

# **Appropriate Exercise of Voting Rights by Instruction pertaining to Discretionary Investment Contract**

April 24, 2002

Resolution of the Board of Directors

Partially amended on November 28, 2007  
Partially amended on December 16, 2009  
Partially amended on January 27, 2010  
Partially amended on June 14, 2013  
Partially amended on June 15, 2018

Matters that the members are minimally required to comply with upon exercising voting rights by instruction pertaining to discretionary investment contracts are hereby set forth as follows:

1. Handling of exercising of the voting rights by instruction under discretionary investment contracts, etc.
  - (1) A member shall clarify where and to what extent the right to exercise the voting rights by instruction exists in the discretionary investment contracts it concludes with the customers, the detailed regulations, the memorandum and other similar documents (hereinafter referred to as the “Documents of Discretionary Investment Contract”).
  - (2) These Regulations shall apply to the exercise of the voting rights by instruction pertaining to the domestic stocks, and separate treatments shall be extended with regard to the foreign stocks according to the actual circumstances concerning those shares.
  - (3) When a member is entrusted to exercise the voting rights by instruction pursuant to a Documents of Discretionary Investment Contract concluded with a customer, the provisions set forth below shall apply.
2. Establishment of guidelines on exercise of voting rights by instruction

A member shall establish a system concerning exercise of voting rights by instruction by providing for criteria for judgement pertaining to the exercise of voting rights by instruction (hereinafter referred to as the “Guidelines”) and clarifying the decision-making process.
3. Publication of basic stance of the Guidelines

A member shall make public its basic stance toward the Guidelines on its website, etc.
4. Presentation to the customers and coordination of the Guidelines
  - (1) A member shall present the Guideline to a customer if the customer so requests.
  - (2) If any policy regarding the exercise of the voting rights by instruction is indicated by the

customer, the member shall present the Guidelines to the customer and coordinate with the customer in a proactive and reasonable manner.

5. How the exercise of the voting rights by instruction should be performed

- (1) The exercise of the voting rights by instruction shall be performed only for the benefit of the customer and the instruction shall not be given to realize benefits of the member or a third party other than the customer. The instructions for exercise of the voting rights may not be distorted on the ground of a business grouping, business connections or other similar reasons.
- (2) From the viewpoint under the preceding item, a member shall select one from voting for or voting against the proposal, abstaining the vote or giving carte blanche regarding the proposal, and instruct the vote be cast accordingly. Even if the entire shares are disposed of on or after the record day of determination of the holders of voting rights, efforts shall be made to exercise the voting rights by instruction.
- (3) The benefit of the customer means an incrementation, or prevention if impairment, of the corporate value (stock value).
- (4) In the event that the customer withholds a part of the rights to give instruction for exercise of the voting rights and the customer gives to the member a specific instruction for exercise of the voting rights, if that instruction is evidently considered unreasonable, the member shall strive to express its opinion to the customer.

6. Publication of the results of the aggregation of the voting rights exercised by instruction

- (1) A member shall basically aggregate the results of the voting rights exercised by instruction at the General Assembly of the Shareholders held in May and June as per Appendix, and publish the results of the aggregation on the website, etc. by the end of August.
- (2) A member may refrain from publishing the results of the aggregation under (1) above if, at the end of March, the number of the discretionary investment contracts it has under which the targets of the management are domestic stocks are not more than five or the total investment balance in the domestic stocks is not more than 25 billion yen (in market value).

7. Operating procedures

- (1) Decision-making, judgement and recording of proposals and reporting

A member shall determine the particulars of instruction pursuant to the decision-making process and the Guidelines. If any proposal is found to be problematic, the reason why it is problematic and the ground for the decision-making shall be recorded.

If a customer requests, the particulars of the exercise of the voting rights by instruction shall be reported.

(2) Retention of data serving as the basis

With respect to the problematic proposal, the record under the preceding paragraph, the notice of General Assembly of the Shareholders, and a copy of the instruction to exercise the voting rights shall be retained.

With respect to the proposals other than the problematic proposals, a copy of the instruction to exercise the voting rights shall be retained

(3) Retention period of data serving as the basis, etc.

The data serving as the basis, etc. shall be retained for five years from the day on which the instruction is given.

### Supplementary Provisions

1. These Rules come into effect as of April 24, 2002.
2. With respect to 2. and 4., the matters should be taken care of sequentially starting from one that is possible to be taken care of, and an appropriate system should be constructed by October 1, 2002.
3. With respect to 1. (1), if it is necessary to change the specific (money) trust contracts, etc., appropriate actions shall be taken sequentially starting from one regarding which such actions can be taken, and with respect to the contracts that are already concluded, such actions shall be taken on their respective day of renewal (or novation) that comes on or after the day on which the system pertaining to 2. of the Supplementary Provisions is constructed.

### Supplementary Provision (November 28, 2007)

This amendment comes into effect as of November 28, 2007.

(Note)

Amendments made are as follows:

1. Preamble is amended. The former preamble is moved to the newly established section of “(Reference)”.

### Supplementary Provisions (December 16, 2009)

This amendment comes into effect as of December 16, 2009. However, necessary actions shall be taken with respect to the matters under 3. by March 31, 2010, taking into account the preparation period.

(Note)

Amendments made are as follows:

1. 2. is amended, and old 2. (2) and (3) are amended and moved down to 4. (1) and (2), respectively.
2. 3. is newly established.
3. Old 3. and following paragraphs are moved down by two paragraphs and old 4. (1) is amended.

#### Supplementary Provisions (January 27, 2010)

This amendment comes into effect as of May 1, 2010.

(Note)

Amendments made are as follows:

1. 6. is newly established.
2. Old 6. and following paragraphs are moved down by one paragraph and old 7. is amended.

#### Supplementary Provisions (June 14, 2013)

This amendment comes into effect as of June 14, 2013.

(Note)

Amendments made are as follows:

1. 8. is deleted.

#### Supplementary Provisions (June 15, 2018)

This amendment comes into effect as of June 15, 2018.

(Note)

Amendments made are as follows:

1. Appendix is partially modified. If it is difficult to effect the change by the end of this business year due to a reason of the system, the change may be effected next business year.

## **(Reference)**

The preamble to the resolution of the Board of Directors of April 24, 2002 is as follows:

Upon entrance by the discretionary investment management companies into the field of asset management of the Employees' Pension Fund, etc. in order to ensure an appropriate and smooth exercise of the voting rights by instruction, the document entitled “Regarding Appropriate Exercise of Voting Rights by Instruction pertaining to Discretionary Pension Investment Contract” was established by the resolution of the Board of Directors on November 28, 1990.

The subsequent changes in the environment of the capital market and the movement to place emphasis on the stocks and establishment of corporate governance observed in the Western countries are similar emerging in Japan as a call for clarification of standards for and enhancement of the exercise by instruction of the voting rights and other shareholders' rights (hereinafter referred to as the “Voting Rights, Etc.”) by the discretionary investment companies acting as the investment management institutions.

Under these circumstances, with an aim to summarize the up-to-date issues arising when the discretionary investment companies exercise the Voting Rights, Etc. and examine possible response to those issues, a report entitled “Regarding Exercise by Discretionary Investment Companies of Voting Rights and Other Shareholders' Rights” was issued from the “Study Group on Exercise of Voting Rights and Other Shareholders' Rights” established within the Association. The report covered a vast scope of issues, requesting the discretionary investment companies to give proactive instructions on exercise of the Voting Rights, Etc. so that their social roles may be fully performed.

The discretionary investment companies are expected to be entrusted by the customers with the authority to exercise the Voting Rights, Etc. by instruction in order to fulfil their responsibilities as trustees by demonstrating their advanced expertise in the field of investment management. For this purpose, it is necessary not only to secure cooperation of the relevant customers and the trustee company but also to effectively make use of the given function to exercise the Voting Rights, Etc. by instruction.

In light of the circumstances described above, “Regarding Appropriate Exercise of Voting Rights by Instruction pertaining to Discretionary Pension Investment Contracts” (resolution of the Board of Directors on November 28, 1990) was abolished and the minimum matters for the members, who are authorized investment advisory service companies (hereinafter referred to as the “members”), are minimally required to comply with are hereby set forth as follows.

(Appendix)

### Situation of Exercise of Voting Rights by Proposal

1. Number of votes cast for or against, or abstained or given as cartes blanches on a proposal submitted by the company

		For (A)	Against (B)	Abstained (C)	Cartes Blanches (D)	Total
Proposal on company organs	Election and dismissal of directors					
	Election and dismissal of company auditors					
	Election and dismissal of accounting auditors					
Proposal on directors' remuneration	Directors' remuneration (*1)					
	Provision of retirement allowances to retiring officers					
Proposal on capital policies (excluding proposals concerning the Articles of Incorporation)	Appropriation of surplus					
	Matters related to organizational restructuring (*2)					
	Introduction, renewal or abolition of anti-takeover measures					
	Other proposals on capital policies (*3)					
Proposal pertaining to the Articles of Incorporation						
Other proposals						
Total						

(\*1) Revision of amount of director's remuneration, issuance of stock options, introduction and revision of performance-linked remuneration plan, directors' bonuses, etc.

(\*2) Merger, business transfer and business acquisition, share exchange, share transfer, corporate split, etc.

(\*3) Acquisition of treasury shares, reduction of legal reserve, private placement of new shares, capital reduction, share consolidation, issuance of class shares

2. Number of votes cast for or against, or abstained or given as cartes blanches on a proposal submitted by the shareholders

	For (A)	Against (B)	Abstained (C)	Cartes Blanches (D)	Total
Total					

(Note) Proposals under both 1. and 2. above are basically the proposals submitted at the General Assembly of the Shareholders held in May and June

3. General situation of the results of exercise of the voting rights

\* 1.2.

\* Note comments, etc. regarding the results of aggregations under 1. and 2. above.