

October 22, 2021

To whom it may concern:

Sumitomo Mitsui Trust Holdings, Inc.  
(Stock code: 8309, TSE/NSE)  
Sumitomo Mitsui Trust Bank, Limited

## **Status of Reforms and Improvements in Operations for the Tallying of Voting Rights Exercise Forms**

Sumitomo Mitsui Trust Holdings, Inc. (Director, President: Toru Takakura) and Sumitomo Mitsui Trust Bank, Limited (President: Kazuya Oyama; hereinafter “SuMi TRUST Bank”) hereby announce, regarding the press release dated December 17, 2020, issued by both companies titled, “Notice regarding Reforms and Preventative Measures, etc. in Operations for the Tallying of Voting Rights Exercise Forms” (hereinafter “previous release”), the status of the reforms and improvements in Operations for the tallying of voting rights exercise forms at the shareholders’ general meetings (hereinafter “tallying operations”) of client companies that entrusted us with the provision of such operations (hereinafter “client companies”), the status of implementation of preventive measures and the status of promotion of electronic exercise of voting rights (hereinafter “electronic voting”).

### **1. Reforms and Improvements in Procedures and System of New Tallying Operations**

SuMi TRUST Bank entrusts the tallying operations to Japan Stockholders Data Service Company, Limited (hereinafter “JaSt”)<sup>1</sup>. As described in the previous release, JaSt discontinued the inappropriate forward processing<sup>2</sup> and changed the tallying method to new procedure that is based on the actual day on which the voting rights exercise forms are received from the post office, starting from the shareholders’ general meetings of client companies held in March 2021.

In addition, JaSt changed the operation flow from receiving voting rights exercise forms by delivery from the post office to setting up a post-office box at the post office for JaSt to pick up the voting rights exercise forms. The new tallying operations have been implemented after receiving confirmation from external attorneys, accountants, and consultants (hereinafter “external experts”) regarding the appropriateness and legality of the method.

Furthermore, as a result of increase in the processing capacity of the tallying operations (e.g., increasing the number of personnel working on tallying, increasing the number of system devices, and improving system functions), the tallying operations were completed without delay and major issues for the shareholders’ general meetings of client companies held in June 2021 when shareholders’ meetings are most concentrated.

### **2. Implementation of Preventive Measures**

Based on the analysis of the causes of the incident (inappropriate procedure, “forward processing”), the SuMi TRUST Group (hereinafter “the Group”) took group-wide preventive measures, such as strengthening organizational and management systems and their effectiveness as well as continuously raising awareness to potential issues. SuMi TRUST Bank conducted a verification by a project team led by the external experts and risk management departments responsible for monitoring and supervising operations independently from the Stock Transfer Agency services business. As a result, it recognized the inadequacy of the verification at the time of introducing the forward processing, the lack of verification for the appropriateness and legality of the administrative rules, and the lack of opportunities to review operations due to the same personnel working in the Stock Transfer Agency services business over a long period as causes of the incident, and it has taken countermeasures for each of these issues.

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<sup>1</sup> SuMi TRUST Bank entrusts the tallying operations of Voting Rights Exercise Forms to Sumitomo Mitsui Trust TA Solution Co., Ltd. (hereinafter “TA Solution”), a wholly owned subsidiary, which re-entrusts this service to Japan Stockholders Data Service Co., Ltd. (a joint venture between SuMi TRUST Bank and Mizuho Trust & Banking). In addition to the tallying operations entrusted to SuMi TRUST Bank, the tallying operations entrusted to Tokyo Securities Transfer Agent Co., Ltd. and Japan Securities Agents, Ltd., which are consolidated subsidiaries of SuMi TRUST Bank, are also re-entrusted to JaSt through TA Solution, and the tallying operations are performed by JaSt according to the same method as that entrusted by SuMi TRUST Bank.

<sup>2</sup> This refers to the process in which, for the busy months of March, May, and June each year, when there is a concentration of shareholders’ general meetings, JaSt has been coordinating with the post office in order to secure time to conduct the tallying of the large volume of voting rights exercise forms, so that JaSt would receive the relevant postal items (i.e. voting rights exercise forms that are sent by post) on the day prior to the date that the prescribed postal office tasks relating to said items are completed and such items would be delivered in the absence of this special arrangement, and the tallying of the voting rights exercise forms based on the date of a “certificate of delivery” that bears the date that such items would have been delivered in the absence of this special arrangement. As a result of forward processing, voting rights exercise forms received on the voting rights exercise deadline were excluded from the scope of the tallying.

## <Details of Preventive Measures>

### **i. Framework for Legal Compliance, etc.**

The Group is strengthening the involvement of the legal & compliance departments in verifying the legality of rules related to the operations of Group affiliates and external parties entrusted with operations (hereinafter “external parties”) when establishing, revising, or abolishing rules associated with legal risks at Group affiliates and important external parties (e.g., improving operations by changing the handling of approvals from a procedure based on verification by the department in charge of Group affiliate or the original department entrusting the work to external parties to a procedure based on verification by the legal & compliance departments).

In line with Group-wide efforts to ensure compliance with laws and regulations, the Stock Transfer Agency services business has established a structure where the Stock Transfer Agency services business and legal & compliance departments collaborate to verify the legality when rules related to the practical operation of Stock Transfer Agency are established, revised, or abolished.

In addition, SuMi TRUST Bank established a new department within the Stock Transfer Agency services business to oversee compliance and risk management for the business, including monitoring of Group affiliates and external parties. Along with on-site inspections of JaSt and other affiliates, the department has strengthened the system for periodically checking rules and business operations to ensure the legality of the business from the perspective of both the appropriateness of rules and their steady implementation.

### **ii. Management of External Parties**

When monitoring external parties, the Group checks if the operations require enhanced oversight and manages the business operations of external parties, which deal with critical operations, in a detailed manner according to the degree of legal risks involved in the work of external parties or impact on stakeholders (e.g. identifying contracts that require a high level of management and discussing the measures to be taken with the relevant departments).

### **iii. Internal Audit System**

The Group works to improve the effectiveness of internal audits by placing greater emphasis on the validity of legal compliance systems in Group companies audits. For example, from the perspective of enhancing cooperation with the audit division of JaSt, it closely coordinates information by sharing the points of focus, and, from the perspective of strengthening auditing functions of JaSt, it holds regular meetings among the three companies, including the audit division of Mizuho Trust & Banking Co., Ltd., a partner in the joint venture.

### **iv. Fiduciary Duties**

The Group is striving to expand and strengthen education and guidance for employees, including Group companies employees, to inculcate through awareness of the fiduciary duties to the various stakeholders in the value chain of the services that we provide. For example, the Group has implemented e-learning regarding principle-based approaches and training programs on trust business for all employees.

### **v. Re-evaluation of the Entire process including Third-party Evaluations**

The Stock Transfer Agency services business had its relevant regulations and manuals inspected by external experts to re-evaluate the appropriateness and legality of the business processes involved in the stock transfer agency business. As a result, the external experts did not detect any items that would constitute a violation of the law. In addition, the Group is sequentially taking measures to improve robustness of operational processes by incorporating the suggestions for improvement of business procedures and processing methods received from external experts through the inspection activities.

**vi. Human Resource Development, Enhancement Awareness of Compliance, Dealing with Personnel in the Same Department Over a Long Time**

The Stock Transfer Agency services business took measures to increase risk sensitivity of employees by conducting training programs for all employees of the Stock Transfer Agency services business on the risks that need to be recognized anew and on the need to review operations from the perspective of various stakeholders. In addition to efforts to instill a customer-oriented mindset, it has taken steps to detect potential risks including through periodic questionnaires surveys such as awareness of work-related problems and work that causes concern to obtain feedback from employees and through consultation meetings with lawyers.

Furthermore, the Stock Transfer Agency services business is constantly reviewing its operations from a new perspective by avoiding keeping personnel in the same department over a long time through reassignment or other measures while placing the highest priority on the continuity of business execution and the systematic transfer of business knowledge. At the same time, it is formulating and work on a personnel rotation plan for the entire Stock Transfer Agency services business, including external parties.

**3. Promotion of Electronic Voting (year-on-year comparison of client companies<sup>3</sup> that held their Shareholders' General Meeting in June (hereinafter "client companies with shareholders' general meeting in June"))**

**(1) Status of the use of Electronic Voting**

The Group is working on expanding the number of client companies adopting the electronic voting system as well as promoting the use of the electronic voting<sup>4</sup> by shareholders of client companies. The Group believes convenient electronic voting system provided through client companies as well as prompt and appropriate tallying operations will contribute to the sound and sustainable development of capital markets.

Approximately 60% of the client companies' shareholders' general meetings were held in June, and the ratios of electronic voting and voting rights exercise at these shareholders' general meetings have both improved, as shown in Table 1 below.

[Table 1]

	June 2020	June 2021	
			YoY
Ratio of electronic voting (*1)	18.0%	45.6%	+27.6 points
Ratio of voting rights exercise (*2)	35.2%	40.8%	+5.6 points

(\*1) Number of shareholders who exercised their voting rights electronically divided by the number of shareholders who exercised their voting rights

(\*2) Number of shareholders who exercised their voting rights divided by the number of shareholders who hold voting rights

**(2) Initiatives to Promote Electronic Voting of Individual Shareholders**

In order to promote transition to electronic voting in the market as a whole, it is important to reach out to individual shareholders, who make up the majority in terms of the numbers of shareholders, accounting for about 98% (based on the number of shareholders of client companies with shareholders' general meetings in June (836 companies)). Starting from the shareholders' general meetings held in May 2021, SuMi Trust Bank implemented a gift program<sup>5</sup> for shareholders of client companies with the aim of increasing the recognition and usage of smart voting,<sup>6</sup> a convenient electronic voting for individual shareholders.

**i. Expanding the number of Client companies Adopting Electronic Voting**

Of the 836 client companies with shareholders' general meetings in June, 612 (+155 from the previous year) adopted Electronic Voting, expanding to 73.2% (+16.1 points from the previous year) of the total<sup>7</sup>.

<sup>3</sup> Refers to client companies of SuMi TRUST Bank. All figures in the text hereafter refer to client companies of SuMi TRUST Bank.

<sup>4</sup> There are two methods of electronic voting. 1) via PC or Smartphone 2) via Electronic Voting Rights Exercise Forms (described later)

<sup>5</sup> Smart voting is a service that allows individual investors to scan the QR code<sup>®</sup> on Voting Rights Exercise Forms with their smartphone, log into the dedicated website without entering an ID and password and exercise their voting rights.

<sup>6</sup> A leaflet promoting the use of smart voting is enclosed with the convocation notice. Shareholders who use Smart voting and answer the questionnaire are entered into a drawing to receive a QUO card (gift certificate).

<sup>7</sup> As of the end of September 2021, the number of client companies adopting electronic voting is 952 and the number of client companies adopting smart voting is 897, including client companies other than those with shareholders' general meetings in June.

In particular, the number of client companies with shareholders' general meetings in June adopting smart voting, which is easier for individual shareholders to use, increased substantially, to 576 (+236 companies from June 2020), accounting for 68.9% (+26.5 points from June 2020) of the total. (See Table 2)

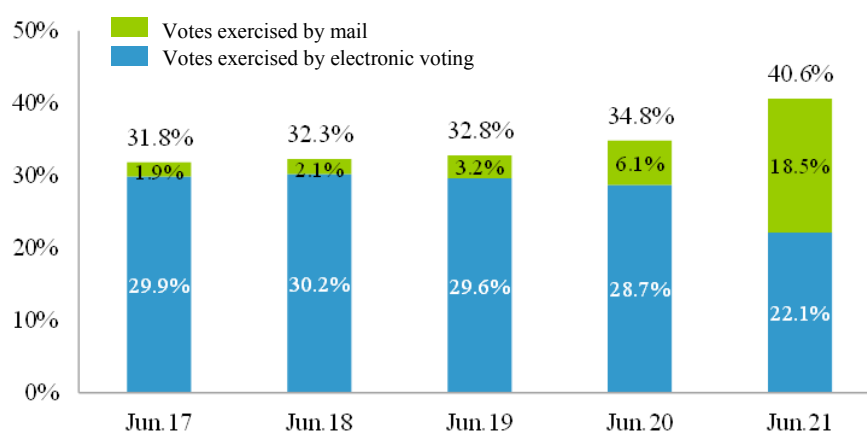
[Table 2]	June 2020	June 2021	
			YoY
Adopting electronic voting (ratio of client companies with shareholders' general meeting in June)	457 (57.1%)	<b>612</b> <b>(73.2%)</b>	<b>+155</b> <b>(+16.1 points)</b>
Adopting smart voting (ratio of client companies with shareholders' general meeting in June)	340 (42.4%)	<b>576</b> <b>(68.9%)</b>	<b>+236</b> <b>(+26.5 points)</b>

## ii. Improvements in Electronic Voting Ratio of Individual Shareholders

Efforts to promote the use of electronic voting have lifted the number of electronic voting by individual shareholders, and also improved the ratio of voting rights exercised.

The ratio of voting rights exercised by individual shareholders of client companies with shareholders' general meetings held in June improved to 40.6% (+5.8 points from the previous year), and the ratio of electronic voting also increased as shown in Figure 1 below.

[Figure 1] Ratio of individual shareholders exercising voting rights



## iii. Expanding use of Electronic Voting through the Gift Program

The promotion of electronic voting had a particularly significant effect among the 401 client companies with shareholders' general meetings in June that participated in the gift program, with the ratio of electronic voting improving significantly to 54.4% (+35.6 points from the previous year) and the ratio of voting rights exercised improving to 44.3% (+9.1 points from the previous year) (See Table 3).

[Table 3]	June 2020	June 2021	
			YoY
Ratio of electronic voting (*1)	18.8%	<b>54.4%</b>	<b>+35.6 points</b>
Ratio of voting rights exercised (*2)	35.2%	<b>44.3%</b>	<b>+9.1 points</b>

(\*1) Number of shareholders who exercised their voting rights electronically divided by the number of shareholders who exercised their voting rights

(\*2) Number of shareholders who exercised their voting rights divided by the number of shareholders who hold voting rights

The Group will continue its efforts to help increase the recognition and usage of electronic voting, including smart voting, and promote electronic voting by individual shareholders.

**(3) Promoting Electronic Voting of Institutional Investors (including usage of Electronic Voting System Platform (hereinafter “electronic platform”))**

ICJ, Inc. (50% owned by Tokyo Stock Exchange; hereinafter “ICJ”) operates an electronic platform. The Group has reached out to client companies to promote the adoption of the electronic platform in collaboration with ICJ. As a result, the number of client companies out of the total number of client companies with shareholders’ general meetings in June adopting the electronic platform increased to 331 (+36 from the previous year). The Group will continue to work with ICJ to reach out to client companies to accelerate their adoption of the electronic platform in response to the revision of the Corporate Governance Code<sup>8</sup> in June 2021.

As for obtaining consent from asset owners, which is a prerequisite for asset managers to use the electronic platform through a custodian bank (Custodian), the Group discussed with key stakeholders through industry associations (e.g., Trust Companies Association of Japan) and made the prerequisite consent unnecessary. We encourage institutional investors and others to use the electronic platform by reducing the burden on asset owners.

The Group, as a trust banking group 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.

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<sup>8</sup> After the market reclassification on April, 2022, companies listed on the Prime market will be encouraged to “make the Electronic Voting System Platform available, at least to institutional investors.”