

Our Principles for Exercising Voting Rights  
(for Domestic Stocks)  
as a Responsible Institutional Investor

Sumitomo Mitsui Trust Asset Management Co., Ltd.

Effective as of January 2021

## I. Purpose of Exercising Voting Rights

Sumitomo Mitsui Trust Asset Management Co., Ltd. (hereinafter, “SMTAM,” “we,” “us,” or “our”), as a responsible institutional investor, considers our exercise of voting rights in connection with entrusted assets (hereinafter, “exercise of voting rights”) to be one of the most important elements of our stewardship activities, and we will strive to ensure that our exercise of voting rights enhances the corporate value and encourages sustainable growth of investee companies, in order to maximize the medium to long term investment returns for our clients (beneficiaries).

## II. Basic Policy on the Exercise of Voting Rights

1. Our exercise of voting rights must aim to contribute to the sustainable growth of investee companies thereby maximizing the medium to long term investment returns for our clients (beneficiaries). Based on investee companies’ conditions and details of engagements with those companies, we will exercise voting rights not only pursuant to the formal criteria for decision making, but after comprehensively considering the extent to which our exercise of voting rights would contribute to the sustainable growth of investee companies (and to the maximization of medium to long term investment returns for our clients (beneficiaries)). Furthermore, if a proposal has several interchangeable options, we will make our decision by prioritizing the option that would contribute most to sustainable growth.
2. In exercising voting rights, we will encourage investee companies to efficiently utilize the shareholder’s equity regarding sustainable growth and to actively develop appropriate corporate governance systems, such as ensuring separation of management supervisory functions and independence of outside officers (directors or corporate auditors), among others. In addition, we will encourage the investee companies to conduct corporate activities appropriately by fully considering the environment and society under soundly developed corporate governance systems.
3. If any act that disregards the interests of shareholders, controversies or anti-social behavior by an investee company or its management occurs, or its corporate value is damaged due to problems such as poor medium to long term performance, we will consider such act as a serious issue in the investee company’s corporate governance, and we will exercise voting rights in a way that would improve the investee company’s corporate governance. We require investee companies that have been involved in misconducts to provide a full explanation of recurrence prevention measures, progress of improvement measures, and efforts towards improvement of their corporate governance, and we will arrive at a decision on the exercise of voting rights based on the explanations.

### III. Management of Conflicts of Interest in the Exercise of Voting Rights

1. With the view of prioritizing the interests of clients (beneficiaries), we strictly manage conflicts of interest that could arise in connection with our exercise of voting rights in accordance with the Conflict of Interest Management Rules, the Investment Operation Rules, and other relevant internal rules. Since conflict-of-interest management systems must be independent in particular when exercising voting rights, we have established the “Stewardship Activity Advisory Committee” (the “Advisory Committee”) mainly consisting of outside experts, and we will strive to exercise voting rights with high transparency by respecting the Advisory Committee’s recommendations to the maximum extent.
2. In order to enhance the visibility of appropriateness of our exercise of voting rights, we will improve the disclosure of information regarding our exercise of voting rights by publishing our guideline for the exercise of voting rights that contains clearly defined criteria to guide decision making.
3. All proposals concerning our parent company, Sumitomo Mitsui Trust Holdings, Inc., as well as board membership proposals which involve a person with close ties to our parent or our company (e.g. current board members or officers who have held an important position) shall be dealt with appropriately for reasons of conflict of interest. Therefore, we will exercise voting rights based on the proposal made by a proxy advisory company in line with our guideline and consultation with the Advisory Committee.

### IV. Structure for the Exercise of Voting Rights

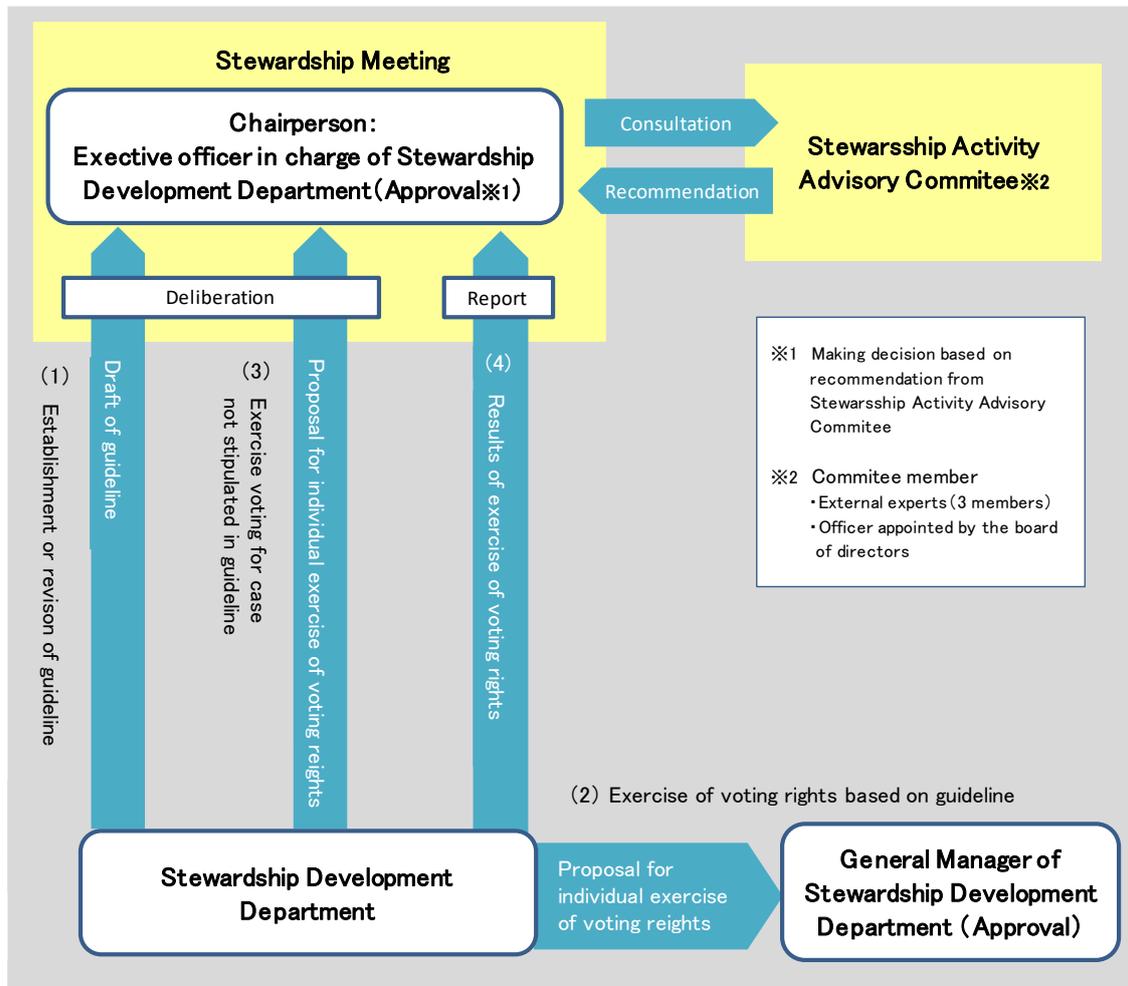
1. At SMTAM, the Executive Officer in charge of the Stewardship Development Department (hereinafter, “the Officer”) exclusively holds all authority relating to our exercise of voting rights, independent from the authority to execute other business activities. In addition, in order for the Officer to appropriately exercise voting rights, we have established the Stewardship Meeting that deliberates on our exercise of voting rights, and we have established the Advisory Committee as an advisory body for the Officer.
2. The Stewardship Meeting is a meeting to deliberate on our exercise of voting rights, engagements, ESG-related activities and various other activities under Japan’s Stewardship Code. In relation to our exercise of voting rights, the Stewardship Meeting will formulate original plans for the establishment, revision, or abolition of the guidelines for exercise of

voting rights and original plans to individually exercise voting rights for a proposal not stipulated in the guidelines. The Stewardship Meeting consists of the chair (the Officer), asset management members (General Managers of the Stewardship Development Department, the Active Investment Department, the Index Investment Department, the Research Investment Department, and the Business Planning Department), a compliance member (General Manager of the Compliance Department) and its secretariat is the Stewardship Development Department.

3. The Advisory Committee is a body established to make recommendations for various activities under Japan's Stewardship Code to the Officer. Regarding our exercise of voting rights, the committee will make recommendations for the establishment, revision, or abolition of the guidelines for the exercise of voting rights, decisions concerning whether to support a proposal not stipulated in these guidelines, appropriateness of interpretation of these guidelines for an individual proposal, and verification and improvement of the decision-making process on the exercise of voting rights on a proposal in connection with which a conflict of interest may occur. The committee consists of outside advisory members (outside experts) and officers appointed by the board of directors, General Manager of the Compliance Department, and its secretariat is the Stewardship Development Department.
4. The Officer will make decisions on various matters taking full account of the recommendations of the Advisory Committee. If the officer receives recommendations from the Advisory Committee regarding improvement of its exercise of voting rights, the Officer will promptly take measures necessary for the correction or improvement, giving due respect to the recommendation.
5. our exercise of voting rights will be performed as follows:
  - (1) the guidelines for exercise of voting rights shall be established, revised, or abolished with the approval of the Officer after deliberating at the Stewardship Meeting and consultation to the Advisory Committee;
  - (2) a decision to exercise the voting regarding a proposal that is stipulated in our guideline shall be made with the approval of the General Manager of the Stewardship Development Department;
  - (3) a decision to exercise the voting rights regarding a proposal that is not stipulated in our guideline or that requires individual interpretation shall be made with the approval

of the Officer after individual deliberation at the Stewardship Meeting and after consultation to the Advisory Committee;

- (4) the result of exercising the voting rights shall be reported to the Stewardship Meeting and the Officer.



## V. Guidelines for Exercise of Voting Rights

When exercising voting rights for an individual proposal regarding Japanese stocks, decisions concerning whether to support a proposal are made, in principle, based on the criteria set forth below.

However, we may make decisions that differs from our guideline in the situation when we determine it contributes to the improved corporate value or growing shareholders' interests, considering the status of the investee company or our engagements with them.

[Criteria used in this Guideline]

(1) Business Performance (ROE) Criterion

ROE ranks within the top 75th percentile among the TOPIX component stocks

(2) Dividend Criterion

Dividend payout ratio is equal to or exceeds 30%

(3) Share price criterion

Stock price performance in the fiscal year ranks within the top 75th percentile among the TOPIX component stocks

(4) Cash-Rich Criterion

The ratio of net cash (cash and deposits + short-term securities - borrowings, etc.) to the total assets is equal to or exceeds 30%

(5) Independence Criterion for Outside Officers, etc.

Any of the following cases are deemed to be in conflict with the independence criterion.

- ① A person who has not registered nor has plans to register as an independent officer on the stock exchange;
- ② A person who is from a major shareholding (10.0% of total or more) company;
- ③ Notwithstanding the above, any other person whose independence is obviously doubtful.

[Supplementary Provisions for the Independence Criterion]

- A person who has met the independence criteria but has not registered as an independent officer may still be approved upon a reasonable explanation through engagement..
- The cooling-off period (the period after which independence from major shareholding company is to be confirmed) is set at three years after retirement.
- If the relevant company is under restructuring, we will determine whether to apply the independence criterion for outside officers according to the circumstances of each case, in

order to prioritize the restructuring of the management.

- Mutual appointments of outside officers are deemed questionable from the viewpoint of independence. In this instance, a clear and reasonable explanation will be required

#### (6) Controversy Criterion

In principle, the following acts are deemed controversies whereby the relevant company has been judged to have been involved as an organization:

- Violation of antitrust laws and/or laws and regulations prohibiting bribery, corruption, etc.
- Inappropriate accounting practices and delay in the release of settling of accounts.
- Cases where fraudulent inspections and falsification of data, among others, have materially impacted the relevant company's management and operations
- Cases where socially unacceptable actions have resulted in the loss of social credibility of the relevant company
- Cases where significant governance failure is identified.
- Other acts which may have a profound impact on society or the environment

## 1. Board of Directors, its Composition, and Appointment of Directors

### [Approach to Proposals]

We believe that the Board of Directors, as an executive body that governs corporate management, should comprise members with sufficient competence to make prompt and appropriate management decisions and should dedicate itself to adequately performing the management supervisory function by separating the executive functions and the supervisory functions.

It is our belief that the Board of Directors should be structured in such a way that appropriate knowledge, experience, and abilities are provided as a whole and that diversity is considered with the aim of achieving sustainable growth and improving corporate value over the medium to long term. We also believe that outside directors with appropriate qualities should be appointed as a minimum proportion of total.

In addition, we believe that it is desirable to maintain the size of the Board of Directors with an optimal number of directors enabling the board to make effective and efficient decisions regarding the execution of the relevant company's management strategies.

### [General Rules of Exercise]

( 1 ) In any of the following cases, we will dissent in principle from the proposals:

#### ①Composition of the Board of Directors

- In cases where we consider that the total number of directors is inadequate given the size of the company and scope of the business
- In cases where there is a significant increase or decrease in the number of directors without reasonable reasons
- The number of independent outside directors\*<sup>1</sup> appointed falls below the minimum proportion of the total number of directors.
- In the case where the relevant company\*<sup>2</sup>, which has a parent company, lacks a proper, coherent structure\*<sup>3</sup> that ensures independent decision-making in the best interests of general shareholders

(\*<sup>1</sup> Outside directors who have registered or are about to register on the stock exchange. The same applies hereafter in this section.)

(\*<sup>2</sup> In the case where the relevant company has a parent company or controlling shareholder according to the corporate governance report. The same applies hereafter in this section.)

(\*<sup>3</sup> Where a majority of directors are outside directors, or one-third of the board is comprised of outside directors, and the following conditions are met:

Where a majority of Nominating Committee (including voluntary advisory committees) members are independent outside officers, or where half of members are independent outside officers and the chairman of the committee is an independent outside officer. The same applies hereafter in this section.)

②Appointment of Directors

- In cases where the business performance, capital efficiency, or share price was stagnant over the medium to long term during his/her tenure
- In cases where a candidate who is considered to have been involved in, or to have had supervisory responsibilities for a controversy which has impacted on the value of the relevant company.

③Appointment of Outside Directors

- In cases where our independence criterion\*<sup>4</sup> is not met  
(\*<sup>4</sup>(5) Independence Criterion for Outside Officers. The same applies hereafter in this section)
  - In cases where a candidate's execution of operation is concerned judged from his/her past attendance status
- ( 2 ) In any of the following cases, we will consider dissent from proposals
- In case where the company , having significant issue such as ESG themes, does not engage or have not made improvement of the situation despite continued engagement.
  - In case where the company, having cross shareholding excessively, does not engage or have not made improvement of the situation despite continued engagement.

[Decision Criteria for Exercise of Voting Rights]

Proposal Details	General Rules Criteria	Exceptional Criteria
Composition of the Board of Directors	①If the total number of directors exceeds 20, we will dissent from the proposed appointment of directors	<ul style="list-style-type: none"> <li>▪ If we consider that the total number proposed is adequate in light of the trends in the past business performance, the scale of current businesses and scope of current operations, as well as future business plans, visions, etc., we will support the proposal.</li> </ul>
	② If there is a significant increase in the number of directors (if the relevant company has less than 10 directors, an increase by more than 50%; or if the relevant company has 10 or more directors, an increase by more than 30%), we will dissent from the proposed appointment of directors	<ul style="list-style-type: none"> <li>▪ If there is a reasonable reason (merger, absorption, etc.), we will support the proposal</li> <li>▪ If the number of directors' increases occurs because of a change into a company with the Nominating Committee, or a company with the Audit and Supervisory Committee, we will support the proposal</li> </ul>

	<p>③ We will dissent from in principle the appointment of directors unless multiple number of outside independent directors*1 are appointed and at least one-third of the board is comprised of outside independent directors*1 (*1 As stated under the “General Rules of Exercise”)</p>	<p>We will support the proposal, as a transitional measure, for a company with a multiple number of outside directors if we deem that the medium to long term enhancement of corporate values, the ROE in particular, is intact.</p>
	<p>④ In case the relevant company, which has a parent company*2, lacks a proper, coherent structure*3 that ensures independent decision-making, we will dissent from the proposed appointment of directors (*2*3 As stated under “General Rules of Exercise”)</p>	<p>If the shareholding ratio of a major shareholder is 50% or less and it does not fall under the category of parent company or controlling shareholder, and there is a concern over the protection of general shareholders' interests due to substantive control rights, we will dissent from the proposed appointment of directors</p>
<p>Appointment of Directors</p>	<p>⑤ If the relevant company records operating losses for three consecutive periods, we will dissent from the proposed appointment of directors who have served as a director for those three years or more</p>	<p>• If the failure to satisfy the criterion is considered not to have been caused by any factor attributable to the management (such as the occurrence of an unexpected natural disaster etc.) or is considered to have been caused by recognizing costs of structural reforms, etc., we will support the proposal</p>
	<p>⑥ If the relevant company does not satisfy the business performance criterion (ROE) for three consecutive periods, we will dissent from the proposed appointment of directors who have served as a director for those three years or more.</p>	<p>• If the failure to satisfy the criterion is considered not to have been caused by any factor attributable to the management (such as the occurrence of an unexpected natural disaster etc.) or is considered to have been caused by recognizing</p>

	<p>costs of structural reforms, etc., we will support the proposal</p> <ul style="list-style-type: none"> <li>▪ If we consider that the criterion is highly likely to be met in light of the trends in the past business performance, businesses plans going forward, etc., we will support the proposal</li> <li>▪ We shall vote for the appointment, if there has been progress in enhancing shareholder value through our engagements or other measures</li> </ul>
<p>⑦ If the relevant company does not satisfy the share price criterion for three consecutive periods, we will dissent from the proposed appointment of directors who have served as a director for those three years or more.</p>	<ul style="list-style-type: none"> <li>▪ If the failure to satisfy the criterion is considered not to have been caused by any factor attributable to the management (such as the occurrence of an unexpected natural disaster etc.), we will support the proposal</li> </ul>
<p>⑧ We will dissent from the proposed appointment of a director who is considered to have been involved in, or to have had supervisory responsibilities for controversies</p>	
<p>⑨ If the total number of corporate auditors exceeds 8, we will dissent from the proposed appointment of directors</p>	
<p>⑩ Regarding the proposed appointment of corporate auditors, if the total number of corporate auditors decreases by two or more, or if the</p>	<ul style="list-style-type: none"> <li>▪ If the change of structure occurs because of a change into a company with the Nominating Committee, or a company with</li> </ul>

	number of outside corporate auditors decreases by two or more, we will dissent from the proposed appointment of directors	the Audit and Supervisory Committee, or there are reasonable reasons, we will support the proposal
	⑪ If a proposed disposition of surplus determined at the board of directors comes into conflict with the decision criteria set forth in our guideline 5 (Disposition of Surplus and Returning Profits to Shareholders), we will dissent from the proposed reappointment of directors	
	⑫ Regarding the system or design of takeover defense measures, if the relevant company introduces or renews the takeover defense measures without any resolution at the shareholders' meeting, we will dissent from the proposed appointment of directors.	
Appointment of Outside Directors	⑬ We will dissent from the proposed appointment of outside directors who don't meet the independence criterion* (*2(5) Independence Criterion for Outside Officers)	
	⑭ If an outside director's attendance rate at the Board of Directors meeting, Audit Committee, or Audit and Supervisory Committee is less than 75% of all meetings held, or cannot be confirmed, we will dissent from the proposed appointment of the outside director	<ul style="list-style-type: none"> <li>• If an outside director's absence at Board of Directors' meetings etc. is considered to have been inevitable, we will support the proposed appointment of the outside director</li> </ul>

## 2. Appointment of Corporate Auditor

### [Approach to Proposals]

We believe that the Board of Corporate Auditors should be structured and operated in order that it adequately functions as a body monitoring and supervising directors' execution of their duties.

We believe that outside corporate auditors should be independent from the company, in order to truly enhance the management supervisory function. We will encourage the outside corporate auditors to adequately perform their functions by attending a certain number or more of Board of Directors' meetings and Board of Corporate Auditors' meetings.

In addition, we believe that it is desirable to maintain the size of the Board of Corporate Auditors with an optimal number of corporate auditors enabling the board to make effective and efficient decisions.

### [General Rules of Exercise]

In any of the following cases, we will dissent from proposals in principle.

- ① Composition of the Board of Corporate Auditors
  - In cases where we consider that the number of corporate auditors is inadequate in light of the scale of the company and scope of its function (we will dissent from the proposed appointment of directors).
  - In cases where there is a significant decrease in the number of corporate auditors without reasonable reasons (we will dissent from the proposed appointment of directors).
- ② Appointment of Corporate Auditors
  - In cases where a candidate who is considered to have been involved in, or to have had supervisory responsibilities for a controversy which has impacted on the value of the relevant company.
- ③ Appointment of Outside Corporate Auditors
  - In cases where our independence criterion\*2 is not met.  
(\*2 (5) Independence Criterion for Outside Officers)
  
  - In cases where a candidate's execution of operation is concerned judged from his/her past attendance status

[Decision Criteria for Exercise of Voting Rights]

Proposal Details	General Rules Criteria	Exceptional Criteria
Appointment of Corporate Auditors	① We will dissent from the proposed appointment of a corporate auditor who is considered to have been involved in, and/or to have had supervisory responsibility over controversies	
Appointment of Outside Corporate Auditors	② We will dissent from the proposed appointment of outside corporate auditors who don't meet the independence criterion*. (*2(5) Independence Criterion for Outside Officers	
	③ If an outside corporate auditor's total attendance rate at Board of Directors' meetings or Board of Corporate Auditors' meetings is less than 75% of all meetings held, or cannot be confirmed, we will dissent from the proposed appointment of the outside corporate auditor	If an outside corporate auditor's absence at Board of Directors' meetings or Board of Corporate Auditors' meetings is considered to have been inevitable, we will support the proposed appointment of the outside corporate auditor

3.Compensation for Officers, Bonus for Officers, Retirement benefits

[Approach to Proposals]

We believe that compensation for officers should be set at a level or have contents that are in line with the company’s business performance and the goal of maximum enhancement of shareholder value, and should be appropriate in terms of effectiveness as an incentive, among others.

[General Rules of Exercise]

In any of the following cases, we will dissent from the proposals in principle.

① Compensation and Bonus for Officers

- In cases where the amount thereof is considered obviously inadequate in light of the relevant company’s business performance or social norms
- In cases where the relevant company whose business performance, capital efficiency, or share price has been stagnant over the medium to long term period pays a bonus to its officers or increases the amount of compensation for officers without reasonable reasons
- In cases where the relevant company pays a bonus to its outside directors, directors of the Audit and Supervisory Committee ,corporate auditors, and outside corporate auditors
- In cases where the relevant company involved in controversies pays a bonus to its officers or increases the amount of compensation for officers without reasonable reasons

② Retirement benefits

- Retirement benefits are characterized by the strong nature of seniority and do not necessarily reflect the goals of the medium to long term corporate or shareholder value enhancement. Therefore, in principle we will dissent from any proposals on retirement benefits. This also will be applied to golden handshakes and condolence monies

Decision Criteria for Exercise of Voting Rights

Proposal Details	General Rules Criteria	Exceptional Criteria
Compensation for Officers/Bonus for Officers	① If the relevant company records operating losses for three consecutive periods, we will dissent from the proposed increase in the compensation for officers or payment of bonuses	▪ If there is a clear cause including an increase in the number of outside directors, we will support the proposal
	② If the relevant company does not satisfy	

	the business performance criterion (ROE) for three consecutive periods, we will dissent from the proposed increase in the compensation for officers or payment of bonuses	
Proposal Details	General Rules Criteria	Exceptional Criteria
	③ If the relevant company does not satisfy the share price criterion for three consecutive periods, we will dissent from the proposed increase in the compensation for officers or payment of bonuses	
	④ If outside directors, directors who serve as the Audit and Supervisory Committee members, corporate auditors or outside corporate auditors are included among recipients of bonuses, we will dissent from the proposal	
	⑤ If an officer who is considered to have been involved, or to have supervisory responsibility in controversies, is included, we will dissent from the proposed increase in the compensation for officers or payment of bonuses	
Retirement benefits	⑥ We will oppose proposals on the payment of retirement bonuses and benefits	

#### 4. Performance-based payments, Stock Compensation, Stock Options

##### [Approach to Proposals]

We believe that compensation for officers should be set at a level or have contents that are in line with the company's business performance and distribution of profits to shareholders, and that is appropriate in terms of effectiveness as an incentive, among others. We will require that performance-based payment and stock-based compensation to be appropriate as an incentive for improvement of the medium to long term shareholder value.

##### [General Rules of Exercise]

In any of the following cases, we will dissent from proposals in principle.

- In cases where outside directors, directors who serve as audit and supervisory committee members, corporate auditors, or outside corporate auditors are included in the grantees of the plans
- In cases where the plans are not considered to be devised as related to enhancing the medium to long term corporate value
- In cases where the proposed plan results in a significant dilution of the shareholder value

##### Decision Criteria for Exercise of Voting Rights

Proposal Details	General Rules Criteria	Exceptional Criteria
Performance-based payment (Cash, stock and stock options-based payment)	① If outside directors, directors who serve as audit and supervisory committee members, corporate auditors, or outside corporate auditors or persons who are not considered directly related to the improvement of business performance are included in the grantees of the plans, we will dissent from the proposal	
	② If the sale of shares is permitted less than 2 years after distribution, or before the officer's retirement, we will dissent from the proposal	
	③ If the proposed plan results in the	

	cumulative dilution percentage of 5% or more, or an annual dilution of 1% or more with no set granting period, we will dissent from the proposal	
<b>Proposal Details</b>	<b>General Rules Criteria</b>	<b>Exceptional Criteria</b>
Stock Options	④ If outside directors, directors who serve as audit and supervisory committee members, corporate auditors, outside corporate auditors, or persons who are not considered directly related to the improvement of business performance are included in the grantees of rights, we will dissent from the proposal	
	⑤ If the proposed plan results in the cumulative dilution percentage of 5% or more, we will dissent from the proposal	
	⑥ If the exercise price is less than the market price, we will dissent from the proposal	
	⑦ If the exercise price is scheduled to be reduced, we will dissent from the proposal	
Stock and Stock option-based payment (Not based on performance)	⑧ If outside directors, directors who serve as audit and supervisory committee members, corporate auditors, outside corporate auditors, or persons who are not considered directly related to the improvement of business performance are included in the grantees, we will dissent from the proposal	
	⑨ If the proposed plan results in the cumulative dilution percentage of 5% or more, we will dissent from the proposal	
	⑩ If the sale of shares or the exercise of rights is permitted less than 2 years after distribution, or before the officer's retirement, we will dissent from the proposal	

5.Disposition of Surplus, Returning Profits to Shareholders

[Approach to Proposals]

Regarding stock dividends, we believe that an appropriate distribution of profits should be made in accordance with the stage of growth of the relevant company, taking into account the balance between returning profits to shareholders, retaining internal reserves and investment in growth based on the company’s financial condition and business plan.

[General Rules of Exercise]

In any of the following cases, we will dissent from proposals in principle.

If disposition of surplus is resolved at a meeting of the board of directors, we will manifest our intention by supporting or dissenting from the proposed appointment of directors

- In cases where, as a result of considering the relevant company’s capital efficiency and financial condition, the dividend payout rate is not adequate and there is no reasonable reasons
- In cases where we consider that a dividend policy has the risk of damaging shareholder value from the perspective of the medium to long term interests of shareholders
- In cases where the appropriateness of the level of shareholder returns cannot be judged.

Even if the following exercise criteria is met, if we cannot receive a rational explanation of the capital policy and shareholder return policy, we may dissent from the proposal,

Other than dividends, we will consider other means of shareholder returns including share buybacks by way of engagements

Decision Criteria for Exercise of Voting Rights

Proposal Details	General Rules Criteria	Exceptional Criteria
Disposition of Surplus	① If the relevant company does not satisfy the business performance (ROE) criterion for the relevant period and does not satisfy the dividend criterion, we will dissent from the proposal	▪ If the failure to satisfy the criterion is considered not to have been caused by any factor attributable to the management (such as the occurrence of an unexpected natural disaster etc.)

		<p>or is considered to have been caused by recognizing costs of structural reforms, etc., we will support the proposal</p> <ul style="list-style-type: none"> <li>▪ If the relevant accounting period is less than 12 months due to a change of the fiscal period or only a short period has elapsed after the listing, we will support the proposal</li> <li>▪ If it is considered desirable for the relevant company to make reinvestments rather than to return profits to shareholders because the company is in the growing stage, we will support the proposal which has not paid dividends</li> <li>▪ If the relevant company's finances are considered extremely fragile, we will support the proposal which will not pay dividends</li> </ul>
	<p>② If the relevant company satisfies the cash-rich criterion but its ROE ranking is in the bottom 50 percentile among the TOPIX component stocks and does not satisfy the dividend criterion, we will dissent from the proposal</p> <p>③ If the relevant company satisfies the cash-rich criterion but does not satisfy the ROE criterion for the relevant period and its dividend payout ratio is less than 50%, we will dissent from the proposal</p>	<ul style="list-style-type: none"> <li>▪ If the failure to satisfy the criterion is considered not to have been caused by any factor attributable to the management (such as the occurrence of an unexpected natural disaster etc.) or is considered to have been caused by recognizing costs of structural reforms, etc., we will support the proposal</li> <li>▪ If the relevant accounting period is less than 12 months due to a change of the fiscal</li> </ul>

		<p>period or only a short period has elapsed after the listing, we will support the proposal</p> <ul style="list-style-type: none"> <li>▪ If it is considered desirable for the relevant company to make reinvestments rather than to return profits to shareholders because the company is in the growing stage, we will support the proposal which will not pay dividends</li> <li>▪ If earned surplus is insufficient, we will support the proposal which will not pay dividends</li> </ul>
	<p>④ If the relevant company records operating losses for three consecutive periods, we will dissent from the proposed dividend payments</p>	<p>If the relevant company's finances are considered robust, we will support the proposed dividend payments</p>

6.Anti-takeover Measures

[Approach to Proposals]

We believe that takeover defense measures must not be intended to protect the Board of Directors but should contribute to the improvement over the medium to long term shareholder value.

A company introducing takeover defense measures must disclose the purpose of introduction and details of the measures to fully perform its accountability obligation. Takeover defense measures must be designed to be neutral and fair to both the acquirer and the acquiree and to ensure the transparency and appropriateness of the decision-making process when the measures are invoked and should be introduced and renewed subject to the consent of shareholders.

[General Rules of Exercise]

In any of the following cases, we will dissent from proposals in principle.

If the relevant company introduces or renews the takeover defense measures without any resolution at the shareholders’ meeting, we will manifest our intention by supporting of dissenting from the proposal for appointments of the directors

- In cases where the details of the proposed takeover defense measures are not designed to be neutral and fair to both the acquirer and acquiree
- In cases where a high level of a corporate governance structure is not established in terms of the composition of the board of directors
- In cases where the capital efficiency has continued to remain stagnant for the medium term
- In cases where the proposed takeover defense measures do not have a mechanism to ensure that, when the measures are invoked, an independent committee being comprised of members with confirmed independence will give prior consideration to the invocation, or to confirm the shareholders’ intention by submitting a proposal for invocation of the measures at the shareholders’ meeting
- In cases where the period of the takeover defense measures is not limited

[Decision Criteria for Exercise of Voting Rights]

Proposal Details	General Rules Criteria	Exceptional Criteria
Takeover Defense Measures	① Unless Majority of board is comprised of outside directors who satisfy the independence criterion*, we will dissent	If the proposed measures do not contain countermeasures, including issuance of stock

	<p>from the proposal (*2(5) Independence Criterion for Outside Officers)</p>	<p>acquisition rights, we will support the proposal (not deemed to be takeover defense measures)</p>
<p>② If the relevant company does not satisfy the business performance (ROE) criterion for three consecutive periods, we will dissent from the proposal</p>		
<p>③ If the proposed takeover defense measures are designed to fall under any of the following conditions, we will dissent from the proposal:</p> <p>a) Unless an independent committee whose members' independence* is confirmed is established, or unless the proposed measures require confirmation of the shareholders' intention when the measures are invoked, we will dissent from the proposal</p> <p>(*2(5) Independence Criterion for Outside Officers)</p> <p>b) Regarding the design of takeover defense measures, unless the effective period is set at three years or less, we will dissent from the proposal</p> <p>c) If the period for assessment and consideration of takeover defense measures by the Board of Directors or an independent committee can be extended to an indefinite period, we will dissent from the proposal</p>		

## 7.Acquisition, Merger, Capital Increase by Third-party Allotment

### [Approach to Proposals]

In raising new capital, affecting other changes to corporate financial structure, or readjusting scale and lines of business through a merger, transfer of business, acceptance of transfer of business, company split, etc., we believe that they must not damage the interests of shareholders or the future business development of the company.

### [General Rules of Exercise]

In any of the following cases, we will dissent in principle from the proposals.

- ① Proposals on financing the relevant company by issuing shares
  - Regarding a proposal for issuance of shares, in cases where we do not believe that the proposal is based on reasonable reasons for capital policies
  - In cases where a proposal, including a proposal for issuance of new stocks through third-party allotment, is considered to cause a significant dilution
- ② Proposals on a merger, transfer of business, acceptance of transfer of business, company split, etc.
  - In cases where the necessity of the relevant corporate actions is not fully explained
  - Regarding consideration or exchange rates in relation to the relevant corporate actions, in cases where measures to secure fairness, including calculation basis through an external neutral appraisal organization are not indicated ,or measures to avoid conflicts of interest (if any) are not indicated, or we consider that the proposal is not based on a reasonable reason
  - In cases where it is clearly judged that the shareholders will be adversely affected; for example shareholders' interests are damaged due to deterioration of the profit structure

## 8.Acquisition of Treasury Shares

### [Approach to Proposals]

We consider that acquisition of treasury shares is an effective means to enhance the corporate value and shareholder value.

### [General Rules of Exercise]

In any of the following cases, we will dissent in principle from the proposals.

- In cases where we consider that the proposed acquisition of treasury shares has no reasonable reason and the scale of the proposed transaction is not appropriate in light of the relevant company's asset size

and business plan, or that the proposed acquisition of treasury shares would otherwise damage the shareholder value

## 9. Amendment to Articles of Incorporation, Other Proposals

### [Approach to Proposals]

We believe that proposals for amendments to articles of incorporation or other policies must contribute to improving the medium to long term shareholder value and profits for clients (beneficiaries), and that the relevant company must fully perform its accountability obligation.

### [General Rules of Exercise]

In principle, if any of the following is applicable, this is contradicted.

#### ① Amendment to Articles of Incorporation

Judgment is made in accordance with the following specific criteria.

#### ② Contribution of Treasury Shares to an Incorporated Foundation

- In cases where we don't consider that the purpose of an incorporated foundation would contribute to the improvement of the company's corporate value
- In cases where there are not reasonable reasons why funding for an incorporated foundation's operations should be through stock dividends rather than donations
- In cases where the proposed contribution will result in a significant dilution
- In cases where there is a risk that the voting rights attached to the shares are not appropriately exercised

### [Decision Criteria for Exercise of Voting Rights]

Proposal Details	General Rules Criteria	Exceptional Criteria
Amendment to Articles of Incorporation	① If the proposal intends to significantly increase the fixed number of directors (if the relevant company has less than 10 directors, an increase by more than 50%; or if the relevant company has 10 or more directors, an increase by more than 30%), we will dissent from the proposal	▪ If the number of directors' increases occurs because of a change into a company with the Nominating Committee, or a company with the Audit and Supervisory Committee
	② If the proposal intends to add a requirement to dismiss directors, we will dissent from the proposal;	

	<p>③ If the authority to adopt a resolution for distribution of surplus is granted to the Board of Directors, and resolutions thereof by the shareholders' meeting are excluded, we will dissent from the proposal;</p>	
Proposal Details	General Rules Criteria	Exceptional Criteria
	<p>④ If the relevant company fails to meet the criteria for Disposition of Surplus, Returning Profits to Shareholders and the Board of Directors possesses an authority to adopt a resolution for distribution of surplus, we will dissent in principle from the proposals;</p>	
	<p>⑤ Regarding a proposal intending to increase the total number of authorized shares, if the number of outstanding shares is less than 50% of the authorized shares or the increase ratio of the total number of authorized shares is equal to or more than 50%, we will dissent from the proposals</p>	<ul style="list-style-type: none"> <li>▪ If the proposal is based on capital policies such as business plans, or is based on reasonable reasons such as business mergers, we will support the proposal</li> <li>▪ If the proposal is to strengthen the financial base under business reconstruction, etc., we will support the proposal</li> <li>▪ If the proposal is accompanied by introducing anti-takeover measures that meet the criteria, we will support the proposal</li> </ul>
	<p>⑥ Regarding a proposal for staggered board, flexible date of right allotment, or reduction in the fixed number of directors, with the view of defense against a takeover, we will dissent from the proposals</p>	
	<p>⑦ Regarding an Advisers System that is to be newly established, we will dissent from</p>	

	the proposal	
	⑧ Regarding an appointment of an accounting auditor, if its independence is doubtful, we will dissent from the proposal	
	⑨ In cases where terms of directors are shortened, we will support the proposal	
Contribution of Treasury Shares to a Foundation	⑩ If the proposal results in the dilution of 1% or more, we will dissent from the proposal	
	⑪ If the voting rights attached to the shares are not non-exercise, we will dissent from the proposal	

## 10. Shareholder Proposals

### [General Rules of Exercise]

We will make our decision on the shareholder's proposal in the same manner as with the relevant company's proposal, from the perspective of maximizing the medium to long term shareholder value. However, if the proposal is considered unreasonable, not in line with the company's management policy or measures, or intends to solve a particular social or political issue, we will dissent from the proposal in principle.