

dentsu group

Dentsu Group Inc.

Q&A Summary of ESG Briefing 2023

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[Hosts]

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Arinobu Soga	Director, Representative Executive Officer, Executive Vice President & Chief Governance Officer
Tim Andree	Non-executive Director, Chairman of the Board
Gan Matsui	Outside Director
Keiichi Sagawa	Outside Director
Miho Tanimoto	CHRO

Questioner 1: Thank you very much for holding this ESG Briefing Session. First of all, my first question is about the mindset and the survey of the employees. I think that was included in the integrated report. I think there's a little bit of discontinuity in your most recent data and the previous data from about 2016. If you track the numbers, the score seems to be deteriorating slightly. How you view your current numbers, current score, how do you evaluate them from your perspective, such as attrition or the impact on recruiting? If you can comment on those points, that will be appreciated. That's my first question.

Regarding my second question, I would like to know about how you plan to hire people. If you consider the labor environment, I think it is time for you to expand the number of employees, but this will result in increased personnel costs. If you take that into consideration compared to before, like more than 20% operating margin, structurally it might be difficult for you to achieve in the future or may not be sustainable as a level for you to continue. Would that be the right assumption?

Those are the things that I would like to have your views on. Those are that my two questions.

Soga: Thank you very much for your question. This is Soga here. I would like to try to summarize your question and respond and have Igarashi-san, who is the Head of executive team and also Tanimoto-san supplement my comments.

First of all, regarding the result of the awareness survey regarding the engagement score coming down. For that point, from my capacity, who have been overseeing this group for such a long time, I would like to make a comment here. If you look at the recent issues that has happened in the Japanese business and the reputational decline in society, well, those have become a major issue for us, and we have to be aware of that. That's one point that I would like to address here.

I also would like to also add one comment regarding your second question. Regarding the expansion of human resources, as Tanimoto-san mentioned, after all, personnel, human talent are one of the most important assets for us. The changes in industry, change in society, and the changes in our business, in response to those changes, necessary human talents will have to be hired according to our plan, so having a pressure on hiring, we have to admit that. We cannot deny that. In terms of cost, in terms of expenses, there are some pressure. We cannot deny that. But having said that, however, in the total group, 40% of the gross profit comes from the Japanese business. It's a very large piece of our business. And the client engagement is very high in Japan. The revenue growth and also the operating margin maintenance is a very important issue that we have to address.

20% operating margin, you asked that question at this time, but this is a very important KPI for us, and I think we have to adhere to that and maintain that. At least on the executive side and also as a member of the Board, from my perspective, I still believe that we have to uphold that target.

Sorry for my lengthy answer, but that is regarding your first question regarding the engagement of employees.

Maybe, Tanimoto-san, if you have one comment, if you could add a comment, that would be appreciated.

Tanimoto: Thank you. This is Tanimoto here. Regarding the engagement survey, the score slightly coming down, yes, that is a fact, yes. But on the other hand, the score itself, not only that, but the content thereof is going to be very important, which item is highly appreciated and has a very high score of engagement amongst the employees. What are the challenges? What are the issues? And what are the comments behind that? What are the opinions actually behind those scores? We have to identify that and interpret those messages. That's going to be very important.

Just this week, the engagement score for this year, I myself and Igarashi, we had a conversation with the employees just recently. We wanted to convey the message with transparency, to convey the current

situation to all employees and be aware of the issues and challenges. And we will work together in unison to make the Company better. That was the message that we got across to the employees.

This is going to be a priority item for us. We have to become a company that has rigor and vigor because we believe a company with vigor can deliver results, so we would like to attach importance to this KPI.

Regarding recruitment and also the expansion of our talent, this is my personal comment. Each individual productivity improvement is going to be very important. We have to deliver results here. The human resource data, if you analyze this, I think it will be possible for us to achieve improvement of productivity. In terms of recruitment, of course, there are a factor of the Company reputation. But more than that, each individual, if they are motivated to work for the Company, if the Company can grow their potential, how significant the Company is for their own career, we have to develop them together with the employees. We have to provide an environment that will allow them to work together and develop those kind of environment. I think that will decide whether we can gather the necessary human resources. The culture and mechanisms that allow them to grow and be motivated, that's going to be a very important factor for the recruitment of Dentsu.

Thank you. That's my comment. Thank you.

Igarashi: This is Igarashi. I would like to also add my comment here. Regarding your second question in particular, regarding operating margin, the target numbers, you have indicated a number. This number, actually we would like to defend this target. That's going to be very important for us.

At the management side, what kind of expenses do we have to spend in order to generate profit? In that regard, this target number is going to be very important. But we don't want to focus only on operating margin because I don't think that is favorable for us. Driving growth would be the utmost priority for our business. Organic growth, how much organic growth we can achieve is also going to be a very important indicator, not only for us but also for you. In order for us to achieve growth, how can we effectively lay down capital is going to be very important. And that's going to be one of the factors behind operating profit margin. We have to manage the Company's business in an effective manner for us to drive growth.

Questioner 2: Thank you very much for this opportunity. First of all, you mentioned about the external directors. I think there are two directors being present. Therefore, thinking about the governance, so because the external directors monitoring the corporate governance, therefore, I think it's going to be very important to have an engagement and monitoring by the external directors. For the system itself, is there any issue? And also, as the external directors, do you have any kind of corporate culture that they are able to actively engage? Depending on the companies, in some cases, the external directors are not able to utilize their capability. This is the first question.

Second question talking about M&A. Therefore, you're going to improve the capability through the M&A. However, due to that, you're able to incorporate the new talent. As you have mentioned for the HR talent, in order to enhance the governance to those new talents, talking about Japan, because you are focusing on changing and making reform in this traditional Japanese situation, however, could you give us your corporate governance for the new talents?

Soga: This is Soga. Thank you very much for the question. Well, we do have two external directors present with us, so therefore, I would like to ask both gentlemen to give us their opinion about the corporate governance and elaborate the discussion.

First of all, talking about the first question, the Nominating Committee Chairman, Sagawa-san; and after that, Matsui-san, who is the Chairman of Audit Committee; and after that, we would like to invite Andree-san to give us your opinion. First, Sagawa-san, please.

Sagawa: This is Sagawa speaking. Thank you very much for the question. Well, because we have changed to the company with three committees and, therefore, the Board of Directors' meeting and also the role of each committee, we have already clarified the roles of each committees. For example, for the BOD and the committees, well, because we had excluded overlapping theme for those committees and BOD and the discussion within the committee has been very active in comparison to last year.

Therefore, I participate in both committees. For the Nominating Committee, there have been very active discussion and also in individual meetings and also from the management meetings. We are able to accept various information and also I express my opinions. We are able to have a very candid exchange of opinions. Therefore, we are able to have a very active committee activity as well as BOD.

Therefore, going forward, we would like to have in the committee meeting and also the BOD for the important issues. We would like to elaborate more discussion and involvement. And to that, I hope that I can make a greater contribution by myself. That's my result. So because this includes my opinion. Thank you very much.

Matsui: Thank you very much for the question. This is Matsui speaking. Well, in the Audit Committee as the Chair and also, in the Nominating Committee, I'm also a committee member, and, of course, I attend the BOD, therefore, this is my opinion based on those experiences.

Talking about before changing to the company with three committees. Because the activities in the committee, they have been very active involvement and therefore, starting from this spring, we have changed to this company with three committees.

What has changed is that furthermore, the activities of BOD and committees have become more active. My personal opinion is that there have been many changes because, according to the Company law in Japan or because we need to exercise the greatest corporate governance with the committee and also we need to segregate the monitoring and the activities of the committee.

Talking about the quantity, the BOD, the Board of Directors' meeting have been extended to three to four hours and also in the Audit Committee, they have extended from two hours to three hours. And because I chair this Audit Committee, and I myself, so once a month, we hold a meeting. Between that, with the Chairman and Vice Chairman, who is Sagawa-san, we hold the meetings in between.

In addition, if necessary, from the management, we receive the elaboration on the information and also, we do have these kind of discussions with the auditors. Therefore, the three-hour discussion talking about the risk compliance, accounting issues, and other than that, we do have a very detailed discussion during that meeting.

Talking about the BOD, each Board members would express their opinions based on their own ideas. We are able to have a very good exchange of communication and Tim-san manages this meeting. After that, we reach to the conclusion. Therefore, we are able to exercise this to BOD whether the external directors are showing their actions.

One thing that I would like to mention, before I joined, I reviewed about the days I dedicated to Dentsu and also, I was a non-statutory member, however, at least there have been 128 days, I have been engaged in Dentsu activities.

That is all for myself.

Andree: Yes. Thank you for the question. Just allow me to briefly follow up on Matsui-san and Sagawa-san's responses. The question is about the culture at the Board and how the Board is working. I mentioned in my opening remarks, we've tried to adopt the optimum structure, a three-committee structure. But the structure

alone doesn't create a good culture at the Board. I also mentioned in my opening remarks that the new members, the new outside directors that have joined, that their skills and capability is a boost. But those two items alone are not only what's creating the culture.

I do believe that the committee structure is working well to allow us to organize the various agendas and have the delegation to the committees to focus and deep-dive discussion, and that's freed the Board to get into more strategic and deeper discussion. But ultimately, this is what creates the culture is the sincere commitment of the Board members, both the executive directors and the nonexecutive directors, to continue to evolve the business and to take quite seriously their responsibilities.

The dialogues are very active. The feedback from the nonexecutive directors to the executive directors is very free-flowing and candid, and the executive directors are responsive. There is no resistance to the strengthening of governance or the improvement of oversight or transparency. In fact, the entire organization is leaning into this because it deeply believes that's what will make us the type of company that can create greater corporate value.

So, so far, so good in the first year of the new structure. But I do think that the culture has developed of seriousness and respect at the Board and that all matters that need to be monitored and questioned do get brought up at the meetings in a very constructive way. Thank you.

Soga: Tim-san, thank you very much. The second question is about the M&A, in order to recruit new talents through the M&A. I would like to invite Tanimoto-san to respond to this question.

Tanimoto: In order to secure the capability and having a new talent through the M&A and also to the new talent, how we exercise our corporate governance to those new human talents, well, first of all, as a policy, we are thinking is that. In order to show their full capability on dentsu global HR model, we would like to incorporate those new talents in this model. What I'm talking about is that each employee oversees according to the job level because they are being provided their salary according to this job level and the evaluation is set.

Also with the team, they are working on one global HR platform and therefore, they are going to create more on dentsu's system and in alliance with that, so thinking about the new capability and the new talents, are able to grow together. I think we are able to have that kind of structure.

Of course, there are some issues and challenges. For example, under this One dentsu strategy, we would like to have more horizontal organization at each team because the various and diverse talents are able to collaborate. Therefore, we need to have human mobility and also human connectivity is necessary, and we need to create and reform the HR system.

One key is that dentsu culture because we are focusing on this issue or because we are going to create a dentsu culture and apply this as One dentsu and who is able to fit as a culture, we are going to provide their carrier path in order to show their capability. Therefore, by having new talent, we are able to utilize their capabilities.

Igarashi: This is Igarashi. Thank you very much for the question. Especially so, I think you're asking about what we are doing in Japan. I mentioned about the mindset and behavior reform, and therefore, I'm a Committee Chair of the DJ Reform Committee. It is necessary to grasp the current status and, therefore, to all the Japanese employees, we have conducted an employee survey. Therefore, with the Group companies, we need to understand the present situation, so that is the most important thing. We are going through that. We are going to think about the issues.

Of course, we are going to implement the whistleblowing system. We need to implement that system thoroughly. Of course, the guidelines related to the business are being created, and therefore, we are going to implement that guidelines are all in. As Tanimoto-san has mentioned, because Tanimoto-san has created this Dentsu leadership attributes this is a very important target for the HR or rather guideline. Therefore, we would like to implement thoroughly.

Questioner 3: This is a question for Tanimoto-san, CHRO. Thank you very much for your explanation. After listening to your presentation, the leader of business execution, they hold a very important role according to what I heard from you. In the current Dentsu environment, Tanimoto-san, of course, your personal view is okay. In selecting the leaders, what is the most important criteria when you select the leaders? Can you share that view with us? Thank you?

Soga: This is Soga. You just nominated Tanimoto to answer that question, so this relates directly to the leadership attributes. As you pointed Tanimoto-san as the responder, I would like to have her answer your question first.

Tanimoto: Thank you very much for your question. Exactly on the field, how the leader should look like, that has a very important positive impact on the employees and that will formulate the culture of the Company. I believe that is going to be important.

What is the important criteria? Actually, in my view, in line with the growth of the Dentsu business, these leaders have to be able to lead the Company. This is the one criteria that we have to think in selecting these leaders. It's not only my view, but actually, we gathered together all the business leaders from Japan and overseas, listened to their opinions, and we discuss what will be needed for the future Dentsu. We summarized those requirements and formulated Dentsu leadership attribute. This is only the first year. It's only a draft stage. I cannot share the details with you altogether.

But what is most important is to drive transformation, drive changes, tackling new challenges. In order to tackle new challenges, that accompanies very bold decisions in some cases. And of course, not only looking back to history, but also have to look ahead and capture the changes ahead and keep abreast with these speedy changes or keep ahead of those changes. Those kind of changes have to be driven by those leaders.

Besides that, for One dentsu, One dentsu is all about diversity. All the expertise of individuals are multiplied with each other, and that will do something much larger. So collaboration is also needed for us to drive innovation. So people centered. The leadership that will lead other people is also very important. And before raising all these things, first and foremost, integrity is of utmost importance.

Every time, on every occasion, we are talking this to all the potential leaders in the Company. We use this integrity as a Japanese language, integrity in katakana so that people can translate what integrity means for themselves and use them as their own language and be able to embody integrity by themselves.

Thank you. That's all from me.

Soga: All right. Thank you very much, Tanimoto-san. Igarashi-san also may have a comment, so please, I would like to ask Igarashi-san to comment as well.

Igarashi: Thank you very much for this opportunity. Tanimoto-san has summarized the new requirements for the new leaders. But after all, in order for us to develop a relationship of trust over the medium to long term with many clients, based on that, we have to solve many challenges and drive innovation. That is going to be a very important theme for our company, so people who can drive innovation based on trust. Those talents are essential for us.

Questioner 4: Talking about the dentsu Group, what kind of culture and also the HR capability? Because today, you mentioned about the reform and also the transformation for the HR system. However, based on other companies' experience, as a source of strength for dentsu, how you're going to sustain that route?

Tanimoto: Thank you very much for the question. Well, what we need not to change in the current dentsu, I mentioned some information through my presentation. When I have a dialogue with employees, there are lots of good things that I'm so much impressed. This company is based on the creativity and therefore, the human ideas are the source of their business. Therefore, actually speaking, I joined from outside of dentsu, so I was amazed that there are so many employees who have their individuality and work by themselves. This is very important. They have their own opinions and they're able to take their actions by themselves. That is going to relate to the leadership. Therefore, I think this potential is so high amongst the employees.

And also to the clients, because they see they are so happy if they're able to fulfill the request of the clients, this is really—they have such kind of strong sentiment to the clients. Therefore, maybe you do have a diverse perspective. However, I was so amazed to feel that they have this kind of pure sentiment, and that is going to lead to the innovation. Therefore, they would like to contribute to the clients. I think this asset should be maintained.

Also, in order to maintain this asset and thinking about the HR strategy, currently in Japan and globally, we are going to create One global and therefore, because we are able to learn from their own strength and we are able to learn from each other from the Japanese way, not only the culture, the work style, and also how they're engaged to the clients. And from the overseas, they are learning our Japanese business style.

However, from the different perspective, we are learning from the agility and also this flexible and fast decision-making process, global arena are being learned. Therefore, we are trying to create this One dentsu. Therefore, we are going to create leadership attribute. That is going to become a platform for this HR system, and we are trying to align those opinions.

Questioner 5: Thank you very much for your detailed explanation today. I too have a question for Tanimoto-san. We understand that you are currently going through a very challenging situation. You have changed the governance structure and you are taking actions. I understand that very well through your presentation today.

Based on that, cultural reform and organizational change, I think takes time according to my understanding. That's at least what I think. But this time around, you are now incorporating many different ideas for leadership, for example. What is the time frame for you to change the corporate culture, maintaining the legacies that you believe is important? What is the time frame for your completion of this endeavor? If you have anything that you can share with us, that will be appreciated.

I'd also like to hear some comments from Igarashi-san as well.

Soga: Thank you very much for your question. As it was requested, we would like to have Tanimoto-san answer your question first. And then after that, I would like to have Igarashi-san comment as well. Tanimoto-san, please kick off.

Tanimoto: Thank you very much for the question. Organizational change takes a certain amount of time. It will be great if we can define the time frame in a very clear fashion. But based on my experience, every year, organizational change or cultural development takes place because this is an endless journey. We have to put energy behind that to that magnitude. And only after that, you can deliver some changes.

This is something that we have to work in earnest in a very serious fashion. But for example, in our case, integrity, compliance, those elements are the areas that we would like to strengthen by all means. We would

like to make this visible as much as possible by taking survey data, for example, based on numerical data so that we can track the progress in these areas.

That's all from myself. Thank you.

Igarashi: Igarashi here again. Thank you very much for the question. In the mindset and behavior committee, I am serving as the Chairperson of that reform committee and I believe this mindset and behavior change is a very important element for us to change and transform our culture at Dentsu.

The KPI and KGIs that I shared with you, we have clearly presented them, and we would like to speed up and accelerate this transformation and reform. Of course, organizational culture is something that cannot be changed quite easily over time. But if you consider the current status, I think we can fairly say that a certain degree of progress or results—of course, we have to keep an eye on how we make progress here, but by the end of next year, we'll have to see how much progress we have achieved by then.

As a person responsible for this reform of mindset and behavior, I think that is one goal that we have to keep an eye on. We'll have to see how much progress we can achieve by then, by that time frame. So now, I will take responsibility to make good progress.

Questioner 5: Thank you very much. If that is the case for that matter, you said that through these kind of ESG briefing sessions, you are going to give us some regular updates and give us some disclosure. Right? So we should expect these kind of opportunities to arise in the future. Right?

Igarashi: Yes, that is our plan. And also on the home page, from time to time, we would like to report the progress on a continual basis. That is also included in our plan.

Questioner 5: Thank you very much for that. My second question is a very detailed point, maybe a minute point. But regarding your listing on the parent and subsidiary level, the Dentsu International Information Service, 67%, you own that company. And in the Tokyo TSE, the parent and child listing is something considered to be programmatic. This 61.78% ownership is somewhat awkward in terms of your weight of ownership? What's your view about being listed as the parent company and also the subsidiary company level simultaneously? And what is the role split inside the Group? If you can provide us with the explanation on that point, that would be appreciated.

Soga: Thank you very much for the question. I would like to answer that part. Based on that Corporate Governance Code of TSE, listed on the parent and also subsidiary level, potentially the parent as a major shareholder and the subsidiary and also minority shareholders having on conflict, I do understand that. Up until last year, I served as CFO, and I had a lot of dialogue with the institutions, institutional investors, and I explained to them during many occasions that, first and foremost, the potential risk, potential conflict, we have to be aware of that and while being aware of that based on the leadership of the parent company, the performance of the Company will have to be raised and improved. And by doing so, the share price will be raised and enhanced. And under the leadership of the major shareholder, the minority shareholders' profits can be expanded. We have to drive that as a responsibility of the major shareholder. That is the message that we have given to them.

But in terms of the design, in terms of the system, the conflict has to be eliminated as much as possible. For that purpose, the subsidiaries are independent, especially in the independence of the Board of Directors. That point has to be secured, has to be maintained. These are the two points that we have been aware of. And so our view is that by maintaining independence and improving the performance under the leadership of the major shareholder, i.e., the parent, that is an important theme when it comes to our parent and subsidiary listing. 60-something percent, this is an [awkward] ownership. Yes, I agree with you. But it's not that we aim

for that percentage of ownership. We did not increase or decrease the percentage intentionally, it just turned out that we just settled down at that level.

In relation to the point, by increasing or decreasing 1 percentage point, we don't really have a clear cut idea or clear cut ambition or thoughts about that. In the execution process, we might as well go to a 100% ownership or reduce the ownership to maybe 50% or less. It may happen to be so. The ISID is a very important business asset, so this is always a subject of discussion at the BOD level of the parent company. Whether to increase the percentage of ownership or decrease it, we cannot tell you anything definitive right now, but we are always keeping an eye and reviewing the business assets from time to time and ISID is a very important asset. How to consider this asset over the mid to long term in a business portfolio and what will be the right ownership of that is something that we discuss at the BOD level. We are holding a very active discussion on this point. I would like to share that with you right now.

That's all for myself. Thank you.

Questioner 5: Thank you very much for the comment. Then the parent's leadership, driving the performance of the fair subsidiary, by doing so, the conflict of the minority/majority shareholder will be eliminated. That is the message as you said. And within your business portfolio review, from time to time, you are discussing what to do about the shareholding, and you are discussing that at the Board level. That's my understanding. Is my understanding correct?

Soga: Yes. Your understanding is right. Correct. And we look forward to your continued support going forward. Thank you.

Questioner 6: First is about the HR issue and also the human rights issue. Based on the integrity report, in comparison to the past, because human rights have been put more importance and also looking at the suppliers' condition, there is a comment that you do have a discussion internally about the human rights situation, about the supplier as well. As Dentsu, you do have some ways in order to cope with the human rights. However, in your sector, there could be more impact about the human rights with your customers before the due diligence. You're going to monitor. You're going to create the guideline for the suppliers. I would like to ask you about the future plan about how you're going to deal with the human rights issue with suppliers?

The second question is talking about the DEI and CxOs. I think this CxO level, according to the mission, because there is a Chief Sustainability Officer, and you separate from global to Japan. I have heard that information. Therefore, in the CxO level, I think there is an overlapping role. And I think you have created this kind of mechanism separating global and Japan. However, it was only a temporary structure. So because whether it is suitable for the integration, if this is only a onetime structure, going forward, how you're going to change this structure. I'd like to ask Tanimoto-san.

Soga: Thank you very much for the first question. As a group, how we deal with the human rights, our understanding, and how we are coping with the human rights, because in the report line, there is a sustainability agenda. And within sustainability, we take measures against the human rights and we monitor the progress and how we are dealing with the human rights. In an integrated report as a group, we have shown what we are taking as dentsu Group.

Talking about that sustainability agenda, first of all, this transaction between the clients and how Dentsu Group is coping with the human rights issue. And from the clients' perspective, how they're dealing with the human rights, those are the major portion.

On top of that, as you have mentioned, in other areas, for example, the supplier to the suppliers, how the human rights challenges and what kind of requirements we are going to ask. And also from the suppliers,

what kind of requirements are being asked. Another pillar is that, well, because talking about Japan, there is a peculiarity for the human rights based on the history and also how we have taken measures for human rights and also there are global human rights perspective. And well, because this year, we have incorporated this management, and we are going to integrate the policy.

Along that, within the integrated report, we have disclosed information about the human rights. And starting from next fiscal year, under one management, well, because after one year, so in the coming next year, we are going to venture into one management system as a group. And how we are going to deal with clients and suppliers being requested and what are being required. Therefore, we are going to think about integrated idea because thinking about the special situation in Japan, well, because overseas, in comparison to overseas, there has been a gap between Japan and overseas. However, from the clients, what is being requested and what is being required, we are going to have a shared idea. Also the progress will be communicated under the report. That's what we are thinking.

Igarashi-san, do you have any comment, please?

Igarashi: Thank you very much for the question. As Soga-san had explained to us, this is a very important business platform. Therefore, not only for Dentsu Group, looking at the whole supply chain, we need to implement thoroughly this idea of observing the human rights. Therefore, please refer to our progress.

Soga: With regard to the second question about the sustainability agenda and what kind of measures we are taking, also in FY2023, it's been separated between Japan and overseas. As you may know, that's under sustainability agenda, we focus on environment, human rights, and also DEI. Those are the agendas we are dealing under sustainability. This one management process, for this year, it was a trial. And next year, we are going to have a full-fledged implementation.

Therefore, going forward, what will be the best situation. And therefore, we have confirmed. And also on 14 of November, we have announced there is a Chief Sustainability Officer. It has been a person, Ms. Kitakaze, who has been dealing with this. Therefore, she is going to be a person in charge of the sustainability agenda.

So as you have mentioned, for FY2023, domestic and overseas, we have separated into two markets. However, this is only a transition and therefore, we don't think this is the best structure.

However, talking about the sustainability agenda for Europe, they are making rules and setting the rules and there forerunners. Therefore, for this one year, we were able to learn so much from Europe. And based on that, majorly in London, there is a sustainability team in London and also in Japan, there is a sustainability team. And under the leadership of Kitakaze-san, we are going to create one team and move on to important agenda for the sustainability. That has been already announced in November.

I hope I have sufficed your question. Tanimoto-san, do you have any additional comments, please?

Tanimoto: Thank you very much for the question. Talking about other than sustainability, so thinking about this year's structure, International Markets and Japan, we have set two leaders and whether it was effective or not, that was the question, but I think it was effective because having this kind of global operation this side, in order to manage this business operation as one global team, first of all, we need to learn and know the others. Therefore, from this perspective, we are able to join the global leaders and therefore, looking at each regions, there are agendas, they are able to follow that.

Starting from next year, looking at the next year's structure, we are going to streamline the structure because each global leadership, so regardless of whether Japanese or non-Japanese, we are going to have these kind of notions and therefore, we are going to challenge on this issue. And I hope you're able to see that we have streamlined the structure.

Questioner 3: So sorry for my second round of questions. This is not really a question. This is rather close to my request. Tanimoto-san, as CHRO, you have to go through many transformations. I think that is going to be a big task on you. And of course, there, you will be facing a lot of resistance. I'm sure this is going to be a very big uphill battle for you.

Taking this opportunity of this small meeting, Igarashi-san and other Board members, unless you have the support of these Board members on a full scale, I don't think you'll be able to accomplish this transformation and change. I'm sure you are determined to do this, but I would like to hear the commitment of the support given to this transformation.

Soga: Thank you very much for your second round of questions. And you said you are very sorry for the second round, but not at all. So given in this opportunity, we have the outside independent directors and the CEO, Igarashi-san, and also the Head of HR, CHRO, Tanimoto-san, who is responsible for HR matters, so it's a great opportunity that we were able to have this. We believe this is a very significant opportunity for us as well.

To the extent possible, as long as our time allows, we will like to entertain your questions as much as possible. So maybe Igarashi-san, we would like to hear your comments first. Igarashi-san, the floor is yours.

Igarashi: Thank you very much for your request. I will clearly respond and declare to you. Like every day, day in and day out, from morning to evening, I have a lot of discussions and study together with Tanimoto-san and discuss how to do about things as a team.

Of course, there are some—I'm sure the Company should not have a camp of resistance. My thoughts and Tanimoto-san's thoughts should be aligned together so that we can move ahead with the reform. That's what we have as our ambition as we work day in and day out. The global HR team also shares the same ambition, same thoughts, and they are also working in unison to execute our plan.

As Tanimoto-san said at the outset, HR is about how to enhance governance, including the appraisal system and including the incentives. It's about improving the efficacy or the effectiveness, so this is going to be very important. While we'll work together with Tanimoto-san and her team to execute the reform, and I will give my pledge for that.

Soga: Igarashi-san, thank you very much. Outside directors, based on his previous job, at the Board meeting, he's always talking about that, not only the growth plan, but also the finance and HR initiatives. He always makes a very proactive comment and also very harsh comments to us on some occasions, so I would like to have some opinion from Sagawa-san.

Sagawa: Thank you very much for the opportunity for me to speak. This is Sagawa here. Well, I don't really like the expression of the resistance camp, but the people in the field, they would like to maximize their performance. And for that purpose, I think they are doing their best. They are earnestly tackling their jobs. We have to understand that. But of course, the short-term horizon and the long-term horizons are different, and that could cause some conflicts.

The long-term corporate value enhancement, in order for us to achieve the long-term vision, we have to overcome the conflicts. And therefore, the leader, i.e., Igarashi-san, his leadership is going to be very important, in my view. And Igarashi-san working together within Tanimoto-san in unison, otherwise, it won't be possible for us to overcome the conflict and aspire for a new height.

As an outside director, I would like to not only provide full-fledged support, I would rather like to provide comments and opinions based on my objective, perspective. Things that need to be changed will have to be changed. And in order for us to achieve the long-term growth and enterprise value enhancement, I would like

to provide whatever support, advice that I can. And I think the same applies to Matsui-san. I think we will work on this.

Board will have to exert its leadership to that end. And whatever needs to be changed, will have to be changed, and we will do our best. Thank you very much and thank you very much for your support in advance.

[END]