

Policy on the Exercise of Voting Rights

(Summary of the process for the exercise of voting rights regarding net investment in shares conducted by the Investment Division)

Basic Stance

The purpose of this policy is to ensure the appropriate exercise of shareholders voting rights. The following guidelines serve as a basis for voting and are not applied in a rigid manner. Decisions to vote for or against individual proposals are made based on these guidelines while taking into account factors such as the details of company surveys and dialogue with companies.

Company Structure / Directors / Board of Directors

1. Company structure

We vote on proposals as follows based on our belief that measures that enhance the management and supervisory functions of directors, such as the introduction of a "company with committees" system are beneficial.

- (1) In principle, we will vote for proposals for the introduction of a "company with a nomination committee" system.
- (2) In principle, we will vote for proposals for the introduction of a "company with an audit and supervisory committee" system.

2. Directors / Board of directors

- (1) We believe a company's board of directors should be comprised of members that will enable appropriate and swift decision making. While taking into account matters such as the company's scale and nature of its operations, we request that the number of members be appropriate for the execution of decision making. Accordingly, we vote on proposals as follows.
 - i. In principle, we will vote against amendments to articles of incorporation that allow for a board of directors with 21 or more members. If the number of members of a board of directors will increase to 21 or more following the amendment, in principle, we

- will vote against the appointment of all members.
- ii. In principle, we will vote against the appointment of a representative director if outside directors do not represent one third or more of appointed directors or more than one outside director is not appointed.
 - iii. For listed companies that have parent companies, etc., from the perspective of protecting the interests of minority shareholders, in principle, we will vote against the appointment of a representative director if more than one independent outside director is not appointed.
- (2) In principle, we will vote against the appointment or reappointment of directors deemed to be responsible for considerable deterioration of financial performance or misconduct such as anti-social behavior, etc.
- i. In principle, we will vote against the reappointment of a representative director as director if it is deemed that they have engaged in anti-social behavior that has substantially impacted management. In addition, if it is determined that directors were involved in or share responsibility for such behavior, in principle, we will vote against the appointment of such directors.
 - ii. If a loss has been recorded for the last three consecutive fiscal years, and future improvement is not expected, in principle, we will vote against the appointment of a director who has served continuously during that period. However, in principle, we will vote for their appointment when the cause is not attributed to management responsibility, as in events such as natural disasters, or it is deemed to be the result of restructuring losses or other measures for improving the future corporate value of the company.
 - iii. If the return on equity (ROE) has fallen below the fixed standard (5%) for the last five consecutive fiscal years, and future improvement is not expected, in principle, we will vote against the appointment of a director who served as representative director

continuously during that period. However, in principle, we will vote for their appointment if any of the following apply.

- a) The cause is not attributed to management responsibility, as in events such as natural disasters.
- b) It is determined to be the result of restructuring losses or other measures for improving the future corporate value of the company.
- c) The ROE is in line with or higher than the average of the industry of the company.

(3) With the exception of outside directors whose independence is deemed to be impaired, in principle, we will vote for the appointment of all outside directors if the ratio of outside directors on the board of directors is at least one third (or in the case of listed companies that have parent companies, etc., the majority of members are outside directors or there are permanent special committees). In principle, we will vote against the appointment of outside directors whose independence is deemed to be impaired where the ratio of outside directors is less than one third (or in the case of listed companies that have parent companies, etc., half or less members are outside directors or there are ad hoc special committees). The independence of an outside director is deemed to be impaired if any of the following apply.

- i. They are a former major shareholder (held 10% or more of voting rights within the last five years).
- ii. They formerly belonged to a specified related business operator (within the last five years).
- iii. They have received compensation other than director or executive officer compensation or intend to in the future (excludes cases where the amount is equal to or less than an amount stipulated by the relevant company or the remuneration is ¥10 million or less).
- iv. They are a relative of a director (within the third degree of kinship).
- v. They are a former certified public accountant who was an

accounting auditor or formerly belonged to an auditing firm (with the last five years).

- vi. They have not submitted an independent director notification to the financial instruments exchange or do not intend to do so.
- vii. They have served as a director for a period of 12 or more years as of the general meeting of shareholders (this includes time served as an outside audit and supervisory board member).
- viii. They formerly belonged to an investee company in which there are cross-shareholdings (held 10% or more of the voting rights of the investee company within the last five years).

- (4) In principle, we will vote against the appointment of outside directors who are deemed to lack aptitude in the performance of their duties, such as those who have attended less than two thirds of past board of directors meetings. However, in principle, we will vote for the appointment of outside directors who have attended less than two thirds of meetings due to unavoidable circumstances, and future improvement in their attendance is expected.

Audit and Supervisory Board / Members

We vote as follows based on our belief that measures that enhance the management supervisory functions of directors, such as the introduction of a company with committees" system, are beneficial.

- (1) In principle, we will vote against the appointment of audit and supervisory board members deemed to be responsible for events that have severely impacted the environment, society, or corporate governance, or misconduct such as anti-social behavior.
- (2) In principle, we will vote against the appointment of outside audit and supervisory board members deemed to be responsible for events that have severely impacted the environment, society, or corporate governance, or misconduct such as anti-social behavior.

- (3) If any of the following apply when appointing an outside audit and supervisory board member, we deem that their independence is impaired, and in principle, will vote against their appointment.
- a) They are a former major shareholder (held 10% or more of voting rights within the last five years).
 - b) They formerly belonged to a specified related business operator (within the last five years).
 - c) They have received compensation other than director or executive officer compensation or intend to in the future (excludes cases where the amount is equal to or less than an amount stipulated by the relevant company or the remuneration is ¥10 million or less).
 - d) They are a relative of a director (within the third degree of kinship)
 - e) They are a former certified public accountant who was an accounting auditor or formerly belonged to an auditing firm (with the last five years).
 - f) They have not submitted an independent auditor notification to the financial instruments exchange or do not intend to do so.
 - g) They have served as an audit and supervisory board member for a period of 12 or more years as of the general meeting of shareholders (this includes time served as an outside director).
 - h) They formerly belonged to an investee company in which there are cross-shareholdings (held 10% or more of the voting rights of the investee company within the last five years).
- (4) In principle, we will vote against the appointment of outside audit and supervisory board members who are deemed to lack aptitude in the performance of their duties, such as those who have attended less than two thirds of past audit and supervisory board meetings. However, in principle, we will vote for their appointment if they have attended less than two thirds of meetings due to unavoidable circumstances, and future improvement in their attendance is expected.

Compensation, etc. for Directors and Executive Officers

1. Compensation, bonuses, and retirement benefits for directors and executive officers

We vote on proposals regarding compensation, bonuses, and retirement benefits for directors and executive officers as follows, taking into consideration their effect as an incentive for corporate value improvement that balances business performance and shareholder returns.

- (1) In principle, unless there is a legitimate reason, we vote against any compensation increase, payment of bonuses, or granting of retirement benefits when there has been a considerable deterioration in business performance (within the last three consecutive fiscal years) or the occurrence of misconduct such as anti-social behavior, etc.
- (2) In principle, unless there is a legitimate reason, we vote against the granting of retirement benefits to outside directors, directors who are audit and supervisory board members, and audit and supervisory board members.

2. Stock options

In principle, will vote for the grant of stock options. However, in principle, we will vote against the grant of stock options if any of the following apply.

- (1) There has been a significant dilution in share value (potential dilution ratio exceeding 5% of the total number of issued shares).
- (2) There has been a reduction in the exercise price of unexercised stock options.
- (3) Stock options will be granted to outside directors, directors who are audit and supervisory board members, and audit and supervisory board members, and persons outside the company.

Treatment of Profit, etc.

In principle, we will vote for the distribution of profit to shareholders. However, from perspective of whether the return of profits to shareholders has been adequately respected while ensuring corporate performance or consistency with future business plans, in principle, we will vote against such distribution if any of the following apply.

- (1) The most recent ROE and the average ROE of the last 5 years are less than 5% and the dividend payout ratio is less than 30% despite no financial issues.
- (2) Dividends will be paid despite the recording of a loss for the last three consecutive fiscal years.
- (3) Under the proposal, the dividend payout ratio is over 200% and the dividend value will be increased.

Organizational Restructures such as Mergers, Business Transfer or Acquisition, and Company Splits

For organizational restructures such as mergers, business transfer or acquisition, and company splits, we make judgments based on appropriate business and financial strategy from the perspective of whether such actions are beneficial to the interests of shareholders.

Capital Policy

We will vote on proposals regarding capital policy as follows.

- (1) In principle, we will vote for increasing or decreasing capital if there are reasonable grounds.
- (2) In principle, we will vote for third-party allotments if the terms of issue and purpose of issue are rational and are based on medium-term growth strategy and the financial situation, etc. However, in principle, we will vote against third-party allotments if it is deemed that there will be a significant dilution of shares and shareholder value will be damaged.
- (3) In principle, we will vote for the acquisition of treasury stock unless it is deemed to damage corporate value or shareholder value.

Amendments to Articles of Incorporation

In principle, we will vote for amendments to articles of incorporation. However, in consideration of whether such amendments restrict shareholder rights more than is necessary and from the perspective of increasing corporate and shareholder value or preventing its damage, we will vote as follows.

- (1) In principle, we will vote against amendments that lower the quorum requirement for special resolutions if the necessity has not been sufficiently explained or there are other concerns regarding appropriateness.
- (2) In principle, we will vote against amendments that increase the total number of shares authorized by a factor of two or more.
- (3) In principle, we will vote against amendments that impose additional or more stringent conditions for the dismissal of directors.
- (4) In principle, we will vote against amendments that extend the term served by a director beyond two years.
- (5) In principle, we will vote against proposals that impose additional or more stringent conditions for resolutions concerning organizational reform, etc.
- (6) In principle, we will vote against takeover defense measures that involve the use of class shares with veto rights.
- (7) In principle, we will vote against proposals that limit the liability of auditing firms.

Shareholder Proposals

We judge shareholder proposals on an equal level to company proposals and from the perspective of whether they will increase shareholder value over the medium- to long-term.

- (1) We judge shareholder proposals related to the environment and social issues from the perspective of maximizing long-term shareholder returns and the degree of social or environmental impact.
- (2) In principle, we will vote against proposals that seek the interests of only some shareholders or aim to only resolve specific social or political issues.

Takeover Defense Measures

In principle, we will vote against the introduction of takeover defense measures as excessive measures risk damaging the interests of shareholders. However, in principle, we will vote for their introduction if all of the following apply.

- (1) The objective of introducing the measures, the way such measures benefit corporate and shareholder value, and the nature of the takeovers addressed by such measures are explained.
- (2) Rules regarding large-scale takeovers are explained (conditions concerning the application or non-application of the rules and the details of the countermeasures implemented when the rules are applied).
- (3) The impact on shareholders (other than the acquirer) is explained.
- (4) Steps have been taken to prevent arbitrariness of managers.
- (5) Independent committees have been established and the independence of members is not impaired.
- (6) The validity of the takeover defense measures extends for a period of no more than three years.
- (7) The period for assessing the acquirer's proposal is no more than 90 days, and in the event that the that assessment period is extended, the extension period is specified and approval of the independent committee is required.
- (8) Following the general meeting of shareholders, the board of directors includes at least two independent outside directors. However, this does not apply if the board of directors is comprised of three or less members and includes one independent outside director.

Other Proposals

We will judge proposals concerning matters other than those above from the perspective of whether they maximize long-term shareholder returns by increasing corporate and shareholder value and enhancing corporate governance.