

Initiatives for Appropriate Tallying Operations of Voting Rights Exercise Forms at General Meetings of Shareholders

Recognition of the Inappropriateness of Tallying Operations of Voting Rights Exercise Forms

The SuMi TRUST Group, in its execution of operations for the tallying for the voting rights exercised at the shareholders' general meetings for each partner company that entrusts it with such operations (said operations, hereinafter, the "tallying operations"), takes receipt of voting rights that are exercised by the company shareholders in written form by postal mail or via website by smartphone devices, etc.

During the busy months of each year when there is a concentration of shareholders' general meetings, Japan Stockholders Data Service Company, Limited (hereinafter "JaSt"), to which the Group entrusts the tallying operations, conducts the tallying of a large volume of Voting Rights Exercise Forms. For this reason, in order to secure time for the tallying operations, JaSt had been coordinating with the post office so that the prescribed postal office tasks relating to said items would be completed and such items would be delivered the day before the actual delivery date in the absence of this special arrangement, and JaSt had then commenced the tallying operations with respect thereto. In the course of this processing, JaSt received a "certificate of delivery" issued by the post office that bears the date that such items would have been delivered in the absence of this special arrangement. Based on this, JaSt had made a determination that these Voting Rights Exercise Forms arrived on the date indicated on the certificate of delivery, and it conducted the tallying operations on the basis of the date that was on the certificate of delivery (the above series of processing operations are hereinafter referred to as "forward processing").

As forward processing had become a long-standing practice, JaSt and SuMi TRUST Bank had not doubted the appropriateness of the handling of the tallying operations. However, upon conducting a review into the appropriateness of the forward processing implemented by JaSt in consultation with external law firms, SuMi TRUST Bank and JaSt have come to the final conclusion that the Voting Rights Exercise Forms received in written form by forward processing on the deadline for the written and electronic exercise of voting rights should have been counted as part of the tallied results, notwithstanding the date on the certificate of delivery, and have come to recognize the inappropriateness of the tallying operations.

Reform of Operations

Going forward, we will suspend the forward processing that has been conducted as a part of the tallying operations and will introduce a new method for tallying, as well as further strengthen our legal compliance and management systems, and promote the transition to electronic exercise of voting rights. The specifics are as follows.

(1) Introduction of a New Method for Tallying

We will work on instituting strict and smooth practices for the tallying of voting rights exercised without conducting forward processing by reforming the method for receiving Voting Rights Exercise Forms and striving to improve the capacity for processing the tallying tasks, so as not to interfere with the administration of the general meetings of shareholders of the companies that have entrusted the provision of these operations to us.

(2) Further Strengthening of Legal Compliance and Management Systems

Based on the lessons learned from this matter, the entire Group will endeavor to prevent its recurrence through the following measures.

1) Framework for Legal Compliance, etc.

In light of the fact that the legal problems with forward processing by JaSt went undetected for many years, we will further strengthen the involvement of the Legal and Compliance divisions in reviewing the legality of rules regarding operations entrusted to Group companies and external business operators.

2) Management of External Parties Entrusted with Operations

With respect to companies that are entrusted with important operations, we will conduct, with exacting detail, management of the status of business operations, in accordance with the degree of legal and other risks involved in the entrusted operations and the degree of impact on stakeholders.

3) Internal Audit System

We will place greater emphasis on the effectiveness of our legal compliance framework and enhance the effectiveness of internal audits, including audits of Group companies.

4) Fiduciary Duties

Our Group will expand and strengthen the education and guidance for employees, including Group company employees, in order to inculcate thorough awareness of the fiduciary duties to clients, shareholders of clients, and other stakeholders in the value chain of the services that we provide.

5) Measures for Stock Transfer Agency Services

SuMi TRUST Bank, in collaboration with JaSt, will take further measures to strengthen the framework for the legal compliance, etc. of JaSt, as well as strengthen the monitoring function vis-à-vis JaSt. We will also strengthen our organizational structure to proactively detect legal issues, etc. in the business processes for stock transfer agency services overall.

(3) Promotion of Transition to Electronic Exercise of Voting Rights

Part of the background to this matter is the fact that a large number of voting rights are exercised by postal mail in the busy months when the dates of the shareholders' general meetings are concentrated, which results in a massive expansion of the tallying operations during these periods. Our Group will further step up the promotion of initiatives for the widespread use of electronic voting, which is a more accurate and speedy method, and highly convenient for shareholders of the companies that entrust these operations to us.

Specifically, with the cooperation of the companies that entrust these operations to us, we will work to promote the use of electronic exercise of voting rights by expanding the range of companies that employ electronic voting, and by promoting the use of electronic voting by individual shareholders.

In light of these reforms, Our Group, as a financial group specialized in trust banking that plays a central role in corporate governance and that is expected by society to steadily and reliably execute operations, reaffirms our strong recognition of our concomitant responsibilities, and we will continue to contribute to the sound development of the capital markets.