

External Director Interview



Shinichi Saito

External Director
Chairperson of
the Audit Committee

The Audit Committee utilizes the Group's internal control system to conduct audits in an organized and efficient manner. We interviewed Mr. Shinichi Saito, External Director and Chairperson of the Audit Committee, about the Audit Committee's response to the misconducts that occurred in the Group last year, including the issue of improper tallying operations of voting rights exercise forms, as well as the Committee's approach to governance.

Q How do you view the issue that came to light in the past year with regard to inappropriate handling of the SuMi TRUST Group's tallying of voting rights exercise forms?

A This case is directly related to a fundamental issue of governance, which is the exercise of voting rights by shareholders. It is also a serious incident that could undermine the expectations and trust of all stakeholders in the Group. As the Group, we recognize that we need to do everything in our power to live up to the confidence placed in us by clients and society.

Q How did the Audit Committee handle the situation?

A As soon as the incident came to light, we received reports from the business execution department, and in our role as the Audit Committee, we verified the ability of the business execution department to ascertain the facts. Specifically, we verified whether the independence, neutrality, and expertise of fact-finding arrangements were sufficient. Thereafter, the full-time Audit Committee members received successive reports on the status of the investigations from the execution department, which were then verified by the Audit Committee. In conducting audits, we emphasize independence, neutrality, and transparency. We investigated and confirmed what happened from the perspectives of appropriate fact-finding, clarification of the root causes, effective measures to prevent recurrence, allocation of sufficient management resources, and making sure the information disclosure was appropriate in terms of timing and content.

Q What do you see as the underlying cause that led to this incident?

A I believe the reason why the inappropriate processing had

continued over such a long period of time was the deterioration of our awareness of the importance of the work entrusted to us and its inherent risks. As a result of this weakening, the daily business processes became less visible. We also recognize that there was insufficient control over the quality of the work.

In addition, once potential risks that have been inherent for a long time become apparent, an appropriate initial response is critical. To achieve this, it is important to have a risk culture and a risk management system in which risk information is promptly and accurately shared with relevant departments and management. Going forward, I hope that instilling our "Purpose" throughout the Group will foster this kind of corporate culture and risk culture and strengthen our operational quality systems.

Q Given what happened, what are your thoughts on the effectiveness of auditing?

A Since the transition to an Audit Committee, we have expressed many audit opinions and audit findings regarding the governance and internal control of the Group as a whole. Looking to the future, we recognize the need to improve the effectiveness of auditing and contribute to the improvement of the supervisory function of the Board of Directors.

Specifically, we will further enhance organizational auditing by strengthening collaboration with Group-wide audit units and corporate management departments such as the Internal Audit Department. At the same time, our policy is to ensure the effectiveness of audits by continuously following up to make sure our audit findings are understood and acted on through dialogue with management and business execution departments, and by sharing these findings with the Board of Directors as appropriate.

Q What are your expectations for the Group in the future?

A The Group offers highly specialized financial products and services to a diverse range of clients.

I believe that the acceleration of ESG and SDGs represents an excellent growth opportunity for the Group to leverage its unique business characteristics. In order to achieve sustainable growth, it is important that both growth investment ("offense") and internal control system ("defense") work properly. Risk awareness and rapid sharing of risk information are key for systems and rules to function well. Indeed, I have high hopes that instilling our "Purpose" will be an important corporate culture reform in terms of both "offense" and "defense."

In addition, President Takakura is leading the effort to drastically improve and upgrade the quality of our operations to meet the expectations of our clients.

As members of the Audit Committee, which is an institution of the Board of Directors, we want to actively express our opinions on management issues and contribute to their achievement.