

May 1, 2025

To whom it may concern,

Sumitomo Mitsui Trust Group, Inc.  
(Securities Code: 8309 TSE and NSE)  
Sumitomo Mitsui Trust Bank, Limited

Notice regarding Investigation Results of Insider Trading by a former employee of Sumitomo Mitsui Trust Bank, Limited and Measures to Prevent Recurrence, Disciplinary Actions, etc.

With regard to the case that, as announced in the press release dated November 1, 2024, titled “Notice regarding insider trading by a former employee of Sumitomo Mitsui Trust Bank”, it was discovered that a former employee of Sumitomo Mitsui Trust Bank, Limited, a subsidiary of Sumitomo Mitsui Trust Group, Inc., was suspected of engaging in insider trading, and, on March 25, 2025, the former employee was indicted for allegedly violating the Financial Instruments and Exchange Act (violation of insider trading regulations). We would like to offer our sincere apologies for the considerable inconvenience and concern this issue caused to our clients including listed companies, shareholders and stakeholders.

Recently, we received the Investigation Report from the Investigation Committee (Chairman: Kazuo Sakakibara, former Chief Prosecutor of the Osaka High Public Prosecutors Office), which was established by Sumitomo Mitsui Trust Group, Inc. on November 12, 2024. We take the investigation results and recommendations from the Investigation Committee seriously and, as outlined below, we will examine measures to prevent recurrence based on the Investigation Report and implement reductions of executive compensation to clarify responsibility.

As a trust bank that requires high ethical standards and self-discipline, we understand that restoring trust is an extremely important issue. Moving forward, through the steady implementation of measures to prevent recurrence, we are determined to further strengthen our internal management system and will make every effort to restore the trust of our customers, shareholders, and other stakeholders.

**1. Measures to Prevent Recurrence**

Regarding measures to prevent recurrence, we will steadily implement initiatives that can be promptly carried out, and will also sincerely examine new measures based on the recommendations provided by the Investigation Committee.

<Main Measures to Prevent Recurrence>

These measures include the “Main initiatives implemented or planned” announced in the press release dated March 24, 2025, titled “Notice regarding the accusation by the Securities and Exchange Surveillance

Commission against a former employee of Sumitomo Mitsui Trust Bank, Limited”.

① Reinforcing officer and employee education	<ul style="list-style-type: none"> <li>• Conduct of a training program for branch managers regarding the importance of “Integrity” (a sincere and ethical mindset), etc. by top management, and thorough dissemination from department deputy managers to employees.</li> <li>• Revision of training content which does not assume “innate goodness” (introducing consequences of individuals who violated insider trading regulations to help employees perceive the issue as a personal matter, focusing on the purpose and background of the rules, etc.).</li> <li>• Introduction of various training formats, such as video-based training and sessions by external lecturers in order to attract interest and attention of participants.</li> <li>• Implementing and strengthening trainings for employees assigned to departments with high exposure to insider information (particularly mid-career hires and transferred employees).</li> </ul>
② Strengthening Preventive Measures	<ul style="list-style-type: none"> <li>• Monitoring the trading status of officers and employees (regular checks of transaction balance reports, etc.).</li> <li>• Clearly demonstrating a “Reward and Punishment” policy through internally publishing cases of disciplinary actions, etc.</li> <li>• Promotion of the use of internal whistleblowing systems.</li> </ul>
③ Thorough Management of Insider Information	<ul style="list-style-type: none"> <li>• Reinforcing information management through individual study sessions, etc. at departments frequently exposed to insider information.</li> <li>• Systematizing management of insider information and monitoring unnecessary access to information, etc.</li> </ul>
④ Others	<ul style="list-style-type: none"> <li>• Development of easier-to-understand internal rules and tools, etc.</li> <li>• Providing detailed explanations of the new personnel system which enables diverse employees to perform well in diverse roles, and utilization of career consultation systems (one-on-one consultations with in-house consultants holding relevant qualifications).</li> <li>• Strengthening compliance evaluations during promotions.</li> </ul>

## 2. Disciplinary Actions

Acknowledging the significant social impact due to this matter, which has caused the considerable inconvenience and concern to our clients including listed companies, shareholders and stakeholders, we will clarify responsibility and implement measures of reductions in executive compensation, as outlined below.

### Sumitomo Mitsui Trust Bank, Limited<sup>(\*)</sup>

(Post)	(Name)	(Disciplinary Actions)
Director, President (Representative Director)	Kazuya Oyama	Reducing 30% of executive compensation per month for 3 months
Director, Deputy President <sup>(*)2</sup> Head of Corporate Business (Representative Director)	Shigeki Tanaka	Reducing 30% of executive compensation per month for 3 months
Managing Executive Officer Deputy Head of Corporate Business(Head of Stock Transfer Agency Services)	Tetsuya Hiwatashi	Reducing 30% of executive compensation per month for 3 months
Managing Executive Officer In charge of Stock Transfer Agency Business Department II	Takehiko Sakaue	Reducing 20% of executive compensation per month for 2 months
Managing Executive Officer <sup>(*)3</sup> Co-Head of Human Resources	Takumi Fujisawa	Reducing 20% of executive compensation per month for 2 months
Managing Executive Officer Co-Head of Human Resources	Nobuhisa Takahashi	Reducing 20% of executive compensation per month for 2 months
Director, Managing Executive Officer Head of Compliance	Yuki Takada	Reducing 20% of executive compensation per month for 2 months

### Sumitomo Mitsui Trust Group, Inc.

(Post)	(Name)	(Disciplinary Actions)
Director, President & CEO (Representative Executive Officer)	Toru Takakura	Reducing 20% of executive compensation per month for 2 months

(\*)1 The positions and roles are as of the time this case was identified (November 2024).

(\*)2 Current position is Executive Advisor at Sumitomo Mitsui Trust Bank, Limited.

(\*)3 Current position is Director and Senior Executive Officer at Sumitomo Mitsui Trust Bank, Limited.

## 3. Attached Materials

- Investigation Report (Summary)

End

# Investigation Report (Summary)

April 30, 2025

Sumitomo Mitsui Trust Group, Inc. Investigation Committee

Committee Chairman Kazuo Sakakibara

Committee Member Hidefumi Date

Committee Member Haruka Matsuyama

## Chapter 1 Overview of the Investigation

### 1 Background and Structure of the Investigation Committee

#### (1) Background

On October 30, 2024, Sumitomo Mitsui Trust Group, Inc. (hereinafter referred to as “TG”) and Sumitomo Mitsui Trust Bank, Limited (hereinafter referred to as “TB”) received a report, from a former employee who had served as the general manager of TB’s Stock Transfer Agency Business Dept. II, indicating that the former employee intended to voluntarily disclose to the Tokyo District Public Prosecutors Office that, under his own name, the former employee had committed insider trading in relation to three stocks (Cassina, Sunwood, and JTOWER; hereinafter collectively referred to as “Three Stocks”) for which TB had provided stock transfer agency services.

On November 1, 2024, TB dismissed the former employee.

On the same day, TG and TB announced that TG and TB took this matter solemnly and intended to (i) fully cooperate with the relevant authorities in the subsequent investigation and inquiries, (ii) establish an Investigation Committee with high objectivity to conduct a thorough investigation including confirming facts or analyzing causes, and (iii) formulate measures to prevent recurrence based on such investigation.

On November 12, 2024, TG established the Investigation Committee through a resolution by TG’s Board of Directors.

#### (2) Structure of the Investigation Committee

<b>Chairman</b>	Kazuo Sakakibara (Independent External Director of TG, Member of the Audit Committee (Former Chief Prosecutor of the Osaka High Public Prosecutors Office))
<b>Member</b>	Hidefumi Date (Independent External Director of TB, Chairperson of the Audit and Supervisory Committee (Former CFO of Mitsubishi Chemical Holdings Corporation (now Mitsubishi Chemical Group Corporation)))
<b>Member</b>	Haruka Matsuyama (Attorney at Hibiya Park Law Offices)

## **2 Matters entrusted to the Investigation Committee**

- ① Investigation of facts of insider trading by the former employee
- ② Investigation of similar trading by the former employee
- ③ Investigation of similar trading by any employees other than the former employee
- ④ To find and analyze the cause of this matter (including evaluation of the effectiveness of internal rules to prevent insider trading)
- ⑤ Proposal of measures to prevent recurrence

## **3 Investigation Methods**

- ① Examination of relevant materials
- ② Interviews with people concerned (65 interviews in total conducted with 59 individuals, including the former employee)
- ③ Digital forensics (electronic data of 16 employees, including the former employee, from TB's Stock Transfer Agency Business Departments in total)
- ④ Internal Questionnaire Surveys (distributed to 8,757 employees in total, 100% response)
- ⑤ Establishment and operation of an information reception counter (hotline)
- ⑥ Extraction of Risk Stocks
- ⑦ Requirement of securities account trading history from employees frequently accessing material information

## **Chapter 2 Insider Information Management and Insider Trading Prevention Environment at TB**

### **1 Management of Insider Information**

At TB, when material information<sup>1</sup> is obtained, a Material Information Management Paper is drawn up and managed through being circulated to compliance officers and managers. The transmission of insider information in each department is restricted to officers and employees etc. who genuinely require such information for their work.

### **2 Overview of Internal Rules regarding Restrictions on Personal Purchasing and Selling of Securities, etc.**

- (1) Restrictions on Personal Purchasing and Selling etc. by Executives (Prohibited in principle)**
- (2) Restrictions on Personal Purchasing and Selling etc. by Employees**

Various restrictions are in place, and employees belonging to TB's Stock Transfer

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<sup>1</sup> The information, which are deemed as material facts, corporate-related information or other facts equivalent to the aforementioned and likely to significantly influence investment decisions regarding specified securities by investors, in relation to undisclosed facts of listed companies etc. (regardless of whether such companies currently have a business relationship with TB or not), except for TG, which officers or employees, etc. obtained in the course of their duties.

Agency Business Dept. II, where the former employee belonged, are prohibited from personally purchasing and selling etc. specified securities etc. of all listed companies etc. in principle.

### 3 Overview of Stock Transfer Agency Services

- ① Shareholder Register Administrator (to prepare, keep and otherwise administer a shareholder register on behalf of a stock company)
- ② Governance-Related Consulting in accordance with instituting the Corporate Governance Code.

## Chapter 3 Investigation Results of Insider Trading by the Former Employee

### 1 Overview of the Investigation Results

#### (1) Investigation Results for the Three Stocks

On March 24, 2025, the SESC of Japan filed a criminal complaint against the former employee for suspicion of insider trading of the Three Stocks. On March 25, 2025, the Tokyo District Public Prosecutors Office indicted the former employee for violation of the Financial Instruments and Exchange Act (insider trading) related to transactions of the Three Stocks.

As a result of the Investigation regarding the facts, the Investigation Committee recognizes that the former employee purchased the Three Stocks under his own name, knowing the undisclosed facts that a certain offeror planned to conduct a TOB by circulation from an employee engaged in services, and conducted insider trading.

The Three Stocks and the trading status etc. are as follows:

	Trading Period	Number of Purchasing and Selling	Amount Paid	Amount Received	Profit
Cassina	2022.12.27–2023.2.13	28	¥8,824,900	¥11,571,000	¥2,746,100
Sunwood	2023.10.24–2023.11.9	10	¥3,190,300	¥4,859,790	¥1,669,490
JTOWER	2024.7.30–2024.8.19	18	¥20,088,020	¥45,000,000	¥24,911,980
Total Profit by the Three Stocks					¥29,327,570

#### (2) Investigation Results for Stocks other than the Three Stocks

The former employee also purchased shares of Company A under his own name, knowing the undisclosed fact that Company A was being considered a target of a TOB by notification from a certain offeror. Such TOB, however, was ultimately not conducted, resulting in a loss of ¥825,980 for the former employee.

Although this purchasing by the former employee may qualify as insider trading, it was not included in the charges filed by the SESC or the indictment by the Tokyo District Public Prosecutors Office.

### **(3) Background Leading to Voluntary Disclosure by the Former Employee**

In August 2024, the former employee recognized that a securities company, which was the financial advisor to one of the Three Stocks, required TB to submit a list of individuals who were aware of the TOB information by request of Tokyo Stock Exchange, Inc. and that TB submitted such list including the former employee's name.

The former employee was given advice, by an attorney introduced from his acquaintance, that this matter would be uncovered through an investigation.

The former employee decided to redress his errors and to voluntarily disclose to TB and relevant authorities. On October 30, 2024, the former employee reported this matter to TB.

## **2 The Former Employee's Career and Motivation for this Matter**

### **(1) Main Career History of the Former Employee**

<b>Year/Month</b>	<b>Affiliation/Position</b>
2016.12	Chief, Business First Section, TB's Stock Transfer Agency Business Dept. II
2022.1	Deputy General Manager (Compliance Officer), TB's Stock Transfer Agency Business Dept. II and Chief, Business First Section
2023.4	General Manager, TB's Stock Transfer Agency Business Dept. II

### **(2) Motivation for this Matter**

In response to the hearing by the Investigation Committee, the former employee explained his motivations for this matter, etc. as follows:

- Around 1999 or 2000, I began trading stocks as a part of asset formation. Although personal stock trading became a violation of TB's internal rules after the subsequent establishment of regulations regarding personal purchasing and selling, I questioned the rationality of the rules restricting personal economic activities and believed that lawful trading should not be a problem.
- In formulating assets through trading stocks, when I was 50 or 51 years old, I felt my career's limitation in TB since I had been a chief for a long time, and I thought that, in consideration of a huge decrease in my salary due to TB's position retirement system at age 55 and the societal focus at the time on "¥20 million in retirement savings," I would have difficulty formulating assets as planned.
- While searching for stocks to trade, when I received the Material Information Management Paper regarding the TOB for Cassina, I anticipated more profit by insider trading and went beyond the limit.
- I assumed that individual transactions could hardly be detected among a lot of trades occurring in the market.

### **3 Insider Trading of the Three Stocks**

#### **(1) Facts Related to Cassina**

On December 27, 2022, an employee of TB's Stock Transfer Agency Business Dept. II received information regarding the TOB for Cassina and drew up the Material Information Management Paper. On the same day, the former employee, serving as the deputy general manager, etc., reviewed and stamped the Material Information Management Paper, thereby acquiring the material information contained in it.

The former employee purchased 9,500 shares of Cassina between December 27, 2022, and February 2, 2023, at prices ranging from ¥886 to ¥978 per unit, spending a total of ¥8,824,900.

On February 13, 2023, when the share price rose due to the public announcement of the TOB on February 9, 2023, the former employee sold the shares in multiple transactions at a unit price of ¥1,218, receiving a total of ¥11,571,000 and earning a profit of ¥2,746,100.

#### **(2) Facts Related to Sunwood**

On October 23, 2023, an employee of TB's Stock Transfer Agency Business Dept. II received information regarding the TOB for Sunwood and drew up the Material Information Management Paper. On October 24, 2023, the former employee, serving as the general manager, reviewed and stamped the Material Information Management Paper, thereby acquiring the material information contained in it.

The former employee purchased 3,900 shares of Sunwood between October 24, 2023, and November 1, 2023, at prices ranging from ¥816 to ¥832 per unit, spending a total of ¥3,190,300.

On November 9, 2023, when the share price rose due to the public announcement of the TOB on November 6, 2023, the former employee sold the shares in multiple transactions at a unit price of ¥1,246.1, receiving a total of ¥4,859,790 and earning a profit of ¥1,669,490.

#### **(3) Facts Related to JTOWER**

On the evening of July 29, 2024, an employee of TB's Stock Transfer Agency Business Dept. II received information regarding the TOB for JTOWER and drew up the Material Information Management Paper. On the same day, the former employee, serving as the general manager, reviewed and stamped the Material Information Management Paper, thereby acquiring the material information contained in it.

The former employee purchased 12,500 shares of JTOWER between July 30, 2024, and August 1, 2024, at prices ranging from ¥1,518 to ¥1,683 per unit, spending a total of ¥20,088,020.

On August 19, 2024, when the share price rose due to the public announcement of the TOB on August 14, 2024, the former employee sold the shares, in multiple transactions at a unit price of ¥3,600, receiving a total of ¥45,000,000 and earning a profit of ¥24,911,980.



## **Chapter 4 Investigation Results of Similar Trading**

### **1 Investigation of Similar Trading by the Former Employee**

Despite conducting the following investigations, no information suggesting similar trading by the former employee was discovered, and there was no indication that similar trading except for the Three Stocks and Company A occurred.

- ① Digital Forensics
- ② Interviews with related employees and the former employee
- ③ Internal Questionnaire Surveys and Information Reception Counter (hotline)

Additionally, the charges filed by the SESC and the indictment by the Tokyo District Public Prosecutors Office, which conducted investigations and inquiries, did not include any facts except for the Three Stocks.

### **2 Investigation of Similar Trading by any Employees other than the Former Employee at TB, etc.**

Although the Investigation Committee conducted the following investigations in order to explore the possibility of similar trading by any employees other than the former employee at TB etc., no trading indicating possible insider trading by any employees other than the former employee were identified.

- ① Internal Questionnaire Surveys
- ② Collecting Information through Information Reception Counter
- ③ Extraction of Risk Stocks
- ④ Digital Forensics
- ⑤ Interviews with related employees
- ⑥ Requests to employees frequently exposed to material information for Securities Account Trading History
- ⑦ Verification of Stocks for which an external organization has inquired regarding recognizers of material information

## **Chapter 5 Investigation and Analysis of Causes**

Although, in investigating and analyzing the cause of the insider trading conducted by the former employee, the Investigation Committee examined whether the acts were carried out solely by the former employee or were organized acts involving TB, in conclusion, the Investigation Committee found no evidence of organizational involvement in the Transactions by TB and determined that the acts were committed solely by the former employee.

### **1 Lack of Ethical Awareness by the Former Employee himself**

The former employee explained his motivations, stating that, despite recognizing that his actions violated both internal rules and laws, he proceeded with the Transactions due to his age, anticipated treatment within the company, and a desire to secure future assets through insider trading.

The fact that the former employee engaged in the Transactions without forming counter-motives, despite fully understanding them as legal violations for personal gain, highlights a

significant lack of ethical awareness on his part.

## **2 Issues with the Deterrent Effect of Insider Trading Prevention Training**

The former employee explained that, while aware of the legal violations, he was unaware of how the relevant authorities conduct investigations into insider trading and did not fully consider the possibility of detection.

At TB, training to prevent insider trading has been conducted with reasonable frequency, and the content of the training has been relatively comprehensive. While it cannot be said that there were any particular deficiencies in the training itself, considering the former employee's explanation and the occurrence of this matter, there are recognized issues regarding its deterrent effect on individuals who intentionally attempt insider trading despite being aware of its illegality, and improvements are necessary.

## **3 Insufficient Deterrent Measures, Including Non-Disclosure of Cases of Internal Disciplinary Actions**

At TB, it has not been the usual practice to disclose incidents of misconduct or cases of internal disciplinary actions within the company. As a result, employees may have lacked awareness of the potential consequences of engaging in misconduct, and the deterrent effect of internal disciplinary actions may have been insufficient.

While it is necessary to respect individual privacy etc., it is considered effective to internally disclose summaries of misconduct and the resulting internal disciplinary actions for preventing recurrence including the Transactions, therefore improvements with devising disclosure methods are expected.

## **4 Insufficient Deterrent Measures Against Intentional Insider Trading and Violations of Internal Rules Regarding Securities Transactions**

From the perspective of framework of the internal rules at TB concerning the management of insider information etc., no particular deficiencies were identified.

However, at TB, the assurance that employees have not engaged in insider trading or securities transaction, which are violations of internal rules, relied solely on self-declaration through pledge forms, without verification of objective evidence such as reviewing trading history of employee's securities account.

## **5 Issues in the Management System for Material Information**

The management system for material information at TB, which used Material Information Management Papers, was generally operated rigorously and appropriately.

However, while it was not identified as a direct cause of the Transactions, the management system for material information lacked records of who individually accessed the material information.

As of January 1, 2025, TB revised Insider Information Management Guidelines, improving the operation of Material Information Management Papers to record all individuals who become aware of material information.

## **6 Issues in Personnel Systems and Compensation Structures**

In response to the hearing by the Investigation Committee, the former employee explained that he had created annual asset plans and long-term financial plans to his 60s when he was 30s, that he recognized a shortage in retirement funds due to his age turning 50 and the salary reductions at age 55 by the position retirement system, and that making up for a shortage was cited as a background factor contributing to the Transactions.

The former employee had been promoted to the positions of deputy general manager and general manager, and have received corresponding treatment, therefore, it is difficult to conclude that age and treatment were direct causes of this matter. However, these factors may have served as justification for his actions.

Considering the occurrence of the Transactions, it is necessary to recognize that the circumstance, which employees exposed to such concerns belong to the departments for Stock Transfer Agency Business where significant amounts of material information are handled, may cause the risks regarding management of material information. It is therefore desirable that adequate consideration be given, taking into account the unique characteristics of the departments.

## **Chapter 6 Recommendations for Preventive Measures**

When providing recommendations for preventive measures, since TG and TB had already announced six voluntary initiatives on March 24, 2025, during the investigation period, the Investigation Committee decided to first evaluate the contents of these initiatives and then to propose viewpoints to be considered and initiatives that should be examined in the future.

The above-mentioned six initiatives are ① Revision of “Our Action Guideline”, ② Monitoring of Individual Transaction, ③ Development of easier-to-understand internal rules and tools, etc., ④ Enhancement of management through establishment of a system for insider information management, ⑤ Reinforcing officer and employee education, and ⑥ Promotion of the internal reporting system.

The Investigation Committee’s evaluation of each initiative based on the results of the Investigation is that all are appropriate. Additionally, the viewpoints to be considered and measures that should be further examined in the future are as follows:

### **1 Initiatives Related to Ethical Awareness and Education Training**

#### **(1) Importance of Initiatives Related to Ethical Awareness**

##### **① Key Points to Emphasize in Disseminating Messages**

It is considered to be important to emphasize that messages from top management and training are not only for addressing misconduct but also for the fundamental values as a trustee of trust.

In addition to messages from top management, similar messages from branch managers at branches and deputy general managers in charge of compliance, who are closer to employees, are also considered to be important. Messages from individuals who are more familiar to the general employees can prevent employees, etc. from viewing this matter as someone else’s problem, thereby contributing to effective ethical awareness improvement across the organization.

## **② Importance of Practicing in Daily Work**

Efforts to improve ethical awareness should not be only theoretical discussions during training sessions or armchair theory, and it is essential to practice concretely while working in daily work. Each measure to prevent recurrence should be considered, keeping in mind that ethical awareness is cultivated through striving to act in the best interests of beneficiaries based on the trustee spirit in daily work and daily consistent efforts will lead to genuine trust recovery for TG and TB.

## **(2) Improvement of Insider Trading Prevention Training**

### **① Training Methods**

The training method should not be restricted to e-learning alone, and it is considered to be important to improve the systems to ensure participants fully understand the content, such as by inviting appropriate instructors. In addition to these training methods, considering the rapid advancement of digital technology, other effective methods should continuously be explored.

### **② Training Content**

The training content should emphasize the significant disadvantages resulting from insider trading, aiming to deter individuals who intentionally attempt insider trading despite recognizing it as a legal violation as in this matter. The training should increase the contents highlighting the economic unworthiness of insider trading and improve in such a way as to make participants understand the reality of consequences and tragic outcomes of being caught.

### **③ Pledge Upon Completion of Training**

For the pledge required upon completing insider trading prevention training, measures to maintain the effect on participants' awareness over time should be considered to strengthen the effect of awareness on the participants.

### **④ Implementation of Training for New Hires and Transferred Employees**

In addition to enhancement of training for new hires and transferred employees, special training for transferred employees should be conducted immediately after employees are transferred from other departments to divisions such as the departments for Stock Transfer Agency Business, where they have opportunity to encounter material information about business partners. This training should ensure a thorough understanding not only of insider trading regulations but also of methods for managing material information about business partners, and internal rules regarding restrictions on personal purchasing and selling.

### **⑤ Addition of Insider Trading Prevention Training at the Time of Promotion to Deputy General Manager and General Manager**

In departments such as the departments for Stock Transfer Agency Business, where employees are exposed to material information, being designated as compliance officers entails increased exposure to a large amount of information, thereby significantly increasing opportunities for insider trading. Therefore, it is considered to be important for employees to learn the purpose of regulations through training to prevent them from

engaging in insider trading like the former employee.

### **⑥ Emphasizing That Insider Trading Is Not Someone Else's Problem**

In the preventive measures implemented following the 2012 insider trading case, one of the six measures was titled “Implementation of company-wide activities to instill self-discipline rooted in the spirit of trusteeship” and it is written “At all branches “Discussion: The Trust Bank,” which explored the theme of “What is the spirit of trusteeship” was conducted.” and the former employee had also participated in it. However, the former employee perceived the 2012 insider trading incident as someone else's problem, so, while the former employee's own lack of awareness was a significant factor, it is essential to sincerely acknowledge the occurrence of this matter and make efforts to prevent similar misunderstandings among employees.

With regard to the initiatives undertaken in response to this matter, if messages, discussions, and training emphasizing the spirit of trusteeship are casually recognized by officers and employees in divisions outside the departments for Stock Transfer Agency Business as merely one of the corporate misconduct responses as the company, the impact of these initiatives will remain temporary and limited, failing to leverage the hard lessons learned from this matter and leaving lingering issues for the future.

Although the Investigation Committee has determined that the cause of this incident lies in the individual ethical shortcomings of the former employee and that there was no organizational involvement, this does not mean that the majority of executives and employees can view the preventive measures for this matter as someone else's problem. It must be emphasized that such incidents can happen to anyone, including themselves. Beyond self-discipline, those in organizational management positions must adopt this mindset when guiding and managing employees.

## **(3) Internal Disclosure of Disciplinary Actions Cases**

To strengthen deterrence against individuals who intentionally engage in misconduct like this matter, it is recommended to share summaries of misconduct and the resulting disciplinary actions internally so that the company shows the strict attitude toward violations of law and it would strongly appeal to ethical awareness, while respecting individual privacy.

## **(4) Addressing Issues in Personnel Systems and Compensation Structures**

### **① Enhancing Care for Salary Reductions at Age 55**

At TB, the position retirement system or post-off system, under which employees aged 55 and older are categorized as “special tier,” with their salaries reduced to approximately 66%, promotes organizational renewal and generational transition which is reasonably justified, and there is no objection to its appropriateness.

On the other hand, in relation to the question whether there has been adequate care to employees facing the impact of salary reductions, it should be considered for consideration and examination in the ongoing personnel system reforms, alongside other related factors.

### **② Strengthening Compliance Evaluation at the Time of Promotions**

The former employee began engaging in insider trading after being promoted to a deputy general manager. In addition to violating laws and regulations, he justified his actions on the ground that the internal rules of the company involving personal property were interference with personal privacy and did not need to be complied with at his own discretion, and, subsequently, he was promoted to a general manager. The attitude at the time of promotions, which is not based on the assumption that there are persons who intentionally commit illegal acts or violate internal rules and is too bent on the belief that people are born good by nature, should be revised and the evaluation at the time of promotion, from the viewpoint of compliance, should be strengthened, assuming that there are those who engage in insider trading.

### **③ Conducting Awareness Surveys Through Mid-Career Hires, Age Groups, and Thematic Topics**

It is important from the viewpoint of prevention to broadly raise awareness so that one can identify potential issues early. The facts that the Transactions in this matter were carried out by a person with a certain reputation in TB as a general manager, which can be said as a managerial position, and that, during hearings, it was confirmed that many officers and employees were shocked by this fact seem to highlight the necessity for the company to question its own assumptions and conduct surveys from different perspectives. Therefore, for example, conducting awareness surveys targeting only mid-career hires, conducting surveys aimed at employees in their 50s, who might share similar concerns as the former employee, and thematic discussions or surveys focusing on the root causes and measures to prevent recurrence, incorporating insights finally revealed through the criminal trial, should be considered.

## **2 Initiatives for Managing Material Information and Personal Purchasing and Selling**

### **(1) Sample Checks of Trading Histories**

While submitting trading histories is primarily based on voluntary declarations, requesting trading histories can have a deterrent effect and, if such measures had been implemented, it might have helped dissuade the former employee from engaging in the Transactions.

Furthermore, submitting trading histories, similar to the pre-approval or pre-notification system for personal purchasing and selling under current internal regulations, imposes restrictions on private economic activities, so it should be considered to emphasize the purpose of these restrictions and their rationality as a means to achieve the objectives by training.

This is because, if officers and employees do not understand this point, they may independently justify their violations of internal rules, personally judging that submission of trading history is an unjust constraint as long as they do not conduct insider trading, and though they actually have a securities account and conduct transactions, they may hide trading activities, not submit applications for approval or notifications in advance and falsely report that they have no trading activities, which may ultimately result in the risk of insider trading as in this matter.

## **(2) Strengthening Awareness of Individual-Level Management of Recognizers**

Previously, TB managed employees who are exposed to material information on a departmental basis rather than individually. Transitioning to individual-level management will enhance deterrence for individuals.

Though the system update is planned for fall 2025, prior to it, from January 2025, TB has been managing such employees individually by physical documents, such as the Material Information Management Paper. The purpose of individual-level management is considered to limit the opportunities for insider trading and to strengthen deterrence for each individual by limiting and reducing the scope of those who are aware of material information.

## **(3) Improvement of Internal Rules and Training Materials (Emphasizing the Purpose of Rules)**

Internal rules and training materials have become overly complex due to the inclusion of detailed knowledge and regulations, which has led to neglect in understanding the purpose of insider trading regulations, that may be, why insider trading is regulated, resulting in significant incidents.

In order to encourage employees to make appropriate decisions, even when specific rules are not explicitly detailed, by thinking for themselves through understanding of the purpose, it should be considered to prepare regulations and their guidelines which promote employees' understanding of the purpose by, for example, adding a description at the beginning of the regulations that explains the background and necessity of creating the company's internal rules to achieve the company's purpose.

## **(4) Improvement of Internal Rules (More Understandable Internal Rules as Needed)**

Feedback from internal questionnaire surveys has revealed that many employees find internal rules difficult to understand, unclear, or insufficiently communicated. When internal rules are hard to comprehend, it can lead to impaired or diminished awareness of compliance, so continuous efforts need to be made to create internal rules that are easier-to-understand.

# **3 Future Initiatives That Should Be Examined in the Future**

## **(1) Rationalization of the Management System for Material Information**

Currently, material information about internal and business partners is managed using physical documents, consolidated in the each of Global Credit Supervision Dept. and Stock Transfer Agency Business Planning Dept. as well as the responsible department, even while TB had already decided prior to this matter as a new measure to systemize so that such information will be registered and managed digitally in the future.

It is recommended to further advance this systemization by transitioning from department-level management to individual-level management of employees exposed to such material information. Additionally, the registered information should be organized into a database to allow easy access to lists, to enable prompt confirmation of

public disclosures of material information, and to facilitate timely lifting of management restrictions, or by terminating management after a reasonable period of time based on regular inventory checks, and introduction of measures to ensure that the control of insider trading or transactions based on corporate-related information is recommended.

**(2) Future Recommendations regarding Approval Systems for Personal Purchasing and Selling by Employees and Trading Policy Investment Stocks Under Management of Material Information**

Regarding the internal rules for personal trading, TG and TB currently enforce a prohibition in corporate-related departments, allowing exceptions only under unavoidable circumstances, and other departments adopt a notification and approval system. However, these rules may be overly strict, potentially imposing excessive restrictions on officers and employees engaging in asset building and acquisition of financial literacy through securities investments.

In the future, on the assumptions that the management of material information is rationalized through system, etc. as much as possible while maintaining strict management and that a system for continuous approval and monitoring for self-trading by officers and employees, etc. is established and appropriately operated, some degree of freedom in self-trading is recommended to be considered.

## **Chapter 7 Final Remarks**

As a result of the investigation, no insider trading by the former employee was identified beyond the Three Stocks and Company A, nor was similar trading by other employees detected. Furthermore, the insider trading was determined to be act carried out solely by the former employee, with no organizational involvement by TB. Based on these findings, it is reasonable to conclude that the primary cause of this matter was the former employee's lack of ethical awareness and normative awareness.

Fraudulent acts stemming from such individual factors are inherently difficult to prevent entirely, even when robust organizational systems and controls are in place. The internal systems (including policies and rules) and the level of education and training aimed at preventing insider trading within the Group, as revealed by the Investigation, were not found to be particularly inferior compared to those of industry peers. Nonetheless, the fact that the Transactions could not be prevented indicates the challenges of deterring misconduct driven by personal motivations—such as insider trading—through organizational efforts alone.

However, this does not mean that there are no points for reflection on the part of the Group regarding the failure to preventing the insider trading committed by the former employee. The insider trading in this matter was not perpetrated by a malicious employee who deliberately circumvented internal rules to illicitly access material information, but committed based on material information that had been reported in the normal course of business within the departments for Stock Transfer Agency Business—a department where material information from business partners is consolidated. As such, this matter fundamentally undermines the trust placed in TB by its clients in the Stock Transfer Agency Business. Moreover, considering that the insider trading was committed by an individual holding a position as a general manager, it raises not only concerns as to whether TB's personnel evaluations for executive appointments are adequately conducted from the perspective of compliance and integrity, but also broader



apprehensions of the corporate culture that the appointment of individuals with a weak awareness of ethics to senior management positions at the departmental or regional level might diminish compliance standards across the organization as a whole.

Although, fortunately, no signs of insider trading by any employees other than the former employee were discovered in this matter, it would be inappropriate to dwarf this matter as merely the result of individual misconduct. Instead, it should be regarded as a risk affecting the entire organization, and efforts should be made to strengthen the ethical awareness and compliance consciousness of all officers and employees through messages from top management, education, and training.

Additionally, this is not limited to the Group alone, but can be pointed out for many Japanese companies; whether it be internal systems or education and training, they are often designed and built based on the assumption that people are inherently good (“the theory of innate goodness”). In Japanese companies, employee treatment is determined on the premise of lifetime employment, and there seems to be a psychological resistance to designing systems from the perspective of “distrusting” or “checking” fellow employees who are seen as part of the same company family. However, when designing and building internal systems to prevent misconduct, it is necessary to adopt—not necessarily a “theory of innate evil”—but at least a “theory of human weakness”. Not all individuals who commit misconduct do so because they inherently lack ethics or compliance awareness; it is possible for someone to cross the line and commit violations such as insider trading or other misconduct in a moment of weakness. To ensure that employees are not swayed by such vulnerabilities, companies must consciously strengthen deterrent functions and revise implementation of personnel measures and management systems.

Furthermore, regarding the insider trading highlighted in this matter, it is desirable, in addition to strengthening the management systems for material information and personal purchasing and selling, to consider the extent to which securities investment should be permitted as a means of asset building for officers and employees. While the motivations cited by the former employee—such as anxiety over retirement savings and doubts regarding internal rules that restrict employee’s financial activities—cannot be regarded as valid justifications, considering Japan’s policy as a nation of promoting asset management and addressing future inflation risks, it would be beneficial to examine appropriate structure of internal rules concerning personal purchasing and selling, in a way that ensures the business integrity is maintained.

This matter is a serious matter that undermines trust in financial institutions. The Group should deeply reflect on the occurrence of this misconduct following the 2012 insider trading incident, and sincerely commit itself to preventing recurrence. Although TG and TB have already been examining and implementing their own measures to prevent recurrence, it is important to recognize that the efforts to prevent recurrence are never completed, and the importance lies in not allowing this matter to fade into memory, but rather continuing to make steady, sustained efforts.

The Investigation Committee strongly hopes that, taking this matter as a catalyst, the Group will further enhance the ethical awareness and compliance awareness of officers and employees, and will work toward building a better management system.

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