

The Third Meeting of the Expert Panel on the Stewardship Code (2024)

1. Date and Time: Wednesday, February 26, 2025, 16:00 - 18:00
2. Venue: Common Special Conference Room No.1, 13th floor, Common Government Office No.7

[Kansaku, Chair]

We will now hold the third meeting of the Expert Panel on the Stewardship Code. Thank you very much for taking time out of your busy schedule to join us today.

The meeting is held online as well as on a face-to-face basis. Today's meeting is being broadcast live on the web in the same manner as before. The minutes of the meeting will be prepared as usual and published on the Financial Services Agency's website at a later date.

First of all, the secretariat would like to explain matters to note.

[Nozaki, Director, Corporate Accounting and Disclosure Division, FSA]

I am Nozaki, and I will serve as the officer in charge of the secretariat. Thank you.

Today's meeting is also held online. Members participating online are requested to input your name in a chat addressed to all members in the online conference system when making a comment. The chair will confirm it and nominate you. When making a comment, please state your name first. Members present here are to display your name plate when you would like to speak, and the chair nominates you. Also, when using a microphone, please avoid moving it and only use the on/off button so as to prevent audio distortion during the live broadcast.

[Kansaku, Chair]

Then, we will go on to today's agendas. Following an explanation of the reference materials by the secretariat, we would like to have discussions.

Let us begin with an explanation from the FSA, the secretariat.

[Nozaki, Director, Corporate Accounting and Disclosure Division, FSA]

I would like to explain in line with the reference materials. We have delivered three types of materials. Material 1 shows draft revisions concerning the enhancement of transparency for beneficial shareholders and collaborative engagement, which has been discussed so far. Material 2

presents draft revisions from the perspective of the streamlining and development of the Code as the principles, which are newly proposed this time. Material 3 is to be published when seeking public comments on these draft revisions and it states the underlying ideas.

Regarding the enhancement of transparency for beneficial shareholders and collaborative engagement, discussions were held on concrete revisions already at the second meeting, and therefore, Material 1 presents a draft incorporating the details of the discussions.

First, Guidance 4-2 is newly created based on the content in the footnote of Guidance 4-1 and provides that "In order to engage in constructive dialogue with investee companies, institutional investors should, in response to requests from investee companies, explain the status of the shares they own/hold to investee companies and should disclose in advance their policies on how to respond to requests from investee companies."

Discussions on the enhancement of transparency for beneficial shareholders may include diverse perspectives, but the current revisions exclusively focus on the promotion of constructive dialogue between institutional investors and investee companies, as clearly stated in the draft revisions.

Second, Guidance 4-6 alters the expression regarding collaborative engagement, which is referred to in the current Guidance 4-5, to "In addition to institutional investors engaging with investee companies independently, engaging with investee companies in collaboration with other institutional investors (collaborative engagement) is also an important option." and further adds the following one sentence: "When considering methods for dialogue, it should be kept in mind whether they will lead to constructive dialogue that contributes to the sustainable growth of investee companies."

In the third paragraph of 4. in the Section of "Aims of the Code," where expectations for asset owners are stated, there is the following sentence: "Apart from the Code, the Asset Owner Principles (published on August 28, 2024) provide common principles that are considered useful for asset owners in fulfilling their responsibility (fiduciary duties) to manage their assets while taking into account the best interests of beneficiaries." As the Asset Owner Principles were formulated last August, that fact is added as a footnote attached to this sentence.

That is all for Material 1.

Next, Material 2 presents draft revisions from the perspective of the streamlining and development of the Code as the principles.

The Action Program for Accelerating Corporate Governance Reform, which was formulated in

the spring of the year before the last, contains the statement that the revisions of the Codes will contribute to the development of a formal structure, but at the same time, it has been pointed out that further detailed requirements, if introduced, may undermine the original purpose of the "comply or explain" approach and may cause corporate governance reform in practice to lose its substance. In light of this, in 12. in the Section of "Aims of the Code," it is stated that the timing of revising the Codes should be considered on a timely basis based on the progress in the corporate governance reform, from the perspective of increasing the substance thereof, instead of being bound by the predetermined review cycle.

In consideration of these points, the statement "The Councils expect the Financial Services Agency to take appropriate steps so that the Code will be reviewed periodically, about once every three years." is deleted.

Regarding concrete details of the Principles and Guidance, parts that have been spread in practical operations during the certain period after the formulation thereof are deleted, integrated, or simplified, for example. In particular, approx. 30 footnotes are reduced by around 25%.

Guidance 2-2 is made compact by integrating two sections, and Guidance 2-4 concerning asset managers' strengthening of their governance and management of conflicts of interest is integrated in Guidance 7-2, which is about institutional investors' development of their structures.

Guidance 4-6 is also updated to "Institutional investors that have dialogue with investee companies should in essence be discreet in receiving information on undisclosed material facts, considering that investors can well have constructive dialogue with investee companies based on public information and that shareholders should be treated equally in handling undisclosed material facts." and an explanation on the fair disclosure rules are added as a footnote.

Guidance 8-2 clarifies the purport that proxy advisors should provide asset managers with proxy recommendations based on accurate information on specific companies and should ensure transparency, and states that they should develop appropriate human and operational resources, including setting up a business establishment in Japan with sufficient staff members for communication with companies and other related parties, in order to achieve that purport.

That is all for Material 2.

Lastly, Material 3 is to be published when seeking public comments on the draft revisions and it shows the underlying ideas and the developments so far.

The developments and underlying ideas repeatedly emphasize the importance of autonomous change in the mindsets of both companies and investors to increase the substance of the corporate governance reform, and in particular, the importance of reaffirmation of the original purpose of "comply or explain."

The second point on page 2 refers to the promotion of collaborative engagement and the enhancement of transparency for beneficial shareholders, which are the agendas that specifically triggered the current revision of the Code. Additionally, the latter part of the second point to the third point refers to a review of the Code for the streamlining and development into the principles, which is proposed for the first time.

The fifth point repeats the statement in the last year's Action Program: "The review should also take into account the viewpoint that it is important to recognize that dialogues and the exercise of voting rights are interrelated and consideration should be given to how dialogues prior to the exercise of voting rights should be conducted and it is also important to be aware of and assess the outcome of engagement."

In particular, Material 3 includes a statement to reconfirm the importance of dialogues between investors and companies that are based on a relationship of cautious trust, with the aim of achieving sustainable growth of companies and enhancing corporate value in the medium to long term, and the fact that the Stewardship Code continues to play a significant role in the corporate governance reform through the current revision thereof.

That is all from the secretariat.

[Kansaku, Chair]

Thank you very much.

Then, let us go on to discussions. We would like to hear the views of all members, but with a time limit of around five minutes. When five minutes pass from the start, the secretariat will give a notice to inform of the elapsed time. We would like to hear members' opinions first.

Anyone is welcome to start. Then, Mr. Iguchi, please go ahead.

[Iguchi, member]

Thank you. Thank you for the explanation. I will comment mainly on altered parts.

First of all, regarding the enhancement of transparency for beneficial shareholders stated in new Guidance 4-2, institutional investors have already been responding to the requirements under the

system for the disclosure of the status of large-volume holdings, and therefore, they will also be able to respond to this new Guidance 4-2 based on that experience. I agree with this Guidance.

Regarding the disclosure of policies for responses, which was newly added this time, I think that it is important. The disclosure will enable institutional investors to provide information in advance to companies that intend to make inquiries on the explanation of shareholdings or on concrete procedures therefor.

I hope that the enhancement of transparency on the investors' side in this manner will lead to companies' further positive stewardship activities.

Thank you for leaving footnote 15 on the same page. I think it important to enhance transparency for investors through the disclosure of beneficial shareholders, but in essence, the strong intention of companies and investors to have mutually beneficial discussions, irrespective of the number of shares held, will lead to improved stewardship activity levels and enhanced corporate value. Therefore, I think that footnote 15 is very important.

Next, regarding collaborative dialogues in new Guidance 4-6, investors' mutual collaboration will have a strong influence, but each investor may have different ideas. Accordingly, my understanding is that theme-specific collaborative dialogues, such as those on climate change, are mainly being held at present.

However, in the future, collaborative dialogues may expand to cover such themes as the improvement of capital efficiency, for which an agreement is reached relatively easily. Therefore, it is important to selectively refer to collaborative dialogues in the Code, in addition to individual dialogues, in terms of expanding the range of stewardship activities.

Depending on investors' investment strategies, dialogue themes, available resources, or the like, there is variation in terms of which is preferable, an individual dialogue or a collaborative dialogue. I agree with the idea of new Guidance 4-6 that a dialogue form should be selected by considering which of these two forms is more effective for beneficiaries or for enhancing corporate value.

Additionally, thank you for leaving Guidance 7-3 in relation to this issue. Today, Mr. Sisson, Chief Executive Officer of the International Corporate Governance Network, a global organization of institutional investors, is also present. As the activities of the ICGN and those related to PRI have shown, indirect collaborative dialogues, in which investors exchange views and share basic ideas but decisions on individual matters are delegated to each of them, have enhanced institutional investors'

ability to carry out stewardship activities in Japan even more than dialogues directly with companies.

As the importance of dialogues among investors will not change, I think Guidance 7-3 is also important.

That is all from me. Thank you.

[Kansaku, Chair]

Thank you very much.

Now, Mr. Nishimura, please go ahead.

[Nishimura, member]

Thank you. I am Nishimura from Sumitomo Riko. I would like to make comments from the perspective of corporate management.

As a premise, the phrase "enhancement of corporate value" is used frequently in the Stewardship Code, but I would like this phrase altered to "enhancement of corporate value in the medium to long term."

In the Corporate Governance Code, which constitutes the two wheels on the axle together with the Stewardship Code, the phrase "enhancement of corporate value in the medium to long term" is used. Therefore, the same phrase should also be used in the Stewardship Code.

For example, specifically, in Material 2, the phrase "enhancement of corporate value" is used on line 4 on page 1, in the section titled "Principles for Responsible Institutional Investors – Japan's Stewardship Code," but I would like the phrase "in the medium to long term" inserted here. There are many other parts where this phrase should be inserted. Please consider it.

Additionally, I have repeatedly mentioned this, but I think that the philosophy of multiple stakeholder capitalism should also be reflected in the Stewardship Code. I hope that consideration for diverse stakeholders is included in some form in Principle 1 of this Code.

We agree with the revision as a whole. For example, in Material 1, the content regarding beneficial shareholdings in Principle 4 on page 1 is established as new Guidance 4-2. This is very good. We also agree with the addition of the following sentence in Guidance 4-6 regarding collaborative engagement: "When considering how to have a dialogue, institutional investors should bear in mind whether the dialogue will be constructive enough to contribute to the sustainable growth of the relevant investee company."

However, the phrase "as necessary" in line 2 in Guidance 4-6 is deleted in the draft. I think that

this should be left as it is, in consideration of the developments of relevant deliberations in the United Kingdom. The Financial Reporting Council of the United Kingdom clarifies in the provisional revision of its Stewardship Code, which is scheduled in 2026, that collaborative engagement should be conducted as necessary and that it is not required to conduct collaborative engagement every year or against the purpose of the stewardship. We also consider the same way.

Regarding Material 2, in item 11. on page 4, it is stated that in order to make visible the status of acceptance of this Code, institutional investors that have accepted the Code are to notify the FSA of the address of their website (the URL) used to disclose the relevant information and the FSA is to publish the information about the institutional investors who have made the disclosure in a tabular form. This is very good. Please promote this.

However, in the part, "the Councils expect institutional investors to notify the FSA of the address of their website used to disclose the relevant information," the phrase "the Councils expect" is unnecessary and should be deleted. Please consider that point as well.

We evaluate it to be very good that it is clearly stated, in Guidance 8-2 on page 16, that proxy advisors should secure sufficient staff members.

On the other hand, footnote 16 on page 10 to the effect that an understanding in common includes mutually deepening understanding of the grounds of disagreement and backgrounds of opinions of both sides when institutional investors and investee companies cannot agree with each other, is deleted. However, this is a very important premise for constructive dialogues between companies and investors therefore should be left as a footnote.

That is all from me. Thank you.

[Kansaku, Chair]

Thank you very much.

Mr. Fujimoto, please go ahead.

[Fujimoto, member]

I am Fujimoto from Nippon Life Insurance Company. Thank you very much for giving me an opportunity to speak.

Today, the secretariat explained draft revisions of the Stewardship Code. I understand that the draft revisions incorporate the results of the discussions on the major themes of the Panel, the enhancement of transparency for beneficial shareholders and the promotion of collaborative

engagement.

Including the draft revisions from the perspective of the streamlining and development of the Code as the principles, which are newly presented, I would like to express my appreciation to the secretariat that has compiled them.

In general terms, I would like to make comments on three points in the draft revisions from the viewpoint of an investor.

The first point is about the enhancement of transparency for beneficial shareholders. Partially as I mentioned at the previous meeting, I consider it important to enhance transparency for beneficial shareholders from the perspective of promoting dialogues and creation of a relationship of mutual trust.

However, there is a possibility that the burden on investors may increase correspondingly, and I think it preferable at this point in time that the revised Code should leave room to allow investors to make responses to the extent practically possible.

I understand that the current draft revisions leave concrete policies about responses to the discretion of individual investors. I agree with that idea.

The Life Insurance Association of Japan will deliberate on policies for answering methods and base points in time for counting the number of shares held in a way that individual companies can respond in their current operational practices, based on the purpose of the Code, that is, the promotion of constructive dialogue between investee companies and investors, thereby satisfying the needs of investee companies.

At present, the Legislative Council of the Ministry of Justice is going to start discussions on the amendment of the Companies Act with the aim of creating a legal system to enable companies to ascertain beneficial shareholders more easily. I expect that discussions will be continued to ensure the sound development of domestic markets, including the development of systems and other infrastructures.

The second point is about the promotion of collaborative engagement. As I also mentioned it at the first and the second meetings, I think that collaborative engagement can be a useful means of dialogue if being utilized based on ideas, stances, dialogue themes, etc. of individual participating investors.

As shown in the presented draft revisions, for investors who accept the Code, collaborative

engagement is one of the important options when having dialogues with constructive purposes with investee companies. I agree with that effect.

The Life Insurance Association of Japan has been working for collaborative engagement since FY2017 and has been expanding themes and the number of counterparties gradually in light of social trends. We would like to continue making our efforts into enhancing collaborative engagement with the aim of further vitalizing stock markets and achieving a sustainable society by utilization of the PDCA cycle.

The third point is about the streamlining and development of the Code as the principles. I understand that such revisions reflect the current situation where institutional investors have understood the details stated in footnotes in accepting the Code and those details have come to spread in their practical operations. I also agree with these revisions.

Lastly, the Life Insurance Association of Japan would like to continue efforts to make dialogues more substantial and sophisticated, and to back up investee companies' activities for sustainable growth, while maintaining relationships of trust with them.

That is all. Thank you.

[Kansaku, Chair]

Thank you very much.

Next, Ms. Takayama, please go ahead.

[Takayama, member]

I am Takayama. Thank you very much for giving me an opportunity to have my say. I will make comments on the enhancement of transparency for beneficial shareholders stated in Material 1.

I agree with the content of Guidance 4-2. This Guidance clearly states that, in constructive dialogue between investors and companies, it is very important, or necessary, for investors to disclose the situations of their shareholdings to companies. I think that this is very reasonable.

On the other hand, Guidance 4-2 leaves leeway for investors to decide how to disclose information on a discretionary basis to a certain extent. Therefore, investors will be able to make responses easily.

A trial-and-error process will continue for one year or so, I think, but as it is clearly stated that investors should publicize their policies on how to make responses to inquiries in advance, investors are able to mutually ascertain other investors' responses, and best practices will be naturally

established probably in around one year among investors, while mutually seeing circumstances surrounding others.

Regarding the disclosure of shareholdings, it will be very important to have overseas institutional investors, not limited to domestic institutional investors, disclose information. As you know, the total amount of Japanese companies' shares held by overseas institutional investors is considerably larger than that by domestic institutional investors. Accordingly, the extent to which overseas institutional investors disclose their shareholdings will be very important for Japanese companies in promoting dialogues with investors.

Fortunately, many overseas investors have already signed the Stewardship Code. I hope that they will respect the details of the Code.

On that occasion, overseas investors see the English translation of the Code, not the Japanese original text. In the English translation of Guidance 4-2, the expression, "explain the status of the shares," is used in the context of explanation concerning the extent to which investors hold the shares of investee companies. The term "status" may be interpreted rather abstractly. Explaining merely whether holding any shares or not may fall under the explanation of the status of the shares. Therefore, if seeking more concrete information, such expressions as "the status and number" or "status of shares including number of shares" may be preferable. I will leave expressions in English to the judgment of the secretariat.

There will be many occasions to explain the content of Guidance 4-2 to overseas institutional investors from now on, and I would like it to be made clear that the Code requires the disclosure of the number of shares investors hold.

That is all.

[Kansaku, Chair]

Thank you very much.

Then, Ms. Matsuoka, please go ahead.

[Matsuoka, member]

I am Matsuoka. Thank you very much for giving me an opportunity to make comments. I would like to talk mainly from a corporate standpoint.

I express my agreement with the draft revisions pertaining to the enhancement of transparency for beneficial shareholders and collaborative engagement. I also have no objections to the proposed

direction of streamlining. Having said that, I would like to comment on two points.

The first point pertains to proxy advisors. Regarding measures to be taken by proxy advisors in Principle 8, setting up a business establishment in Japan has been cited as an example of ensuring appropriate and sufficient human and operational resources, but the current draft revisions clearly require proxy advisors to set up a business establishment in Japan with sufficient staff members for communication with companies and other related parties. These revisions are highly agreeable from a corporate standpoint.

Many companies have expressed concerns over the quality of dialogue with proxy advisors and worries over bias in evaluations due to a lack of dialogue. I hope that the FSA and the Tokyo Stock Exchange endeavor to ensure thorough operational measures by proxy advisors, such as through monitoring whether proxy advisors that have signed the Code are actually implementing what is required in the draft revisions.

Guidance 8-2 requires proxy advisors to ensure transparency, but the transparency of what is required is unclear. Therefore, I would recommend making it clear in the guidance that it is about ensuring the transparency of the operations of proxy advisors, for example, their governance or the standards of recommendations.

Regarding transparency for beneficial shareholders, I understand it as a certain step forward that the current draft revisions state that institutional investors should disclose the status of their shareholdings in response to inquiries from investee companies. I expect further efforts for enhancing transparency.

That is all.

[Kansaku, Chair]

Thank you very much.

Now, Mr. Matsushita, please go ahead

[Matsushita, member]

I am Matsushita from the Investment Trusts Association.

First of all, I would like to express my appreciation to the secretariat for compiling the draft revisions of the Code. I assume that you have faced difficulties with diverse opinions presented both from the investors' side and the issuing companies' side from different viewpoints. Thank you very much.

The two major themes of the current revision of the Code are the enhancement of transparency for beneficial shareholders and the promotion of collaborative engagement. I agree with the directions of the draft revisions for both themes.

Regarding the enhancement of transparency for beneficial shareholders, in particular, there was concern over the risk that the status of shareholdings will be inquired for purposes other than for having dialogue, but the draft revisions clearly state that the inquiries are for the purpose of constructive dialogue with investee companies. In addition, Material 3 contains the statement that it is expected that constructive communication between companies and investors will become further meaningful and effective. I think it is very important that the purpose of the revision is clearly indicated in this manner.

Institutional investors aim to expand the investment income of ultimate investors, but I have had concern over a negative impact of the current revision on investment income, such as the risk of disclosing the status of shareholdings to those other than investee companies and an increase in workload due to stewardship activities.

However, I understand that the draft revisions do not refer to concrete methods and details of inquiries and leave certain discretion to the institutional investors' side, in consideration of the aforementioned concern. If possible, I would like to ask the secretariat to consider adding the phrase "to the extent practically possible" in order to clarify this point.

Next, regarding the promotion of collaborative engagement, the expression "should be considered as an option," which was previously proposed, is altered to "is an important option." I think that this alteration is for harmonizing the expression with that in the Codes of the United Kingdom. Assuming that the purpose of the revision regarding engagement is to allow selection of more appropriate and effective engagement, irrespective of individual or collaborative engagement, I think that it would be possible to clarify that effect by adding a footnote, such as "when individual engagement is functioning effectively, collaborative engagement is not necessarily required."

In any case, following the current revision, the Investment Trusts Association will continue striving to contribute to the enhancement of corporate value through constructive dialogue between companies and investors.

That is all from me.

[Kansaku, Chair]

Thank you very much.

Next, Ms. Sisson, participating online, please go ahead.

[Sisson, member]

Thank you very much for giving me an opportunity to make comments. I am glad that we can share the viewpoints of the ICGN and our members regarding the very important and welcome draft revisions for Japan's Stewardship Code.

The ICGN, which was established in 1995 and is led by investors holding assets under management totaling more than 90 trillion dollars, has been globally promoting the development of corporate governance and investors' stewardship into a code.

Japan's Stewardship Code is an important element in Japan's efforts to strengthen corporate governance and promote sustainable economic growth. We welcome that the current review has created an opportunity for Japan to further strengthen such efforts, with the expectation that this progress will continue into the future.

The core purpose of the draft revisions, which is to promote collaborative engagement by signatory organizations as a method of contributing to the enhancement of transparency for beneficial shareholders and constructive dialogue between investors and companies, is enormously welcome.

I would like to present the following recommendations and views regarding the draft revisions. We support the purpose of the revision of Guidance 4-2 in Material 1, but the English translation may be rather difficult to understand.

The expression to the effect that explanations should be provided regarding the extent to which an investor holds the shares of the investee company may not be sufficiently clear, and we recommend describing the purpose of the revision more specifically. The status of holding shares includes diverse elements, such as the number of shares held, the ratio of voting rights, and the number of shares held in a customer's account for which voting rights may be exercised based on various policies. Therefore, those elements should be clearly described.

In the same manner, the expression to the effect that policies on how to make responses to inquiries from investee companies should be publicized in advance should also be altered to clarify the point that the policies are for responses not to all inquiries from companies, but only to inquiries for confirming the extent of investors' shareholdings. This point is important because a number of interviews and requests for information provision are conducted between investors and investee

companies in the stewardship process.

I think that the proposed draft revision regarding Guidance 4-6 in Material 1 will function well. Maintaining practical flexibility to enable the use of various engagement methods is important to make the Code flexible enough to be applicable to diverse stewardship approaches, and will promote the enhancement of standards at the same time.

This is a meaningful step forward, but I would like to emphasize how important it is for diverse sectors of the Japanese government to cooperate with each other and develop an environment to serve as a safe harbor for promoting collaborative engagement.

It is very valuable that last year's amendment of the Financial Instruments and Exchange Act clarifies the definition of a joint holder. Nevertheless, in order to completely respond to the concerns of asset managers, it is necessary to amend Cabinet Office Orders or others to also clarify the definition of an act of making a material proposal.

I would like to reiterate our gratitude for the fact that the ICGN can continue contributing to the development of Japan's Stewardship Code.

[Kansaku, Chair]

Thank you very much, Ms. Sission.

Then, coming back here, Mr. Sampei, please go ahead.

[Sampei, member]

I am Sampei. Thank you for appointing me. I agree with the contents of Material 1 and Material 3.

However, in Material 2, I feel the revised text for Guidance 8-2 is a little bit disparate from other parts in the Code. I think the part "with sufficient staff members for communication with companies and other related parties" in the second line of the revision should be deleted. The first reason is that the part "communication with companies and other related parties" overlaps with the content already in the paragraph starting from "Upon the request from a company that is the subject of a proxy recommendation" in Guidance 8-3.

The second reason is that the original text of Guidance 8-2 contains the phrase "appropriate and sufficient human and operational resources," while in the draft revision, the phrase "with sufficient staff members" is newly added and the phrase "appropriate human and operational resources" is left. This part contains repetition and is not streamlined.

The third reason is that the expression "(setting up a business establishment) in Japan with sufficient staff members" is rather restrictive and is not in line with the principles-based approach of the Stewardship Code. The Stewardship Code is accepted as its principles are agreed on. When investors agree with the principles but their specific actions for fulfilling the purpose of the principles are not as defined in the Code, they are required to explain and clarify how to fulfill the purpose although not employing a method prescribed in the Code. Therefore, I think that guidance that is extremely detailed or restricted is not suited for the Stewardship Code and does not serve as the principles.

Proxy advisors are private companies seeking profits based on the principle of competition, and their customers are institutional investors, who pay consideration for services. Whether to request proxy advisors to set up a business establishment with sufficient staff members is to be decided by their customers, institutional investors, and even if some institutional investors make such request, whether to accept it or not is up to proxy advisors. Even more, it is anachronistic to require staff members to be geographically stationed at a business establishment now that it has become possible to utilize online conference systems and AI technology. Rather, in order for proxy advisors to contribute to the enhancement of the functions of the entire investment chain as referred to in Principle 8, the involvement of their customers, institutional investors, is important, I think. Some institutional investors not only follow recommendations given by advisors, but globally compare data compiled by multiple advisors or utilize such data for calculating the impact when changing their policies for exercising voting rights, and are providing feedback to advisors.

If the phrase "Exchanging views with other investors" in Guidance 7-3 is revised to "Exchanging views with other investors, and asset owners, proxy advisors, investment consultants for pensions, etc. that play important roles in the investment chain," this Guidance will become more constructive and efficient. I talked about proxy advisors, but there are no conflicts of interest at all, just for confirmation.

That is all.

[Kansaku, Chair]

Thank you very much.

Then, Mr. Hokugo, please go ahead.

[Hokugo, member]

Thank you. I am Ken Hokugo from the Pension Fund Association.

The Pension Fund Association is a ultra long-term asset owner and has been managing employees' pension funds. We have introduced collaborative engagement in operational practices since 2018 through the Institutional Investors Collective Engagement Forum ("IICEF"). Therefore, I will also mention that point later.

First, regarding the enhancement of transparency for beneficial shareholders, at the previous meeting, I made a recommendation to add the phrase "to the extent reasonably possible" to the end of the draft revision of Guidance 4-2 to clarify the point that it is permissible to provide an explanation of rough numbers of shares only on a monthly basis or a quarterly basis depending on the circumstances of individual investors, or an explanation of the number of shares held solely by a management company. However, the current draft revision does not reflect that point in particular. Is it correct to understand that the relevant phrase was not added as the Code is originally principle-based and that point is obvious in the first place? Let me confirm this, just to make sure. I would like the answer after I have finished my comments.

As my remarks are all from the viewpoint of an asset owner, I would like to mention my discomfort in that the current Guidance 4-2 is read as if the disclosure of the status of shareholdings is for institutional investors, although it is actually needed mainly by the investee companies' side. Therefore, also in order to ease such feeling of discomfort, I would like the secretariat to reconsider the addition of the phrase "to the extent reasonably possible."

This is a little bit subtle, but footnote 19 explains the difference in the policy between asset managers and asset owners, but if the fact that the policy may also differ by each asset manager's strategies were added, it would become easier to understand.

Regarding collaborative engagement, I almost completely agree with the draft revisions. Thank you very much.

As I mentioned at the beginning, PFA has been participating in a collaborative engagement forum called IICEF as an asset owner and have been taking on the challenge of collaborative engagement since 2018. There was a great deal of resistance from the corporate side at first, needless to say. In relation to Question 2-2 in Material 3, I would like to make some comments on points to note in conducting collaborative engagement based on my experience of participating in the activities of the IICEF.

First, some pointed out that collaborative engagement may become merely a formality. I do not know what entity was targeted in such criticism, but at least for the IICEF, in which PFA has been participating, the criticism of being a mere formality is not applicable.

In the IICEF, cross-shareholdings / strategic shareholding policy, capital cost, or other extremely important agenda items regarding the growth potential and profitability of companies are set, and discussions are held among participating institutional investors, seven members at present. We provide the discussion details to companies and ask companies about their views. We expect that these efforts will trigger discussions inside individual companies' board rooms.

In that sense, we do not pick up any theme irrelevant to the enhancement of corporate value for superficial discussions, for example. Our activities completely differ from formal engagement seeking only information that seems necessary in light of individual companies' own standards for exercising voting rights. To put it another way, to prevent collaborative engagement from being merely a formality, I think it important to first set extremely important agenda items for the growth potential and profitability of companies and have discussions among members, and then reach out to investee companies.

Incidentally, if collaborative engagement becomes merely a formality, the cause must be the existence of shareholders that are on the side of companies, not due to a problem attributable to other minority investors or the Stewardship Code. In such cases, it must be necessary to further enhance or tighten the Corporate Governance Code and to request corporate managements to dramatically change their way of thinking about managing publicly listed companies.

Second, this also relates to the problem of a free ride, which I will mention later, but I think that the meaning of collaborative engagement lies in sufficiently discussing agenda among participating institutional investors and then disclosing a reached consensus. If individual investors have different stances, it is difficult to reach a consensus regarding investment. However, institutional investors participating in the IICEF are all premised on investment on the long term, or the super long term, as we call it, and our directions do not differ largely. I think that our members' consensus being disclosed in this manner is very meaningful for companies in understanding the view of long-term investors as a whole.

Engagement is apt to be interpreted as face-to-face meetings, but sufficient effects can be obtained simply by sending letters compiling a reached consensus to many companies. Cases where

companies receiving such letters offer us an opportunity for engagement are increasing today.

Lastly, regarding the problem of a free ride, it is very important not to permit a free ride in conducting collaborative engagement for passive investment, in particular, as some commented at the previous meeting. Collaborative engagement is rather costly, as a permanent secretariat is required and a series of discussions among institutional investors need to be held for effective collaborative engagement. In the case of the IICEF, we share the cost equally and check how the money is being used through participation. We have created a mechanism to avoid a free ride in this manner.

That is all.

[Kansaku, Chair]

Thank you very much.

There was one question. Regarding Guidance 4-2, if the secretariat can answer now, please go ahead.

[Nozaki, Director, Corporate Accounting and Disclosure Division, FSA]

Thank you. Regarding Guidance 4-2, I understand that the question is whether it is to the extent reasonably possible when responding to an inquiry about beneficial shareholders. The Code is principle-based, and naturally, the precondition is to make responses to the extent reasonably possible.

[Kansaku, Chair]

Thank you very much.

Then, Ms. Ueda, please go ahead.

[Ueda, member]

Thank you very much for the explanation. Let me make comments in line with the materials.

First, regarding Material 1 and the written opinion, I agree with their directions, but will comment on two points.

Members have already made comments on Guidance 4-2, but the information on investors' shareholdings can be utilized by companies for verifying the outcome of the dialogue. If shares were sold, this suggests that the dialogue was unsuccessful, and if shares were purchased additionally, the dialogue is judged to have been successful. Therefore, the disclosure of the relevant information has not only a negative background but also a positive background. Today, members from companies are present here, and it may be difficult to mention from the companies' side, but I assume that the burden

on the companies' side has increased considerably in developing a relationship of trust or having dialogues with institutional investors. Under such circumstances, it may be difficult to require dialogues with all investors and all institutional shareholders at the same grade and concentration level. In that sense, companies should decide what to focus on and which investors they should consider as long-term partners, while utilizing information on investors' shareholdings in diverse ways, thereby building better relationships with them.

On the other hand, investors conduct trading every day and generally have doubts as to whether it is really necessary to disclose the status of shareholdings on a daily basis. In particular, there are many funds for investment trusts and the burden of custody must be significant. Therefore, as proposed in the current revision, presenting the policies, such as a schedule for dialogues, whether on a monthly basis or the like, in advance will also increase predictability for companies and make it easier for investors to perform clerical work. However, from my point of view, an interval of six months seems to be too long. In short, if disclosure is made only in March and September, the interval may be too long. Therefore, as another member mentioned earlier, I expect that best practices for practical operations will be established based on results of dialogues and actual circumstances.

Next, I would like to comment on footnote 4, as I participated in relevant discussions. This is regarding the Asset Owner Principles that serve as the precondition for the Stewardship Code. It is very important that fiduciary duty is clearly mentioned in the footnote. In our discussions, we emphasized the importance of the function, roles, and responsibility of asset owners, which serve as the key in the investment chain, and concluded that their roles should be clarified. The results of our earnest discussions on stewardship duty and fiduciary duty were reflected in the footnote. I think that is great.

Given these, both the Asset Owner Principles and the Stewardship Code constitute an important part of the government's initiative concerning the investment chain, that is, the government's initiative to promote Japan as a leading asset management center. The Principles and the Code are closely related, and asset owners have already been taking measures based on the Principles. Accordingly, the written opinion should have mentioned the environmental changes and reforms stated in the Principles, which relatively serve as the precondition, not merely mentioning the details of the Code. Then, the written opinion will be more comprehensive.

Next, regarding Material 2, I basically agree with this, but will comment on two points.

The first is about Guidance 8-3, which contains the phrase "upon necessity." I wonder whether the phrase "upon necessity" is really necessary. The basic approach is to comply or explain, and the part "actively exchange views with companies upon necessity" may be altered to "basically based on dialogues." Because the interpretation of the phrase "upon necessity" can be diverse and may vary even among advisors and vary significantly between companies and advisors. Therefore, if necessary, the phrase "upon necessity" may be referred to in the explanation of the comply or explain approach.

Then, regarding footnote 18, which is to be deleted, in our first discussions on the UK Code, I think, there was an intention to escalate engagement and dialogue. In short, the footnote includes the nuance that engagement should start with a light exchange of views, and then be advanced to dialogue or engagement with a specific purpose, and may include such means as the exercise of rights other than voting rights at a shareholders' meeting or collaborative engagement in some cases. According to the draft revisions, this footnote is to be deleted. If it is recognized that such moves for escalation have spread in operational practices, it would be all right to delete it, but if the nuance that engagement contains such element of escalation is not fully understood, I think it better to leave the footnote with the relevant nuance. The final decision is left to the judgment of the secretariat.

Based on the above, I will make some overall comments on the draft revisions. First of all, regarding transparency for beneficial shareholders, this is the issue to be eventually covered by the amendment of the Companies Act, which is being discussed at the Legislative Council of the Ministry of Justice, but prior to that, this Panel intends to exert influence or create an effect on the actual situations with the Stewardship Code, I think. I hope that in amending the Companies Act, the Legislative Council of the Ministry of Justice will continue discussions, while taking into account our discussions, in a manner to incorporate the perspective of enhancing corporate value in the medium to long term and increasing the effectiveness of dialogues, and to balance rights, duties, and responsibilities of investors, or beneficial shareholders in particular, and companies.

In relation to this, the same applies to shareholder proposals. It is very good that the Stewardship Code is broadly spread, but I feel that shareholder proposals that are not based on a medium to long-term common benefit of shareholders are increasing. As a result, institutional investors that have accepted the Stewardship Code will be forced to separately scrutinize each of many extremely specific shareholder proposals, which seem to be copies of the same proposal and be sent to all mega banks. Their burdens will become considerably heavy in June. The perspectives of total optimization

and specific optimization both apply to the Stewardship Code. I hope that discussions on ideal shareholder proposals will be held from the viewpoint of effectiveness, also in consideration of the current situation where units of trading at the Tokyo Stock Exchange are becoming smaller.

That is all. Thank you.

[Kansaku, Chair]

Thank you very much.

Then, Mr. Tanaka participating online, please go ahead.

[Tanaka, member]

First of all, I would like to express my gratitude to the secretariat for compiling the draft revisions. I agree with the major parts of the revision of the Code, the part regarding the disclosure of beneficial shareholders, and the part regarding collaborative engagement.

With regard to the disclosure of the status of shareholdings, investors seeking constructive dialogue with companies will never object to disclosing the extent to which they hold the shares of investee companies. Therefore, it is good to establish such Principle.

I would like people concerned to devise ways to establish a mechanism to enable information provision as systematically as possible so that institutional investors are not requested to provide an explanation of the status of shareholdings in an extremely ad-hoc manner and are imposed with an unnecessary burden. I think it would be ideal if a mechanism was created to enable companies to directly obtain such information as which nominal shareholder holds how many shares for which beneficial shareholder as of the base date of a shareholders' meeting via the Japan Securities Depository Center. For creating such system, it may be necessary to amend the Companies Act, but I hope that such system will be created in the future.

As another member mentioned earlier, the English translation uses the term "status," but the meaning is difficult to understand precisely. I think that English translation should faithfully follow the Japanese original text. The Japanese original text requires institutional investors to explain the extent to which they hold the shares of investee companies, in principle, and does not require explanations of other matters. An explanation of the specific purpose of shareholdings or for whom institutional investors hold shares is not required. What is required is an explanation to clarify how many shareholders hold shares as beneficial shareholders, and an agreement on the current revision of the Stewardship Code was reached on that premise. If institutional investors are required to

disclose many other matters, the premise of the discussions becomes different. Accordingly, I think that English translation should also make it clear that an explanation is required only regarding what is described in Guidance 4-2 under this Principle.

With regard to collaborative engagement, the statement to the effect that there are cases where collaborative engagement is beneficial as necessary is altered to the statement to the effect that collaborative engagement is an important option. I understand that the importance of collaborative engagement is a little more emphasized through this alteration. However, there is a risk of a free ride even among institutional investors, and they do not have a sufficient incentive to have dialogue with companies, which has long been pointed out as a problem. Therefore, if institutional investors that share views did have dialogue with companies in collaboration, this would be helpful in solving the problem of a free ride among institutional investors. Thus, the importance of collaborative engagement has been emphasized. Needless to say, institutional investors do not need to conduct collaborative engagement when they find it unnecessary. They may only conduct collaborative engagement when they judge it beneficial and necessary, and in that sense, collaborative engagement is described as an important option. Such purport is clearly indicated in the revised Principle, and I think it good to achieve collaborative engagement in this manner.

On that occasion, the clarification of the scope of joint holders stated in the current footnote 20, or the interpretation of the term "joint holders," remains important even if the provisions concerning joint holders are amended through the amendment of the Financial Instruments and Exchange Act. Therefore, I hope that efforts for dissemination of this point will keep being made. Additionally, as a legal interpretation, such as that for an act of making a material proposal, significantly affects the ease of engagement, I would like the FSA to clarify the reasonable legal interpretation to contribute to constructive dialogue between institutional investors and companies.

That is all.

[Kansaku, Chair]

Thank you very much.

Next, coming back here, Ms. Okina, please go ahead.

[Okina, member]

Thank you. I agree with the draft revisions.

The enhancement of transparency for beneficial shareholders is a very important theme, and as

many members mentioned, I expect that efforts will be made to enhance corporate value sustainably through constructive dialogue based on the purport of the Code, instead of merely considering information acquisition itself as the final purpose.

I would like to make comments on Material 2. Guidance 2-2 on page 8 is streamlined, but it is very important for asset managers to disclose clear and concrete policies concerning conflicts of interest and avoid such conflicts. The government's initiative to promote Japan as a leading asset management center also incorporates that point as a significant guideline, and its importance will never change. I hope that such message is clearly transmitted even with the streamlined expression.

On page 11, the fair disclosure rules are mentioned in the footnote of Guidance 4-6. From now on, as dialogues increase, outside directors or other equivalent persons will come to have more opportunities to directly have contact and dialogue with investors. That is very important, but the key point is that both parties have dialogues based on a full understanding of the fair disclosure rules, and the companies' side needs to make relevant preparations before having dialogues, I think. At the same time, companies basically need to be careful about receiving undisclosed material facts. This may be very difficult, but they need to have such stance.

Lastly, this is about all the draft revisions in general. The term "sustainability" is often used in the Code, and I think it very important that institutional investors continue having dialogues with companies, while giving due consideration to sustainability, in order to fulfill their stewardship duty. Investment not only in the environment but also in human resources is very important for Japanese companies for the purpose of improving productivity. Sustainably raising wages is a significant challenge for the Japanese economy, and it is necessary to aim to raise the minimum wage to a level exceeding the living wage or the so-called living edge. Internationally as well, the Taskforce on Inequality and Social-related Financial Disclosures (TISFD) was established last autumn, and discussions will be held to enhance disclosure and develop a framework to surely raise wages from the financial aspect, focusing on low-income people. Although we need to check US moves, the CEO of the CalPERS also joins in the Steering Committee of the TISFD, and we need to keep an eye on such international initiatives.

At present, many Japanese companies have many non-regular workers. Japanese institutional investors are required to fulfil stewardship duty in relation to companies, fully considering these international moves and the sustainability of Japanese society as a whole. I have hopes for their

relevant efforts.

That is all.

[Kansaku, Chair]

Thank you very much.

Next, Mr. Tsukuda, please go ahead.

[Tsukuda, member]

Thank you very much. I would like to make a comment on specific details of the draft revisions first and then general comment later.

Regarding Guidance 8-3 on proxy advisors, the first sentence states that proxy advisors should provide recommendations upon necessity and that they will not positively exchange views with companies when they find it unnecessary. However, I wonder if that is right. More important is the phrase "upon the request from a company that is the subject of a proxy recommendation" in the second sentence, and the phrase "the proxy advisors provide the company with an opportunity to confirm whether such information is accurate, etc." The second sentence further continues, but the sentence as a whole means that providing an opportunity also contributes to ensuring the accuracy of information that serves as the premise of recommendations and securing transparency. However, this is a matter of course, and I wonder if this is appropriate as guidance.

If premised that there still are criticisms for proxy advisors among many companies, the statement should be that a proxy advisor should provide the company with an opportunity to confirm the accuracy of the information that serves as the premise of recommendations, in principle. If a proxy advisor is unwilling to provide such opportunity, it suffices to have it make an explanation. The Code is principle-based, isn't it? The enhancement of corporate value and proper execution of voting rights are very important in principle, and the statement of Guidance 8-3 to the effect that providing an opportunity contributes to ensuring the accuracy and transparency is just a matter of course. It should be clearly stated that proxy advisors should provide an opportunity to companies. I hope that this point will be deliberated on.

On the other parts, I agree with the draft revisions of the secretariat. I understand that the draft revisions were completed after making adjustments with all parties concerned, and therefore, I have no objection to the revised parts as a whole except for the point I just mentioned. I extend my thanks to Chair Kansaku and staff of the secretariat.

Taking this opportunity, let me comment on one more point. As a result of the corporate governance reform, among top 100 TOPIX companies in terms of market capitalization, more than 40 companies have majority of independent outside directors in their boards. Companies with a large number of independent outside directors are increasing rapidly. A move to have a board of directors function as a monitoring board is progressing, and I feel the need to reconsider the manner of dialogues between institutional investors and companies in this process.

At the first meeting, the Government Pension Investment Fund (GPIF) provided us with an explanation on the actual status of dialogues, which revealed the fact that a dialogue between investors and independent outside directors is held only by 2% of companies. We hear that some institutional investors complain that their requests for dialogue with independent outside directors have been rejected by companies. The major themes of the current revision are the enhancement of transparency for beneficial shareholders and the streamlining of the Code, which I understand as being important and necessary at present. However, looking ahead, how to make dialogues even more substantial is a challenge, especially amid a move to have a board of directors function as a monitoring board. I hope that this point will be picked up as an agenda for a follow-up meeting to be held in the near future.

That is all. Thank you.

[Kansaku, Chair]

Thank you very much.

Mr. Takei, if you have any comment, please go ahead.

[Takei, member]

Thank you. I have no objection to the draft revisions. One point I would like to mention is , regarding the enhancement of corporate value, the phrase "in the medium to long term" is omitted in some parts, as Mr. Nishimura said earlier. Specifically, the phrase is used in the former Guidance 4-2 and in the current Guidance 4-3, but is not used in other parts. It should be made clear that what should be aimed at is the enhancement of corporate value in the medium to long term.

It is the tenth anniversary of the formulation of the Corporate Governance Code and the Stewardship Code. The situation surrounding the Japanese economy ten years ago, when these two Codes were formulated, or the fundamental purpose or the importance of formulating the Codes has not changed or has even further increased. Therefore, we should reflect on and go back to the starting

point and update the fundamental purpose, and disseminate why these policies are important and why we have been implementing them, and follow up the progress. I hope that such efforts will be made steadily under the Asset Owner Principles, or in the initiative to promote Japan as a leading asset management center or other new initiatives that may be launched from now on.

The Stewardship Code contains many material matters. It is rather difficult to remember or reflect on ten years ago, but the purpose of the revision is for transmitting the essence of the Code more easily or going back to ten years ago. It is necessary to disseminate the importance of what we are doing now and the importance of linking efforts made by companies, and investors respectively to fulfil their roles. It is important to go back to the starting point after the lapse of ten years, although some of the past materials ten years ago may not be available on the internet. We should look back on the past and endeavor to restore the fundamental purpose in the current formal responses being made on the front line. The revision of the code this time is also for confirming the essence of the code, rather than a mere change of the wordings. I hope that the importance of remembering the original fundamental purpose is to be disseminated again upon the current revision of the Code.

That is all.

[Kansaku, Chair]

Thank you very much.

We have received comments and opinions from all of you present today. I think you almost completely agree with the draft revisions, but some specific recommendations for corrections were presented. Some specific alterations or corrections were recommended by Mr. Nishimura, Mr. Matsuoka, Mr. Matsushita, Mr. Sampei, and Mr. Tsukuda. If there are any points for which the secretariat can roughly answer at present or will have deliberations later, please go ahead.

[Nozaki, Director, Corporate Accounting and Disclosure Division, FSA]

Thank you, Chair Kansaku. Thank you very much for the many points you have brought up today. The wording of the text will be adjusted later. Here, I will comment on what I can answer at present.

First, regarding the expression "enhancement of corporate value in the medium to long term," which was pointed out by Mr. Nishimura, and by Mr. Takei, the phrase "in the medium to long term" is used in some parts and is not in other parts. Overall, the relevant phrase is used in the context of the enhancement of corporate value in the medium to long term and in the context of medium to long-term cash flow, and that effect is suggested constantly in the text as a whole, I think. However,

we would like to review whether there are any parts to clarify that effect by adding the relevant phrase.

Regarding the recommendation to leave the phrase "as necessary" in Guidance 4-6, the expression of this Guidance is altered to mean that collaborative engagement is one of the important options, and which option to take depending on the necessity is left to the judgment of institutional investors. Mr. Matsushita pointed out that it would be better to clearly state that institutional investors may select individual engagement if they find individual engagement to be more effective. However, the expression that collaborative engagement is one of the important options suggests that the selection is up to institutional investors, I think. Today, multiple members mentioned this point, but I think that the aforementioned interpretation is possible.

Mr. Matsuoka pointed out that the wording of the part on transparency for proxy advisors is rather difficult to understand. We would like to consider what expression is more appropriate.

Regarding responses by beneficial shareholders pointed out by Mr. Matsushita and Mr. Hokugo, naturally it is assumed that they should make responses to the extent practically possible, and policies for responses are to be published by institutional investors based on their ideas. In that sense, we expect that they will make practical responses from now on.

Regarding the descriptions in Guidance 8-2 and Guidance 8-3 on proxy advisors pointed out by Mr. Sampei and also by Mr. Tsukuda, we would like to make adjustments in consideration of the overall balance and consult with you later.

I have answered most of the points brought up, I think. I am sorry if there was any omission. That is all from me.

[Kansaku, Chair]

Thank you very much. Regarding the point on the phrase "in the medium to long term," I would like to make a comment. In the preamble titled "'Stewardship responsibilities' and the role of the Code," as it is a code targeting institutional investors, the final purpose of the Code is described as "to enhance the medium- to long-term investment return for their clients and beneficiaries" at the end of the first paragraph. I understand that the Code places importance on ensuring that the enhancement of corporate value in the medium to long term is surely reflected in investment. The underlying idea must be the same, I think.

Now, we would like to hear views of observers, if any, as much as time allows. Mr. Osada, General Manager, Office of Special Staff to Chairperson & Vice Chairpersons, Japanese Bankers Association, participating online, please go ahead.

[Japanese Bankers Association]

I am Osada from Sumitomo Mitsui Banking Corporation. I would like to make a comment in representing the Japanese Bankers Association. Thank you for giving me an opportunity to speak.

In the banking industry, we also consider that the major themes of the current revision, that is, the enhancement of transparency for beneficial shareholders and collaborative engagement, are very important from the perspective of encouraging constructive dialogue between investee companies and institutional investors. The draft revisions of the Code presented today incorporate the contents discussed so far by the Panel. The Japanese Bankers Association agrees with the draft revisions.

Regarding the enhancement of transparency for beneficial shareholders, in addition to the revision of the Stewardship Code as soft law, which has been discussed this time, discussions for amending the Companies Act as hard law are to be commenced by a subcommittee of the Legislative Council of the Ministry of Justice. The banking industry plays a role to connect companies and investors in the capacity of a standing proxy of the global custodian, or a so-called sub-custodian. From the perspective of enhancing transparency for beneficial shareholders, it is important to achieve smooth operation of practical affairs in a manner to ensure feasibility. The Japanese Bankers Association would like to make contributions through developing such operational flows.

That is all.

[Kansaku, Chair]

Thank you very much. We appreciate your cooperation.

We received a request from Mr. Fujii, Chair of the Operations Committee, Trust Companies Association of Japan. Please go ahead.

[Trust Companies Association of Japan]

I am Fujii from the Trust Companies Association of Japan.

First, I would like to comment on the enhancement of transparency for beneficial shareholders. The members of the Trust Companies Association of Japan have three standpoints: a standpoint as an institutional investor, a standpoint as an asset management trust bank, and a standpoint of managing shareholder registers. From such standpoints, we have commented at the first and the

second meetings that deliberations should be conducted in consideration of operational practices. The draft revisions presented today appropriately show the guidelines for responses under soft law. We have no objection to the draft revisions.

We understand that the Legislative Council of the Ministry of Justice discussed the amendment of the Companies Act as hard law at a meeting held the other day. The Trust Companies Association of Japan would like to continue making contributions to the deliberations for enhancing transparency for beneficial shareholders.

That is all.

[Kansaku, Chair]

Thank you very much. Are there anymore observers who have comments?

Director Nozaki said that corrections of wording will be further deliberated on. The secretariat will make corrections based on the points and views raised today and will make adjustments by mail or by other means, and will seek public comments on corrected draft revisions at a later date. Is that all right?

(Sound of people saying "no objection")

[Kansaku, Chair]

Thank you very much. I would like to ask you to leave the final examination of the wording, expressions, and so on to me, just for sure. Is that all right? Thank you very much.

Now, the secretariat will explain the following procedures for seeking public comments and other matters. Please go ahead.

[Nozaki, Director, Corporate Accounting and Disclosure Division, FSA]

Thank you. After obtaining an agreement on corrections, the FSA will publish the draft revision of the Code to seek public comments broadly from the people concerned. We will also seek public comments for the English translation of the Code.

Since the launch of the Panel last October, members have provided us with diverse opinions on the revision of the Stewardship Code. We appreciate your kind cooperation. Today as well, we received diverse opinions and views not only on the major themes, the promotion of collaborative engagement, and the enhancement of transparency for beneficial shareholders, but also how proxy advisors should fulfil their functions and the roles expected for the FSA regarding the status of compliance with the Stewardship Code. Mr. Takei said that we should go back to remembering the

fundamental purpose of ten years ago. We would like to continue promoting the corporate governance reform, keeping the original purpose in mind.

That is all from the secretariat.

[Kansaku, Chair]

Thank you very much. Precious opinions were also presented regarding the English translation from Mr. Sisson, Ms. Takayama, and Mr. Tanaka. Please reconsider the English translation as well.

This concludes today's meeting. Thank you very much for taking the time to join today.