

Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2023 (J-GAAP)

February 2, 2024

Listed Company Name: IR Japan Holdings, Ltd.
 Securities Code: 6035
 Listing: Tokyo Stock Exchange URL: <https://www.irjapan.jp/>
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 President and Chief Executive Officer
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 Scheduled Date to Submit Quarterly Securities Report: February 9, 2024
 Scheduled Date to Start Dividend Payment: —
 Preparation of Results Briefing Materials: Yes
 Holding of Financial Results Briefing: Yes (for institutional investors and analysts)

(Amounts of less than one million yen have been truncated)

1. Consolidated Financial Results for the Nine Months Ended December 31, 2023 (from April 1, 2023 to December 31, 2023)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2023	4,469	-3.3	1,052	19.7	1,054	11.6	708	8.1
Nine months ended December 31, 2022	4,621	-24.4	879	-64.3	944	-61.6	654	-61.7

Note: Comprehensive income Nine months ended December 31, 2023: 710 million yen (8.4%)
 Nine months ended December 31, 2022: 655 million yen (-61.7%)

	Profit per share—basic	Profit per share—diluted
	Yen	Yen
Nine months ended December 31, 2023	39.86	—
Nine months ended December 31, 2022	36.86	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2023	6,782	5,315	78.4
As of March 31, 2023	7,362	6,079	82.6

Reference: Shareholders' equity As of December 31, 2023: 5,315 million yen
 As of March 31, 2023: 6,079 million yen

2. Dividends

	Full-year dividend				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	—	45.00	—	68.00	113.00
Fiscal year ending March 31, 2024	—	15.00	—		
Fiscal year ending March 31, 2024 (Forecast)				—	—

Note: Revision of dividends forecast since last announcement: None

3. Consolidated Results Forecast for the Fiscal Year Ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	5,600	-6.9	910	-18.4	910	-26.6	620	-7.7	34.90

Note: Revision of consolidated results forecast since last announcement: Yes

For the consolidated results forecast, please refer to the “Announcement of Consolidated Results Forecast for the Fiscal Year Ending March 31, 2024” announced today, February 2, 2024.

Notes:

- (1) Changes in significant subsidiaries during the period
(changes in specified subsidiaries resulting in changes in the scope of consolidation): None
Newly included: — Excluded: —
- (2) Application of special accounting treatments in preparing quarterly consolidated financial statements: Yes
Note: For details, please refer to “2. Consolidated Financial Statements and Primary Notes (3) Notes Relating to the Consolidated Financial Statements” on page 13.
- (3) Change in accounting policies, accounting estimates, and retrospective restatements
 - 1) Change in accounting policies in accordance with revision of accounting standards: None
 - 2) Change in accounting policies other than item 1) above: None
 - 3) Change in accounting estimates: None
 - 4) Retrospective restatements: None
- (4) Number of shares issued (common stock)
 - 1) Number of shares issued at the end of the period (including treasury shares)

As of December 31, 2023	17,839,710 shares
As of March 31, 2023	17,839,710 shares
 - 2) Number of treasury shares at the end of the period

As of December 31, 2023	76,325 shares
As of March 31, 2023	76,283 shares
 - 3) Average number of shares during the period

April – December 2023	17,763,408 shares
April – December 2022	17,763,427 shares

The quarterly review procedure by a certified public accountant or an auditing firm does not apply to this Summary of Consolidated Financial Results.

Explanation regarding appropriate use of results forecast and additional notes

Forward-looking statements, including the results forecast, contained in this document are based on information available to the Company and on certain assumptions deemed to be reasonable as of the date of release of this document. Actual business results may differ substantially due to a number of factors. For conditions prerequisite to the results forecast, and the points to be noted in the use thereof, please refer to “1. Qualitative Information on Financial Results for the Nine Months Ended December 31, 2023 (3) Forward-looking Statements Including Consolidated Results Forecast” on page 7.

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Note: The Company held a briefing for investors (online meeting), as indicated below. Materials distributed at this briefing are set to be posted on the Company's website immediately after the briefing.

Financial results briefing for institutional investors and analysts: Friday, February 2, 2024

1. Qualitative Information on Financial Results for the Nine Months Ended December 31, 2023

(1) Operating Results

1) General overview

(Millions of yen)

	Nine months ended December 31, 2023 (April to December 2023)			Nine months ended December 31, 2022 (April to December 2022)	
	Amount	Change	Percentage change (YoY)	Amount	Percentage change (YoY)
Net sales	4,469	-152	-3.3	4,621	-24.4
Operating profit	1,052	173	19.7	879	-64.3
Ordinary profit	1,054	109	11.6	944	-61.6
Profit attributable to owners of parent	708	53	8.1	654	-61.7
(Reference) EBITDA	1,295	130	11.2	1,164	-56.0

Note: EBITDA = Ordinary profit + Interest expenses + Depreciation

During the nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023), net sales decreased 3.3% year on year, to ¥4,469 million. Profits increased, as operating profit increased 19.7% year on year, to ¥1,052 million, ordinary profit increased 11.6% year on year, to ¥1,054 million and profit attributable to owners of parent increased 8.1% year on year, to ¥708 million due to a reduction in expenses for dealing with the Investigation Committee, among others incurred for the same period of the previous fiscal year. EBITDA increased 11.2% year on year, to ¥1,295 million.

During the nine months ended December 31, 2023, due to expectations toward Japanese listed companies regarding reforms, Japan's capital markets became the focus of attention for global markets, and the Nikkei Stock Average recorded its highest level in the last 33 years. Meanwhile, ownership battles and the stable securing of voting rights in listed companies also became the focus of attention, due to the increasing number of activists targeting listed companies entering the market and shareholder proposals being actively submitted by activists. In addition, the ground is being prepared for intensified activity in corporate restructuring and business reorganization, with the Ministry of Economy, Trade and Industry formulating "Guidelines for Corporate Takeovers," and strategic buyers (operating companies) showing movement towards "takeover bids without consent" and "implementations of counter offers."

Regarding contingency response projects^{*1} related to responses to activists, ownership battles and responses to M&As, among others, we are continuing to receive contracts for projects that are centered on activist response PA/FA projects. While corporate restructuring and business reorganization are expected to intensify, there has also been a rise in capital risk, and we have received a growing number of contracts for PA services^{*2} and FA services^{*3} centering on ownership battles. The contract amount per project is increasing as contingency response projects are becoming more sophisticated and complex. As a result, the contract amount of contingency response projects increased.

Regarding ordinary response projects^{*4} such as shareholder identification surveys, the number of new and additional project contracts for equity consulting services is increasing for the second half of the fiscal year, based on the strong relationship of trust with our clients. However, the number of ordinary response projects for the period under review decreased due to factors such as contract cancellations by certain existing clients, as well as the impact of a decrease in the number of new and additional project contracts in the first half of the fiscal year.

With the return of global institutional funds to Japanese equities, we have had more opportunities to inform the top management and outside directors of listed companies about market trends, voting rights trends, and expectations from overseas institutional shareholders and asset owners regarding changes in Japanese companies. Meanwhile, as for the corporate restructuring and M&A areas, there is increasing pressure on management control, with intensified activities by activist funds as well as takeover bids being implemented by operating companies without prior consent, and risks related to the management control and voting rights of listed companies in Japan are becoming increasingly heightened.

As shown in the Group's key concept, the "Power of Equity^{®*5}," while capital risks that significantly affect the survival and control of listed companies in Japan are increasing, such as corporate restructuring and business reorganization under external pressure from "shareholders," we will maintain our position as the only independent equity consulting and financial advisory group that does not engage in financial transactions, essentially offers proxy advisory services, and does not take the activist side. We will collect information on global capital market trends through our offices in Tokyo and New York, and leverage both our consulting services related to shareholder voting rights and our M&A advisory services related to

management control, while supporting the sustainable growth of listed companies in Japan.

*1 Contingency response projects: Deals to handle PA and FA services in contingency phases such as responses to activists, ownership battles, responses to M&As, etc.

*2 PA services: Proxy Advisory services (Proxy fight services, in which the Company boasts an overwhelmingly successful track record)

*3 FA services: Financial Advisory services (Responses to activists, hostile TOBs, advanced MBOs, and M&As, to which Japan's largest and most cutting-edge group of experts is deployed)

*4 Ordinary response projects: Equity consulting services in normal times related to shareholder identification surveys, voting rights analysis, corporate defense, corporate value enhancement, etc.

*5 Power of Equity®: "Power of Equity" is a registered trademark of our subsidiary, IR Japan, Inc. (No. 6196294).

2) Net sales by type of service

The Group is engaged in the consulting business specializing in IR/SR activities, which constitutes a single business segment. An overview of net sales by service type is as follows.

Overview of net sales by service type

(Millions of yen)

Service	Nine months ended December 31, 2023 (April to December 2023)			Nine months ended December 31, 2022 (April to December 2022)	
	Net sales	Percentage of net sales	Percentage change (YoY)	Net sales	Percentage change (YoY)
IR/SR Consulting	4,225	94.5	-1.4	4,286	-24.3
Disclosure Consulting	164	3.7	-26.8	225	-28.5
Databases and Other	79	1.8	-28.2	110	-20.4
Total	4,469	100.0	-3.3	4,621	-24.4

(a) Breakdown of large-scale projects (amounting to ¥50 million or more) and normal projects (amounting to less than ¥50 million) during the nine months ended December 31, 2023

	Large-scale projects (¥50 million or more)		Normal projects (less than ¥50 million)
	Number	Amount (Millions of yen)	Amount (Millions of yen)
Nine months ended December 31, 2023	16	1,629	2,839
Nine months ended December 31, 2022	15	1,234	3,387
Change	1	395	-547

(b) Types and sales amount of large-scale projects (amounting to ¥50 million or more) for the nine months ended December 31, 2023

(Millions of yen)

Types of project	Nine months ended December 31, 2023	Nine months ended December 31, 2022	Change
PA/FA for ownership battles	331	80	251
PA/FA for activist responses	736	615	120
Company-side FA (M&As, etc.)	562	490	71
Large-scale SR/PA	—	48	-48
Total	1,629	1,234	395

The sales amount of large-scale projects (amounting to ¥50 million or more) for the period under review increased 32.0% year on year, to ¥1,629 million. This was due to contracts for projects that are centered on PA/FA projects for dealing with activists. The sales amount of normal projects (amounting to less than ¥50 million) declined 16.2% year on year, to ¥2,839 million.

(c) Breakdown of contingency response projects and ordinary response projects for the nine months ended December 31, 2023

(Millions of yen)

	Contingency response projects	Ordinary response projects
Nine months ended December 31, 2023	2,049	2,420
Nine months ended December 31, 2022	1,806	2,815
Change	242	-395

The sales amount of contingency response projects related to responses to activists, ownership battles and responses to M&As for the period under review increased 13.5% year on year, to ¥2,049 million. Regarding contingency response projects related to responses to activists, ownership battles and responses to M&As, we are continuing to receive contracts for projects that are centered on activist response PA/FA projects. While corporate restructuring and business reorganization are expected to intensify, there has also been a rise in capital risk, and we have received a growing number of contracts for PA services and FA services centering on ownership battles. The contract amount per project is increasing as contingency response projects are becoming more sophisticated and complex. As a result, the contract amount of contingency response projects increased.

The sales amount of ordinary response projects such as shareholder identification surveys for the period under review decreased 14.0% year on year, to ¥2,420 million. For the second half of the fiscal year, the number of new and additional project contracts for equity consulting services is increasing, based on the strong relationship of trust with our clients. However, the number of ordinary response projects decreased due to factors such as contract cancellations by certain existing clients, as well as the impact of a decrease in the number of new and additional project contracts in the first half of the fiscal year.

In the stock transfer agency business, as of December 31, 2023, entrustments with 68 companies have been completed, and the number of shareholders under administration reached 398,368 (compared with entrustments concluded with 67 companies and 405,296 shareholders under administration in the same period of the previous fiscal year). We will continue to provide stock transfer agency services that meet the needs of the times by strengthening cooperation with SMBC Trust Bank Ltd. regarding stock transfer agency business and developing innovative services that set us apart from conventional stock transfer agencies.

IR/SR Consulting

IR/SR Consulting is the Group's core lineup of services. These include SR advisory (shareholder identification surveys, proxy voting simulation, corporate governance improvement, evaluation of the effectiveness of boards of directors, capital policies including shareholder returns, etc.), proxy advisory (PA: comprehensive strategy planning and execution of proxy fights, convocation of and responses to extraordinary general meeting of shareholders, collection and tabulation of proxies, etc.), financial advisory (FA: responses to hostile TOBs, treasury shares TOBs, acceptance simulation of TOBs, placement agents (in capital increases through third-party allotment), comprehensive strategy planning and execution of M&As and MBO, etc.), and the stock transfer agency business.

During the period under review, net sales from IR/SR Consulting decreased 1.4% year on year, to ¥4,225 million.

Disclosure Consulting

Disclosure Consulting consists of IR tool consulting services (support for the planning and creation of various disclosure documents required for IR activities, including annual reports, integrated reports and shareholder newsletters) and legal documentation services (the creation of a variety of disclosure documents in English and the translation of such documents from Japanese to English in connection with business reorganization and M&As).

Sales from Disclosure Consulting for the period under review decreased 26.8% from the same period of the previous fiscal year, to ¥164 million.

Databases and Other

Databases and Other provides web-based IR support services via Stock Watch, which provides information on shareholdings revealed through reports on the possession of large volume and publicly offered domestic and overseas investment trusts, IR-Pro, which is a comprehensive support system for corporate IR activities, and the Analyst Network, which allows listed companies to accept reservations for IR explanatory meetings

and manage attendee information in a single step. IR Japan also operates the *Kabunushi-Hiroba*, a survey system for individual investors.

Sales from Databases and Other for the period under review decreased 28.2% from the same period of the previous fiscal year, to ¥79 million.

(2) Financial Position

1) Assets

Total assets of the Group as of December 31, 2023 decreased ¥579 million from the end of the previous fiscal year, to ¥6,782 million, due primarily to a decrease in other (current assets) of ¥618 million.

2) Liabilities

Total liabilities of the Group as of December 31, 2023 increased ¥184 million from the end of the previous fiscal year, to ¥1,466 million, due primarily to an increase in contract liabilities of ¥197 million.

3) Net assets

Net assets of the Group as of December 31, 2023 decreased ¥763 million from the end of the previous fiscal year, to ¥5,315 million, due primarily to an increase in retained earnings of ¥708 million from profit attributable to owners of parent and a decrease in retained earnings of ¥1,474 million as a result of payment of dividends.

(3) Forward-looking Statements Including Consolidated Results Forecast

1) Forecast for consolidated operating results for the fiscal year ending March 31, 2024 (as of February 2, 2024)

(Millions of yen)

	Forecast			Actual	
	Fiscal year ending March 31, 2024			Fiscal year ended March 31, 2023	
	Amount	Amount change (YoY)	Percentage change (YoY)	Amount	Percentage change (YoY)
Net sales	5,600	-412	-6.9	6,012	-28.4
Operating profit	910	-205	-18.4	1,115	-68.0
Ordinary profit	910	-329	-26.6	1,239	-64.3
Profit attributable to owners of parent	620	-51	-7.7	671	-72.4

Since it was difficult to calculate a reasonable results forecast for the fiscal year ending March 31, 2024, the Company did not announce a forecast. We are announcing a forecast at this time, however, based on consolidated results of the nine months of the fiscal year ending March 31, 2024. This forecast is based on information including orders received and confirmed at this time.

2) Basic policy concerning the distribution of profits and dividend distributions for the fiscal year ending March 31, 2024

The Company makes it a basic policy to distribute profits to its shareholders in line with its business results, while maintaining its financial strength by securing sufficient internal reserves to carry out sound business operations. The Company's Articles of Incorporation stipulate that a decision on the distribution of surplus and other matters as specified in each item of Paragraph 1, Article 459, of the Companies Act can be made by a resolution of the Board of Directors, unless otherwise specified by laws and regulations, while a decision on year-end dividends is to be made at the General Meeting of Shareholders. The Company's Articles of Incorporation also stipulate that an interim dividend can be provided with the date of record being September 30 of each year.

Based on our policy of targeting a consolidated payout ratio of 50%, we have resolved to pay an interim dividend of ¥15 per share for the fiscal year ending March 31, 2024. We are targeting a consolidated payout ratio of 50% for the full-year dividend for the fiscal year ending March 31, 2024, but as the consolidated results forecast announced today is based on information including orders received and confirmed at this time, profit from which dividends will be paid is subject to change going forward based on the progress of new orders and other factors, and the year-end dividend will be determined and announced when precise figures can be calculated. We are therefore refraining from making a year-end dividend forecast at this time.

	Fiscal year ended March 31, 2023	Fiscal year ending March 31, 2024 (Forecast)
Dividend per share	113 yen	NYD
Interim dividend	45 yen	15 yen
Year-end dividend	68 yen	NYD
Dividend payout ratio	298.7%	NYD

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

	(Thousands of yen)	
	As of March 31, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	4,077,354	4,248,820
Notes and accounts receivable—trade, and contract assets	621,689	484,414
Work in process	7,133	827
Other	860,080	241,120
Total current assets	5,566,258	4,975,182
Non-current assets		
Property, plant and equipment	350,581	319,781
Intangible assets		
Software	723,310	699,676
Other	65,059	120,136
Total intangible assets	788,370	819,812
Investments and other assets		
Other	728,425	739,379
Allowance for doubtful accounts	(71,280)	(71,280)
Total investments and other assets	657,145	668,099
Total non-current assets	1,796,097	1,807,694
Total assets	7,362,355	6,782,877
Liabilities		
Current liabilities		
Accounts payable—trade	39,348	50,366
Short-term borrowings	200,000	200,000
Accounts payable—other	161,559	144,320
Income taxes payable	292,481	233,414
Contract liabilities	43,584	240,813
Provision for bonuses	130,606	84,600
Provision for customer measure costs	171,430	171,430
Other	182,780	277,339
Total current liabilities	1,221,791	1,402,284
Non-current liabilities		
Long-term accounts payable—other	45,863	45,863
Retirement benefit liability	15,140	18,817
Total non-current liabilities	61,004	64,681
Total liabilities	1,282,795	1,466,966

	(Thousands of yen)	
	As of March 31, 2023	As of December 31, 2023
Net assets		
Shareholders' equity		
Share capital	865,298	865,298
Capital surplus	553,406	553,406
Retained earnings	5,068,418	4,302,062
Treasury shares	(410,004)	(410,101)
Total shareholders' equity	<u>6,077,119</u>	<u>5,310,666</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,441	5,244
Total accumulated other comprehensive income	<u>2,441</u>	<u>5,244</u>
Total net assets	<u>6,079,560</u>	<u>5,315,911</u>
Total liabilities and net assets	<u>7,362,355</u>	<u>6,782,877</u>

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statement of Income
For the Nine Months Ended December 31, 2023

	(Thousands of yen)	
	Nine Months of FY2022 (from April 1, 2022 to December 31, 2022)	Nine Months of FY2023 (from April 1, 2023 to December 31, 2023)
Net sales	4,621,922	4,469,545
Cost of sales	765,163	872,231
Gross profit	3,856,758	3,597,314
Selling, general and administrative expenses	2,977,433	2,544,794
Operating profit	879,325	1,052,520
Non-operating income		
Interest income	12	11
Dividend income	282	292
Gain on forfeiture of unclaimed dividends	240	547
Gain on investments in investment partnerships	8,079	2,581
Compensation for damage received	5,279	—
Insurance claim income	50,000	—
Interest on tax refund	668	2,721
Other	2,047	477
Total non-operating income	66,610	6,630
Non-operating expenses		
Interest expenses	815	815
Loss on sale of notes receivable—trade	193	19
Foreign exchange losses	560	1,910
Cancellation fee	—	2,400
Other	53	—
Total non-operating expenses	1,623	5,145
Ordinary profit	944,312	1,054,005
Profit before income taxes	944,312	1,054,005
Total income taxes	289,603	345,997
Profit	654,709	708,007
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	654,709	708,007

Consolidated Statement of Comprehensive Income
For the Nine Months Ended December 31, 2023

	(Thousands of yen)	
	Nine Months of FY2022 (from April 1, 2022 to December 31, 2022)	Nine Months of FY2023 (from April 1, 2023 to December 31, 2023)
Profit	654,709	708,007
Other comprehensive income		
Valuation difference on available-for-sale securities	1,167	2,802
Total other comprehensive income	1,167	2,802
Comprehensive income	655,877	710,810
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	655,877	710,810
Comprehensive income attributable to non-controlling interests	—	—

(3) Notes Relating to the Consolidated Financial Statements

Notes Relating to the Going Concern Assumption

None applicable

Notes Regarding Significant Changes in the Amount of Shareholders' Equity

None applicable

Application of Special Accounting Treatments in Preparing Consolidated Financial Statements

Regarding tax expenses, the Company reasonably estimates an effective tax rate after applying tax effect accounting to profit before income taxes for the fiscal year in which the third quarter of the fiscal year ending March 31, 2024 is included, and calculates tax expenses by multiplying quarterly profit before income taxes by the estimated effective tax rate.

Segment Information and Others

This is not applicable as the Group engages in consulting business specializing in IR/SR activities, which constitutes a single business segment.

Significant Subsequent Events

(Lawsuit Filed Against a Subsidiary of the Company)

The Company's consolidated subsidiary, IR Japan, Inc. ("the Company's subsidiary") has received a lawsuit as of December 28, 2023, and been served with a complaint on February 1, 2024, as follows.

1. Court and date the lawsuit was filed

- (1) Court in which the lawsuit was filed: Tokyo District Court
- (2) Date the lawsuit was filed: December 28, 2023

2. Circumstances leading to the filing of the lawsuit

Tokyo Kikai Seisakusho, Ltd. ("TKS") claims that while Asia Development Capital Co., Ltd. and Asia Investment Fund Co., Ltd. were purchasing further shares of TKS in the market, the Company's subsidiary committed illegal acts in a series of transactions in which the Company's subsidiary and TKS entered into a contract. Accordingly, TKS filed a lawsuit seeking damages, etc. against the Company's subsidiary.

3. Party that filed the lawsuit (plaintiff)

- (1) Name: Tokyo Kikai Seisakusho, Ltd.
- (2) Head office address: 3-11-36 Mita, Minato-ku, Tokyo
- (3) Representative of the litigation: Kiyoshi Tsunami

4. Content of lawsuit and amount claimed

- (1) Content of lawsuit: Claim for damages, etc.
- (2) Amount claimed: 614,279,597 yen

5. Future outlook

The Company's subsidiary will carefully examine the content of the claims in the lawsuit, and take appropriate measures through the legal counsel that represents the Company's subsidiary.