

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

Sumitomo Mitsui Trust Bank, Limited

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I. Purpose of Exercising Voting Rights

Sumitomo Mitsui Trust Bank, Limited (“SuMi TRUST,” “we,” “us,” or “our”), as a “responsible institutional investor,” considers our exercise of voting rights in connection with entrusted assets (the term, “exercise of voting rights”, is used in the same sense below) 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 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 intend to contribute to a sustainable growth of investee companies thereby maximizing 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 sustainable growth of investee companies (and to 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 to exercise the voting rights by prioritizing the option that would contribute most to sustainable growth.
2. In exercising voting rights, we will encourage investee companies to actively develop appropriate corporate governance systems that respect the interests of shareholders by efficiently utilizing the shareholders’ equity towards sustainable growth and ensuring separation of management supervisory functions and independence of outside officers, among others. In addition, we will encourage the investee companies to conduct corporate activities appropriately by fully considering the environment and the society under the 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 had controversies to provide a full explanation of recurrence prevention measures, progress of improvement measures, and efforts towards improvement of its 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.
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 guidelines for the exercise of voting rights that contain clearly defined criteria to guide decision making or the like.

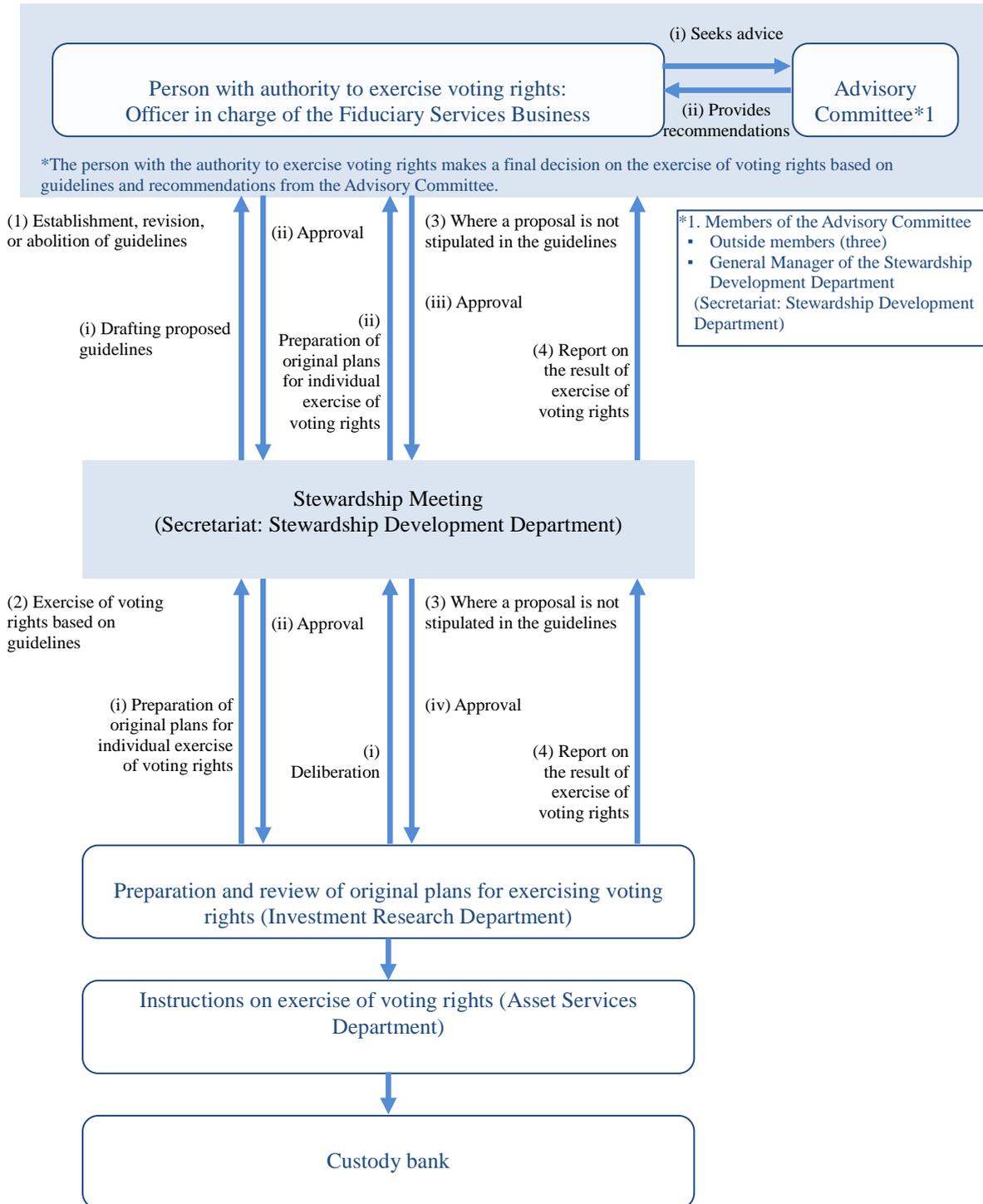
IV. Structure for the Exercise of Voting Rights

1. At SuMi TRUST, the Officer in charge of the Fiduciary Services Business 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 in charge of the Fiduciary Services Business 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 in charge of the Fiduciary Services Business.
2. The Stewardship Meeting is a meeting to deliberate on our exercise of voting rights, engagements, ESG-related activities and various other activities under the Stewardship Code of Japan. 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 will consist of the chair (General Manager of the Stewardship Development Department), members (General Managers of the Equity Investment Department, the Investment Research Department, and the Index Investment Department), the monitoring unit (General Manager of the Fiduciary Risk Management Department), and the secretariat (the Stewardship Development Department).
3. The Advisory Committee is a body established to make recommendations for various activities under the Stewardship Code of Japan to the Officer in charge of the Fiduciary Services Business. 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 will consist of outside advisory members (outside experts) and the General Manager of the Stewardship Development Department as a member, the monitoring unit (General Manager of the Fiduciary Risk Management Department), and the secretariat (the Stewardship Development Department).
4. The Officer in charge of the Fiduciary Services Business will make decisions on various matters that, to the maximum extent, respect the Advisory Committee's recommendations. If the officer receives a recommendation from the Advisory Committee regarding improvement of its exercise of voting rights, the officer will promptly take measures necessary for the correction or improvement that, to the maximum extent, respect the recommendation.
5. The operations relating to 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 in charge of the Fiduciary Services Business after deliberating at the Stewardship Meeting and after obtaining recommendations from the Advisory Committee;
 - (2) a decision to exercise the voting rights for an individual proposal within the scope stipulated in the guidelines for the exercise of voting rights 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 the guidelines for the exercise of voting rights and that requires individual deliberation shall be made with the approval of the Officer in charge of the Fiduciary Services

Business after individual deliberation at the Stewardship Meeting and after obtaining the recommendations from the Advisory Committee; and

- (4) the result of exercising the voting rights shall be reported to the Stewardship Meeting and the Officer in charge of the Fiduciary Services Business.

[Structure for the Exercise of Voting Rights]



*Criteria used in the guidelines are as follows.

(1) Business performance criterion

If the relevant company's ROE is ranked in the top 75th percentile of the entire TOPIX, the company is deemed to satisfy this criterion. The phrase "the relevant company does not satisfy the business performance criterion for three consecutive terms" means that the relevant company's ROE for each term was not ranked in the top 75th percentile for the past three consecutive terms, including the relevant term.

(2) Dividend criterion

If the relevant company's dividend payout percentage is equal to or exceeds 30%, the company is deemed to satisfy this criterion.

(3) Share price criterion

If the relevant company's share price performance from the beginning to the end of the relevant term is included in the top 75% of all the stocks held by SuMi TRUST, the company is deemed to satisfy this criterion.

(4) Cash-rich criterion

If the percentage of net cash (cash and deposits + short-term securities - borrowings, etc.) to the total assets of the relevant company is equal to or exceeds 50%, the company is deemed to satisfy this criterion.

(5) Independence criterion for outside officers

If an outside officer of the relevant company falls within the description of any of the following persons, the officer is deemed not to satisfy the independence criterion:

- (i) a person who is from the relevant company, the parent company, a subsidiary of the parent company, a consolidated subsidiary, or a company accounted under the equity method (who is incumbent or for whom three years have not elapsed from his/her retirement; hereinafter the same shall apply);
- (ii) a person who is from a major shareholding company (holding 10.0% or more of the shares), a company in a business alliance relationship, a specially related company (which refers to the parent company, a subsidiary or affiliate of the parent company, or a major customer; to be determined based on the statement in a convocation notice), or a customer (excluding those whose business transaction amount is small);
- (iii) a person who is from a financial institution group from which the relevant company has a significant amount of borrowings (the individual is from a financial institution where the relevant company has the largest amount of borrowings, or where the institution is listed in the annual report as a major creditor or a top 10 shareholder)
- (iv) an attorney-at-law, accountant, tax accountant, etc. who is from a firm with which the relevant company has engaged in through an engagement letter or for any other transaction, a consultant who is from a company with which the relevant company is transacting, and any other person who receives compensation from the relevant company other than executive compensation (excludes those whose compensation is considered small);

- (v) a relative within third degree of kinship of an officer or employee of the relevant company (excluding the employee who do not hold an important position in the relevant company); and
- (vi) notwithstanding the above, any other person whose independence is obviously doubtful.

[Exceptional Provisions for the Independence Criterion]

- The cooling-off period is set at three years after retirement. Regarding an advisory agreement, if the agreement has already terminated, the elapse of the three-year cooling-off period is not required.
- If the relevant company is under restructuring, we will determine whether to apply the independence criterion for outside officers according to the circumstance of each case, in order to prioritize the restructuring of the management.
- If an inside officer who was from an outside company is again appointed as an outside officer, we will make a decision based on the above independence criterion.
- If an outside officer served as an adviser of the relevant company before he/she was appointed as an outside officer, this fact will not be taken into account.
- If an outside officer of the relevant company concurrently serves as an outside officer of a related company mentioned in (5)(ii) above, this fact will not be taken into account.

(6) Controversies

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 acts of bribery and corruption
- inappropriate accounting practices and delay in the release of financial accounts
- fraudulent inspections and falsification of data which have materially impacted the relevant company's management and operations
- Socially unacceptable actions that result in the loss of social credibility of the relevant company
- Other acts which may have a profound impact on society and the environment

V. Guidelines for the Execution of Voting Rights

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 of 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 from the supervisory functions. In addition, in order to enhance the Board of Directors' management supervisory function, we believe that an investee company should appoint two or more outside directors, and that the outside directors should be independent from the company in order to truly enhance the management supervisory function. We will encourage outside directors to adequately perform their functions by attending a certain number or more of the Board of Directors' meetings.

In addition, we believe that it is desirable to maintain the scope of the Board of Directors with a 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]

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

(1) Composition of the Board of Directors

- Where we consider that the number of directors is inadequate given the scale of the company and scope of the function [Specific Decision Criteria 1-(i)].
- Where there is a significant increase or decrease in the number of directors without justifiable reasons [Specific Decision Criteria 1-(ii)].
- Where no independent and outside director is proposed for appointment to the Board of Directors [Specific Decision Criteria 1-(iii)].
- Where only one independent and outside director is proposed for appointment to the Board of Directors [Specific Decision Criteria 1-(iv)].

However, in the following cases, the above shall not apply:

- where we consider that no situation has occurred that would impede the improvement of medium to long-term corporate value, taking into account the ratio of the number of outside directors to the number of members of the Board of Directors; or
- where we otherwise consider that there is no situation that would impede the improvement of medium to long-term corporate value.
- Where the company has a parent company (which owns over 50% of the company's shares, or where the company has disclosed in its corporate governance report that it has a parent company) whose number of independent outside directors has failed to reach 1/3 (one-third) of the total [Specific Decision Criteria 1-(v)].

(2) Appointment of Directors

- Reappointment of a director during whose tenure the business performance, capital efficiency, or share price was stagnant for a medium to long-term period [Specific Decision Criteria 1-(vi), (vii), and (viii)].
- Appointment of a candidate who is considered to have been involved in, or to have had supervisory responsibilities involving controversies at the said company [Specific Decision Criteria 1-(ix)].

(3) Appointment of Outside Directors

- Appointment of a candidate who does not satisfy our independence criterion (as separately established) for an outside director [Specific Decision Criteria 1-(xiii)].
- Reappointment of an outside director whose performance is considered a cause for concern based on his/her past attendance status [Specific Decision Criteria 1-(xiv)].
- Reappointment of an outside director whose attendance rate is not disclosed in any convocation notice [Specific Decision Criteria 1-(xiv)].

[Specific Decision Criteria 1]

Proposal	Criteria
Appointment of directors	(i) If the number of directors exceeds 20, we will dissent from the proposed appointment of directors in principle [Exceptional Provisions 1-a].
	(ii) 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%) and there is no justifiable reason (merger, absorption, etc.), we will dissent from the proposed appointment of directors in principle [Exceptional Provisions 1-b].
	(iii) If there is no outside director, we will dissent from the proposed appointment of directors.
	(iv) If there is only one outside director, we will dissent from the proposed appointment of directors in principle [Exceptional Provisions 1-c].
	(v) If the number of independent outside directors at the relevant company does not exceed 1/3 (one-third) of the total, we will dissent from the proposed appointment of directors.
	(vi) If the relevant company records operating losses for three consecutive terms, we will in principle dissent from the proposed appointment of directors who have served as a director for those three years or more [Exceptional Provisions 1-d].
	(vii) If the relevant company does not satisfy the business performance criterion for three consecutive terms, we will dissent in principle from the proposed appointment of directors who have served as a director for those three years or more [Exceptional Provisions 1-a, d].
	(viii) If the relevant company does not satisfy the share price criterion for three consecutive terms, we will dissent in principle from the proposed appointment of directors who have served as a director for those three years or more [Exceptional Provisions 1-d].
	(ix) We will dissent from the proposed appointment of a director who is considered to have been involved in, and/or to have had supervisory responsibilities, involving controversies.
	(x) V-2. If the number of corporate auditors exceeds eight, we will dissent from the proposed appointment of directors.
	(xi) V-2. Regarding the proposed appointment of corporate auditors, if the total number of corporate auditors decreases by two or more, or if the number of

	outside corporate auditors decreases by two or more, and there is no justifiable reason, we will dissent from the proposed appointment of directors in principle [Exceptional Provisions 1-b].
	(xii) V-6. If a proposed disposition of surplus satisfies any of the conditions for our dissent, but such proposal for disposition of surplus is not submitted to the shareholders' meeting, we will dissent from the proposed reappointment of directors who authorized the distribution.
	(xiii) V-7. 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 who approved the design of takeover defense measures.
Appointment of outside directors	(xiv) If independence of an outside director is not reliable, we will dissent from the proposed appointment of the outside director. (The independence criterion is separately established.)
	(xv) If an outside director's attendance rate at the Board of Directors meeting, Board of Corporate Auditors meeting, or Corporate 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 in principle [Exceptional Provisions 1-e].

[Exceptional Provisions 1]

In the following cases, we may come to different decisions from the above after reviewing the details of the relevant proposals based on the relevant engagements and other considerations:

- a. if we consider that the proposed appointment of directors is adequate in light of the fluctuations in the past business performance, current business scale and scope of the function, details, future business plans, visions, etc., we will support the proposal.
- b. if the number of directors increases or decreases while the relevant company is undergoing a change into a company with a nominating committee, etc. or a company with an audit and supervisory committee, the above criteria will not apply.
- c. if the percentage of the number of outside directors to the number of members of the Board of Directors is 20% or more, we will support the proposal.
- d. if the failure to satisfy the criteria is considered not to have been caused by any factor attributable to the management (such as the occurrence of a natural disaster) or is considered to have been caused by losses arising due to restructuring to effect improvement of future corporate value, we will support the proposal.
- e. if an outside director's absence at Board of Directors' meetings is considered to have been inevitable, we will support the proposed appointment of the outside director.

2. Appointment of Corporate Auditors

[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 scope of the Board of Corporate Auditors with a number of corporate auditors enabling the Board of Corporate Auditors to make effective and efficient decisions.

[General Rules of Exercise]

In any of the following cases, we will dissent from proposals in principle. Regarding the composition of the Board of Corporate Auditors, if we consider that the number of corporate auditors is inadequate in light of the scale of the company and scope of its function, or there is a significant increase or decrease in the number of corporate auditors without justifiable reasons, we will manifest our intention to dissent when exercising the voting rights for a proposal for appointment of directors [Specific Decision Criteria 1-(ix), (x) on p. 9]:

- (1) appointment of a candidate who is considered to have been involved in, and/or to have had supervisory responsibility over controversies [Specific Decision Criteria 2-(i)];
- (2) appointment of a candidate who does not satisfy our independence criterion (as separately established) [Specific Decision Criteria 2-(ii)];
- (3) reappointment of an outside corporate auditor whose performance is considered a cause for concern based on his/her past attendance status [Specific Decision Criteria 2-(iii)]; or
- (4) reappointment of an outside corporate auditor whose attendance rate is not disclosed in any convocation notice [Specific Decision Criteria 2-(iii)].

[Specific Decision Criteria 2]

Proposal	Criteria
Appointment of corporate auditors	(i) 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	(ii) If the independence of an outside corporate auditor is not reliable, we will dissent from the proposed appointment of the outside corporate auditor. (The independence criterion is separately established.)
	(iii) If an outside corporate auditor's total attendance rate at Board of Directors' meetings and Board of Corporate Auditors' meetings is less than 75% of all meetings held, or cannot be confirmed, we will dissent in principle from the proposed appointment of the outside corporate auditor [Exceptional Provisions 2-a].

[Exceptional Provisions 2]

In the following case, we may come to a different decision from the above after reviewing the details of the relevant proposals.

- a. 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

[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 should be appropriate in terms of effectiveness as an incentive, among others.

[General Rules of Exercise]

In principle, we will dissent from a proposal for compensation of officers where the amount thereof is considered obviously inadequate in light of the relevant company's business performance or social norms. In addition, in any of the following cases, we will dissent from the proposals in principle:

- (1) where a company whose business performance, capital efficiency, or share price has been stagnant over a medium to long-term period increases the amount of compensation for officers or pays a bonus to officers without a clear cause [Specific Decision Criteria 3-(i), (ii), and (iii)];
- (2) where the company pays a bonus to its outside directors, directors and corporate auditors of its supervisory committee, and outside corporate auditors [Specific Decision Criteria 3-(iv)];
- (3) where a company engaged in controversies increases the amount of compensation for officers or pays a bonus to officers without justifiable reasons [Specific Decision Criteria 3-(v)]; or
- (4) regarding performance-linked stock-based compensation (excluding stock options), where outside directors, directors who serve as corporate audit and supervisory committee members, corporate auditors or outside corporate auditors are included in the grantees thereof, which is not devised as a mid-long term incentive plan, or results in a significant dilution of shareholder value [Specific Decision Criteria 3-(vi)].

[Specific Decision Criteria 3]

Proposal	Criteria
Compensation for officers/bonus for officers	(i) If the relevant company records operating losses for three consecutive terms, we will dissent from the proposed increase in the compensation or payment of bonus.
	(ii) If the relevant company does not satisfy the business performance criterion for three consecutive terms, we will dissent from the proposed increase in the compensation or payment of bonus.
	(iii) If the relevant company does not satisfy the share price criterion for three consecutive years, we will dissent from the proposed increase in the compensation or payment of bonus.
	(iv) If an officer who is considered to have been involved, or to have supervisory responsibility in controversies, is eligible to receive the proposed compensation or bonus, we will dissent from the proposal.
	(v) If outside directors, directors who serve as corporate audit and supervisory committee members, corporate auditors or outside corporate auditors are included among bonus recipients, we will dissent from the proposal.
	(vi) In any of the following cases involving performance-linked stock-based compensation (excluding stock options), we will dissent from the proposals: <ol style="list-style-type: none"> a. where outside directors, directors who serve as audit and supervisory committee members, corporate auditors, or outside corporate auditors are included in the grantees thereof; or b. where the sale of shares is permitted less than 2 years after distribution or before the director's retirement

	c. which results in the cumulative dilution percentage of 5% or more, or an annual dilution of 1% with no set granting period.
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4. 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 distribution of profits to shareholders, and that is appropriate in terms of effectiveness as an incentive, among others. In addition, it is not desirable for a company whose business performance, capital efficiency, or share price has been stagnant over a medium to long-term period to pay retirement benefits.

[General Rules of Exercise]

Regarding a proposal for ordinary payments of retirement benefits in any of the following cases, we will dissent from the proposal in principle. In addition, we will apply the following standards on matters of gratuities and condolence money. We will apply Exceptional Provisions 4 where retirement benefits for deemed termination are paid due to the discontinuation of a retirement benefit plan.

- (1) Where a company whose business performance, capital efficiency, or share price has been stagnant over a medium to long-term period pays retirement benefits [Specific Decision Criteria 4-(i), (ii), and (iii)].
- (2) Where retirement benefits are paid to outside directors, directors who serve as audit and supervisory committee members, corporate auditors, or outside corporate auditors [Specific Decision Criteria 4-(iv)].
- (3) Where a company involved in controversies pays retirement benefits without justifiable reasons [Specific Decision Criteria 4-(v)].

[Specific Decision Criteria 4]

Proposal	Criteria
Retirement benefits	(i) If the relevant company records operating losses for three consecutive terms, we will dissent from the proposal in principle [Exceptional Provisions 4-a].
	(ii) If the relevant company does not satisfy the dividend criterion for the relevant term and does not satisfy the business performance criterion for three consecutive terms, we will dissent from the proposal in principle [Exceptional Provisions 4-a].
	(iii) If the relevant company does not satisfy the share price criterion for three consecutive years, we will dissent from the proposal in principle [Exceptional Provisions 4-a].
	(iv) If outside directors, directors who serve as audit and supervisory committee members, corporate auditors, or outside corporate auditors are included in the grantees, we will dissent from the proposal in principle [Exceptional Provisions 4-a].
	(v) If an officer who is considered to have been involved in, and/or had supervisory responsibility in a corporate scandal, is included among the grantees, we will dissent from the proposal.

[Exceptional Provisions 4]

In the following case, we may come to a different decision from the above after reviewing the details of the relevant proposals.

- a. We will support the proposed payment of retirement benefits for deemed termination due to the discontinuation of a retirement benefit plan (including mixed-types of payments with ordinary payments), unless an officer who is considered to have been involved in, and/or had supervisory responsibility in controversies, is included among the grantees.

5. Stock Options, Stock Options as Compensation

[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 a stock-based compensation stock option plan to be appropriate as an incentive for improvement of the medium to long-term shareholder value.

[General Rules of Exercise]

Regarding a proposal for introducing a performance-linked compensation plan, if we consider that the plan would contribute to the enhancement of future corporate value, we will support the proposal in principle.

Regarding a proposal for introducing a stock-based compensation stock option plan, if the plan entails discontinuation of a retirement benefit plan or establishment of an adequate period for exercising rights, among others, and we consider that the plan is appropriate as an incentive for improvement of the medium to long-term shareholder value, we will support the proposal in principle.

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

- (1) where 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 [Specific Decision Criteria 5-(i), (v)];
- (2) where the proposed plan results in a significant dilution of the shareholder value [Specific Decision Criteria 5-(ii), (vi)]; or
- (3) where the exercise price is considered inappropriate in the case of an ordinary stock option plan [Specific Decision Criteria 5-(iii), (iv)].
- (4) where a performance-linked stock option is not devised as a mid-long term incentive plan [Specific Decision Criteria 5-(vii)].

[Specific Decision Criteria 5]

Proposal	Criteria
Ordinary stock option plan (exercise price ≠ 1 yen)	(i) 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.
	(ii) If the proposed plan results in the cumulative dilution percentage of 5% or

	more, we will dissent from the proposal.
	(iii) If the exercise price is less than the market price, we will dissent from the proposal.
	(iv) If the exercise price is scheduled to be reduced, we will dissent from the proposal.
Stock-based compensation stock option plan (exercise price = 1 yen)	(v) 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.
	(vi) If the proposed plan results in the cumulative dilution percentage of 5% or more, we will dissent from the proposal.
	(vii) If the sale of shares is permitted less than 2 years after distribution, or before the director's retirement we will dissent from the proposal.

6. 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 and retaining internal reserves 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 a proposal for dividends is not submitted to the shareholders' meeting, we will manifest our intention in the proposed appointment of directors [Specific Decision Criteria 1-(xi) on p. 7].

- (1) Where, as a result of considering the relevant company's capital efficiency, financial condition, and internal reserves, the dividend payout rate is less than adequate and there is no justifiable reason therefor [Specific Decision Criteria 6-(i), (ii), and (iv)].
- (2) Where we consider that the proposal for dividends represents a dividend policy that has the risk of damaging shareholder value from the perspective of the medium to long-term interests of shareholders [Specific Decision Criteria 6-(iii)].

[Specific Decision Criteria 6]

Proposal	Criteria
Disposition of surplus	(i) If the relevant company does not satisfy the dividend criterion for the relevant term and does not satisfy the business performance criterion for the relevant term, we will dissent from the proposal in principle [Exceptional Provisions 6-a, b].
	(ii) If the relevant company has not paid dividends for three consecutive terms, we will dissent from the proposal in principle [Exceptional Provisions 6-a, b, and c].
	(iii) If the relevant company records operating losses for three consecutive terms, we will dissent from the proposed dividend payments in principle [Exceptional Provisions 6-d].
	(iv) If the relevant company satisfies the cash-rich criteria and does not satisfy the business performance criterion, we will dissent from the proposed disposition of surplus resulting in the dividend payout percentage of less than 50% in principle [Exceptional Provisions 6-a, b, and c].

[Exceptional Provisions 6]

In the following cases, we may come to different decisions from the above after reviewing the details of the relevant proposals.

- a. If the relevant company's finance is considered extremely fragile, we will support the proposal which has not paid dividends.
- b. If the failure to satisfy these criteria is caused by any of the following factors, we will support the proposal:
 - the relevant accounting period is less than 12 months due to a change of the fiscal term;
 - only a short period has elapsed after the listing; or
 - after reviewing the details of the relevant proposals based on the relevant engagements, among others, the failure to satisfy the criteria is considered not to have been caused by any factors attributable to the management (such as the occurrence of a natural disaster) or is considered to have been caused by losses arising due to restructuring towards improvement of future corporate value.
- c. If it is clearly considered desirable for the relevant company to make reinvestments rather than to return profits to shareholders because the company is growing, we will support the proposal which has not paid dividends.
- d. If the relevant company's finance is considered robust, we will support the proposed dividend payments.

7. Takeover Defense 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 of 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]

If proposed takeover defense measures do not satisfy any of the followings, we will dissent from the proposal in principle. Regarding the system 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 manifest our intention to dissent when exercising voting rights for the proposal for appointment of the directors who introduced or renewed the takeover defense measures [Specific Decision Criteria 1-(xii) on p. 9].

- (1) The proposed takeover defense measures are designed to be neutral and fair to both the acquirer and acquiree.

- (2) Corporate governance is ensured by appointing independent outside directors who comprise the majority of the Board; and as a result, the relevant company reaches capital efficiency at an appropriate level continuously for the medium term [Specific Decision Criteria 7-(i), (ii)].
- (3) The proposed takeover defense measures must have a mechanism to ensure that, when the measures are invoked, an independent committee comprising 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 [Specific Decision Criteria 7-(iii)-a].
- (4) The period of Takeover Defense Measures is limited [Specific Decision Criteria 7-(iii)-b, 7-(iii)-c].

[Specific Decision Criteria 7]

Proposal	Criteria
Takeover defense measures	(i) Unless outside directors, who satisfy the independence criterion, comprise a majority of the Board, we will dissent from the proposal.
	(ii) If the relevant company does not satisfy the business performance criterion for three consecutive terms, we will dissent from the proposal.
	(iii) Even if the relevant company satisfies criteria (i) and (ii) above, if the proposed takeover defense measures are not designed to satisfy any of the following conditions, we will dissent from the proposal: <ol style="list-style-type: none"> a. an independent committee whose independence is reliable is established, or the proposed measures require a confirmation of the shareholders' intention (the measures will be invoked by resolution at the shareholders' meeting); (*Independence will be confirmed in accordance with the independence criterion for outside officers; if there is even a single member whose independence isunreliable, we will dissent from the proposal.) b. the effective period is set at around three years or less; and c. the period for consideration by the Board of Directors or an independent committee cannot be extended to an indefinite period. (*If the proposed measures have a proviso clause that allows extension and specifies an extendable number of days, the proposed measure will not fall under this condition.)
	(iv) If the proposed measures do not contain countermeasures (i.e., does not specify issuance of new shares), we will not deem them to be takeover defense measures and will support the proposal.

8. Acquisition, Merger, Capital Increase by Third-party Allotment

[Approach to Proposals]

In raising new capital, affecting other changes to corporate financial structure, and readjusting to 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]

- (1) Criteria concerning proposals to finance the relevant company by issuing shares
 - Regarding a proposal for issuance of shares (including preferred or subordinate stock of shares and including a proposal for authorized capital), if we believe that the proposal is based on a justifiable reason, we will support the proposal in principle.

- If a proposal, including a proposal for third-party allotment, is considered to cause a significant dilution of voting rights and damage to shareholder value, we will dissent from the proposal.
- (2) Criteria concerning proposals that require a special resolution, such as a merger, transfer of business, acceptance of transfer of business, company split, amendment to articles of incorporation, etc.
- Regarding a proposal for merger, transfer of business, company split, share exchange, share transfer, etc., if we consider that the proposal is based on a justifiable reason in respect of the necessity and adequacy of consideration by containing measures to secure fairness through an external neutral appraisal organization or measures to avoid conflicts of interest (if any), we will support the proposal in principle.
 - If we consider that the proposed merger, transfer of business, company split, share exchange, share transfer, etc. would have an adverse effect on the relevant company's earnings or would obviously be detrimental to the shareholders, we will dissent from the proposal.
 - Regarding a proposal for expansion of new business, if we consider that the synergy with the relevant company's existing business and the possibility of using the company's strength for the new business have been fully considered, we will support the proposal in principle.

9. Acquisition of Treasury Shares

[Approach to Proposals]

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

[General Rules of Exercise]

- (1) We will support a proposal for acquisition of treasury shares in principle.
- (2) If we consider that the proposed acquisition of treasury shares has no justifiable 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, we will dissent from the proposal in principle.

10. 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 improvement of the medium to long-term shareholder value and enhancement of profits for clients (beneficiaries), and that the relevant company must fully perform its accountability obligation when implementing those policies.

[General Rules of Exercise]

- (1) Regarding a proposal for amendment to articles of incorporation, we will exercise voting rights in accordance with the following criteria:
 - if the proposal intends to add a requirement to dismiss directors, we will dissent from the proposal in principle;
 - if the proposal intends to shorten the tenure of directors, we will support the proposal in principle;
 - regarding a proposal intending to significantly change the fixed number of directors, if there is no justifiable reason, we will dissent from the proposal in principle [Specific Decision Criteria 10-(i)];
 - regarding a proposed amendment to the articles of incorporation to the effect that the authority to adopt a resolution for distribution of surplus will be granted to the Board of Directors, we will support the proposal in principle, unless there is any issue in the relevant company's business performance or dividend policy, among others; however, we will dissent from a proposal intending to exclude resolutions by shareholders' meeting [Specific Decision Criteria 10-(ii), (iii)];
 - regarding a proposal intending to increase the total number of authorized shares, if the scope of increase is appropriate and the reason therefor falls under any of the following cases, we will support the proposal [Specific Decision Criteria 10-(iv)]:
 - where the increase results from introduction of takeover defense measures, and the measures satisfy the criteria concerning proposals for introduction of takeover defense measures;
 - where the increase is proposed as a part of the relevant company's funding plan or other capital policies; or
 - where there is any other justifiable reason for the proposed increase and we consider that it will not damage the shareholder value;
 - regarding a proposal for staggered terms, flexible record dates, reduction in the fixed number of directors, if the proposal does not intend to defend against a takeover, we will support the proposal in principle; and
 - regarding a proposal intending to shorten a period or ease requirements for exercising shareholders' proposal rights, we will support the proposal in principle.
- (2) We will make a decision on a shareholders' proposal in the same manner as the relevant company's proposal, from the perspective of maximizing the medium to long-term shareholder value. However, if a shareholders' proposal is 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.
- (3) Regarding a proposal for reduction or release of directors' or corporate auditors' responsibilities, we will support the proposal in principle.
- (4) Regarding a proposal for appointment of a financial auditor, we will support the proposal in principle. However, if the proposed financial auditor's independence is doubtful, we will dissent from the proposal.

- (5) Regarding a proposal to undergo a change into a company with a nominating committee, etc. or a company with an audit and supervisory committee, or other efforts towards the enhancement of the Board of Directors' management supervisory functions, we will support the proposal in principle.
- (6) Regarding a proposal for the relevant investee company's contribution of its treasury shares to a general incorporated foundation with which the company has a relationship, we will dissent from the proposal if any of the following conditions are not met:
- a. if the proposed contribution will not result in a significant dilution of shareholder value [Specific Decision Criteria 10-(v)]
 - b. if we consider that the general incorporated foundation's social engagement activities would contribute to the improvement of the company's corporate value, or
 - c. if the voting rights exercise guidelines are not exercised
 - d. if there is a justifiable reason that funding for the foundation's operations should be through stock dividends rather than donations
- (7) For all resolutions by Sumitomo Mitsui Trust Holdings, Inc., our parent company, and for resolutions for the appointment of officers which involve individuals with close relations to our company or parent company (current Directors or people formerly in important positions) who are candidates for Directorship at invested companies, we will consult proxy advisers based on our voting guidelines, and confirm with the advisory committee regarding the potential of a conflict of interest, prior to voting.
[Specific Decision Criteria 10]

Proposal	Criteria
Increase in fixed number of directors	(i) 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%) and there is no justifiable reason (merger, absorption, etc.), we will dissent from the proposal in principle [Exceptional Provisions 10-a].
Grant of authority to distribute surplus to the Board of Directors	(ii) If the proposal intends to completely exclude resolutions at the shareholders' meeting, we will dissent from the proposal.
	(iii) Even if the proposal does not intend to exclude resolutions at the shareholders' meeting, in any of the following cases, we will dissent from the proposal: <ol style="list-style-type: none"> a. where the relevant company does not satisfy the divided criterion for the relevant term and does not satisfy the business performance criterion for three consecutive terms; b. where the relevant company has not paid dividends for three consecutive terms; or c. where the relevant company records operating losses for three consecutive terms and pays dividends.
Increase in total number of authorized shares	(iv) If the current sell-down ratio is less than 50% or the increase ratio is one-and-a-half times or more, and there is no justifiable reason (merger, absorption, introduction of appropriate takeover defense measures, etc.), we will dissent from the proposal in principle [Exceptional Provisions 10-b].
Contribution of treasury shares to a foundation	(v) If the proposal results in the dilution of 1% or more, we will dissent from the proposal.

[Exceptional Provisions 10]

In the following cases, we may come to different decisions from the above after reviewing the details of the relevant proposals:

- a. the criteria will not apply where the proposed increase results from the relevant company undergoing a change into a company with a nominating committee, etc. or a company with an audit and supervisory committee.
- b. the criteria will not apply to the proposed increase in the total number of authorized shares that results from consolidation of shares or is intended to strengthen the finance of the relevant company under management restructuring.

End