, by stipulating such a provision in the Articles of Incorporation? If it is not necessary to go so far as to amend the Companies Act, I thought that 1. could be further divided into two patterns, one in which the directorship would remain and the other in which the directorship would not be acquired.

Regarding 2., I am in favor of enhanced disclosure, including disclosure of the percentage of approval or disapproval and, as pointed out earlier, the subsequent analysis and the results of that analysis.

Also, as Mr. Kanda pointed out, I would like to see further consideration of so-called material contracts, especially those that involve control, not only to disclose them, but also to link them to the definition of controlling shareholder or quasi-controlling shareholder.

**Shirozu, Manager, Listing Department, TSE:**

Thank you very much.

In response to your question, I would like to answer whether the MoM can be linked to the validity of the appointment of directors under the Companies Act. In this regard, we have not yet worked out the details of what is considered to be the legal effect at this time. In this discussion, we first focused on the possible measures in the listing system. Therefore, we have included in the material a mechanism that ties the voting results of minority shareholders to the nomination of independent directors under the listing system, rather than a mechanism that ties the voting results of minority shareholders to the effectiveness of the Companies Act.

As Mr. Sampei pointed out earlier about the essential MoM mechanism, the way to tie the MoM to the qualifications of the directors could be through the provisions of the Articles of Incorporation. As noted on page 24, the listing rules in the UK require the MoM to be a provision of the Articles of Incorporation, and we believe that this method ensures its effectiveness under the Companies Act. In Japan, if the MoM resolution is tied to its effect under the Companies Act, a similar form could be considered. However, it has not been examined whether it would be effective under the Companies Act if it were adopted.

**Kato, member:**

The reason why it is necessary to ensure the independence of independent directors from controlling shareholders is because, as stated on page 17, it is necessary for independent directors to fulfill their role in protecting minority shareholders. In this regard, we need to be aware that the first half of today's discussion and the second half are connected. In other words, the discussion of ensuring the independence of independent directors is also a type of actions expected from companies on page 15.

The question then becomes whether what is required on page 17 and beyond can be required as a uniform rule for all listed companies. I also think that the term MoM should not be used much in this discussion. There are strong criticisms against MoM itself, and even the Fair M&A Guidelines sort out that its necessity depends on the specific circumstances of each case. However, I personally believe that there are cases where the MoM can play an important role in ensuring the independence of independent directors of quasi-controlled listed companies. On the other hand, since information already exists on the use of approval or disapproval of the voting results, it is possible to devise a variety of ways to use the information. In other words, rather than using the MoM as a new mechanism, the percentage of voting rights of the controlling shareholder is already clear, so I think it is possible to make it easier to understand how much support the candidates for independent directors have from minority shareholders by combining the information disclosure regulations in an appropriate manner.

With regard to the proposal on page 17, I believe that the voting results of minority shareholders have two different meanings: an evaluation as to whether the person meets the criteria for independence, and an evaluation as to whether the person has played a sufficient role in light of the actions of independent directors to date. In that case, along with information on independence, I think it is important to disclose information that will enable minority shareholders to better judge how they have fulfilled the role envisioned in the first part of today's discussion, rather than merely information on whether they have attended board meetings, when they are reappointed. As a result, I believe this will have the effect of making independent directors more aware of the role expected of them.

**Kanda, member:**

I would like to make one comment on a point raised by Mr. Sampei in the first half. This is quite correct in his point that the way the role of the special committee is written in the Corporate Governance Code is different from the way it is written in METI's Fair M&A Guidelines. So, why are they different?

METI originally addressed the ultimate situation of a cash-out, where money is used to eliminate minority shareholders. This is the phase where the amount of consideration is very important, and the higher the price, even by JPY1, the more beneficial it is for the minority shareholders. There is a history of practice that has developed a style that, in such ultimate situations, only directors who do not have the authority to execute business, or in the words of the Companies Act, those who are outside directors, or independent outsiders who are not directors, become members of the special committee. Since directors have statutory duties to the company under the Companies Act, such as the duty of care of a good manager, METI has written that it is more desirable to have outside directors as members based on their history. It is written that fair conditions are important, so the special committee is necessary in the cash-out phase as one of the key measures to ensure this.

When considering whether the special committee can be used in cases other than cash-out transactions, as a base, it has sorted out the transactions into three categories: ordinary transactions in ordinary times, transactions such as business transfers, and cash-out transactions.

The Corporate Governance Code, on the other hand, has a different starting point. The cash-out situations are not emphasized much, and it starts with the general idea of keeping in mind the phases in which the listed company is operated. Therefore, depending on the composition of the board of directors, I believe the content is that if the percentage of independent directors is small, a special committee-like response could be considered.

The question is, then, what does the TSE think about it? The rule for obtaining opinions on page 14 has a history and is based on what was actually seen at the time as abusive behavior by controlling shareholders. This would make it a difficult question as to which approach to take (Fair M&A Guidelines or Corporate Governance Code), and further discussion would be necessary in this study group, but I think both approaches are possible. I believe the starting point should be the Corporate Governance Code, to which we would like to add Mr. Sampei's insights.

As for obtaining opinions, I don't think anyone would read this as "all we need to do is obtain opinions," but I still think it is necessary that consideration be given to the issue, whether by the board of directors or by a special committee. The rules we have now are the way they are because of the circumstances of the time, but I think you could consider amending them to cover a few more different situations and different types of transactions.

**Sampei, member:**

As I remarked in the last or previous meetings, it is not clear to me what the basic position is. In other words, the whole thing reads as if the quasi-controlled listed company is becoming independent of the controlling shareholder, thereby making the controlling shareholder in a sense hostile, confrontational and equipped with a variety of countermeasures. Is that the position? If that is the case, then the truth is that countermeasures without legal force are not strong enough, no matter how much they are built up.

Rather than being confrontational and hostile in that way, as I said at the beginning, the controlling shareholder needs to seriously consider this issue as one party, while the quasi-controlled company needs to fully consider the issues of it. If the balance between the two sides has been lost, some kind of guideline or norm to talk to each other and determine what is fair would be preferable if the legal effect is not strong.

Since it is not clear which is the position, I am curious as to where you are trying to place an axis.

**Shirozu, Manager, Listing Department, TSE:**

The axis of focus was how to deal with the risk of conflict of interest. Therefore, I think the focus was on the existence of a controlling shareholder as a party whose interests could conflict with those of minority shareholders, and how the listed company with a controlling shareholder could counteract the controlling shareholder to avoid being affected by it.

On the other hand, if we consider how the market should function as a whole in a situation where a listed company with a controlling shareholder exists in the market and the controlling

shareholder also exists in the market, as Mr. Sampei has often pointed out, it is necessary to reorganize the entire picture, including discipline on the part of the controlling shareholder. The role of the controlling shareholder is missing from the current summary, and we would like to reexamine the issue in light of this.

**Kikuchi, Director, Listing Department, TSE:**

Regarding the issue in the latter half, I believe that we are still in the process of asking for your opinions. Therefore, we are now in the situation of raising abstract questions such as "What is the role of the nomination committee in a listed company with a controlling shareholder?" We would be grateful to receive exactly the kind of feedback that you have just provided.

With that, we will conclude today's meeting.

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

**Ikeda, Senior Manager, Listing Department, TSE:**

Thank you very much for your active discussion today.

We will revise the "Role of Independent Directors" based on today's comments, send it to you for your individual comments, and finally ask you to review it again at the next meeting of the study group. With regard to the discussion of "Independence from Controlling Shareholders" in the latter half, we have received opinions from various perspectives, and we will continue our deliberations based on those opinions.

Details of the next meeting will be announced shortly. That is all.

**Kikuchi, Director, Listing Department, TSE:**

Thank you very much.

With that, we would like to conclude today's meeting.

Thank you very much again today. We look forward to working with you again next time.