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Topics

Virtual Shareholders Meeting

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I. Summary

Discussions on holding shareholders meetings online, or "virtually" (referred to herein as a "virtual shareholders meeting") initially began in 2018 at the Ministry of Economy, Trade and Industry of Japan ("METI"). It was thought that the use of modern information technology techniques and services ("IT") could be applied to the management of shareholder meetings. At that time, the use of IT with respect to shareholders meetings was limited to only a few cases, such as a video distribution of discussions on an after-the-fact basis.

In February 2020, METI published the "Guidelines on Approaches to Hybrid Virtual Shareholder Meetings" (the "METI Guidelines"). In the Guidelines, certain legal and practical issues for holding virtual shareholders meetings were discussed, and it was clarified that some types of virtual shareholders meetings could be held under the Companies Act. At the same time, COVID-19 began to spread, which led to the adoption of virtual shareholders meetings in Japan on a scale and at a level not initially anticipated. Furthermore, virtual-only shareholders meetings have been permitted on certain conditions (only available for listed companies), as a special exception to the Companies Act provision, by an amended Act on Strengthening Industrial Competitiveness, which came into effect on June 16, 2021.

There are three types of virtual shareholder meetings, the details of which are described below. Since the permissibility of exercising shareholders' rights, such as voting rights and the right to ask questions, by shareholders not present at a physical shareholders meeting differs depending on the type of virtual shareholders meeting being utilized, shareholders should confirm what they can do as shareholders on the date of the shareholders meeting outside the physical meeting.

II. Overview of a Virtual Shareholders Meeting

1. What is a virtual shareholders meeting?

A virtual shareholders meeting is a shareholders meeting at which directors and shareholders of a company are permitted to participate or attend by electronic means such as the Internet. There are three types of virtual shareholders meetings classified based on the type of participation methods by shareholders:

(i) Hybrid participation;
(ii) Hybrid remote attendance; and
(iii) Virtual-only.

(i) A hybrid participation shareholders meeting is a shareholders meeting held at a physical location where directors and some shareholders gather together ("physical shareholders meeting") and where other shareholders who are not present at the physical venue can observe the meeting deliberations using the Internet or other means (which observation, however, is not treated as those observing shareholders' 'attendance' at the shareholders meeting in accordance with the Companies Act of Japan). In this type of meeting, shareholders who view the video and audio of a physical shareholders meeting from outside the meeting venue cannot exercise the rights granted to shareholders (who "attend" the shareholders meeting), such as voting rights and the right to ask questions at the shareholders meeting.

(ii) A hybrid remote attendance shareholders meeting is a shareholders meeting where, in addition to a physical shareholders meeting, shareholders who are not present at the location of the physical shareholders meeting can "attend" the shareholders meeting under the Companies Act by using the Internet or other means. In this type of shareholders meeting, shareholders who are not present at the physical shareholders meeting, by "attending" the physical shareholders meeting via the Internet or other means, can exercise their rights.

(iii) A virtual-only shareholders meeting is a shareholders meeting where the directors and the shareholders "attend" the shareholders meeting under the Companies Act by means of the Internet or other means without holding a physical shareholders meeting. In this type of meeting, there is no physical venue for the meeting, and shareholders are considered to be "present" at the meeting by watching the video and listening to the shareholders meeting broadcast via the Internet or other means, and are able to exercise their voting rights and ask questions via the Internet or other means.

Hereafter, "attending" a virtual shareholders meeting via the Internet or other means is referred to as "virtual attendance" under the Companies Act, and shareholders who attend virtually are also referred to as "virtually attending shareholders."

This information is summarized in the following table.

[Type of shareholders meetings]

	Physical shareholders meetings	Hybrid virtual shareholders meetings		Virtual-only shareholders meetings
		Hybrid Participation	Hybrid Remote Attendance	
Physical venue	Yes	Yes	Yes	No
Virtual attendance	No	No	Yes	Yes
Can exercise the voting rights at the meeting	Yes	No, if participating virtually	Yes	Yes
Can ask questions at the meeting	Yes	No, if participating virtually	Yes	Yes
Can make shareholder proposals	Yes	No, if participating virtually	Yes	Yes
Must take measures against communication failure	—	No	Yes	Yes

Thus, since the permissibility of exercising shareholders' rights, such as voting rights and the right to ask questions, by shareholders not present at the physical shareholders meeting differs depending on the type of virtual shareholders meeting, shareholders should confirm which type of virtual shareholders meeting will be held when they receive the notice of convocation stating that a virtual shareholders meeting is to be held.

2. Principal advantages of virtual shareholders meetings

Compared to holding only a physical shareholders meeting, holding a virtual shareholders meeting is considered to have the following principal advantages, in addition to helping to prevent the spread of the new COVID-19 virus.

- It facilitates the attendance at or participation in shareholders meetings by shareholders who are dispersed over a wide geographical area.
- It enables shareholders to attend or participate in more than one shareholders meeting on the same day when multiple shareholders meetings are concentrated on the same day.
- The costs of having a venue for the physical shareholders meeting (as well as the costs of venue setup, security, etc.) can be saved.

3. Major points to consider when holding virtual shareholders meetings

Holding a virtual shareholders meeting raises some issues not present at traditional, in-person physical meetings. The following pros and cons also need to be considered:

(i) Portrait right

Because the meeting is being broadcast over the Internet (or by other means), shareholders in attendance may be seen by those viewing virtually, and certain measures are necessary to protect portrait rights of shareholders physically present at the meeting. Practical measures could include not broadcasting any shareholders physically present at the meeting, as well as prohibiting the unauthorized use, recording, re-transmission, re-broadcast or re-streaming, or reproduction of screen shots of virtual shareholders meetings.

(ii) Authentication

Since face-to-face identification is not possible at the time of entrance to the meeting location, an online authentication process will need to be utilized to prevent impersonation and unauthorized access to a virtual meeting. Such online authentication process includes notifying shareholders of

their IDs and passwords in advance and asking them to enter the IDs and passwords when accessing on the day.

(iii) Measures against communication failure

At both hybrid remote attendance and virtual-only shareholders meetings, the shareholders need to be in "attendance" in order to exercise their rights. Any system troubles, such as the system going down or there is an Internet connection failure, might prevent the virtual participating shareholders from effectively participating in the deliberations or to vote, which could constitute grounds to revoke resolutions of the shareholders meetings. Therefore, in order to ensure the bidirectionality and immediacy of information transmission, the company will need to have processes in place that are designed to prevent system troubles on the company's end. Please refer to III. 2. (ii) b. and IV. 4. below for a discussion of defects in resolutions of shareholders meetings in the event of communication failures and other interference.

(iv) Measures against abusive questioning by shareholders and arbitrary actions by directors

Virtually attending shareholders may not be visible to the company's representatives and other shareholders. Because of this lack of visibility, these shareholders might be less hesitant in submitting questions or bringing up shareholder proposals. Or, they might submit the same questions and proposals over and over again, in an abusive manner, as compared to shareholders attending the meeting in person. To avoid this situation, the company may limit the number of questions or proposals that one shareholder can submit. The chairperson also may determine to respond to only the meaningful questions.

On the other hand, it is also necessary to ensure that the directors do not act abusively or derisively to virtually attending shareholders and that the proceedings are not conducted arbitrarily. One possible solution would be to publish the criteria for taking questions in advance in the notice of convocation, or to publish the questions from shareholders received by the company on the company's website after the shareholders meeting.

4. Status of virtual shareholders meetings

In recent years, an increasing number of companies have been holding virtual shareholders meetings. The table below shows the status of virtual shareholders meeting held by listed companies. Please note that virtual-only shareholders meetings could not legally have been held until the amendment as of June 16, 2021 to the Act on Strengthening Industrial Competitiveness.

	Ordinary shareholders meetings held in June 2020 (Out of 2,278 companies)	Ordinary shareholders meetings held in June 2021 (Out of 2,303 companies)
Hybrid participation shareholders meetings	90 companies	291 companies
Hybrid remote attendance shareholders meetings	9 companies	14 companies
Virtual-only shareholders meetings	0	0 (*)
Total	99 companies	305 companies

* The virtual-only shareholders meeting was held for the first time in August 2021, and since then there have been only around three cases (including the first one) as of March 11, 2022.

III. Hybrid Virtual Shareholders Meetings

1. Hybrid Participation Shareholders Meeting

(i) Treatment under the Companies Act

As described above, at a hybrid participation shareholders meeting, shareholders who are not present at the physical shareholders meeting can only observe the meeting.

(ii) Practical Notes

As mentioned above, shareholders who participate virtually cannot vote on resolutions or submit questions or motions on the day of the meeting, while some companies may allow shareholders to submit questions in advance of the meeting. Therefore, shareholders who intend to exercise their voting rights must vote in advance in writing or by electromagnetic means or by proxy, and shareholders who intend to submit questions or motions during the meeting have to attend the physical shareholders meeting.

2. Hybrid Remote Attendance Shareholders Meetings

(i) Treatment under the Companies Act

Under the Companies Act, a hybrid remote attendance shareholders meeting is legitimate as long as interactive and simultaneous communication between shareholders and the company is ensured.

(ii) Practical Notes

a. Prior exercise of voting rights in advance of, and exercise of voting rights at, the shareholders meeting

How the voting rights of a shareholder who attends remotely and has exercised their voting rights in advance, whether in writing or by electromagnetic means, will be handled must be stated in the notice of convocation for the meeting. There are cases where the advance vote is voided only if the shareholder exercises his/her voting rights during virtual attendance or upon logging in to an attendee-only site.

b. Actions to be taken against, and defects resulting from, telecommunication malfunctions

As mentioned in (i) above, hybrid remote attendance shareholders meetings require interactive and simultaneous communication between shareholders and the company at the venue of the physical shareholders meeting, and if there are telecommunication malfunctions on the company's side, it may be considered that there was a defect in any resolution at the shareholders meeting. Therefore, companies should take action designed to prevent communication failures, as well as to provide appropriate information to shareholders if there are problems. Specifically, the company should take appropriate cybersecurity measures and provide notice of the possibility of communication failures in the event of virtual attendance, and seek to ensure there is the necessary environment and procedures for access.

Despite taking these measures, the possibility remains that a problem will occur. Thus, a company also should be prepared to deal with an actual communication failure. One option would be to, at the outset of the virtual meeting, have resolution adopted that entrusts the chairman with the decision on whether or not to postpone or to continue the meeting if a significant communication failure or disruption occurs, and that the chairman also be authorized to fix the date, time and location of the postponed meeting if postponement is necessary. This also should be considered for virtual-only shareholders meetings, as discussed below.

Nevertheless, shareholders are still given the option of attending the physical shareholders meeting in a hybrid remote attendance shareholders meeting. Therefore, if a shareholder who had been informed of the risk of communication failure by the company but chose to remotely attend the meeting is unable to join the discussions and/or to vote because of a communication failure on the company's

side, the METI Guidelines state that this failure should not be considered constituting grounds to revoke the resolution of the shareholders meeting as long as the company had taken reasonable measures to prevent communication failures.

IV. Virtual-only Shareholders Meetings

1. The Companies Act and the Act on Strengthening Industrial Competitiveness

In order to convene a shareholders meeting, a company must specify the "place of the shareholders meeting" under the Companies Act (Article 298, Paragraph 1, Item 1 of the Companies Act). The meaning of "place of the shareholders meeting" is considered to be a specific place that must be physically accessible for admission.

However, the company can convene and hold a virtual-only shareholders meeting only if specific requirements are satisfied. These requirements were introduced by an amendment to the Act on Strengthening Industrial Competitiveness as a special exception to the Companies Act provision, in order to strengthen industrial competitiveness while giving due consideration to ensuring the interests of shareholders, since virtual-only shareholders meetings have the advantage of invigorating, streamlining, and facilitating shareholders meetings.

2. Specific requirements for virtual-only shareholders meetings

In order to convene and hold a virtual-only shareholders meeting in accordance with the Act on Strengthening Industrial Competitiveness, the company must meet the specific requirements below (Article 66 of the Act on Strengthening Industrial Competitiveness, and Article 1 of the Ministerial Ordinance Concerning Shareholders Meetings without a Specified Place under the Act on Strengthening Industrial Competitiveness (the "Ministerial requirements")):

(i) the company must be a listed company in stock exchange market of Japan (i.e., a company that has its shares listed on a financial instruments exchange as defined in Article 2, Paragraph 16 of the Financial Instruments and Exchange Act);
(ii) the company's articles of incorporation provides that a shareholders meeting may be held as a "shareholders meeting without a physical venue";
(iii) the company obtains the "confirmation" of both the METI and the Minister of Justice regarding the applicability of "the Ministerial requirements", such as having a person in charge of

administrative matters related to communication methods; and

(iv) the company meets "the Ministerial requirements" at the time of the decision of the board of directors to convene the shareholders meeting.

However, listed companies that have obtained "confirmation" as described in (iii) above from the METI and the Minister of Justice may, until June 15, 2023, be deemed to have the article of incorporation provision described in (ii) above (Article 3, Paragraph 1 of the Supplementary Provisions of the Act on Strengthening Industrial Competitiveness). This temporary measure has been taken given the impact of COVID-19. However, listed companies that are relying on this temporary measure cannot use a virtual-only shareholders meeting in order to adopt the resolution amending their articles of incorporation to actually include this concept in their articles (Article 3, Paragraph 2 of the Supplementary Provisions of the Act on Strengthening Industrial Competitiveness). In other words, they will have to hold at least one physical shareholders meeting to rely on this option after the expiration of the temporary measure on June 15, 2023.

3. Convocation procedures of virtual-only shareholders meetings

The board of directors of the company must determine certain specific matters when convening a virtual-only shareholders meeting (Article 66, Paragraph 2 of the Act on Strengthening Industrial Competitiveness and Article 3 of the Ministerial Ordinance on Shareholders Meetings without a Specified Place under the Act on Strengthening Industrial Competitiveness):

(i) the fact that the shareholders meeting must be a shareholders meeting without a specific place instead of "place of the shareholders meeting";
(ii) the method for communicating with shareholders (Internet, telephone, etc.); and
(iii) the details of treatment of validity of prior voting in the event that shareholders have exercised their voting rights in advance and also on the day of the shareholders meeting (See III.2. (ii)b.).

The company must give notice of convocation of a shareholders meeting describing the items in (i) through (iii) above and relevant information such as how to access the virtual-only shareholders meeting (Article 4 of the Ministerial Ordinance Concerning General Shareholders Meetings without a Specified Location under the Act on Strengthening Industrial Competitiveness).

4. In the event of communication failure

(i) How to deal with a communication failure

The company can postpone or continue the shareholders meeting by a resolution of the shareholders meeting under Article 317 of the Companies Act; provided, however, that if a communication failure occurs at a virtual-only shareholders meeting, it may be difficult to pass a resolution to postpone or continue the shareholders meeting due to the communication failure.

Consequently, it is recommended that, at the outset of a virtual-only meeting, a resolution of the shareholders meeting be adopted to the effect that “the chairman may decide to postpone or continue the meeting if the proceedings are significantly disrupted due to a communication failure,” so that the company can postpone or continue by the chairman's decision when a communication failure actually occurs, without having to pass another resolution of the shareholders meeting as an exception to the Companies Act above (Article 317 of the Companies Act after replacement by Article 66, Paragraph 2 of the Act on Strengthening Industrial Competitiveness).

(ii) Defect of shareholders meeting due to communication failure

When a communication failure occurs at a virtual-only shareholders meeting, an issue arises as to whether or not the failure constitutes cause for revocation of or cause for non-existence of any resolution adopted at the shareholders meeting. This problem is more serious than a hybrid remote attendance shareholders meeting because the shareholders are not able to attend the physical shareholders meeting in a virtual-only shareholders meeting.

The timing of the occurrence of a communication failure during the proceedings of a virtual-only shareholders meeting depends on individual circumstances, so there must be a fact-base analysis of whether resolutions should be considered revoked or non-existent, and the impact of the communication failure on the proceedings also should be considered as part of this analysis. Given the factual variability inherent in these situations, it is difficult to provide a clear standard, as the analysis must be based on individual and specific circumstances and facts.

However, for example, if a communication failure occurs due to circumstances on the shareholder side (e.g., failure of the communication environment on the shareholder side), this is considered not to be a reason for revocation of or non-existence of resolutions adopted at the shareholders meeting. On the other hand, if a communication failure prevents the majority of shareholders from exercising their voting rights at the time of the vote, then this would be considered as a reason for the non-existence of the resolution.

V. Conclusion

Compared to the hybrid remote attendance shareholders meeting and the virtual-only shareholders meeting, both of which require “attendance” as mentioned above, the hybrid participation virtual shareholders meeting, which does not require “attendance, ” has the lowest hurdle for implementation among the three types of virtual shareholders meetings.

While the number of companies adopting the hybrid virtual shareholders meeting method has been increasing to a certain extent, the number of listed companies holding virtual-only shareholders meetings remains small (only three cases as of March 11, 2022), and its practice has not yet been established in many respects(for example; how to deal with proxy voting, proposals at the virtual shareholders meeting by shareholders and so on). We look forward to further practical developments in the future.

Nevertheless, in shareholders meetings that are expected to have contentious matters raised, such as those where shareholder proposals are made or where the company’s responses to activist shareholders are required, the virtual-only shareholders meeting method is unlikely to provide a forum for stable deliberation to ensure that there are no defects in the holding of the meeting and the validity of the resolutions adopted. Therefore, when facing these situations, it is prudent that companies will hold only physical shareholders meetings or perhaps consider holding hybrid virtual shareholders meetings.

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Amendment to the Companies Act – Outside Directors

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The "Act for Partial Revision of the Companies Act" (the "Amended Companies Act") was enacted on December 4, 2019, and parts of such Act, including the mandatory appointment of outside directors (*Shagai Torishimariyaku*), came into effect on March 1, 2021.

In this article, we will first outline the requirements regarding directors, etc. that should be taken into consideration when establishing a Japanese company (*Kabushiki Kaisha*) as a means for a foreign company to expand into Japan, and then explain the obligation to appoint outside directors for certain companies as stipulated in the Amended Companies Act.

I. Requirements for Directors, etc.

When a foreign company intends to establish a direct business presence in Japan, there are two main forms it may take: (i) registering a foreign company (establishing a branch of the foreign company); or (ii) establishing a corporation in Japan (e.g., *Kabushiki Kaisha* ("KK") or *Godo Kaisha* ("GK")). Since traditionally a KK has been the most common form of corporation established in Japan, and its organization and management structure are widely known, KKs are often chosen from among the above options, while the number of GKs has been increasing recently.

A KK is required to appoint at least one director (Article 326, Paragraph 1 of the Companies Act), and if it has a board of directors, it is required to appoint at least three directors and at least one statutory auditor, in principle (Article 39, Paragraph 1, Article 331, Paragraph 5, and Article 327, Paragraph 2 of the Companies Act). In principle, each director represents the company unless a representative director is selected from among the directors (Article 349, Paragraphs 1 through 3 of the Companies Act). In addition, a company with a board of directors is required to select a representative director (Article 362, Paragraph 3 of the Companies Act).

In the past, at least one of the representative directors of a KK had to be a resident of Japan in order for the incorporation of the KK or the registration of the appointment of a representative director to be accepted. However, this regulation was abolished in 2015, and it is now possible to establish a KK without having any resident in Japan (There is no restriction on the residency of the representative of a GK, but at least one of the representatives in Japan is required to be a resident of Japan for a branch office of a foreign company (Article 817, Paragraph 1 of the Companies Act)).

II. Obligation to Appoint Outside Directors

Under the pre-amendment Companies Act, except for a company with a nominating committee, an audit committee and a compensation committee and a company with an audit and supervisory committee, the appointment of outside directors was not mandatory, and the only requirement was that a company with a board of statutory auditors (limited to public companies and large companies) which is required to submit an annual securities report must explain the reasons why it is not appropriate to have an outside director at the annual general meeting of shareholders (Article 327-2 of the pre-amendment Companies Act). However, under the Amended Companies Act, it is now mandatory for the companies mentioned above, which were required to explain the reasons why it was not appropriate to have outside directors, to have an outside director (Article 327-2 of the Amended Companies Act).

In the case of a company with a board of statutory auditors, the number of statutory auditors must be at least three, a majority of which must be outside statutory auditors (Article 335, Paragraph 3 of the Companies Act). Since this amendment also makes the appointment of outside directors mandatory, a company with a board of statutory auditors that is subject to the obligation to appoint outside directors must appoint at least three outside officers. However, only a very small number of listed companies do not appoint outside directors (In 2021, 97.0 per cent of the listed companies in the First Section of the Tokyo Stock Exchange (TSE) have appointed two or more independent outside directors (versus 21.5 per cent in 2014) and 72.8 per cent have at least one-third of their directors being independent outside directors (versus 6.4 per cent in 2014).（TSE, Appointment of Independent Directors and Establishment of Nomination and Remuneration Committees by TSE-Listed Companies (August 2, 2021), https://www.jpx.co.jp/english/news/1020/b5b4pj00000496mg-att/b5b4pj00000496pe.pdf). Therefore, only such very small number of listed companies that do not appoint outside directors and companies which are required to submit an annual securities report that are not listed companies will be required to comply with the obligation to appoint outside directors, and the impact is expected to be limited.

Although there is a dispute about the validity of resolutions of the board of directors in cases where such resolutions are passed in a situation where an outside director has not been appointed in violation of the obligation under Article 327-2 of the Amended Companies Act, it may be regarded that if the procedures for appointing an outside director are carried out without delay and an outside director is appointed within a reasonable period of time, the resolutions of the board of directors passed during that period are not considered invalid. However, since it is not always clear how long a "reasonable period of time" is, and since the procedures for appointing outside directors must be carried out without delay, it is desirable for the companies mentioned above that have not appointed outside directors to immediately consider candidates for outside directors.

Even if a company has already appointed one outside director, in the event that the outside director suddenly resigns, there will be a debate on the validity of any resolutions of the board of directors made during that period. Therefore, in practice, it is possible to appoint a substitute outside director (Article 329, Paragraph 3 of the Companies Act), or to appoint more than one outside director in light of the fact that the Corporate Governance Code (which is a set of soft law principles and guidelines that listed companies should refer to as guidelines in their corporate governance) requires that listed companies (if listed on markets other than the Prime Market) appoint at least two independent outside directors (if such listed companies believe they need to appoint at least one-third of its directors as independent outside directors, they should appoint a sufficient number of independent outside directors.) (Principle 4.8 of the Corporate Governance Code.).

In June 2021, the Corporate Governance Code was amended. This amendment, among others, aims to set higher corporate governance standards for companies listed in the Prime Market as follows (the TSE has reorganized the market into three segments as of April 2022: the Prime Market, the Standard Market and the Growth Market.):

- Appointment of at least one-third of independent outside directors (the majority if necessary). In particular, subsidiaries listed in the Prime Market should appoint the majority of directors as independent outside directors or establish a special committee composed of independent persons including independent outside director(s) to deliberate and review material transactions or actions that conflict with the interests of the controlling shareholder and minority shareholders.
- Appointment of the majority of members of nomination committee and compensation committee as independent outside directors.

III. Entrustment of Business Execution to Outside Directors

In order to ensure neutrality in situations where conflicts of interest arise between a company and its executive directors or other interested parties, such as management buyouts (so-called “MBOs”) in which the management team becomes the acquirer, transactions between parent and subsidiary companies, etc., outside directors may take the lead in the company's activities. However, in order for a director to fall under the category of “outside” director, he or she must meet the requirements set forth in the Companies Act (the so-called “outside” requirements; Article 2, Item 15 of the Companies Act), such as not being an executive director, etc. of the company or its subsidiary.

Although it is expected that an outside director will play a proactive role in situations where conflicts of interest arise as described above, under the pre-amendment Companies Act, if a director engaged in activities that involved external actions, he or she was formally classified as an “executive director, etc.” and lacked the “outside” requirement.

Therefore, the Amended Companies Act provides that if there is a conflict of interests between the company and its directors, or if the interests of shareholders may be impaired by the execution of business by directors, by way of a decision of the directors (or by a resolution of the board of directors in a company with a board of directors), then the company may entrust the execution of business of the company to outside directors. The new law clearly stipulates that the execution of the entrusted business by outside directors does not fall under the category of “execution of business” under the “outside” requirement, thus dispelling any doubt in interpretation (Article 348-2 of the Amended Companies Act).

With the establishment of the safe harbor rule regarding the entrustment of business execution to outside directors, opportunities for outside directors to act as members of special committees in MBOs and transactions between parent and subsidiary companies are expected to increase, and the scope of their activities is expected to expand.

IV. Disclosure Regarding the Obligation to Appoint Outside Directors

As mentioned above, in light of the recent development of discussions on the roles expected of outside directors, it has been pointed out that, in practice, there is a problem wherein information that contributes to the evaluation of whether or not outside directors can fulfill the functions expected of them may not be sufficiently provided to shareholders, depending on the description of the reasons,

etc. for appointing them as candidates for outside directors in accordance with the pre-amendment Regulations for Enforcement of the Companies Act (Article 74, Paragraph 4, Item 2, Article 74-3, Paragraph 4, Item 3, etc. of the pre-amendment Regulations for Enforcement of the Companies Act). In response to this issue, Article 74, Paragraph 4, Item 3 and Article 74-3, Paragraph 4, Item 3 of the amended Regulations for Enforcement of the Companies Act require that "an outline of the role expected to be played by the candidate if elected as an outside director" be included in the reference materials for the general shareholders meetings for candidates for outside directors in proposals for the appointments of directors. In addition, in accordance with the above changes, pursuant to Article 124, Item 4 (e) of the amended Regulations for Enforcement of the Companies Act, public companies are required to include, in their business reports, "an outline of the duties performed by outside officers in relation to the roles they are expected to play".

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