

# Ensuring Appropriate Tallying Operations of Voting Rights Exercise Forms at the Shareholders' General Meetings and Promotion of Electronic Voting

## Reforms and Improvements in Procedures and System of New Tallying Operations

Japan Stockholders Data Service Company, Limited (hereinafter, "JaSt"), to which the Group entrusts its tallying operations, has replaced the inappropriate treatment of forward processing\*<sup>1</sup> with a new method of tallying operations based on the actual date the voting rights exercise forms are received from the post office, starting with the general meetings of shareholders entrusted by our client companies (hereinafter, "entrusting companies") held in March 2021. In addition, instead of receiving the voting rights exercise forms by delivery from the post office, we established a post office box where JaSt collects the voting rights exercise forms.

The review of the new tallying operation flow is implemented upon confirming the appropriateness and legality with outside legal counsel, accountants, and consultants (hereinafter, "external experts"). In addition, as a result of our efforts to increase tallying staff and system devices, as well as improve capacity for tallying tasks by enhancing system functionalities, we were able to complete tallying operations without delay at the general meetings of shareholders of entrusting companies held in June 2021, during the busy months when shareholders' meetings are concentrated.

\*<sup>1</sup> Forward processing refers to the process by which JaSt, in order to secure time to conduct the tallying of a large number of voting rights exercise forms during the busy months of March, May and June when general meetings of shareholders are usually concentrated, coordinated with the post office to receive the posted forms on the day prior to the delivery date on which the prescribed postal office tasks relating to said items were to be completed, but aggregated the forms based on the date on the Certificate of Delivery, which bore the date on which the forms should have been delivered to JaSt. As a result of forward processing, voting rights exercise forms received before the deadline for exercising voting rights were excluded from the aggregation.

## Implementation of Preventive Measures

Based on a root cause analysis of the incident (forward processing), the Group has implemented measures to prevent recurrence, including strengthening our organizational structure and management system, enhancing effectiveness, and ongoing efforts to increase awareness of compliance. At SuMi TRUST Bank, the verification was conducted by a project team consisting mainly of external experts as well as various risk management-related departments, which are responsible for monitoring and supervising operations independently from the Stock Transfer Agency Services Business.

We believe the causes of this incident include inadequate verification at the time of implementing forward processing, insufficient verification of the appropriateness and legality of the operational rules themselves, and lack of opportunities to reexamine operations due to the restricted rotation of staff in the Stock Transfer Agency Services Business. Accordingly, we have implemented measures to address each of these issues with respect to our legal compliance framework, outsourcing management, internal audit structure, and fiduciary duties.

## Promotion of Electronic Voting\*<sup>2</sup>

With the aim of contributing to the sound and sustainable development of capital markets by providing a highly convenient system to entrusting companies and ensuring the prompt and appropriate tallying operations of voting rights exercise forms, the Group is working to expand the number

of companies using the electronic voting scheme and encouraging shareholders of entrusting companies to exercise their voting rights electronically.

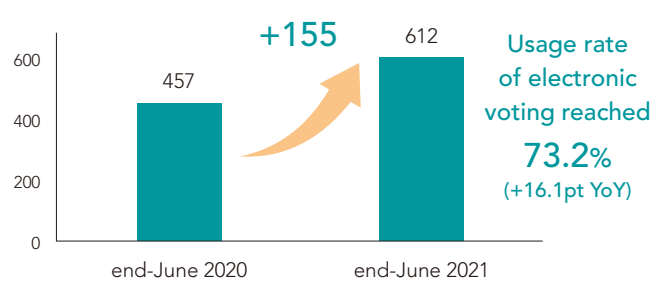
In addition, starting from general meetings of shareholders held in May 2021, SuMi TRUST Bank has implemented a present campaign\*<sup>3</sup> for shareholders of entrusting companies with the aim of increasing awareness and utilization of Smart Exercise\*<sup>4</sup>, which is one of the most convenient electronic voting options for individual shareholders. As a result, the number of companies using the electronic voting scheme rose substantially year-on-year at general meetings of shareholders held in June, when about 60% of entrusting companies hold their meetings, as shown in the chart below.

\*<sup>2</sup> The figures in the text and chart represent companies that entrust stock transfer operations to SuMi TRUST Bank.

\*<sup>3</sup> A brochure promoting the use of Smart Exercise is enclosed with the notice of convocation. QUO prepaid cards are awarded by drawing to shareholders who actually used the Smart Exercise service and responded to the survey.

\*<sup>4</sup> Smart Exercise is a service that enables shareholders to exercise their voting rights by scanning the QR Code<sup>®</sup> on the voting form with a smartphone and logging into the dedicated website without entering their ID and password.

Number of companies that entrusted their shareholders' meeting held in June



For the 401 companies that participated in the Smart Exercise present campaign noted above, which was particularly effective, the percentage of electronic voting increased 35.6pt year-on-year to 54.4%, and the percentage of voting rights exercised improved substantially to 44.3%, up 9.1pt year-on-year.

In promoting the electronic voting for institutional investors, we worked with ICJ, Inc., which operates the electronic voting platform (the "Platform"), to encourage the adoption and use of the Platform by entrusting companies. As a result, the number of companies using the Platform among the entrusting companies that hold their general meeting of shareholders in June rose by 36 year-on-year to 331 companies.

In addition, we held discussions with key relevant parties through industry associations such as trust associations and eliminated the process of obtaining consent from asset owners, which had been a prerequisite for asset management companies to use the Platform through their asset administration bank (custodial bank). This will lower the burden on asset owners and encourage institutional investors and others to use the Platform.

The Group recognizes anew its responsibility as a trust bank group to continue to serve as the backbone of corporate governance and to meet social expectations for steady and robust execution of operations, and will endeavor to contribute to the sound development of capital markets.