

Our initiatives to reduce strategic shareholdings

Reduction of strategic shareholdings to zero (announced in May 2021)

We shall not hold any “strategic shareholdings as a conventional stable shareholder.”

1 Demonstration of the Board of Directors supervisory function regarding reduction of strategic shareholdings

The Board of Directors monitors the status of reduction of strategic shareholdings on a continuing basis. In addition, the voting rights guidelines and system are determined based on a report from the Conflicts of Interest Committee from a professional perspective, to take the medium- to long-term value enhancement of corporates and impact on various stakeholders of SuMi TRUST Group into account in light of social responsibilities as a trust group. As for the status of exercising voting rights, it has been confirmed that we have achieved a certain level of engagement effect in our initiatives to emphasize dialogue with issuing companies. We will continue to make deliberations based on reports received from the execution departments, and strengthen monitoring by also taking into consideration the stakeholder's perspective.

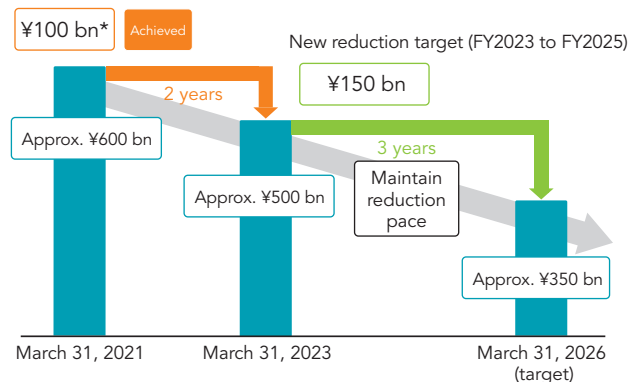
2 Reduction achieved over the two years and new plans

During the two years from fiscal 2021 to fiscal 2022, we made steady progress and achieved our reduction target of 100 billion yen. Reduction of 100.6 billion yen was achieved (excluding the increase in acquisition cost due to sold and repurchased shares in fiscal 2020). Further, as a future reduction plan starting from this fiscal year, we have set a reduction target of 150 billion yen on a cumulative basis for three years from fiscal 2023 to fiscal 2025.

We will engage in constant dialogue to ensure ongoing and long-term relationships of trust with our clients, and continue to work toward reducing strategic shareholdings to zero.

Balance of strategic shareholdings (acquisition cost basis)

Reduction target (FY2021 to FY2022)



*Achieved 100.6 billion yen reduction, excluding sold and repurchased shares in the fourth quarter of FY2020

Policy on exercising voting rights for strategic shareholdings

SuMi TRUST Holdings and SuMi TRUST Bank, our core subsidiary, aim to enhance the medium- to long-term enterprise value of corporate clients that issue strategic shareholdings (hereinafter “issuing companies”) and will therefore exercise voting rights for shares held whilst also taking the improvement in medium- to long-term value for SuMi TRUST Group's shareholders, depositors and other various stakeholders into account.

Through sufficient dialogue with issuing companies, we will take into consideration the business environment and other factors that each issuing company faces and exercise voting rights while respecting its management identity and course of action.

In exercising voting rights, we will make our decision to vote for or against each agenda item based on the separately established guidelines for the exercise of voting rights while taking the following perspectives into account.

- (1) Our decisions will take heed of not only ostensible or formal criteria, but also the characteristics of the issuing company and the attributes peculiar to its industry and business operating environment.
- (2) Our decisions will be based on not only the given fiscal year, but also a longer time span and future outlook.
- (3) Our decisions will account for not just financial data, but also non-financial factors, such as corporate governance and how the issuing company creates social value.

If there is a possibility of a conflict of interest in the exercise of voting rights for strategic shareholdings, we will take appropriate action in accordance with our separately established Management Policy Concerning Conflicts of Interest.

Results of exercising voting rights

Exercised voting rights based on the newly disclosed guidelines, starting from annual general meetings in June 2022
The ratio of dissenting votes to companies' proposals was 0.7%(number of companies) and 0.2%(number of proposals)