



SUMITOMO MITSUI TRUST HOLDINGS

SuMi TRUST
SUMITOMO MITSUI TRUST HOLDINGS

2020 INTEGRATED REPORT

—ANNUAL REPORT—

Year ended March 31, 2020



Reason for Existence (“Purpose”)

Creating new value with the power of trusts and let prosperous future for our clients and society bloom

Management Principles (“Mission”)

- (I) Swiftly provide comprehensive solutions to our clients by fully utilizing the significant expertise and comprehensive capabilities.
- (II) Adhere to the principles of sound management based on a high degree of self-discipline with the background of fiduciary spirit and establish strong credibility from society.
- (III) Strive to fulfill all shareholder expectations by creating distinct values through fusing the various functions featuring the trust bank group.
- (IV) Offer a workplace where the diversity and creativity of its employees are more fully utilized to add value to the organization and where employees can have pride and be highly motivated in fulfilling their missions.

Ideal Model (“Vision”)

—Towards “The Trust Bank”—

Based on the fiduciary spirit and with significant expertise and comprehensive capabilities, the Sumitomo Mitsui Trust Group will create distinct values by leveraging a new business model, combining its banking, asset management and administration, and real estate businesses, and will move onto the global stage as a leading trust bank group which boasts the largest and highest status in Japan.

Codes of Conduct (“Value”)

In order to pursue the Management Principles of the Sumitomo Mitsui Trust Group, the executives and employees commit themselves to comply with the six Codes of Conduct described below.

Completely Client-oriented—Truthfulness and Loyalty

We will adhere to the highest degree of “Truthfulness and Loyalty” as well as credibility and sureness, and will carry out all our responsibilities for client satisfaction and comfort as our top priority.

Contribution to Society—Dedication and Development

We will remain dedicated in all our efforts, with “Frontier Spirit,” and continue to contribute to society.

Realization of Organizational Capability—Trust and Creativity

We will realize our organizational capabilities with full of mutual trust and creativity through improvement by mutual learning and continuous personal transformation of various people who share the enthusiasm for trust.

Establishment of Individuality—Self-help and Self-discipline

With a spirit of self-help and self-discipline as well as a sense of ownership, we will carry out our responsibilities.

Strict Compliance with Applicable Laws and Regulations

We will strictly comply with all applicable laws, rules and regulations, and will ensure that all our corporate activities meet the highest standards of social norms.

Resolute Stance against Antisocial Forces

We will continue to take a resolute stance against antisocial forces, which may threaten public order and the security of civil society.



The Trust Bank

The Group’s logo, known as the “future bloom,” symbolizes our purpose “Creating new value with the power of trusts and let prosperous future for our clients and society bloom.” The four translucent petals represent our mission to our stakeholders; namely, clients, society, shareholders, and employees. The four different colors symbolize the values that make up our Codes of Conduct—natural green for “truthfulness and loyalty,” golden orange for “dedication and development,” blue-green for “trust and creativity,” and sky blue for “self-help and self-discipline.”

Three of the words in the Group’s values—“truthfulness and loyalty,” “dedication and development,” and “trust and creativity”—are drawn from the principles and slogans handed down unbroken from each trust bank prior to the merging of the Group. “Truthfulness and loyalty” has its origins in the founding prospectus of The Sumitomo Trust and Banking Co., Ltd., “dedication and development” was the founding spirit of The Mitsui Trust and Banking Co., Ltd. and “trust and creativity” comes from the corporate slogan of The Chuo Trust and Banking Co., Ltd. They are also assets that embody an entrepreneurial spirit and crystallization of passion and diligence towards trusts inherited in each trust bank that now form the foundation of the Group.

Each and every director, officer, and employee of the Group pledges to seriously embrace these assets and spirit and soundly hand them down to future generations. This is why we have incorporated the Group’s values into our logo. The “future bloom” logo represents our desire to let prosperous future for our clients and society bloom, as well as our commitment to ensuring that the assets built up by our predecessors will bloom in the future.

Editorial Policy

The Sumitomo Mitsui Trust Group publishes this integrated report so that readers can better understand how the Group's initiatives on creating shared value aim to achieve sustainable growth and deliver value to all stakeholders. In this report, after providing an overview of the Group's medium- to long-term vision, we discuss our business strategy as a financial group specialized in trust banking, our environmental, social, and governance (ESG) initiatives, and the management foundation that underpins them. In applying our editorial approach, we strive to improve and expand not just financial information but also non-financial information such as business models and ESG factors, referencing the integrated reporting framework issued by the International Integrated Reporting Council (IIRC). We also disclose information appropriately, in accordance with our disclosure policy.

For more detailed financial data or ESG information, please refer to the Financial Data Section, our ESG Report, or visit our website.

<Reporting Coverage>

Reporting Period: From April 1, 2019 to March 31, 2020 (Partially including the information after April 1, 2020)

Scope of Reporting: The Sumitomo Mitsui Trust Group; including Sumitomo Mitsui Trust Holdings, Inc., Sumitomo Mitsui Trust Bank, Limited, other subsidiaries and affiliated companies



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Top Message



Tetsuo Ohkubo

Director, President
Sumitomo Mitsui Trust Holdings, Inc.

Being the “Best Partner” most trusted by our clients

Given the divergence of values in society and increased uncertainties regarding the future, as a provider of trust schemes that facilitates a safe and secure society, we aspire to contribute to the development of society and also achieve sustainable and stable growth of the SuMi TRUST Group.

Introduction

The COVID-19 global pandemic is inflicting an enormous strain on societies, economic activity and our personal lives. I offer my deepest condolences to the families who have lost their loved ones to the COVID-19 and express my heartfelt sympathy to those afflicted, as well as to the many people whose livelihoods and businesses have been deeply scarred by the pandemic.

This fiscal year we unveiled the Group’s new Medium-Term Management Plan. However, the commencement of the plan happened to exactly coincide with the spread of COVID-19.

As a response to the COVID-19 crisis, we have deployed our banking functions to assure clients with smooth supply of funds and as a financial institution responsible for providing key social infrastructure such as pensions, stock transfer agency services, real estate, and asset management & administration, the entire Group has strived to ensure stable continuity of our businesses.

In this environment, I was strongly reminded of our role and responsibility in society as a financial group specialized in trust banking. I can also state with confidence that balanced creation of both social value and economic value—the core management philosophy of our new Medium-Term Management Plan—is the correct approach to take.

That said, irrespective of the effects of the COVID-19, societies and environments around the world are changing. Japan is no exception and the structure of society continues to be transformed by a lower birthrate, an aging population, rapid digitalization and ESG management for companies, particularly with regard to how they can co-exist with society, is becoming increasingly important. Going forward, all our clients, whether they be individuals or corporations, will likely seek solutions to new issues caused by changes in values and behavior in an environment where the future outlook remains clouded.

Our Group’s mission is to assist solving such issues for our clients. We also hope to achieve further growth by leveraging the various functions of the Group to earn the trust of our clients as their “Best Partner” and implement initiatives that would fulfill their needs.

Reminiscing on our past, we have continued to meet the demands of the changing times to solve various social issues and contribute to Japan’s development with the power of trusts. For example, our loan trusts supported the country’s recovery in the aftermath of World War II and our pension trusts helped stabilize people’s lives and improve their wellbeing.

Top Message

In our endeavor to help build a sustainable society for the future, we shall continue to draw on the power of trusts, or in other words, the significant expertise, comprehensive capabilities and wide array of functions of a financial group specialized in trust banking. To ensure that Group employees can keep this goal close to heart, we aspire to “creating new value with the power of trusts and let prosperous future for our clients and society bloom.” This ideal defines our reason for existence, or “purpose.”

With all Group employees committed to this purpose, we shall endeavor to progress steadily towards the sustainable development of society and the sustainable growth of the Group.

Refer to page 22 for more information about our “purpose.”

Medium-Term Management Plan

In our previous Medium-Term Management Plan (FY2017–2019) that called for a “second foundation” of the Group, we steadily enhanced profitability mainly by bolstering our fee businesses and improving net interest income. In the final year of the plan, excluding the recognition of special loan loss provisions in preparation for the anticipated impact of the COVID-19 going forward, most of our targets for KPIs were attained, such as net business profit before credit costs, net income attributable to owners of the parent and shareholder ROE.

Meanwhile, as the environment surrounding financial institutions has become increasingly challenging due mainly to persistently low interest rates and intense competition that transcends industries, the issues that needs to be addressed and their solutions have become clearer in order to further enhance our competitive edge as a financial group specialized in trust banking to achieve better feedback from clients.

In our new Medium-Term Management Plan spanning FY2020 through FY2022, balanced creation of both social value and economic value rests at the core of our management approach and we intend to tackle a variety of social issues in our various business domains in order to sustain growth throughout the Group.

Refer to page 22-27 for more information about our Medium-Term Management Plan (FY2020-22).

In particular, we shall push ahead with initiatives designed to address mainly the following challenges that our clients and society at large, currently face.

Individuals: Asset administration suited for Japan’s aging society and asset formation of individuals.

Corporations: Sustainable growth of the Japanese economy and corporations (addressing both financial and non-financial issues).

Investors: Diverse range of investment opportunities and development of the investment chain.

Owing to the heightened risk of dementia and other conditions associated with Japan’s super-aged society, an increasing number of individual clients want their personal assets to be managed appropriately so they can be used meaningfully on themselves or the next generation. Our Group shall steadily respond to this demand with the power of trusts by harnessing our hitherto accumulated know-how alongside digital technology. For clients of the working generation, we hope to provide suitable products, services and consulting so as to support their asset formation in the age of 100-year life.

For our corporate clients, addressing non-financial issues that drive company growth is an urgent matter. Such issues might include fostering a work environment in which employees feel that their work is rewarding, or sustainability initiatives aimed at further

Under our new Medium-Term Management Plan, we shall endeavor to tackle a variety of social issues, guided by our core management philosophy of balanced creation of both social value and economic value.



promoting co-existence with society. In order to fulfill the financial needs of our clients, we aim to provide high value-added non-financial services. For example, the enhancement of pensions and other employee benefit schemes, supporting communication with investors and shareholders, and environment-related consulting regarding real estate and other assets.

In addition to traditional asset classes such as stocks and bonds, we shall strive to provide loan receivables, real estate, and other novel investment instruments that fully draw upon our Group's characteristics so that we can meet the increasingly diverse investment needs of our investor clients in an ultra-low interest rate environment. We also intend to provide more than just products—we will support the entire investment chain with efficient and high value-added services in a number of processes related to investment, from information provision and consulting right through to custody services.

By steadily advancing these initiatives in our new Medium-Term Management Plan, we hope to consolidate our business platform over the next three years with the aim of realizing the sustainable development of society and sustainable and stable growth for the Group.

Development of human resources and diversity & inclusion

Our employees are the driving force behind the execution of our Medium-Term Management Plan. They also underpin the Group's sustainable growth, which is why our staffs' skill development and the provision of opportunities through which they can excel are of utmost importance.

One of the Group's management principles, or "mission," is to offer a workplace where the diversity and creativity of our employees are fully utilized to add value to the organization and where employees have pride and be highly motivated in fulfilling their missions.



■ Awarded the New Diversity Management Selection 100
Please see page 93



■ Selected as a "Nadeshiko Brand"
Please see page 93

Top Message

Our approach to diversity and inclusion, which entails the creation of unique added value through interaction among our diverse employees, is without doubt, part of our DNA.

We believe it will be more important than ever before to incorporate and make use of different sets of values in management in order to create new businesses that assist in solving social issues, all the while imagining an unpredictable future.

We have actively appointed female employees to managerial positions and supported their career planning and we have also implemented specific measures to strengthen our initiatives on changing the mindset of employees. For example, we aim to select talented young employees for special roles, expand opportunities afforded to senior employees who possess expert skills, further the understanding of LGBT issues, support the work-life balance of employees engaged in childcare or nursing care and develop a more accommodating workplace environment.



■ Awarded the highest rating of “Gold” in Pride Index for LGBT initiatives
Please see page 97

Promoting sustainability management

The SuMi TRUST Group has actively addressed the following issues through its business activities: climate change, natural capital (biodiversity), environmentally friendly property, sustainable investment (ESG investment) and the super-aged society.

As one example of our initiatives, in March 2019 we concluded the world’s first Positive Impact Finance (PIF) loan agreement with a business in which the use of loaned funds is unspecified. Through PIF we comprehensively analyze and assess the impact of a client’s corporate activities on the environment, society and economy. We then work together with the client to set goals that they commit to achieving so that both parties can overcome various social issues and work towards realizing a sustainable society. Many clients have expressed a keen interest in this solution and we are steadily building a track record of transactions. In this way we will continue to create positive impact on society through the corporate activities of our clients.

Of the many challenges faced by society, the issue of climate change is the most pressing. We feel that we must further demonstrate the functions of our Group in the areas of both banking and trusts.

As a founding signatory, we were the first financial institution in Japan to sign on to the Principles for Responsible Banking (PRB) that came into effect in September 2019. The PRB calls on banks to align their business strategies with the goals of the Paris Agreement on climate change and the UN Sustainable Development Goals (SDGs). We have in place an environmentally-friendly and socially-acceptable financing policy that is geared towards the establishment of a society with net zero carbon emissions and we aim to support the creation of new business models by our clients mainly through the financing of renewable energy. Furthermore, our Group asset management companies are fulfilling their role as responsible investors by actively taking part in the Climate Action 100+ and a number of other partnerships concerning climate change.

Refer to page 46 for more information about Positive Impact Finance (PIF).

Refer to page 84-87 for more information about climate change issue (TCFD).

Returns to shareholders

In line with the Group’s sustainable and stable growth, we hope to steadily expand returns to our shareholders going forward.

In particular, after revising our shareholder return policy in accordance with the new Medium-Term Management Plan, we shall place greater emphasis on dividends as a means of returning shareholders' profit commensurate with earnings. We therefore shall aim for a consolidated dividend payout ratio of around 40% in or around FY2022. We may also repurchase our own shares flexibly in order to improve capital efficiency while simultaneously confirming that we maintain an optimal balance with growth seeking investments.

In conclusion

Considering the current assortment of numerous risks and growth opportunities, we need to conduct our business operations while paying special attention to changes in the business environment. That said, the direction our Group is headed shall remain unchanged.

We believe the diversification of values and the growing number of uncertainties in society present us an opportunity to come into our own with trust schemes that can ensure a safe and secure society. We will take steps to overcome the COVID-19 crisis at hand and aim to achieve sustainable and stable growth by steadily executing our new Medium-Term Management Plan.

We appreciate your continued understanding and cooperation.

July 2020

Sumitomo Mitsui Trust Holdings, Inc.
Director, President



Group Overview

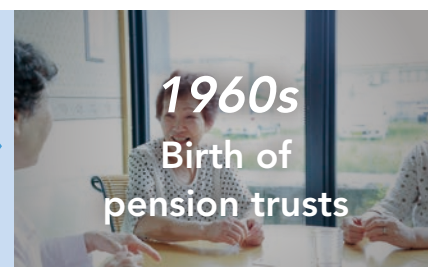
History of trusts and the SuMi TRUST Group



It is said that Japan's present-day trust system has its origins in the UK, but it was only introduced into Japan in the latter half of the Meiji period following further development in the US. In Japanese law, the word "trust" in the financial sense first appeared in the Industrial Bank of Japan Act in 1900.



In a loan trust, capital is accumulated by the trustee from a large number of settlers and extended to companies as long-term funds mainly through loans and bill discounting. The profits earned in the trust are then distributed to the trust's beneficiaries. In the aftermath of World War II, loan trusts catered for the lack of capital investment funds in Japan's industrial sector and were the driving force behind its recovery.



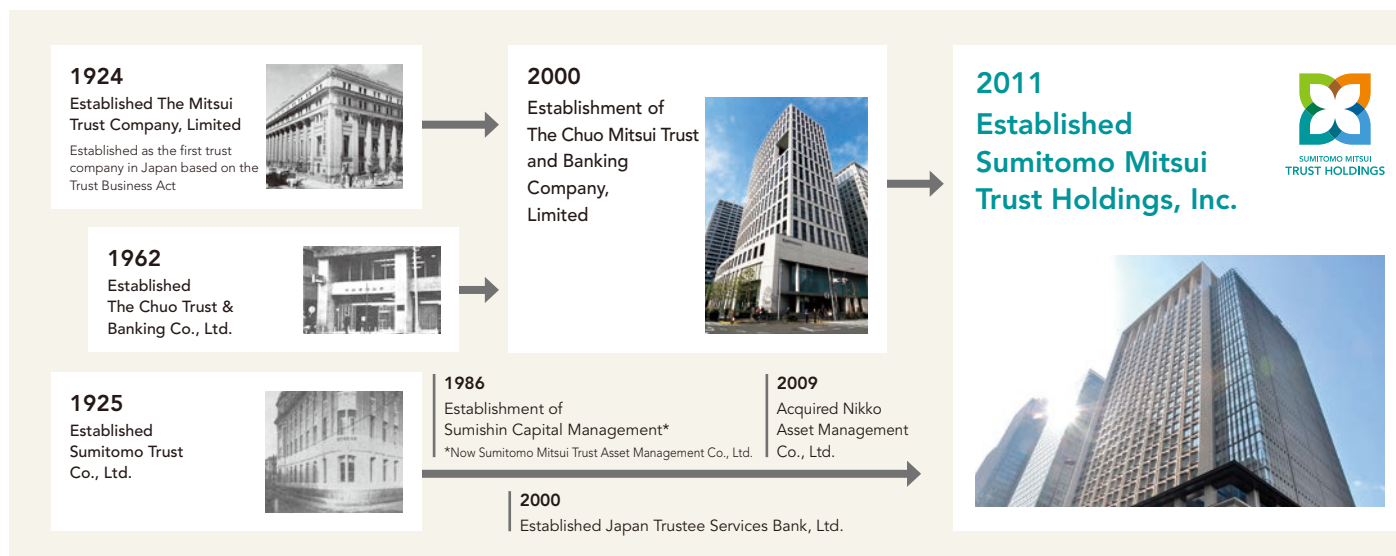
In a pension trust, a trustee manages and invests the money used to pay retirement pension benefits to employees on behalf of a company or organization. Pension trusts allow pension assets to be separated from a company's creditworthiness and managed independently. This ultimately led to the establishment of benefit schemes under which employees can work with peace of mind knowing their assets are safe and secure.

Since the founding of the SuMi TRUST Group in 1924, we have evolved in lockstep with the development of trusts by creating numerous services tailored to the times based on our fiduciary spirit. Currently, the total value of trust assets in the industry comes to more than ¥1,200 trillion. The SuMi TRUST Group will continue to surge ahead as a leading financial group specialized in trust banking which boasts the largest and highest status in Japan.

■ Entrusted balance of trust assets*

Source: Trust Companies Association of Japan statistics data

*Total of figures for financial institutions and other companies providing trust services in Japan



1980s Birth of land trusts

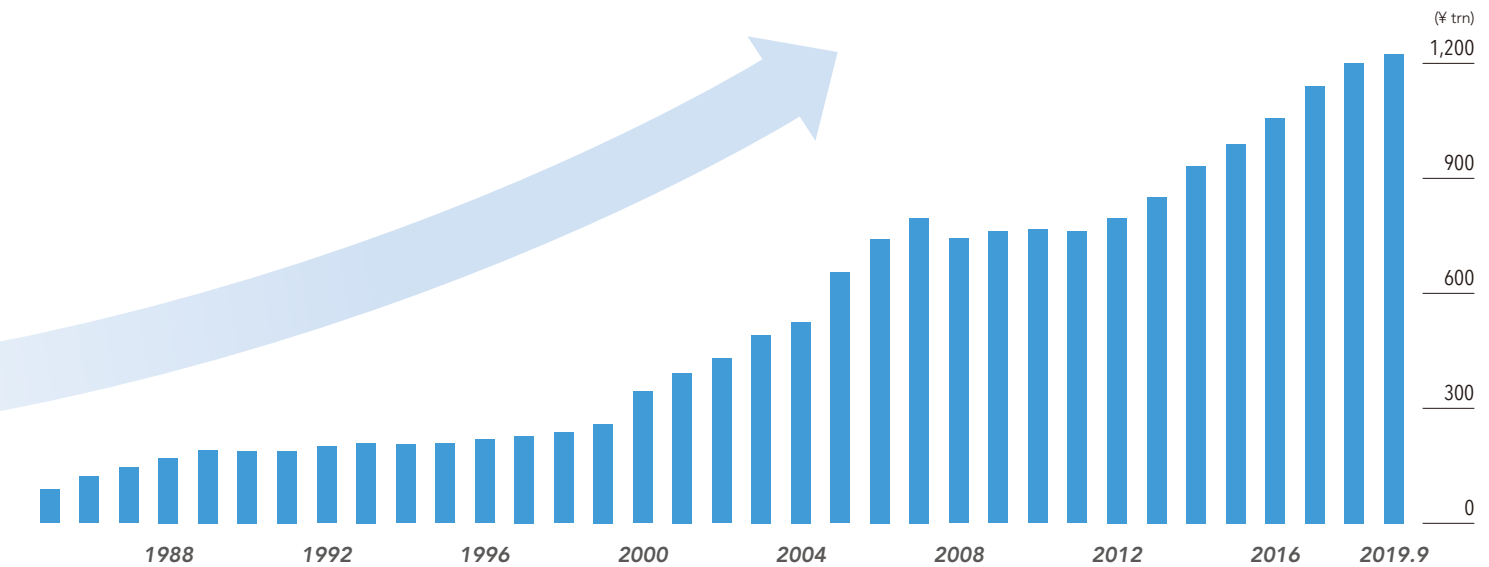
In a land trust, a land owner entrusts the management and investment of land to a trustee, who then constructs buildings and other properties and distributes the earnings from mainly rental income to the trust's beneficiaries. When skyrocketing land prices became an issue in Japan owing to the bubble economy, land trusts were utilized as a way to push ahead with urban development without having to buy or sell real estate.

1990s Birth of asset securitization type trusts

In an asset securitization type trust, a company entrusts its monetary claims, property, real estate, and other assets to a trustee. The trust raises funds by assigning beneficiary rights to investors who are provided with cash flow generated by the assets. Asset securitization type trusts were used as a vehicle to procure funds after Japan's bubble economy burst because they do not hinge on a company's credit.

2000 onwards Amendments to the Trust Act and the Trust Business Act

Fundamental revisions were made to the Trust Act and Trust Business Act in Japan so the industry could more accurately respond to changes in social and economic conditions and asset management methods. Trusts continue to gain further momentum in society with the creation of new types of funds. And as people are now living much longer, services are also being developed to meet the growing demand for asset administration and succession services among individual clients.



2012

- Establishment of Sumitomo Mitsui Trust Bank, Limited (merger between The Chuo Mitsui Trust and Banking Company, Limited, Chuo Mitsui Asset Trust and Banking Company, Limited, and Sumitomo Trust and Banking Co., Ltd.)
- Establishment of Sumitomo Mitsui Trust Asset Management Co., Ltd. (merger between Chuo Mitsui Asset Management Company, Limited and Sumishin Asset Management)

2020

- Establishment of UBS SuMi TRUST Wealth Advisory Inc.
- ***Start of Medium-Term Management Plan running from FY2020 through FY2022***

2017

- Shifted to a company with Three Committees

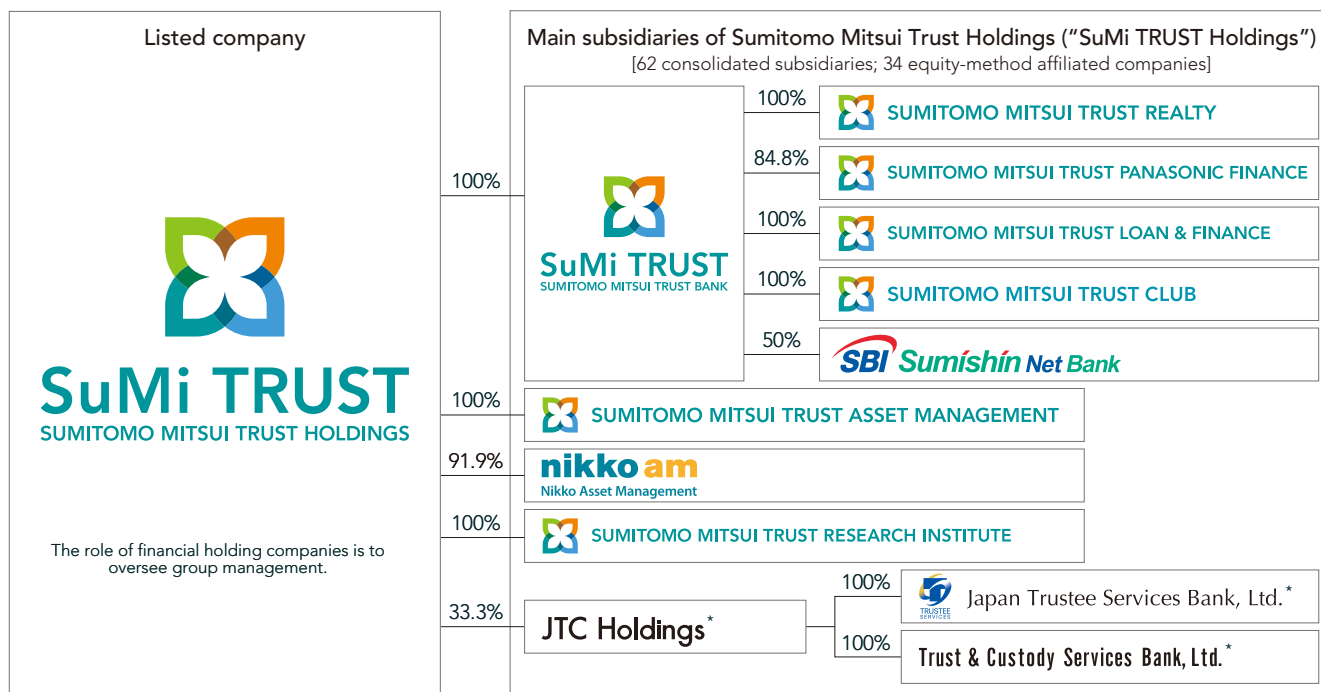
2018

- Integration of asset management functions of SuMi TRUST Bank and Sumitomo Mitsui Trust Asset Management
- Establishment of pure holding company JTC Holdings, Ltd. and business integration of Japan Trustee Services Bank, Ltd. and Trust & Custody Services Bank, Ltd.

Group Information

The SuMi TRUST Group offers its clients optimal and total solutions by leveraging its comprehensive capabilities that integrate both trust and banking functions, as well as the mutual collaboration between SuMi TRUST Bank and the many companies in the Group that specialize in banking, asset management and administration, real estate, and various other fields.

(as of March 31, 2020)



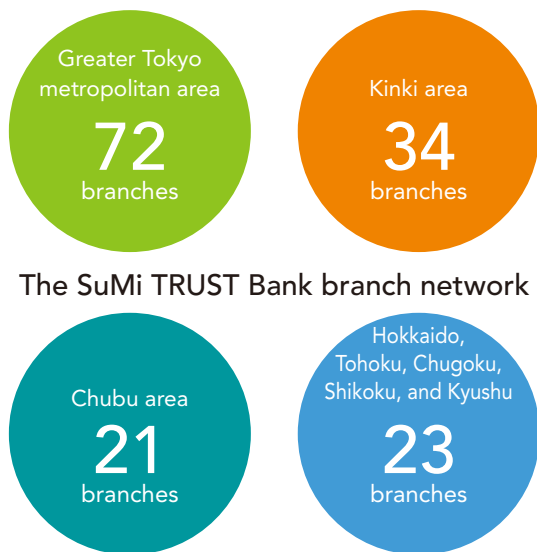
Ratio of ownership with voting rights is shown, including indirect ownership via subsidiaries.

*These three companies are scheduled to be merged on July 27, 2020. Japan Trustee Services Bank, Ltd. will become the surviving company and be renamed Custody Bank of Japan, Ltd.

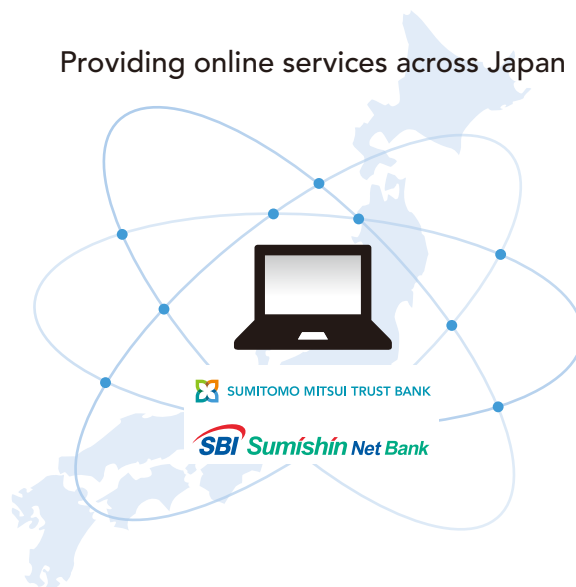
Domestic Network

SuMi TRUST Bank has built a domestic branch network with a well-balanced footprint that is concentrated in the greater Tokyo metropolitan, Kinki, and Chubu regions. Furthermore, SuMi TRUST Bank's internet banking and SBI Sumishin Net Bank offer services nationwide over the Internet.

(as of March 31, 2020)



Providing online services across Japan



*The substantial number of branches is 116 when the branches at the same business site are counted on an aggregated basis. For detail of branches, please see pages 8-11 of the Financial Data Section.

Status

The SuMi TRUST Group is a financial group specialized in trust banking and an industry leader in many areas with a core focus on trust-related fee businesses.

(as of March 31, 2020)

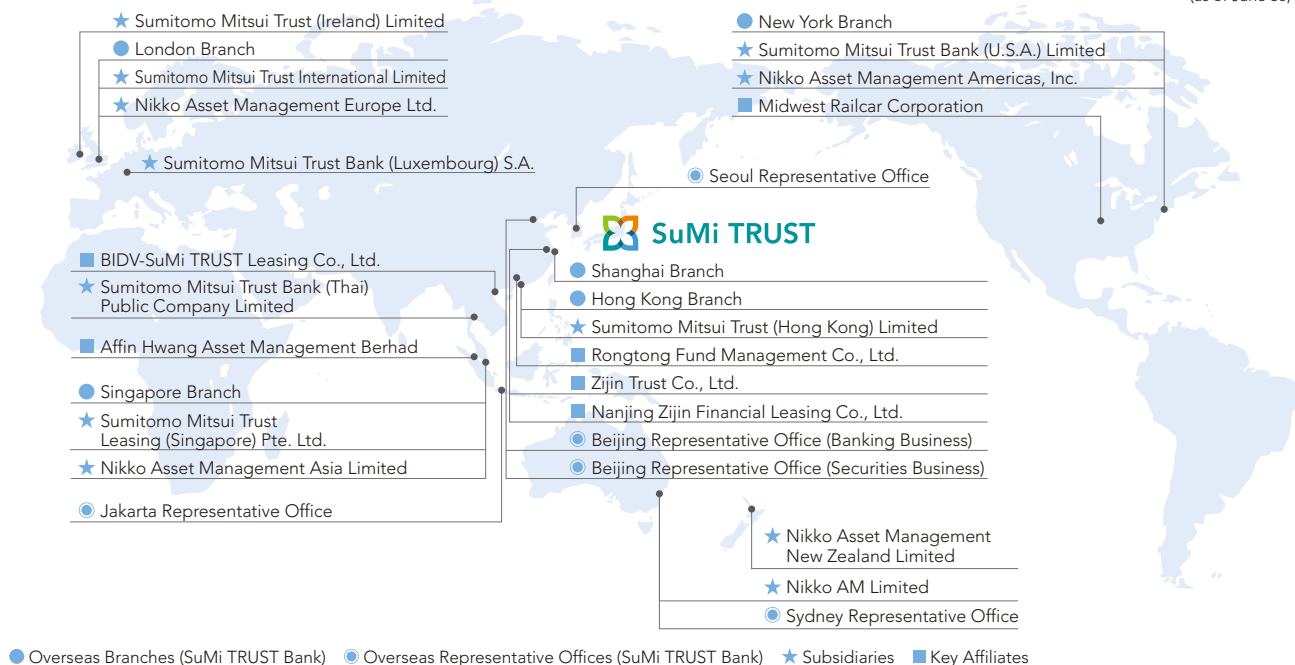
Fiduciary Services Business (incl. asset management)	Assets under management	¥87trn	Domestic financial institutions	No. 1
	Assets under custody*1	¥224trn	Domestic financial institutions	No. 1
	Balance of corporate pension funds	¥12trn	Trust banks	No. 1
	Lead manager for corporate pension funds	1,304 cases	Trust banks	No. 1
	Entrusted balance of investment trusts	¥72trn	Trust banks	No. 1
Real Estate Business	Entrusted balance of securitized real estate	¥18trn	Trust banks	No. 1
	REIT assets under custody	¥15trn	Trust banks	No. 1
Stock Transfer Agency Services Business	Number of client companies	1,630 (42.3% share)	Trust banks	No. 1
	Number of shareholders under administration	27.77mn (42.9% share)	Trust banks	No. 1
Retail Total Solution Services Business	Investment trust/discretionary investment sales volume	¥1trn	Domestic banks	No. 1
	Number of will trusts	33 thousands	Trust banks	No. 2
	Balance of loans to individuals	¥10trn	Domestic banks	No. 4
Wholesale Financial Services Business*2	Balance of loans to corporations	¥19trn	Domestic banks	No. 5
	Total loan balance	¥29trn	Domestic banks	No. 5
	Trust agreement agencies and agencies concurrently engaged in trust business	132	Trust banks	No. 1
	Entrustment of asset liquidation trusts	¥35trn	Trust banks	No. 1

Based on SuMi TRUST Holdings data; *1 Balance of trust assets (trust banks specializing in asset administration excluded due to their large amounts of re-entrusted trust assets); *2 Wholesale Total Solution Services Business and Wholesale Asset Management Business

Overseas Network

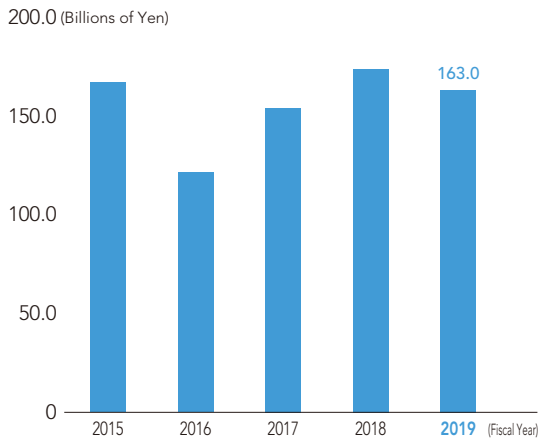
We have our own bases in key markets around the world, and with these bases and through alliances and cooperation with local financial institutions and asset managers, we are working to expand our global presence.

(as of June 30, 2020)

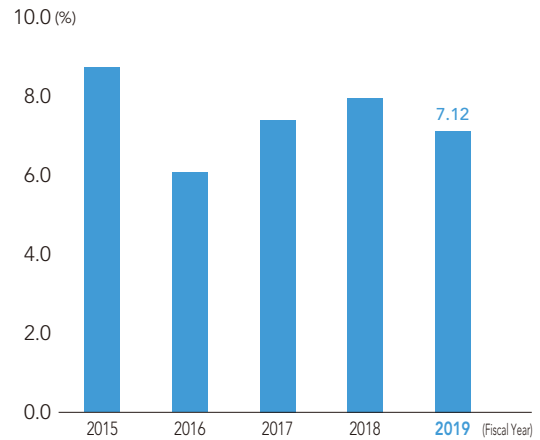


Financial Highlights

Net Income Attributable to Owners of the Parent

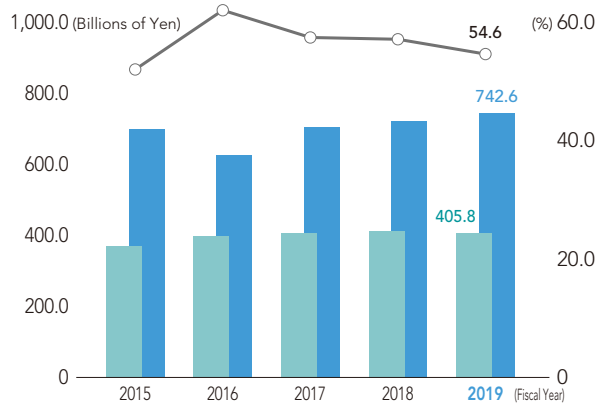


Return on Shareholders' Equity*



*Page 116 for calculation method

Fee Income Ratio*

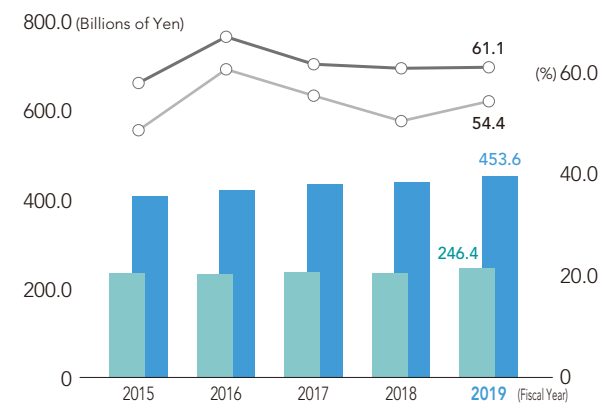


↔ Fee income ratio (right)

■ Net fees and commissions and related profit (left)
 ■ Substantial consolidated gross business profit (left)

*Net fees and commissions and related profit divided by gross business profit

Overhead Ratio*1

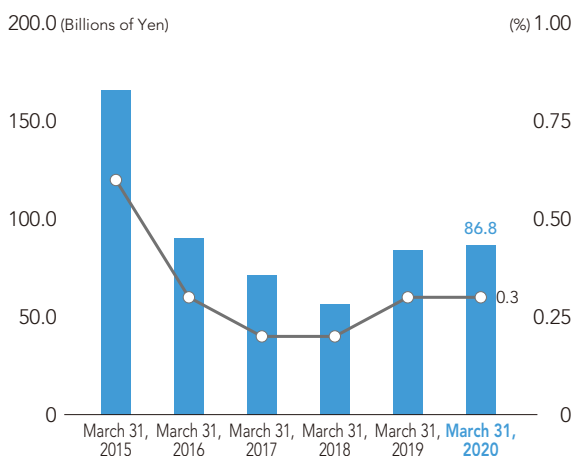


↔ Overhead ratio (non-consolidated)*2 (right) ↔ Overhead ratio (right)

■ General and administrative expenses (non-consolidated)*2 (left)
 ■ Substantial general and administrative expenses (left)

*1 General and administrative expenses divided by substantial consolidated gross business profit
 *2 SuMi TRUST Bank (non-consolidated)

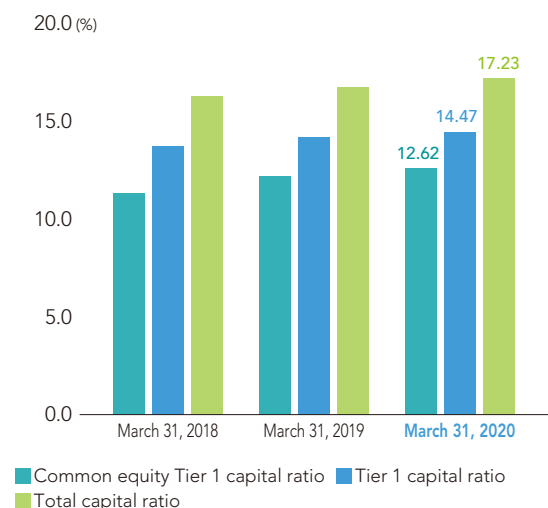
Non-Performing Loan*1 (NPL) Ratio*2



■ NPL (left) ↔ NPL ratio (right)

*1 Problem assets based on the Financial Reconstruction Act
 *2 SuMi TRUST Bank (non-consolidated)

Capital Adequacy Ratio, etc.



■ Common equity Tier 1 capital ratio ■ Tier 1 capital ratio
 ■ Total capital ratio

Non-financial Highlights

ESG Management—External Evaluation

The SuMi TRUST Group's ESG Evaluation

(2019 MSCI rating)

AA

We aim to become the No. 1 financial institution for ESG management, as we reflect the perspectives of ESG investors in our management. We are acclaimed for our ESG efforts, such as receiving the top rating of a financial institution in Japan from MSCI, an influential research institution in the field.

PRI assessment of asset management firms

(2019 PRI assessment)

A⁺

Having signed on to the Principles for Responsible Investment (PRI), Sumitomo Mitsui Trust Asset Management and Nikko Asset Management undertake initiatives in line with the PRI. Both companies have earned the highest overall rating of A+ in the annual PRI assessment.

ESG Management—Enhanced Initiatives

Sustainability in our business

Gold prize

In recognition of its new products, SuMi TRUST Bank was awarded the gold prize in the financing category of the Ministry of the Environment's inaugural ESG Finance Awards Japan (see page 46 for details).

S (number of employees who have passed the gerontology test)

(March 31, 2020)

912

The number of employees at SuMi TRUST Bank that have passed the gerontology test, which was first introduced in 2014, has increased sharply from last year's 293 (as of June 30, 2019) because in addition to branch general managers at all branch offices, it is now mandatory for deputy general managers, section managers, and financial consultants to also pass the exam.

E (exposure to carbon-related assets)

(March 31, 2020)

5.2%

The percentage of loans exposed to carbon-related assets*, an indicator of credit exposure to carbon-related assets in the business portfolio. Owing to an increase in project finance for renewable energy projects, which are subtracted from total exposure to carbon-related assets, the Group's exposure has decreased 0.4 points from the end of last fiscal year (see page 85 for details).

*Combined total for SuMi TRUST Bank and Sumitomo Mitsui Trust Bank (Thai)

G (number of female executives)

(March 31, 2020)

6

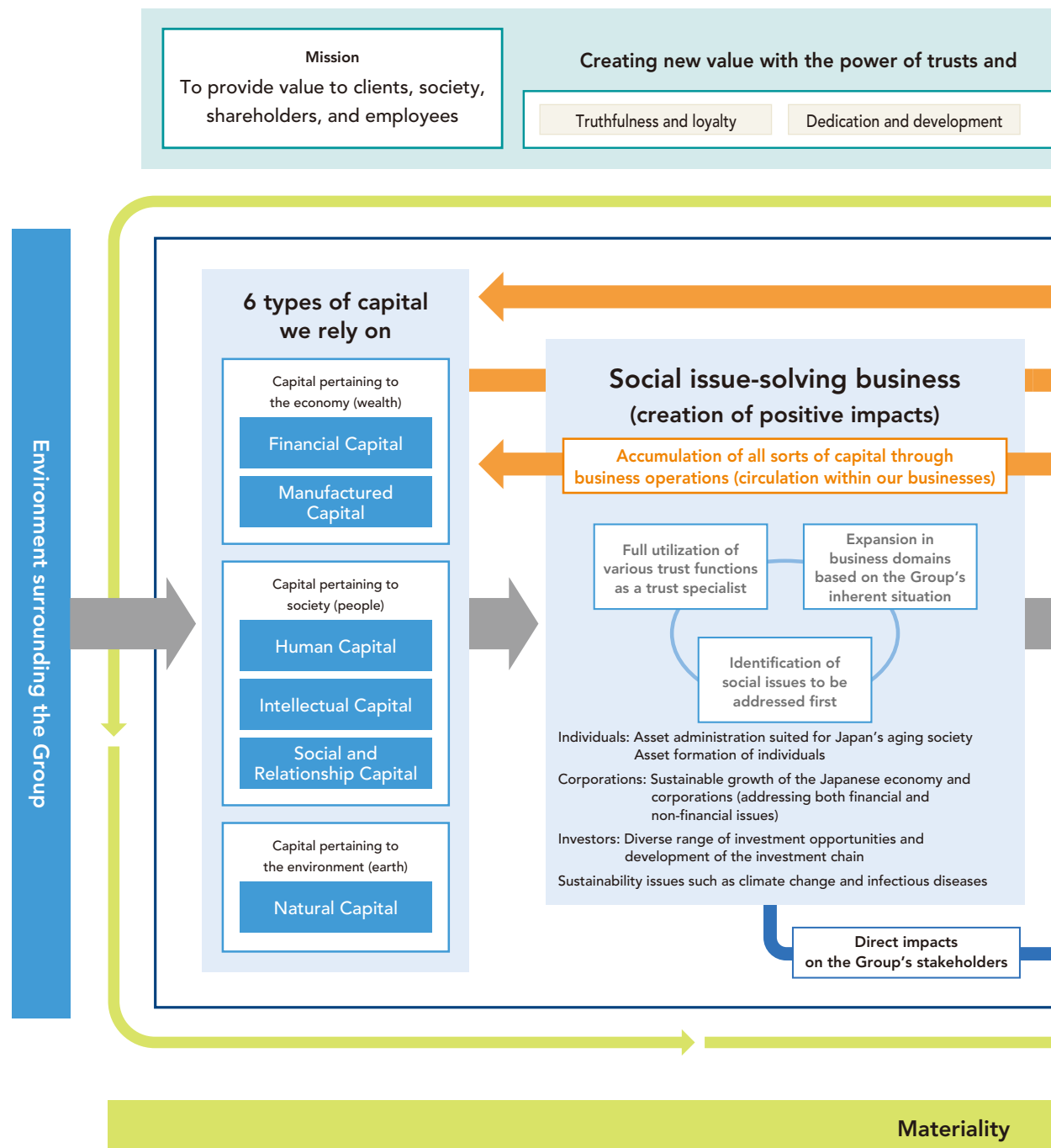
SuMi TRUST Holdings: 1 director
 SuMi TRUST Bank: 2 directors
 Sumitomo Mitsui Trust Asset Management: 1 director
 Nikko Asset Management: 2 directors

Vision

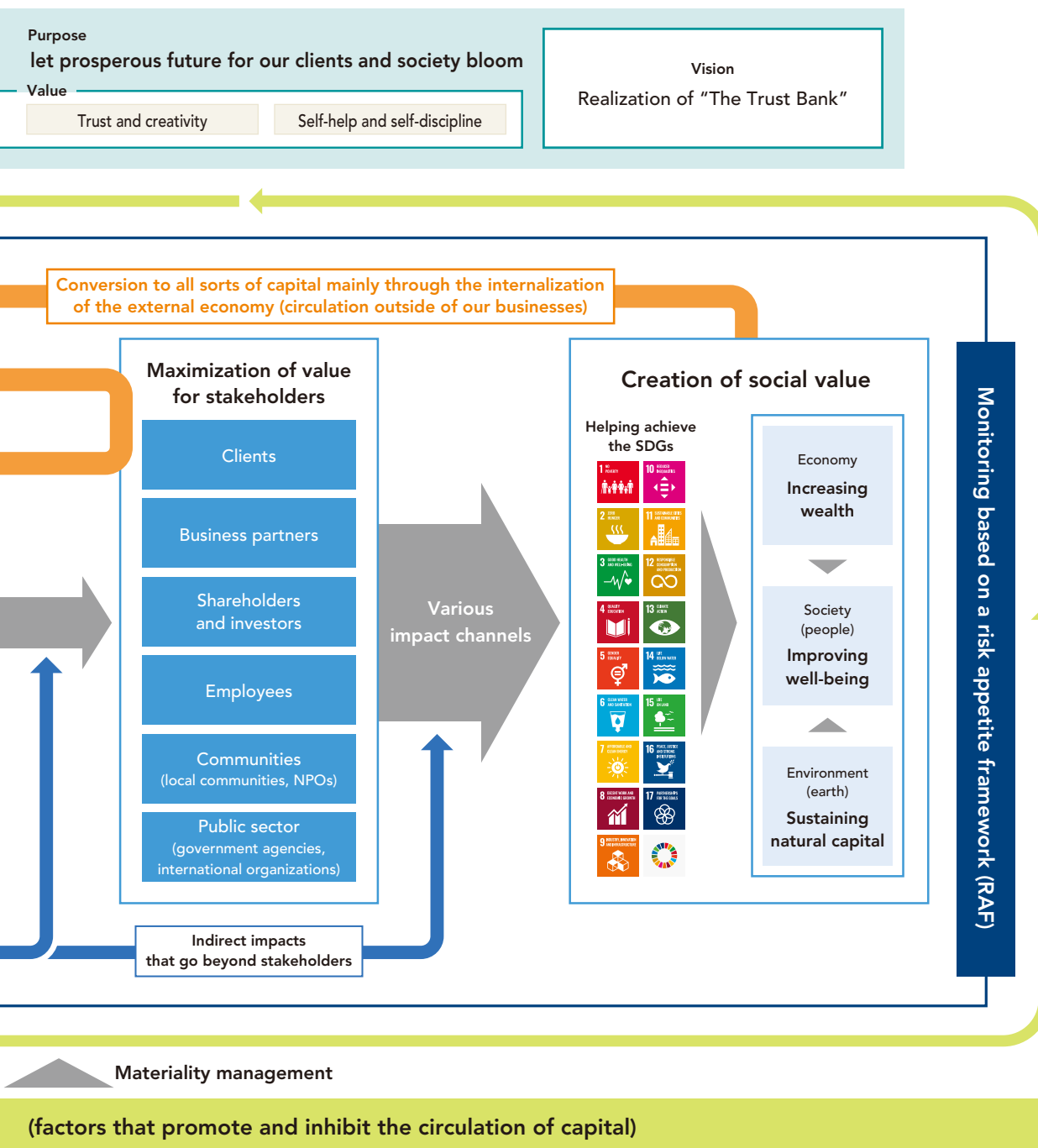
Value Creation Process

Process for the balanced creation of both social value and economic value

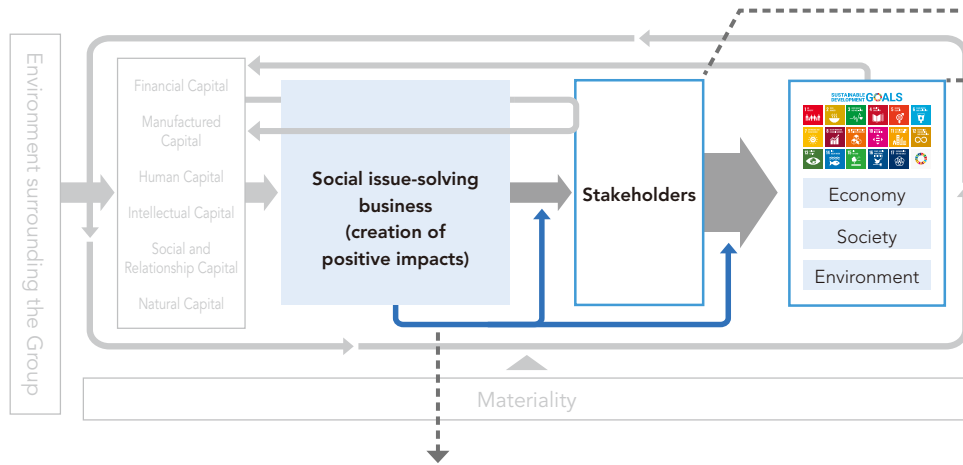
We harness the managerial resources (six types of capital) unique to a financial group specialized in trust banking and leverage our trust functions to drive our business operations. In doing so, we create positive impacts geared towards achieving the SDGs for our stakeholders, which in turn create value for society and economic value for ourselves.



This process also sets in motion the circulation of capital whereby the capital accumulated once more enhances our value creation capabilities in a sustained manner. We identify high-priority issues (materiality) that affect our value creation process over the medium to long term and are currently strengthening our materiality management so as to appropriately control such impacts within the constructs of a risk appetite framework (RAF).



Creation of Impacts



Creation of Positive Impacts

Balanced creation of both social value and economic value has been placed at the very core of our management philosophy in our Medium-Term Management Plan. While there are cases in which social value is generated by our Group's corporate activities, the majority of such value is formed through a chain reaction where one stake-

holder has an impact on the next. In other words, examining in detail the logic (impact considerations) of how our initiatives can ultimately have a positive impact on social issues—as well as how we can limit the negative impacts—serves as a guide to the creation of social value.

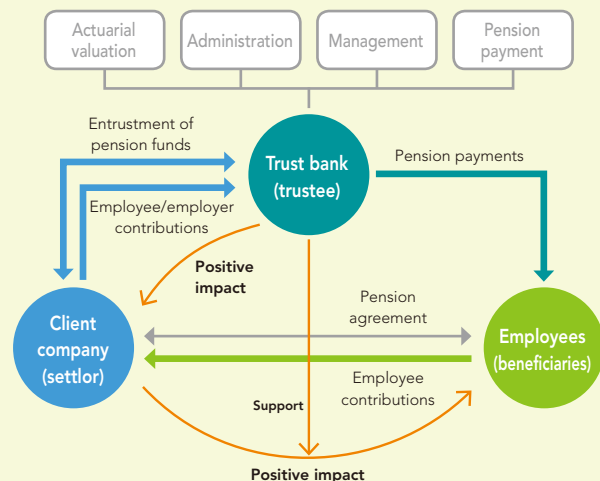
Creation of impacts and ecosystem optimization

Based on our trust banking platform, the SuMi TRUST Group aims to establish mutual and inseparable relationships (ecosystem) with various stakeholders. We make every effort to create positive impacts and limit the negative ones for our stakeholders by drawing on the functions of this ecosystem in terms of the three components that comprise social value:

economy, society, and the environment. However, the impacts are not just limited to those that have a direct effect; we must also take into account the indirect impacts one stakeholder may have on another. We therefore need to chart a course that leads to the creation of social value, and ultimately even the achievement of the SDGs.

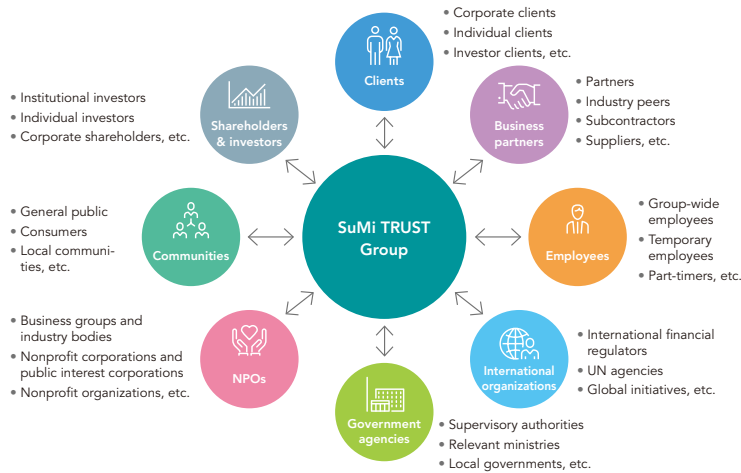
— Our trust business has impact considerations already built in —

The creation of positive impacts that takes into account stakeholders beyond our clients demonstrates a high degree of compatibility with our trust business. For example, the pension trust scheme was created mainly for the purpose of helping stabilize people's lives and improving their well-being, and we are entrusted by client companies (settlers) to perform actuarial valuations and manage pension assets on behalf of their employees (the beneficiaries). In other words, the direct positive impacts on our client companies are accomplished with the creation of indirect positive impacts on their employees. In much the same way, our will trust business and stock transfer agency services business deliver positive impacts to heirs and shareholders, respectively. As a financial group specialized in trust banking, the consideration of impacts is part of the SuMi TRUST Group's DNA and the source of our ability to generate value. Recognizing the beneficiaries among the stakeholders one step removed from our clients in all of our business operations yields added value that is unlike that at the commercial banks.



Stakeholders of the Group

In the Group's management principles, or mission, as well as in our Basic Policy on the Social Responsibility (Sustainability Policy), we identified stakeholders to be our clients, shareholders, investors, employees, business partners, communities, NPOs, government agencies, and international organizations. Listening to the opinions of stakeholders and gaining an understanding of how our Group depends on them and what kind of impacts our corporate activities are having on them is the starting point of our management that can generate social value and contribute to the building of a sustainable society.



Positive Impacts Designed to Create Social Value

The Sustainable Development Goals (SDGs) are a collection of 17 goals intended to be achieved by the year 2030. In developing the SDGs, the United Nations identified the most pressing social issues the international community faces in terms of economy, society, and the environment. The creation of social value is one initiative contributing to the achievement of many of the SDGs, whilst setting off a chain reaction of positive impacts among multiple stakeholders.

It also enhances value for the economy (increase in wealth), society (improvement in people's well-being*), and the environment (sustaining the earth's natural capital). We think social value generated is the sum total of the increases in these three types of value.

*The World Health Organization (WHO) defines health as a state of complete physical, mental and social well-being.

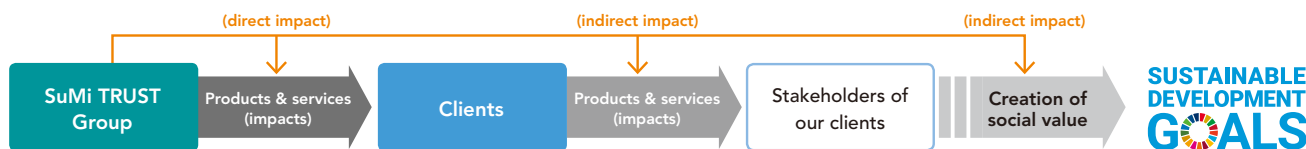
Social issues we need to address and focus

The following topics have been incorporated into the Group's Medium-Term Management Plan as social issues that warrant our attention.

- Individual clients: Asset administration suited for Japan's aging society and asset formation of individuals.
- Corporate clients: Sustainable growth of the Japanese economy and corporations (addressing both financial and non-financial issues).
- Investors: Diverse range of investment opportunities and development of the investment chain.

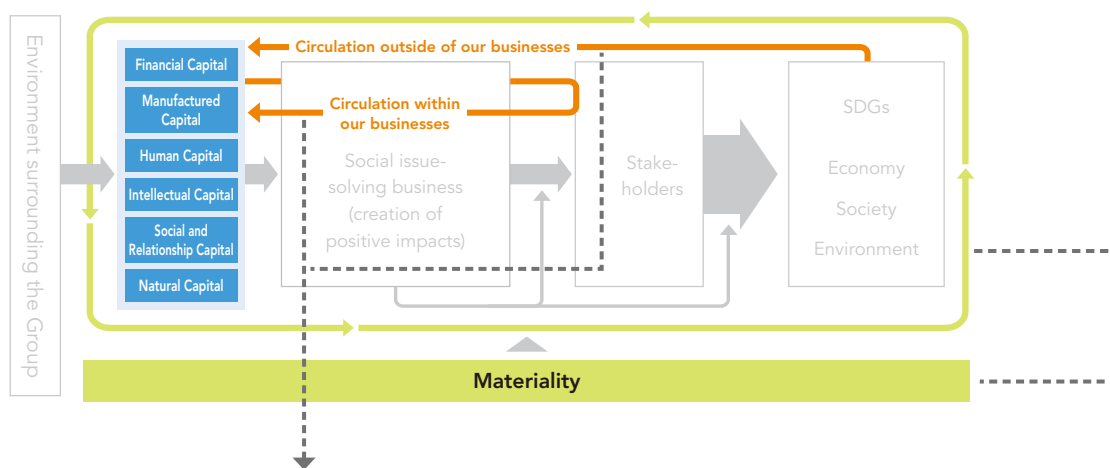
These topics need to be solved through collaboration between the public sector and private financial institutions.

In addressing the issues outlined in our Medium-Term Management Plan together with sustainability topics such as climate change, the recycling of resources, poverty, and infectious diseases, we aim to construct the financial infrastructure with which the SDGs can be achieved by fully leveraging the functions of a financial group specialized in trust banking to develop and deliver to clients the products and services that facilitate the smooth supply of funds.



	Examples of positive impact (promoting)	Examples of negative impact (avoiding)
Direct impact	Investments and loans to renewable energy projects	Sales of property funds with high investment weightings in buildings that are not environmentally friendly
Indirect impact	Consulting on information disclosure that clearly demonstrates processes for achieving the SDGs	Investments and loans to projects that contribute to increased greenhouse gas emissions in the long run

Circulation of Capital and Materiality Management



Circulation of Capital

The capital needed to execute business operations usually consists of cash, equipment, and other tangible assets that appear on financial statements, as well as intangible assets that do not convert so easily into money, like human resources, know-how, and networks. We must inject both financial and non-financial capital into our businesses and establish a mechanism through which our launching pad for growth is enhanced in a sustained manner by the (1) circulation of capital within our businesses, for example, the generation of

profits and development of human resources through business execution, as well as client base expansion, and the (2) circulation of capital outside of our businesses whereby benefits that extend beyond the Group come back to the Group in the long term owing to the internalization of the external economy. The SuMi TRUST Group's value creation process—presented in line with the International Integrated Reporting Framework—is a mechanism that facilitates the circulation of capital through our social problem-solving businesses.

Capital	Three areas of value	SuMi TRUST Group definitions and metrics
Financial	Financial	Capital: 9.7% common equity Tier 1 capital ratio (finalized Basel III standards) Total assets: ¥56trn
	Manufactured	Economy (wealth) Network: 150 offices in Japan, 10 offices overseas (optimally placed network)* SBI Sumishin Net Bank accounts: 3.92mn IT system expenses: ¥46.8bn*
Non-financial	Human	Consolidated employees: 21,658 (diversity & inclusion: 357 female managers (higher than targeted 300))* Employee satisfaction survey: vitality level of 59.1, satisfaction level of 60.4* Employees with certifications: 5,611 registered real estate transaction agents, 43 fellows of the Institute of Actuaries of Japan, 267 financial consultants*
	Intellectual	Total training hours: 5,705; training costs: ¥540mn* Digital Academy classes: 28 (as of June 30, 2020) Future creation activities (employee-driven ideas on new businesses): 267 applications from 499 applicants
	Social and relationship	Society (people) High-quality business platform: assets under management of ¥87trn, assets under custody of ¥224trn (No. 1 for both among domestic financial institutions), total loan balance of ¥29trn (No. 5 among domestic banks), entrusted balance of securitized real estate of ¥18trn (No. 1 among trust banks), 1,613 client companies in stock transfer agency services business and 27.75mn shareholders under administration (No. 1 for both among trust banks) Potential "best partners": 260,000 individual clients and 590 corporate clients* Corporate brand: backed by Mitsui and Sumitomo's combined 400-year history of contributions to society and relationships of trust with clients Sustainability rating: MSCI ESG Rating of AA (No. 1 among domestic banks), FTSE ESG Rating of 4.3 (No. 2)*
	Natural	Environment (earth) Common social capital is shared by all kinds of people and organizations and forms the basis for the existence of the Group itself and its stakeholders. The definition of natural capital according to the International Integrated Reporting Framework is "air, water, land, minerals and forests, biodiversity, and eco-system health."

Data as of March 31, 2020 or FY2019.

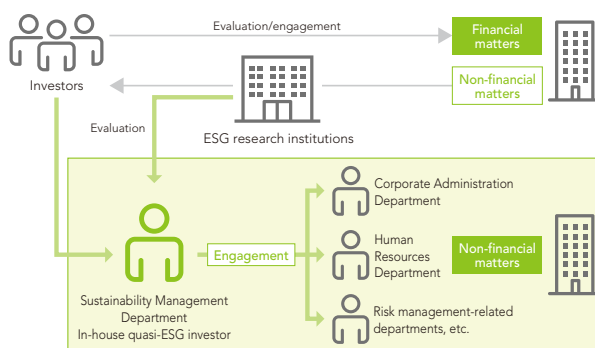
*Asterisk denotes SuMi TRUST Bank only (non-consolidated)

Materiality Management

The circulation of capital is like the circulation of blood. If capital is steadily accumulated in the same way blood flows freely around the body, the ability to generate value will continue to increase in a sustained fashion. With this kind of image in mind, the factors that inhibit the circulation of capital and those that promote it were identified and determined by the Board of Directors as priority issues (materiality) that affect the value creation process over the medium to long term. The departments in charge are usually tasked with managing materiality issues and making that process more sophisticated, but we also employ an internal engagement process as a way of incorporating the viewpoints of stakeholders. More specifically, the Sustainability Management Department engages in dialogue with relevant departments with respect to the non-financial materiality topics in the finance sector that ESG investors are

most interested in and for which the Group's initiatives may face challenges. By doing so, we aim to further improve our initiatives and enhance the disclosure of information.

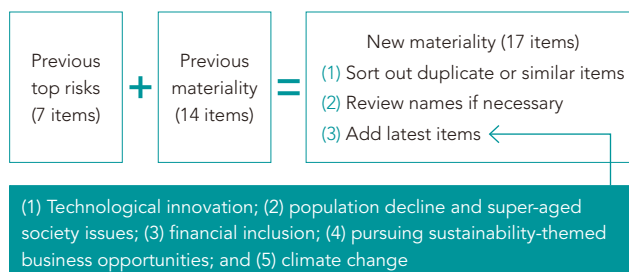
Internal Engagement



Reviewing materiality

In October 2019 we formulated a new materiality list by integrating top risks (see page 102) managed thus far from a financial point of view with the materiality issues managed from a non-financial perspective.

Our policy is to make materiality management more sophisticated so that each type of capital tied to materiality circulates smoothly. In doing so, we aim to achieve balanced creation of both social value and economic value and make certain of sustained growth up ahead.

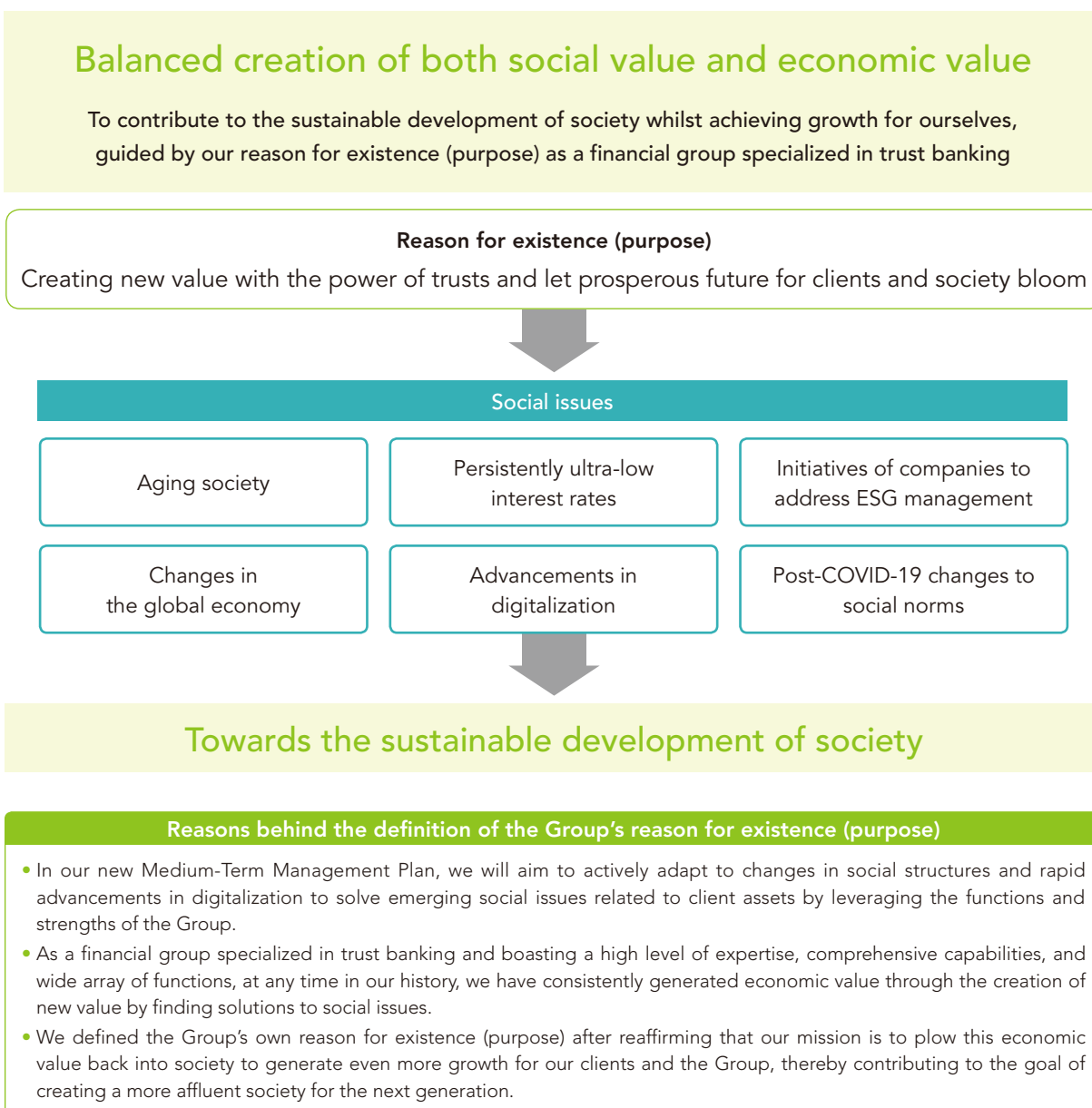


Main relevant capital	Materiality	Risk	Opportunity	Key measures
All types of capital	Corporate governance	●	●	Framework for enhancing value over the long term
Financial capital	Preserving financial capital	●		Concerns about creditworthiness, deterioration in stock prices and property market
	Acquiring sustained earnings	●		Decline in profits in loan and deposit businesses
	Stability of financial system	●		Avoiding systemic risk
	Risk management and resilience	●		Identifying and managing risk, fostering a risk culture
Manufactured capital	Systems maintenance and combatting cyber attacks	●		Cyber attacks, system development delays
Human capital	Bolstering human resources and developing workplace environments	●	●	Human capital, health of employees
Intellectual capital	Protecting personal information and client data	●		Client information management, personal information protection
	Safety of financial instruments	●		Management of risks inherent in products
	Pursuing sustainability-themed business opportunities		●	Development of social problem-solving products
	Technological (digital) innovation	●	●	Advancing digital technology, preparing for digital disruptions
Social and Relationship capital	Compliance	●		Taking measures against anti-social forces, preventing crime
	Client-orientated approach / fiduciary duty	●	●	Improving customer satisfaction, fair trading practices
	Considering impacts on society and the business environment of companies to whom we extend investments and loans	●		Managing negative impacts from investments and loans
	Financial inclusion		●	Responding to the financially vulnerable, dementia-related problems
	Population decline and super-aged society issues	●	●	Improving the well-being of the elderly
Natural capital	Climate change	●	●	Physical and transitional risks, carbon-free society

Medium-Term Management Plan (FY2020–2022)

We formulated the three-year strategy after reassessing the roles and functions expected of us as a financial group specialized in trust banking, as well as our own reason for existence (purpose) based on a long-term point of view. We recognize that taking on the mission of solving social issues arising from the multitude of changes occurring in society and the environment presents us with a growth opportunity, which is why we have placed at the core of our management philosophy the notion of balanced creation of both social value and economic value.

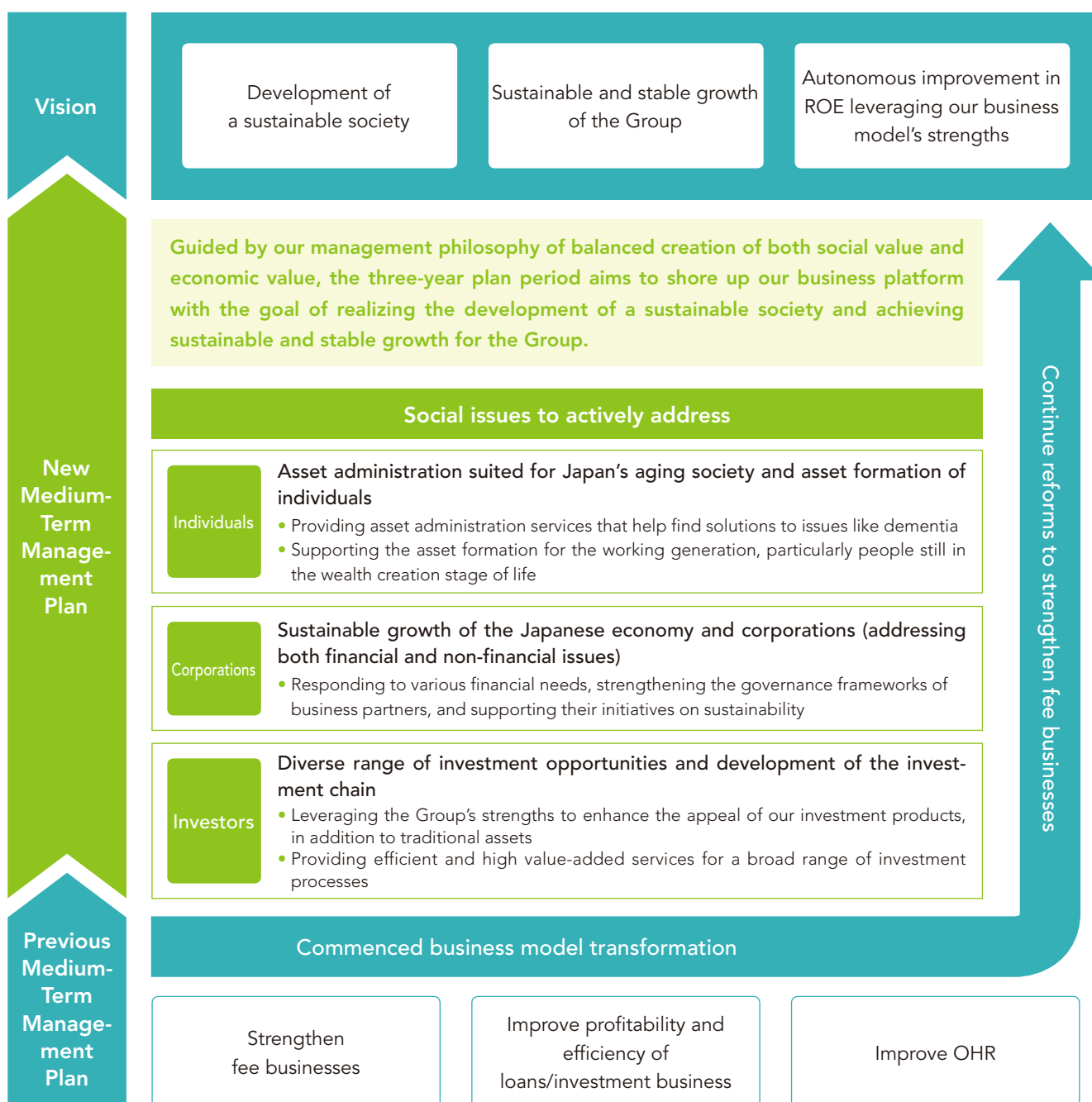
We think the diversification of values in society and the growing number of uncertainties in the environment suggest that now is the right time for the SuMi TRUST Group to take on the mantle of providing trust schemes that can help achieve a safe and secure society. As the “Best Partner” most trusted by our clients, we intend to do everything we possibly can to pass on to the next generation a society that is even more capable of coping with change.



Positioning of Medium-Term Management Plan (expanding platform to achieve sustainable and stable growth)

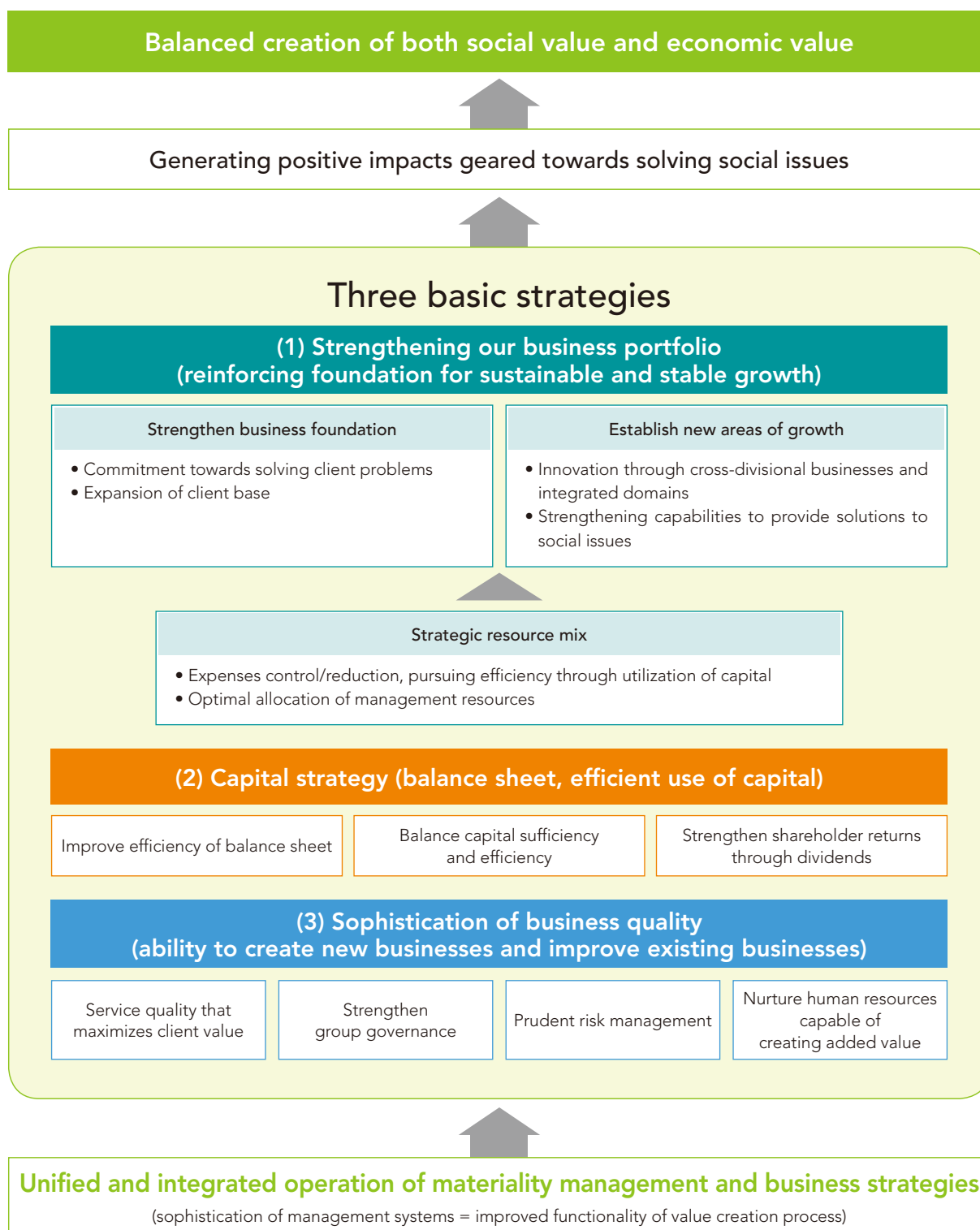
In our previous Medium-Term Management Plan running from FY2017 through FY2019, we kicked off the transformation of our business model to meet the needs of our diversifying client base; on the whole, we made steady progress on attaining our quantitative targets and other objectives. Under the new Medium-Term Management Plan commencing in FY2020,

we intend to make further progress on the same initiatives whilst also shoring up our business platform over the next three years with the aim of chalking up sustainable and stable growth for the Group by aggressively tackling the social issues that confront individuals, corporations, and investors.



Basic Strategies

Under our Medium-Term Management Plan that kicks off in FY2020, we aim to step up our initiatives on further improving the sustainability and stability of growth by anchoring the management of the Group to three basic strategies.



(1) Strengthening our business portfolio (reinforcing foundation for sustainable and stable growth)

• Strengthen business foundation

We aim to create more opportunities to provide new products, services, and total solutions based on long-term, inclusive relationships of trust with existing clients.

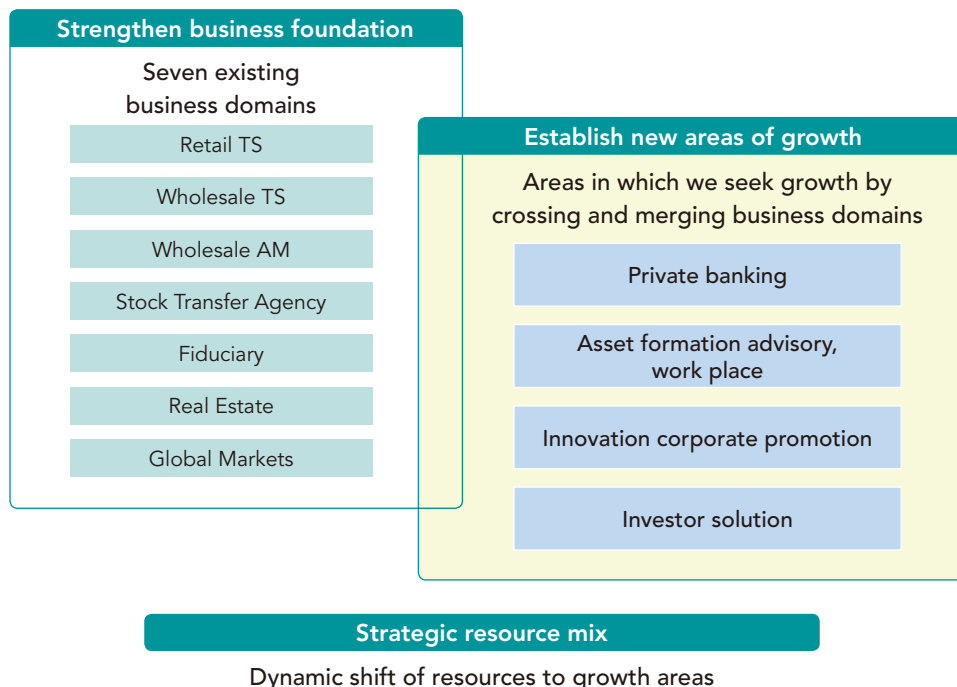
In addition, we will endeavor to gain new clients and build up AUM mainly in the Group's areas of expertise. Through these initiatives we hope to meet the needs of clients and society and continue to generate economic value that underpins the sustainable growth of the Group.

• Establish new areas of growth

In light of the issues expected to arise in the future and the needs of clients that are rising to the surface, we will pursue renewed growth by establishing businesses that deliver solutions to such problems right across our business portfolio. So that we can harness the business creativity of intersecting and melding businesses and functions—one of our traditional strengths—we intend to reorganize SuMi TRUST Bank, the entity at the heart of the Group, and undertake resource allocation and risk taking in an intensive fashion.

• Promote strategic resource mix

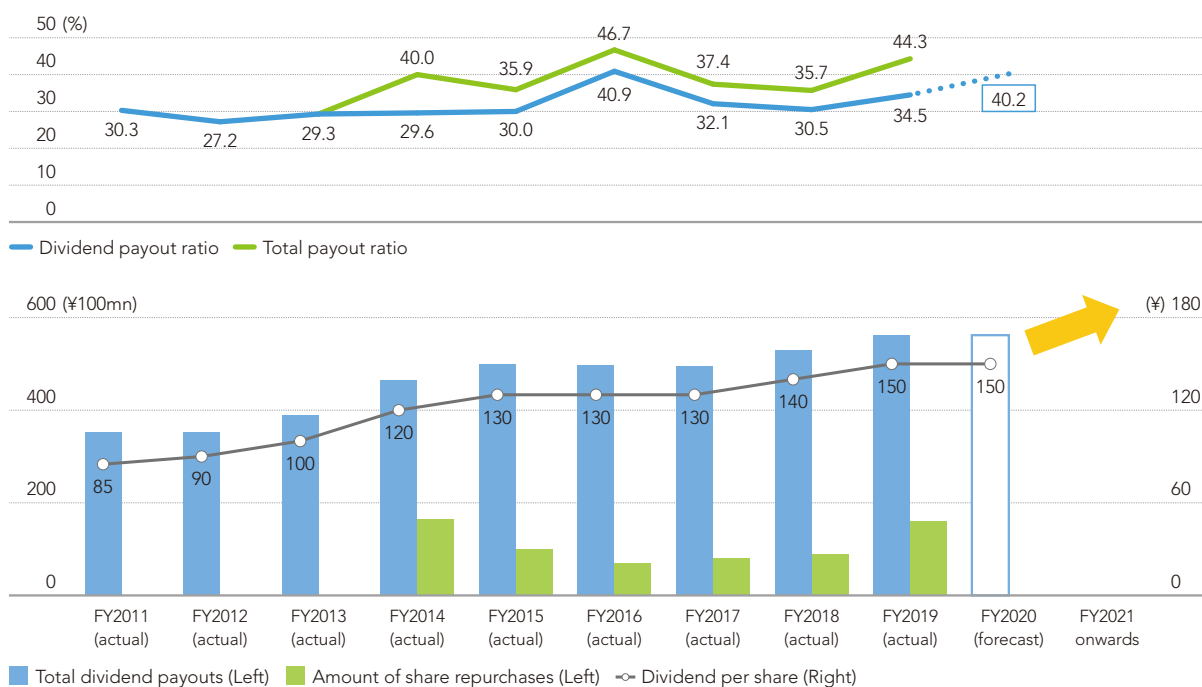
We will push ahead with the optimal allocation of a diverse mix of managerial resources to areas that need them the most in an effort to further strengthen and streamline the Group's management structure. In addition to making effective use of capital and advancements in digital technology, we will also aim to flexibly combine management resources within the Group to build a resilient organization that balances both optimum allocation and maximized use of resources.



(2) Capital strategy (balance sheet, efficient use of capital)

- Whilst maintaining sufficient capital, we aim to be more aggressive in our use of strategic investments, step up our use of active capital strategies, for example by reducing strategic shareholding shares and controlling risk assets, and push ahead with capital policies that strike the right balance between financial soundness and capital efficiency.
- We intend to control risk assets mainly by accelerating asset turnover, step up efforts to diversify our structure on foreign currency procurement, and continuously work on improving profitability in credit portfolios for both individual and corporate clients.
- We will emphasize the return of profits to shareholders via dividends and aim to bolster shareholder returns in line with sustainable and stable profit growth.

Shareholder returns



(3) Sophistication of business quality (ability to create new businesses and improve existing businesses)

- As a financial group specialized in trust banking, we will aim to strengthen our client-oriented and customer satisfaction initiatives as a source of differentiation, integrate the units that handle fiduciary duty and CS (customer satisfaction) operations, enhance business quality management capabilities, and endeavor to instill greater employee awareness, including risk culture, at our branches.
- We will seek to make Group-wide business management more sophisticated mainly in the areas of HR, finance, and risk management, taking into account changes in the operating environment, new regulatory requirements, and the growing importance of Group strategies.

Key Performance Indicator (KPI)

		FY2019 (actual)	Medium-Term Management Plan vision (FY2022 targets)		Longer-Term targets
Performance indicators (consolidated)	Net business profit	¥289bn	¥290bn	Acceleration of business model transformation / growth driven by crossing and merging	
	Net income	¥163bn	¥190bn	Sustainable and stable growth	
	OHR (overhead ratio)	61.10%	Lower 60% range	Future investments in tandem with expense control	Upper 50% range
	Common equity tier 1 capital ratio*1	9.70%	Mid- 10% range	Ensuring capital sufficiency	Stably maintained in 10% range
	Return on equity*2	6.25%	Around 7%	Aiming for autonomous improvement in ROE	Around 9%
	Fee income ratio	54.60%	Upper 50% range	Strengthening steady fee income	Stably maintained above 60%
	Dividend payout ratio	34.50%	Around 40%	Emphasis on returning profits to shareholders via dividends in line with earnings growth / bolstering shareholder returns	
Base KPIs	Client base ("Pre-Best Partners")	Individuals	260,000	290,000	Strengthening our base of "Pre-Best Partners," the stage needed if we are to build healthy relationships and boost our number of clients that ultimately choose the SuMi TRUST Group as their "Best Partner"*3 over the long-term or in a continuous manner
		Corporations	590 companies	720 companies	
	Responding to society following the COVID-19 pandemic (individual clients using non-face-to-face channels*4)	1.85mn	2.38mn	Responding to changes in society and methods of communication as a result of the COVID-19 pandemic in an effort to improve the level of convenience for clients and boost productivity in the Group	

*1 Based on finalized Basel III standards

*2 Changed from "Shareholder ROE". Impact of change roughly -1%.

*3 How our clients view the SuMi TRUST Group

*4 Clients using internet banking or the Life Guide internet portal

Message from Head of Finance



Hitoshi Sato

Managing Executive Officer & Head
of Finance
Sumitomo Mitsui Trust Holdings

1. Review of FY2019—the final year of our FY2017–2019 Medium-Term Management Plan

In FY2019, net business profit before credit costs increased ¥6.7 billion year on year to ¥289.0 billion, which was more or less in line with our forecast. This was mainly attributable to growth in non-interest income related to business for corporate clients and brisk results in real estate, fiduciary services, and other trust-related businesses, which overall offset a decline in income from investment management consulting for individual clients. Meanwhile, net income attributable to owners of the parent fell short of our forecast, decreasing ¥10.8 billion year

on year to ¥163.0 billion, mainly because in light of the uncertainties about what kind of impact the COVID-19 pandemic will have on the earnings of our client companies, the Group booked special loan loss provisions of some ¥25.0 billion (around ¥17.0 billion after tax) as a preventive measure against the sectors and businesses expected to be hardest hit. If we were to exclude the impact of booking special loan loss provisions, we attained, or nearly attained, our targets for both net income attributable to owners of the parent and shareholder ROE.

FY2019	FY2018 (actual)	FY2017 (actual)	FY2016 (actual)	FY2019		
				Forecast	Actual	(excl. special provisions)
Net business profit before credit costs	282.2	270.5	232.3	290.0	289.0	
Net income attributable to owners of the parent	173.8	153.9	121.4	180.0	163.0	Roughly 180.0
Shareholder ROE	7.95%	7.4%	6.07%	Around 8%	7.12%	7.8%

Looking back on the three years of our previous Medium-Term Management Plan, our fee businesses performed strongly. In particular, the stable income ratio for recurring revenue as a percentage of net fees and commissions and related profit steadily increased. We also made progress on improving profitability in our loan/investment businesses, mostly in the area of foreign currency-denominated loans. We also kept our overhead ratio roughly in line with plan. While some challenges have now become apparent, for example, we need to offer more in-depth solutions to individual clients depending on their age group and further improve capital efficiency of loan assets based on the finalization of Basel III regulations, my overall assessment of the previous Medium-Term Management Plan is that for the most part, we achieved our key initiatives and KPIs.

■ Fee businesses

Stable income ratio
(mainly recurring revenue)



■ Loan/investment businesses

Foreign currency-denominated loan spread
(managerial accounting basis)



■ Expenses

Overhead ratio (OHR)



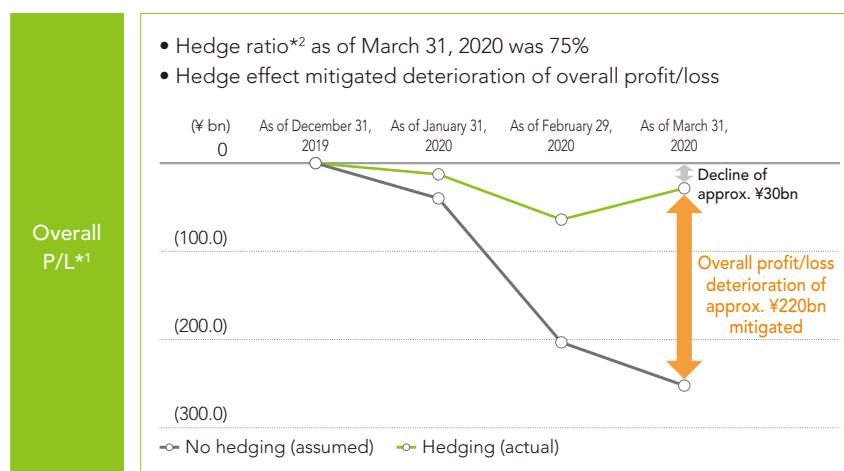
2. Resilience

Our management resilience is once again being questioned as a result of the growing uncertainties stemming from the COVID-19 pandemic. I am confident that the SuMi TRUST Group is endowed with a comparatively high level of resilience in terms of our business foundation and risk management practices.

For the former, we can point to the establishment of a fee revenue base that boasts a high stable fee ratio based on a long-standing and solid client base comprising both individual and corporate clients primarily in our trust-related businesses.

■ Hedging transactions on strategic shareholdings

Impact of share price declines (December 31, 2019–March 31, 2020)



*1 Total of change in profit/loss and realized profit/loss (profit/loss on sale) since the end of December 2019

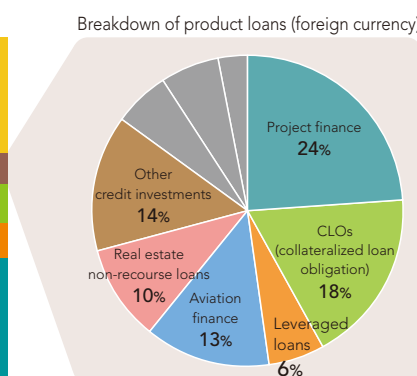
*2 Percentage against market value of strategic shareholdings

“Hedging” data based on strategic shareholdings and strategic shareholdings hedge fund; “no hedging” data based on strategic shareholdings only

As for risk management operations, we continue to minimize as much as possible risks related to strategic shareholdings, for example. As a result, even when share prices nosedived from the end of December 2019 through to March 2020, we were able to avoid significant valuation and realized losses in our equity portfolio. For credit risk management too, we have endeavored to curb downside and credit concentration risks under a stringent credit

policy that applies to loans extended to either individual or corporate borrowers. Most of our loans to individuals are mortgage loans for high-income earners, while the lion’s share of corporate credit goes to first-rate domestic companies. And for product-related assets such as project finance—an area of focus for our overseas portfolio—we have continued to strengthen our practices with respect to safety and diversification of risk.

■ Overall picture of credit portfolio



3. Basic strategies in our new Medium-Term Management Plan (FY2020–2022)

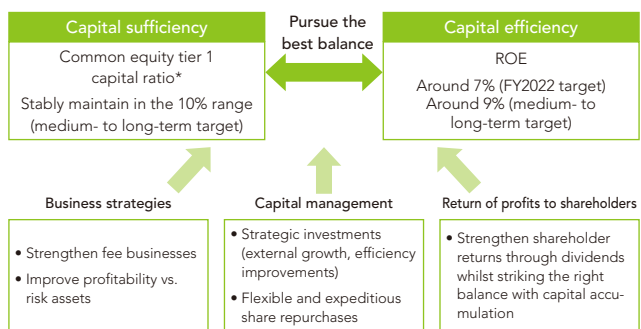
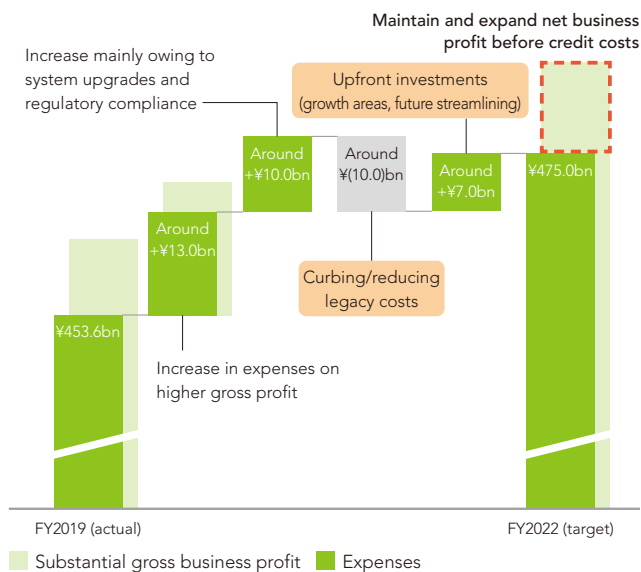
Our new Medium-Term Management Plan that kicks off this fiscal year hinges on the following three basic strategies. Below I discuss each in turn from a financial point of view.

(1) Strengthening our business portfolio (reinforcing foundation for sustainable and stable growth)

In order to strengthen our business foundation and establish new areas of growth in existing business domains, we will look to optimally allocate and shift management resources, including human capital, IT & equipment, and financial capital, and pursue a strategic resource mix by distributing, circulating, and integrating resources between businesses. During the period of this Medium-Term Management Plan, we plan to counteract an increase in costs arising from system upgrades and regulatory compliance by reducing legacy costs centering on office expenses and also secure room for upfront investments designed to establish growth areas and keep a lid on future overheads. That said, our policy going forward will be to accelerate our review of the resource mix with a view to how we communicate with our clients in the new normal of a post-COVID-19 era. For FY2022 we target a consolidated overhead ratio (OHR) in the lower 60% range and upper 50% over the medium to long term.

(2) Capital strategy (balance sheet, efficient use of capital)

The objective of the Group's capital strategy is to strike the best balance between capital sufficiency and efficiency



with the following three measures: (1) improving profitability against the cost of regulatory capital through our business strategies; (2) effectively utilizing capital; and (3) strengthening shareholder returns through dividends. In aiming to achieve this best balance, our plan calls for a FY2022 common equity tier 1 capital ratio (finalized Basel III standards) in the mid-10% range and a ROE of around 7%. The first measure above will be driven by two initiatives: strengthening the liquidation of loan assets and ongoing reductions in strategic shareholdings. For the second measure, our policy will be to aggressively execute strategic investments designed to tap external growth opportunities and improve the efficiency of operations in each business. The third measure (discussed further below in 4. Shareholder returns policy) will be implemented in conjunction with continuous share repurchases whilst maintaining an optimal balance with the first two measures.

4. Shareholder returns policy

Based on the recognition that we are now much closer to a phase during which we can actively utilize the capital we have steadily accumulated thus far, from FY2020 we decided to make changes to our policy on returning profits to shareholders.

In our new shareholder returns policy, we intend to further clarify our stance on emphasizing dividends as a means for returning profit to shareholders in line with earnings growth, raise our consolidated dividend payout ratio target from around 30% at present to around 40% in or around FY2022,

■ Shareholder returns policy

Our approach remains the same as before: Aim to bolster shareholder returns in line with the Group's goal of sustainable and stable profit growth.

Changes to shareholder returns policy:

	Before	After
Consolidated dividend payout ratio	Around 30%	Around 40% in or around FY2022
Share repurchases	Around 10%*	Flexibly buy back shares from the viewpoint of effectively utilizing capital

*Ratio of amount of shares acquired versus net income attributable to owners of the parent this fiscal year

5. In conclusion

Not only has the COVID-19 pandemic prompted us to reassess the need to be prepared for a whole host of uncertainties, I believe it will also be a catalyst for change and open up new opportunities for the Group, such as heightened demand for asset administration services, increased digitalization, and acceleration of non-face-to-face channels deployment. In addition to the resilience derived from our business model and risk culture that I touched upon above, in this day and age, our ability to take up the challenge of business innovation, and the speed at which we do so, will

(3) Sophistication of business quality (ability to create new businesses and improve existing ones)

The sophistication of business quality rests on a two-pronged approach involving the enhancement of the Group's business management together with the maximization of added value for our clients, or in other words, the enhancement of service quality. For the latter, as a financial group specialized in trust banking, we will work on giving shape to our management philosophy of balanced creation of both social value and economic value by improving the quality of, and differentiating, our services in mainly fee businesses. Even though we only forecast a slight increase in net business profit before credit costs in FY2022 compared to FY2019, by pushing ahead with initiatives that bring about qualitative improvements and enhancements to our bottom line, we hope to lay the foundation for growth during the next three-year period.

and carry out share repurchases in a flexible and expeditious manner from the viewpoint of effectively utilizing capital.

When considering the repurchase of shares, we will comprehensively take into account the following three factors: (1) capital sufficiency; (2) balance with strategic investments; and (3) the Company's share price.

Going forward, as a financial group specialized in trust banking, we aim to steadily enhance returns to shareholders in step with the Group's sustainable and stable growth.

be called into question more than ever before.

From a financial perspective too, the Group will continue to help maximize positive impacts on various stakeholders by appropriately controlling financial risk, promoting a strategic resource mix, and actively making effective use of capital. We therefore aim to shore up our business foundation during the three years of the Medium-Term Management Plan with the goal of realizing sustainable and stable growth of the Group and further boosting our presence in the financial sector.

1. Initiatives on active participation of specialists

With our sights set on being the No.1 financial group for human resource development, the Group established its Human Resources Development Policy (TRUST)* in April 2018. Guided by this Policy, we also aim to be the No.1 financial group for human resource participation, where all employees in our diverse workforce can play an active role.



One source of value creation in the SuMi TRUST Group—a financial group specialized in trust banking—is human capital. We aim to form pools of employees and improve their skills so they can leverage their significant expertise and comprehensive capabilities to deliver total solutions to clients.

Financial consultants that possess high-level, specialist skills are one of the pools we have aspirations for. Financial consultants boast a high level of expertise and a wealth of experience; they are professional employees unique to trust banks and are capable of shrewdly managing client assets or proposing prudent asset administration and inheritance services.

Trust banks are characterized by not only deposits and savings, but also their ability to provide comprehensive advice about inheritance, real estate, and other types of assets; financial consultants, in particular, take on the role of consulting with clients in an all-inclusive manner regarding asset administration and inheritance. At SuMi TRUST Bank as of the end of March 2020, there were 276 financial consultants active

throughout Japan.

To earnestly address the issues of our clients in their 100-year lives and embody as best as possible the spirit of being completely client-oriented—one of the values that make up the Group’s Codes of Conduct—our financial consultants do more than just professionally engage in the management and administration of client assets. They are expected to stay in close contact with clients facing wide-ranging issues, offer new value, and demonstrate leadership of the entire organization.

At SuMi TRUST Bank, employees that demonstrate a high level of expertise are certified as Fellows and a framework that reflects their skills in the employment benefits they receive has been introduced. This same framework also applies to financial consultants. SuMi TRUST Bank extends added value to its clients through its financial consultants because they possess not only expertise, but also human qualities.

*Refer to page 95 for more information about the SuMi TRUST Group’s Human Resources Development Policy.

Active participation of specialists



“ Demonstrating significant expertise and human qualities to help solve numerous client issues ”

Satoshi Inaguma

Fellow Supervisor Financial Consultant
Nihonbashi Business Department/Tokyo-Chuo Branch

Q What are your roles as a financial consultant?

A financial consultant plays a central role in meeting the client’s needs for asset administration and succession services. The strength of a financial consultant is being able to respond

singlehandedly to a client’s requests with one-stop, custom-made solutions. To propose the best solutions, the financial consultant, whenever necessary, will work in close cooperation with the businesses of SuMi TRUST Bank—which possesses

significant expertise—and other Group companies, but at the end of the day, the client's sole contact point in the Group is the financial consultant. This is the biggest difference with tax accountants, lawyers, and judicial scriveners. The Group aims to further strengthen its asset administration and inheritance services business in the future. SuMi TRUST Bank is certainly an expert in this field and its financial consultants play a key role in the Group's leading brand of trust. We, as financial consultants, hope to broadly promote our trust services to society through the asset administration and inheritance services business.

Q In what way do you recognize the social issues faced by your clients?

In an age of 100-year life, we are required more than ever before to meet the asset administration and inheritance services needs of our elderly clients. SuMi TRUST Bank boasts an extensive lineup of industry-leading solutions, such as will trusts and the 100-Year Life Solution Trust (also known as the 100-Year Passport), as well as a solid consulting track record, so I think we are well placed to be the “Best Partner” for our clients in this age of 100-year life. The 100-Year Passport is a trust product that incorporates a number of useful features into one package so that clients can feel at ease in their 100-year lives. To counteract the risk of assets freezing at the onset of dementia, the person authorized to handle procedures on behalf of the client can withdraw funds for the payment of medical fees, nursing care expenses, housing costs, tax, and social insurance premiums. We continue to make clever use of such convenient products when proposing solutions to clients in accordance with their needs.

Q Do you have something you always bear in mind as a professional?

Any person incapable of considerably understanding a client's feelings is unlikely to be consulted on important matters by the client, no matter how much business knowledge they might possess. While it is certainly a good idea to be accredited with various licenses to obtain basic knowledge, after actually engaging in financial consultant work, I have come to realize that rather than relying on such knowledge, a degree of sensitivity is needed to empathize with the feelings and pain the client is going through.

As a financial consultant myself, I think altruism is the most important thing. In other words, having a heart to help other people and show compassion. It is important that we must be willing to spare no efforts if it makes the client happy. On a daily basis I think seriously about what I could do to help the client, and having always incorporated those thoughts into my work seems to have naturally brought me a lot of consultation requests from clients.

I also learn a lot from books. If I did not do any reading, the

best I could probably do is only the things based on my few decades of experience. Some people say that the breadth and depth of the world of a single human being is proportionate to how much that person reads. I think reading books enables a person to acquire the intellect and experience of pioneers, great minds, and people of great wisdom from the past and present so they can stay on the right path as a human being and live their life more vigorously.

Q Can you recall an occasion that led to the creation of value for a client?

There is an episode with a client seeking advice about asset inheritance across two generations. The client in question was concerned about a decline in the own decision-making capacity in the future if dementia or some other illness became a factor. I have also learnt that the client would like to move in to a paid nursing home in the future. I therefore proposed to the client the use of the 100-Year Passport as a way of avoiding an asset freeze, introduced them to the Group's affiliated paid nursing home, and made arrangements for one of our Group companies, Sumitomo Mitsui Trust Realty, to appraise the value of the client's home in preparation for sale.

Also, after enquiring about the client's family, I came to understand that the client wanted to leave some assets for both children and grandchildren. Upon hearing this, I performed a trial calculation of how much the client could afford to gift to the grandchildren without impeding their own livelihood and started the process for making a gift.

As part of this process, I suggested the use of life insurance that comes with an annual donation option as a way of reducing the burden of having to enter into a gift contract every year, and I also proposed that the funds gifted to the grandchildren be used to take out life insurance in preparation for the future without being wasted in the near term. On top of this, a will was drawn up so that the intentions of the client would be entrusted and properly conveyed to the client's children.

I felt that drawing on the broad-ranging functions of the Group to offer in-depth advice to the client in an intimate and helpful manner based on their concerns and wishes was what led to the creation of value for the client and their extended family.



2. Initiatives to address digitalization



The remarkable evolution of AI, big data, cloud computing, social media, blockchain, and other types of digital technology is giving rise to new services and businesses thick and fast and significantly changing our everyday lives.

Various industries are seeing outsiders enter the market armed with digital technology, while game changers in mainly retail industries are slashing prices. And the finance sector is no exception—it currently faces competition from FinTech companies.

In the wake of the COVID-19 crisis, alongside the unprec-

edented major changes in society and the business environment—for example, the accelerated uptake of cashless payments, the non-contact, non-face-to-face provision of services, and the rebuilding of client contact points—a paradigm shift is drawing closer by the minute with the potential to further accelerate digitalization and change our mode of life and even the state of our industry.

As we hurtle towards an age of VUCA (volatility, uncertainty, complexity, and ambiguity) characterized mainly by changes in consumption structures and client needs caused by changes in, and diversification of, client sentiment and behavior, we will end up losing the support of our clients and society and follow a path to decline unless we ourselves set about transforming and rebuilding our organization and value chains.

Based on our recognition of this operating environment, we aim to accelerate the pace of digital transformation as the driving force behind the creation of social value that helps solve social issues and the creation of economic value that contributes to the growth of the Group.

Digital strategy in Medium-Term Management Plan — six strategic areas

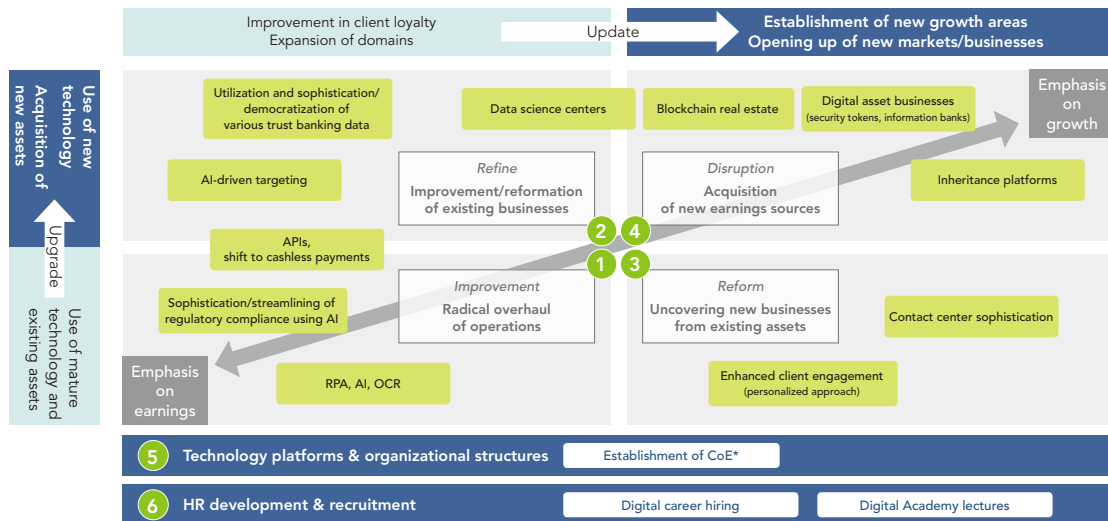
Under the basic policies of strengthening our business portfolio and the sophistication of business quality in our Medium-Term Management Plan commencing in FY2020, we have identified six strategic areas in which we will advance our digital strategy.

The following four areas will be promoted concurrently: (1) **improvement**—utilize mature technology and existing assets to pursue mainly a radical overhaul of operations; (2) **refinement**—brush up existing businesses by utilizing new technology and acquiring new assets; (3) **reform**—redeploy existing

strengths and assets to open up new markets and businesses; and (4) **disruption**—look to establish new growth areas by utilizing new technology.

In order to speedily and agilely drive forward each project in these four areas, we will also need to continue reinforcing our systems. For this reason, we have positioned (5) **technology platforms & organizational structures**, and (6) **HR development & recruitment**, as key strategic areas to be addressed over the medium to long term.

Six strategic areas



*Center of Excellence

Winners of IT Award in the transformation category

SuMi TRUST Bank and Sumitomo Mitsui Trust Systems & Services were joint winners of an award in the transformation category in the 37th Information Technology Awards for 2019, hosted by the Japan Institute of Information Technology.

The IT Awards are presented to corporations and organizations recognized to have made notable efforts to utilize IT in management innovation to achieve outstanding results. The potential award winners are assessed in the following categories: management, customer & business functions, social issue solutions, transformation, and open systems.

SuMi TRUST Bank has automated operations equivalent to 230,000 hours annually with the use of more than 230 robotic process automation (RPA) tools.

A dedicated team of a few dozen employees tasked with developing automation programs worked in close unison with many internal departments to create these software robots. Although

usually difficult to deploy, the team got them running steadily, thereby delivering considerable benefits to the entire Group. The award recognized that the RPA penetration process has the potential to be the standard method of promoting business transformation and is suitable for broader implementation.



Demonstration testing of faster inheritance procedures and automation of inheritance workflow; launch of online will trust service

SuMi TRUST Bank is currently examining various options with the aim of building trust business platforms capable of providing new added value to clients.

Finance sector-wide joint testing to improve services with faster inheritance procedures

Inheritance procedures are likely to be an issue for society in a time of 100-year life, so with the aim of making it easier and faster to complete the inheritance process, we are conducting demonstration tests in collaboration with multiple financial institutions that have endorsed the objectives of the project.

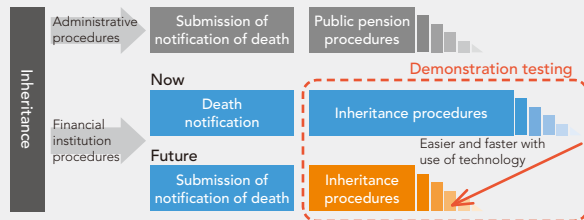
Demonstration testing on automation of inheritance workflow

We are currently utilizing digital technology to test whether we can automate the process of checking the information on a family register in order to confirm heirs for inheritance processing. We have also filed an application for a business model patent as part of this initiative.

Launch of online will trust service

While the smooth transfer of assets is still an issue for society, we are getting closer to an age in which anybody can draw up a will, largely thanks to the easing of will requirements under Japan's Civil Code.

On October 1, 2019 we launched an online will trust service that lets clients easily and conveniently begin the process of acquiring information about will trusts and other services whenever and wherever they wish.



Proof-of-concept construction of trust platform based on UXP information sharing technology

SuMi TRUST Bank is currently considering the construction of a trust platform in collaboration with Cybernetica, one of the leading technology firms in Estonia boasting state-of-the-art security technology.

Cybernetica developed the information sharing technology known as UXP, which was used to expand and develop X-Road, the electronic platform of the Estonian government. SuMi TRUST Bank has its sights set on utilizing this technology in its trust banking platform given the extremely high compatibility with the Group's trust businesses, which currently provide a multitude of products and services to clients in various business domains such as banking, trusts, real estate, pensions, and stock transfer agency services, as well as providing and sharing a wealth of financial and non-financial information for transactions with a wide range of corporate and individual clients.

Owing to our collaboration with Cybernetica, the prime minister

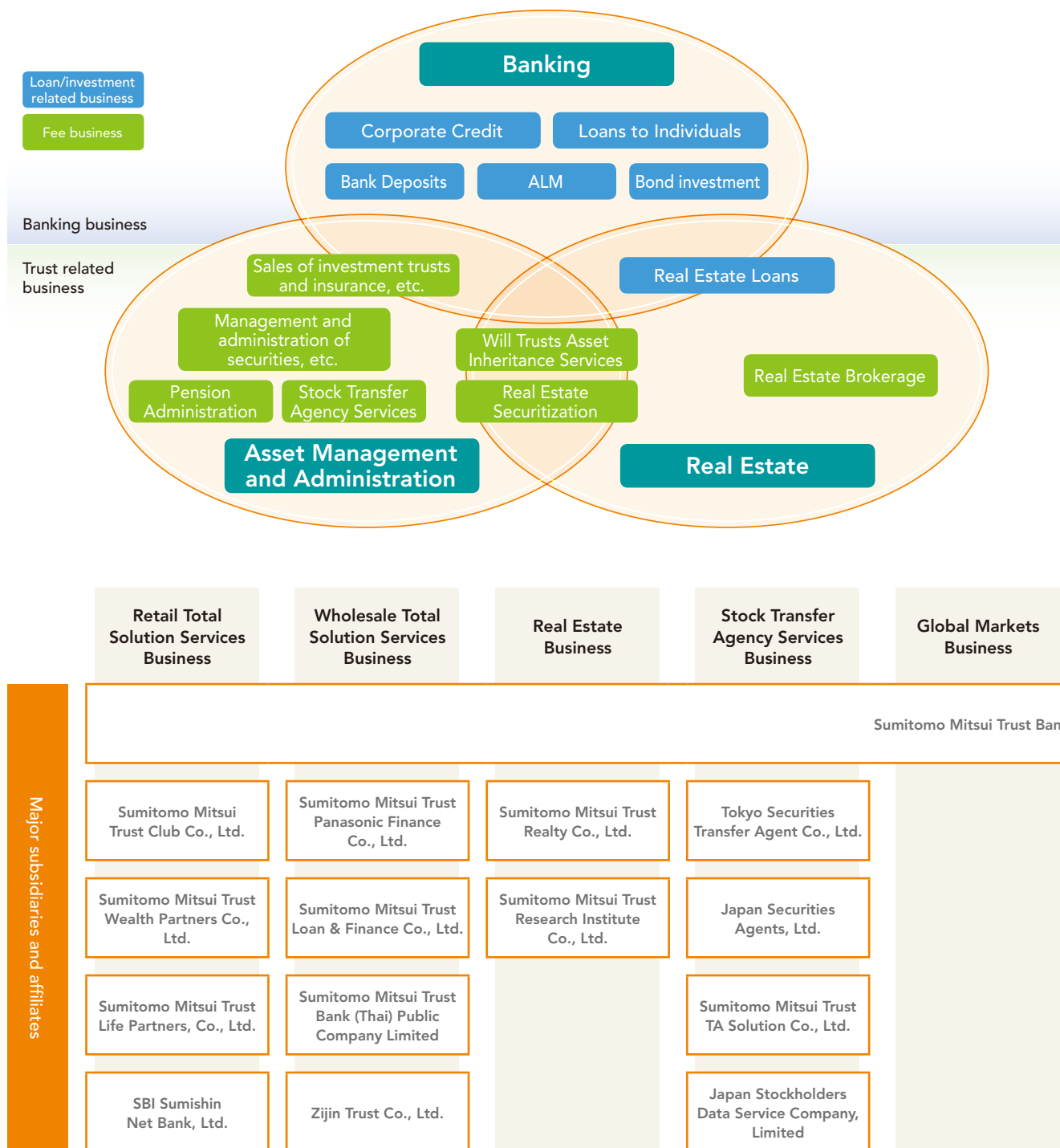
of Estonia, Mr. Jüri Ratas, paid a visit to SuMi TRUST Holdings on February 10, 2020. Following discussions between Japan's prime minister Shinzo Abe and Mr. Ratas on that same day, an official agreement on joint collaboration was signed between the SuMi TRUST Group and Cybernetica.



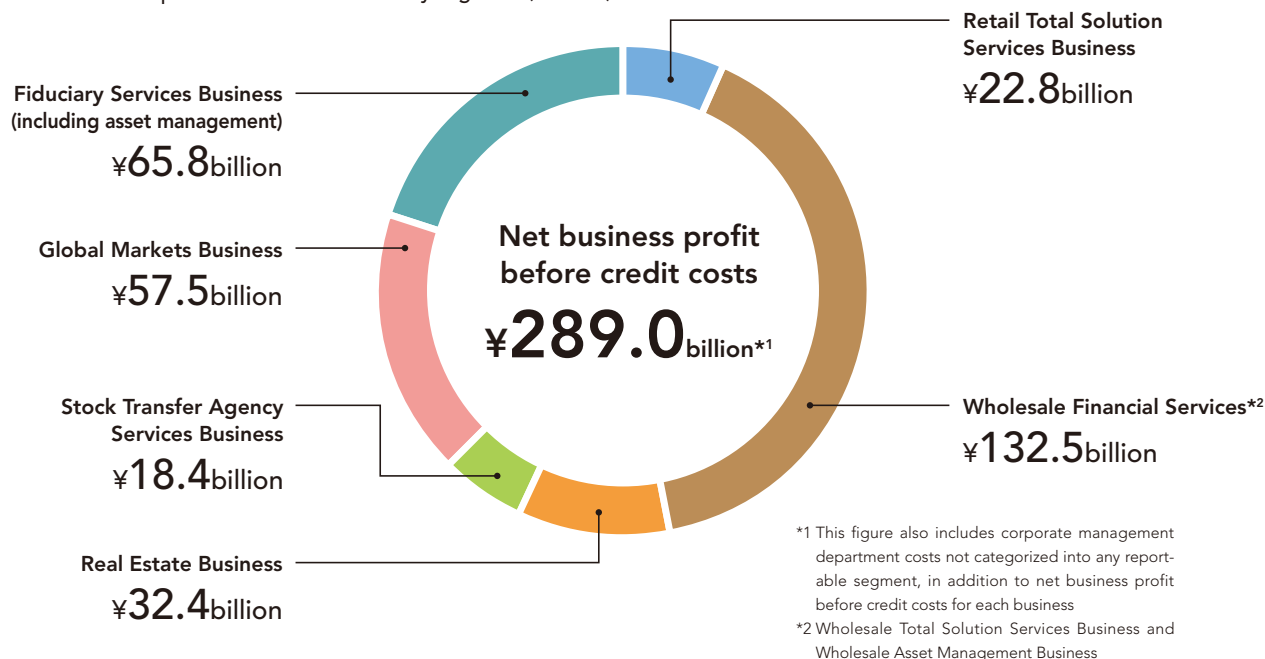
Business Strategy

Making full use of advanced expertise and comprehensive capabilities, the SuMi TRUST Group creates distinct values by leveraging a business model that combines its banking, asset management and administration, and real estate businesses.

Group Structure



■ Net business profit before credit costs by segment (FY2019)



Wholesale Asset Management Business	Private Banking Business	Asset Formation Advisory, Work Place, Business	Fiduciary Services Business	Asset Management
				Sumitomo Mitsui Trust Asset Management Co., Ltd.
Sumitomo Mitsui Trust (Hong Kong) Limited	UBS SuMi TRUST Wealth Advisory Inc.		Japan Trustee Services Bank, Ltd.*3	Nikko Asset Management Co., Ltd.
Sumitomo Mitsui Trust Investment Co., Ltd.			Sumitomo Mitsui Trust Bank (U.S.A.) Limited	Sky Ocean Asset Management Co., Ltd.
Sumitomo Mitsui Trust Real Estate Investment Management Co., Ltd.			Sumitomo Mitsui Trust (Ireland) Limited	JP Asset Management Co., Ltd.
			Japan Pension Operation Service, Ltd.	

*3 JTC Holdings, Ltd. and Trust & Custody Services Bank, Ltd. was absorbed and merged into Japan Trustee Services Bank, Ltd. on July 27, 2020 and subsequently renamed Custody Bank of Japan, Ltd.

SuMi TRUST Bank — President's Message



Masaru Hashimoto

President
Sumitomo Mitsui Trust Bank, Limited

Creating new added value as our clients' "Best Partner"

Japan's social structure is undergoing considerable change, driven mainly by the advent of an aging society and the advancement of digital technologies. Moreover, the impacts of COVID-19 have spread to all corners of the globe and there are concerns that they will linger for an extended period of time. These circumstances are forcing us to make all kinds of changes, particularly with regard to how we work and live.

In this environment, the SuMi TRUST Group launched its new Medium-Term Management Plan spanning the three years from FY2020 through FY2022. Under this Plan, we will aim to proactively adapt to changes in the structure of Japan's society and address new social issues head on in an effort to deliver solutions by drawing on the unique functions and strengths of the Group.

From our perspective as the core company of the Group, SuMi TRUST Bank will push ahead with initiatives that help achieve sustainable and stable growth for the Group and contribute to the development of a sustainable society.

Given the concerns in society about the prolonged impact of the COVID-19 pandemic, we aim to respond appropriately to the financing needs of our clients and provide steadfast support. Furthermore, we will continue to offer new products, services, and solutions based on the long-term, inclusive relationships of trust we have established with our clients.

Going forward, we aim to step up transactions with new clients, regardless of whether individual or corporate, mainly in our existing areas of expertise, such as asset management and asset administration, and we will endeavor to expand our business foundation and establish new growth fields by combining our functions and services.

To complement our existing seven businesses, this fiscal year we set up two new cross-divisional businesses—the Private Banking Business and the Asset Formation Advisory, Work Place, Business. The former will offer integrated solutions to wealthy clients based on our banking, trust, and real estate services, as well as the functions of other Group companies. The latter will offer individual clients, who are working at companies, services based on their stage in life. We also established two integrated domains: the first is the Innovation Corporate Promotion domain through which we provide various growth stage-based functions to companies still in the initial stage of growth; the second is the Investor Solution domain whereby we consolidate our know-how regarding asset management proposals in each business and aim to deliver high-quality proposals to individual and corporate clients.

By assigning employees with high levels of expertise to these cross-divisional businesses and integrated domains, we can harness the unique functions of SuMi TRUST Bank that are already intertwined with our existing businesses to provide solutions that are truly required to meet the diverse and sophisticated needs of our clients.

Considering the clouded outlook for the future, I think now is the very time we must demonstrate our varied expertise and comprehensive capabilities as Japan's only financial group specialized in trust banking. We will continue to create new added value and grow with our clients towards a brighter future as their most-trusted "Best Partner."

July 2020

Sumitomo Mitsui Trust Bank, Limited
President

Masaru Hashimoto



Retail Total Solution Services Business



Message from Executive Officer

To meet the wide-ranging needs of individual clients across different age groups, the Retail Total Solution Services Business, driven by high-quality, comprehensive consulting, provides various services unique to a financial group specialized in trust banking, such as asset formation and management, asset administration, and inheritance and succession.

Seiji Iwakuma

Senior Managing Executive Officer,
Head of Retail Total Solution Services Business, SuMi TRUST Bank
Executive Officer*, SuMi TRUST Holdings

*Executive Officer as defined in our internal policy.

Medium- to long-term vision

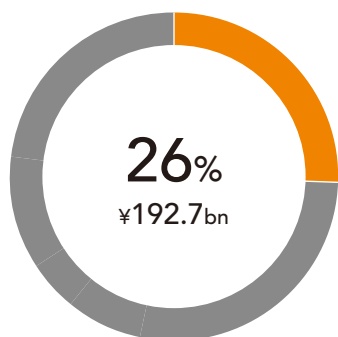
As we approach an era in which more people will live to be 100 years old, there is growing interest among our clients about leading long and fulfilling lives. At the same time, worries and concerns about building wealth for the future and the administration of assets during old age are emerging as issues for society across all age groups.

By leveraging the significant expertise and broad range of products and services that only a financial group specialized in trust banking can provide, we aim to solve the issues

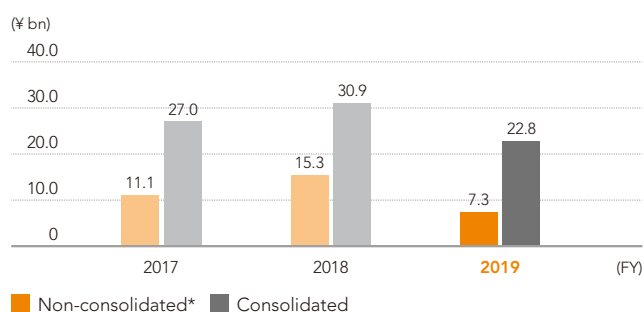
of each and every client by offering total consulting services that take into account the attributes of assets and liabilities that change in accordance with the age and life events of our individual clients.

In line with the Policies regarding the Fiduciary Duties of the Sumitomo Mitsui Trust Group, we will endeavor to be completely client-oriented and further enhance our professional capabilities that underpin our consulting services so that we may continue to grow together with our clients.

Weighting of substantial gross business profit



Net business profit before credit costs



Owing to an increase in administration fees and a decrease in investment trust and insurance sales fees in investment management consulting services, net business profit before credit costs fell ¥7.9 billion year on year to ¥7.3 billion on a non-consolidated basis and declined ¥8.0 billion to ¥22.8 billion on a consolidated basis.

Business environment awareness

Environment awareness and issues

- Spread of COVID-19 pandemic, prolonged negative interest rates, lower fees on financial instruments
- Reform of operational processes and branches to address medium- to long-term population decline and digitalization

Opportunities and Group strengths

- Strategic deployment centering on client-oriented total consulting unique to a financial group specialized in trust banking
- Broad client base, from people in the asset formation stage of life through to seniors
- Heightened need for asset formation and property management in a super-aged society and the Group's diverse lineup of products and services

Key measures in Medium-Term Management Plan

By earnestly tackling the issues in the lives of each and every client and providing accurate, total consulting according to age or life plan, we are intent on helping solve the issues of our clients and broader society in this impending age of centenarians.

■ Initiatives on asset formation for clients of the working generation

We will offer consulting services and deliver proposals that reflect the needs of each individual client, primarily taking into account changes in how people work and live, as well as the growing need to build wealth. We will aim to grow together with our numerous clients by benefiting from their transactions over many years and increasing their assets under management.

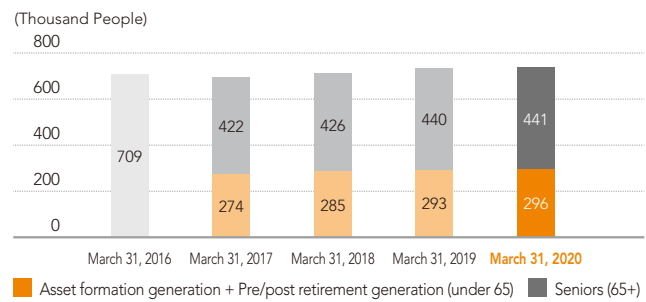
■ Initiatives on asset administration and succession for senior clients

We will offer consulting services and deliver proposals that reflect the needs of each individual client, primarily taking into account future concerns about dementia and health, as well as various issues pertaining to next-generation inheritance and succession. We will also make every effort to enhance our products and services so they contribute to the promotion of financial inclusion in Japan's aging society, thereby providing safety and security to clients.

■ Channel optimization and streamlining of operations

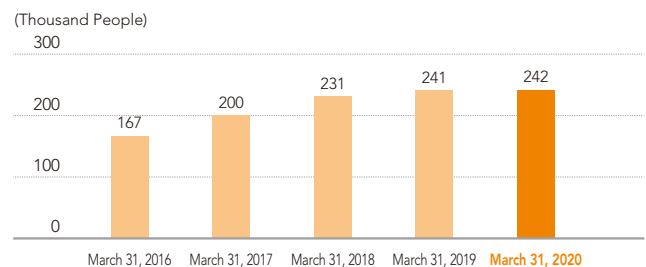
In aiming to expand consulting opportunities, we will aim to roll out highly convenient client channels by reexamining our branch network and beefing up non-face-to-face and online-based quasi-face-to-face channels. Also, by reducing the volume of work carried out at branch offices, we will endeavor to strengthen our consulting capabilities on the back of improved productivity and personnel reassignments.

Clients that hold a managed financial product



*Clients of SuMi TRUST Bank that hold a managed financial product
 *Managed financial products: investment trust, discretionary investment management product, life insurance, foreign currency deposits

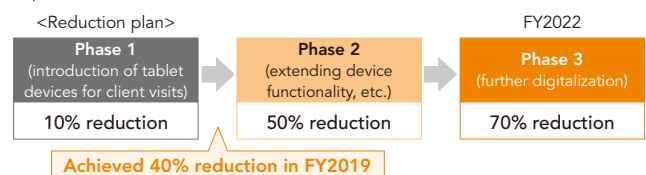
Clients that hold an asset administration-type trust product



*Clients of SuMi TRUST Bank that hold an asset administration-type trust product
 *Trust products: Will Trust, 100-Year Life Solution Trust (100-Year Passport), Tuition Fund Endowment Trust, etc.

Improving efficiency of branch operations

70% reduction in branch back office work over five years from FY2017
 Reassignment of an equivalent 1,600 employees to strengthen consulting capabilities



Sustainability initiatives

Addressing the problems of a super-aged society with trust bank functions

Owing to the advent of Japan's super-aged society, increased fragility in the pension, social security, and other socio-economic systems that underpin livelihoods, as well as delays in offering appropriate financial services to senior citizens suffering from dementia or other illnesses, are likely to pose greater problems for the stability of people's lives. By harnessing the functions and skills of a financial group specialized in trust banking, the Group will drive forward its high value-added solution services business to safeguard personal assets, secure sound living arrangements, and help ensure stability in the lives of seniors and their families.



Establishment of 100-Year Life Solution Department

Given the advent of the age of 100-year life, SuMi TRUST Bank established a 100-Year Life Solution Department with the goal of providing suitable solutions to address the various issues faced by our individual clients. The 100-Year Life Solution Department will aim to identify the increasingly diverse and complex needs of clients caused by changes in time horizons as a result of longer living and develop and successively roll out a whole host of solutions by harnessing the unique know-how cultivated over many years as a financial group specialized in trust banking in an effort to deliver security, safety, and enjoyment to our clients.

In addition, SuMi TRUST Bank established the Sumitomo Mitsui Trust Future Assets Institute for the purpose of examining and conducting research into the various needs and concerns pertaining to the building and utilization of assets required in an age when many people will likely live to be 100 years old. This new institute will aim to provide information about these activities to not only the Group's clients, but to broader society. We are also accelerating measures to bolster organizations and systems so that we can meticulously meet client needs; for example, Sumitomo Mitsui Trust Life Partners, the insurance sales arm of SuMi TRUST Bank, opened a new Consulting Plaza for peaceful 100-Year life Plaza office in Shinjuku, and the Anshin Support Corporation was founded in order to help alleviate the future concerns of our elderly clients regarding mainly housing, healthcare, and nursing care.

Gerontology exam

Gerontology examines the various issues that occur as people age and is a field of study characterized by interdisciplinary viewpoints aimed at investigating ways to help people lead better lives. At SuMi TRUST Bank, since 2014 it has been mandatory for all branch managers to sit and pass a gerontology exam run by the Society for Applied Gerontology-Japan. From 2019, however, this requirement was extended to deputy general managers, section managers, and financial consultants. As a result, the number of employees that have passed the test has increased sharply to 912 people as of the end of February 2020.

Proposing housing options

Housing holds the key to whether or not the elderly can maintain quality of life and enjoy peace of mind. The SuMi TRUST Group provides information about housing options that cater to the needs of senior-generation clients and offers its assistance to ensure housing stability by making full use of the Group's wide array of functions. We go into more detail about housing options in one of our reports on supporting the senior generation (Considering Senior-Generation Housing—V2.0).



Silver College seminars

SuMi TRUST Bank invites leading experts in various fields to speak at its Silver College seminars so that the senior generation and the clients that support them may acquire information about leading a reassuring and fulfilling "second life." Since 2012, 201 seminars have been held throughout Japan, attended by approximately 6,100 participants (as of March 31, 2020). Topics covered have included money, health, dementia, and housing, while the lectures given by our group of first-rate instructors have been favorably received on every occasion.



Silver College seminar in progress (Okayama, November 2019)

Addressing dementia issues

The number of people with dementia in Japan is rising sharply as the population continues to age—roughly one in seven people aged 65 or older, or around one in four if including those that show signs of the early stages of dementia known as mild cognitive impairment. From the viewpoint of normalization, SuMi TRUST Bank implements various initiatives with the aim of creating a society in which clients with dementia can still lead a life that is not dissimilar to normal individuals. For example, we collaborate with academia to develop new products and encourage employees to take part in dementia support training courses.

In one of our reports on supporting the senior generation (Considering the Problems of Dementia—V2.0), we provide some easy-to-understand explanations about estate management in preparation for the onset of dementia. This report sheds light on not only our own products, but also the lineup and various functions of estate management schemes, including public services. It has been favorably received by both clients and experts on the adult guardianship system thanks to its easy-to-understand explanations particularly regarding the timing of when contracts come into effect based on how far a person's dementia has progressed.



Collaboration with COLTEM

SuMi TRUST Bank is actively incorporating medical, legal, and caregiving knowledge into its measures for addressing dementia by participating in the industry-government-academia project known as COLTEM (collaboration center of law, technology, and medicine for autonomy of older adults) and also collaborating with the Kyoto Prefectural University of Medicine, the leading entity of the project. The publication of our Guide for Dementia Friendly Financial Services in September 2017 is one accomplishment of this initiative. We have also contributed to improving the entire financial industry's response to dementia issues by taking the lead in hosting symposiums with a focus on finance and dementia. The knowledge gained from these alliances have greatly helped SuMi TRUST Bank develop its own products and services.

Development of 100-Year Life Solution Trust (100-Year Passport)

With society approaching an age of more centenarians, SuMi TRUST Bank developed this trust product by incorporating a number of useful features into one package in preparation for decreased decision-making capacity among many clients in the future. It offers a host of useful features to combat the problems elderly clients may face, such as withdrawing from their bank account, when the ability to make decisions has declined because of dementia or other similar illnesses. We also engage in broad-ranging client-focused consulting, including the provision of tie-up solutions under the adult guardianship system.

Development of Trust for Single Old Age (Solitary Trust)

SuMi TRUST Bank launched a one-stop service, based on a final letter of instruction, for clients worried about those around them if by some chance they die and certain matters need to be taken care of after their death, such as a funeral service, burial, the deletion of so-called "digital remains," sorting of household belongings, obituary, and delivery of pets to new owners. The number of elderly people living alone is on the rise owing to longer life expectancies and a greater percentage of people never marrying. SuMi TRUST Bank's service aims to help eliminate concerns about what-if scenarios and support improvement in QOL for clients.

Support that extends beyond the framework of finance

Utilize the power of trusts and flexibly develop services that extend beyond the framework of finance to cater to the varied needs of seniors

Trust for Single Old Age (Solitary Trust) (launched December 2019)

Trust



Anshin Support Corporation
(established November 2018)

Provides non-financial-related services
(post-mortem procedures)



*Refer to pages 46–56 in our 2019/2020 ESG Report for more information about how we are addressing the problems of a super-aged society.

Wholesale Total Solution Services Business



Message from Executive Officer

As a general provider of broad-ranging solutions typical of a trust bank that address the increasingly diverse and complex financial and non-financial business issues of clients mainly as a result of greater ESG awareness, the Wholesale Total Solution Services Business contributes to the enhancement of corporate value for clients and helps solve social issues.

Masahiro Tsuchiya

Director, Senior Managing Executive Officer,
Head of Wholesale Total Solution Services Business, SuMi TRUST Bank
Executive Officer*, SuMi TRUST Holdings

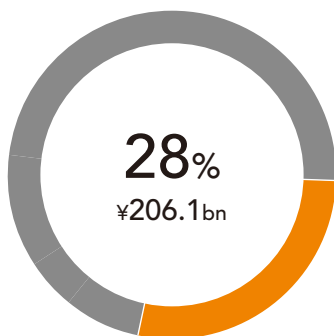
*Executive Officer as defined in our internal policy.

Medium- to long-term vision

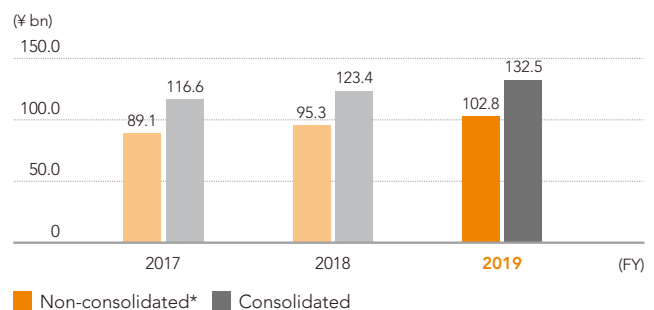
The expectations for our corporate clients required by business partners, employees, shareholders, and various other stakeholders have changed significantly, which is why it is becoming increasingly important to address the issues of each stakeholder in order to continuously enhance corporate value. This change is also manifesting itself in the way many companies around the world are endeavoring to disclose non-financial information, like ESG topics and the SDGs, alongside financial data such as sales and profits.

The SuMi TRUST Group excels in providing solutions that lead to improvements in corporate value based on non-financial information we have amassed thus far through our banking and trust operations. In our new Medium-Term Management Plan, we will further strengthen our ability to offer solutions with the use of ESG, SDGs, and other non-financial information, and aim to contribute to the advancement of our clients' businesses in various fields as their "Best Partner" and help solve issues in society.

Weighting of substantial gross business profit



Net business profit before credit costs



Mainly owing to higher net interest income from the accumulation of overseas credit investment assets and growth in non-interest income related to business for corporate clients, net business profit before credit costs rose ¥7.5 billion year on year to ¥102.8 billion on a non-consolidated basis and increased ¥9.0 billion to ¥132.5 billion on a consolidated basis.

*SuMi TRUST Bank

Business environment awareness

Environment awareness and issues

- Clouded outlook for the global economy
- Continuing global excess liquidity, more stringent financial regulations
- Financial business model transformation driven by digitalization

Opportunities and Group strengths

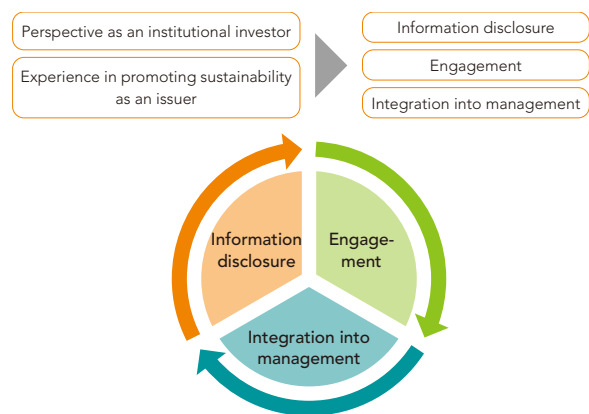
- Good-standing client base characterized by strong creditworthiness
- Versatile and highly specialized comprehensive solutions that only a financial group specialized in trust banking can provide based on the acquisition and analysis of non-financial information

Key measures in Medium-Term Management Plan

Stepping up ESG-oriented total solutions

We deliver total solutions that connect clients with stakeholders, improve relationships, and enhance corporate value by drawing on our advantage of being able to interact with numerous stakeholders with whom we enjoy business relationships through banking and trust operations, in addition to our ability to provide a wide range of solutions. In particular, because our clients have a keen interest in the topics of ESG and institutional and activist investors, we will set up a dedicated ESG organization at SuMi TRUST Bank to meet the needs of our clients.

Our goal is to contribute to the development of Japanese society as a whole by providing solutions to mainly ESG issues for our clients.

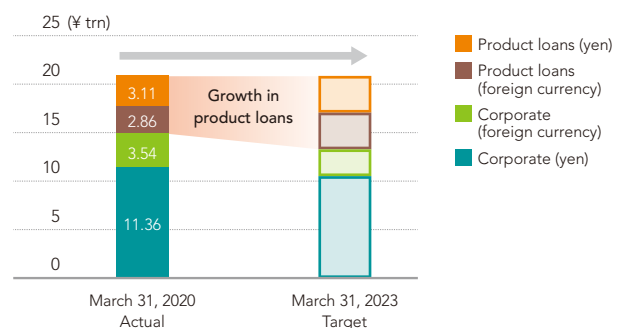


Continued credit portfolio reform

Despite mounting uncertainty regarding the future outlook for the global economy, we will continue to engage in appropriate balance sheet management so as to meet the capital needs of our clients.

We will aim to boost earnings by improving profitability instead of expanding the size of our balance sheet and in addition to strengthening our approach to product-related assets, we will continue to reform our credit portfolio with the objective of building a downside-resilient portfolio.

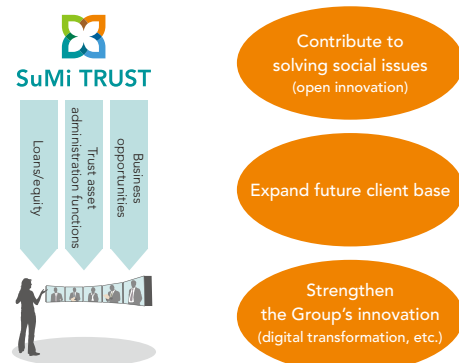
Corporate credit portfolio plan



Promoting transactions with startup firms

With industrial structures changing due to the advancement of digitalization and other factors, the presence of startups and the new industries and values they create have become even more crucial to Japanese economic growth. A dedicated unit (Innovative Corporate Promotion Department) has been established at SuMi TRUST Bank to offer various solutions to such firms based on their stage of growth. By properly catering to the needs of startup firms, we can help solve social issues, expand our future client base, and take steps towards bolstering the Group's own innovation.

Strengthening initiatives in the area of startup firms



Sustainability initiatives

Total solutions geared towards solving ESG/SDG issues

The sustainable growth of the Japanese economy and corporations (both financial and non-financial issues to be taken up) has been incorporated into the Group's Medium-Term Management Plan as a social issue that warrants the attention of the Wholesale Total Solution Services Business. There has recently been a sharp influx in the number of companies ramping up growth strategy measures for addressing ESG/SDG topics. We intend to harness the sustainability know-how and networks honed thus far to support our clients in their efforts.



Positive Impact Finance

In Positive Impact Finance (PIF), we comprehensively analyze and assess the impacts (both positive and negative) of a client's corporate activities on the environment, society, and economy and then work together with the client to set goals for mitigating the negative impacts and expanding the positive ones. The client then commits to achieving those goals as a condition for financing. In recognition of its initiatives for mainly developing a PIF product concept, in February 2020, SuMi TRUST Bank won the Gold Prize in the financing category of the Ministry of the Environment's inaugural ESG Finance Awards Japan. As of the end of June 2020, we have concluded nine PIF transactions since the first one went through in March 2019.



President Ohkubo with Japanese environment minister Shinjiro Koizumi

ESG & integrated report consulting

By drawing on the insight as an institutional investor, thanks mainly to the long-time involvement of its analysts in the asset management business, together with its viewpoints on, and experience in, promoting sustainability as an issuing entity itself, SuMi TRUST Bank is contributing to the achievement of a sustainable society by providing solutions that deliver total support on the most important points in advancing sustainable management; namely, integrating ESG into management, information disclosure, and engagement.

Information provision	<ul style="list-style-type: none"> Study sessions for executives and Sustainable Management Secretariat staffs
Analysis & evaluation	<ul style="list-style-type: none"> Analysis of challenges in ESG initiatives based on the evaluations by ESG assessment organizations Comparative analysis against benchmark companies
Support for improving initiatives	<ul style="list-style-type: none"> Support on materiality identification process Support for materiality management practices (including proposals for strengthening management)
Disclosure	<ul style="list-style-type: none"> Support for development of a framework for non-financial information disclosure Advice on the composition and content of integrated reports
Engagement	<ul style="list-style-type: none"> Support for dialogue with institutional investors in Japan and overseas

Environmental and energy finance

There is a growing possibility that climate change-related businesses driving change in energy, transportation, and other social systems will have a much greater influence in a post-COVID-19 economy. In particular, increased adoption of renewable energy and other aspects of social infrastructure present enormous business opportunities. The SuMi TRUST Group is intent on accelerating its initiatives in this area.

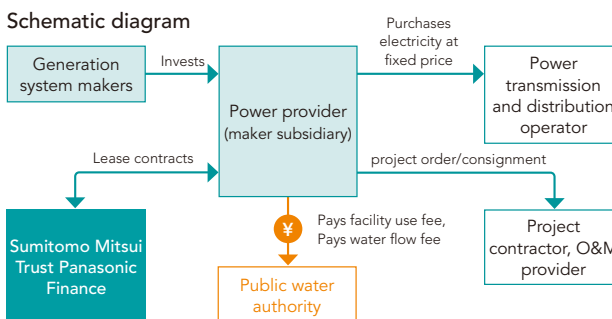


Renewable energy finance

Through project finance, SuMi TRUST Bank facilitates the roll-out of large-scale projects, such as wind and solar power generation, and has set up and manages a renewable energy fund for the purpose of investing exclusively in large-scale renewable energy projects. In project finance, both offshore and onshore wind power generation projects overseas are increasingly large-scale endeavors. In Japan, the number of mega-solar projects has further increased. The total potential power generation capacity of projects SuMi TRUST Bank has been involved in comes to 15,140MW. These projects, with annual power output of 38,775GWh, reduces annual CO₂ emissions by 18.50 million t-CO₂.

Micro-power generation in water supply systems

Sumitomo Mitsui Trust Panasonic Finance proposes the installation of micro-power generation systems in water supply systems across Japan as a way of promoting regional measures to counteract global warming with the use of natural energy. As of November 2019, the highly efficient power generation systems used in this scheme have been installed at 18 water facilities (including those scheduled for installation) across Japan to produce a total 480kW of power. We expect annual power generation to reach 3,581MWh and annual CO₂ emissions to be reduced by 1,970t-CO₂.



Real Estate Business



Message from Executive Officer

In providing one-stop, optimal real estate solutions that solve the increasingly complex and diverse business challenges of our corporate clients and help individual clients build and manage assets, the Real Estate Business will continue to serve as our clients' "Best Partner" for real estate.

Shigeki Tanaka

Senior Managing Executive Officer,
Head of Real Estate Business, SuMi TRUST Bank
Executive Officer*, SuMi TRUST Holdings

*Executive Officer as defined in our internal policy.

Medium- to long-term vision

Leveraging our external networks with regional financial institutions and overseas financial institutions has helped us attain the best track record in Japan for real estate brokerage and consulting. For corporate clients, we will continue to propose ways to utilize real estate assets to increase corporate value and help solve management issues.

In the area of real estate brokerage for individual clients, we will expand our offering of real estate information according to the life stages of our clients and seek to maximize the value of their assets.

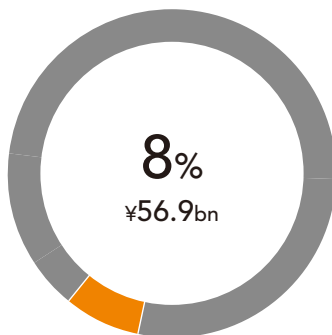
Our real estate securitization trusts and J-REIT operations,

that have secured the top positions in Japan, form the infrastructure that supports growth in the property investment market. These functions also help us achieve steady business continuity and fulfill our social mission.

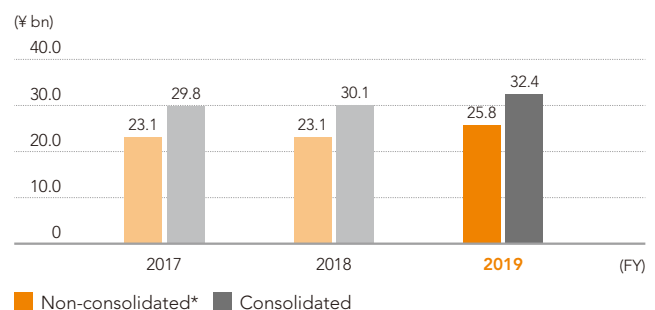
Furthermore, we aim to contribute to the sustainable development of society by enhancing the environmental performance of properties and providing environmentally friendly property consulting services so that properties can be evaluated.

We will seek to be our clients' "Best Partner" for real estate by meeting their needs in the new normal of a post-COVID-19 era.

Weighting of substantial gross business profit



Net business profit before credit costs



Owing mainly to contributions from the steady flow of small and mid-size property brokerage transactions for corporate clients and stable earnings from brokerage services to individual clients, net business profit before credit costs rose ¥2.7 billion year on year to ¥25.8 billion on a non-consolidated basis and increased ¥2.2 billion to ¥32.4 billion on a consolidated basis.

*SuMi TRUST Bank

Business environment awareness

Environment awareness and issues

- Monitoring real estate capitalization needs in order to solve management issues concerning the spread of COVID-19, as well as property procurement needs driven by weaker real estate prices
- Stepping up the development of an environment for providing non-face-to-face solution services to clients in Japan and overseas
- Focusing on providing in-depth real estate services in line with the increase in the elderly population and the number of inheritance cases

Opportunities and Group strengths

- Abundant specialized personnel and specialist staff with top-class experience and know-how in the real estate market
- Swift collaboration between businesses unique to a financial group specialized in trust banking and ability to propose and execute total solutions
- Neutral position that makes it possible to build win-win relationships with regional financial institutions and overseas financial organizations, etc.

Key measures in Medium-Term Management Plan

Total solutions that contribute to the enhancement of corporate value and asset value for clients

We will aim to deeply understand our clients' policies on holding and managing properties, as well as how they relate to business strategies, so that we can enhance corporate value and asset value and help solve their management issues by providing optimal solutions. Services we offer include real estate brokerage, support on repairs, maintenance work, and rebuilding, facility management to streamline and normalize property administration and management, and CRE (corporate real estate) consulting on office network strategies.

Strengthening alliance efforts

We are expanding and energizing our alliances with domestic financial institutions, mainly those based in regional areas, and also our external network with overseas financial corporations and major real estate firms. Through our tie-up with the UBS Group, we will focus on providing real estate solutions to new clientele.

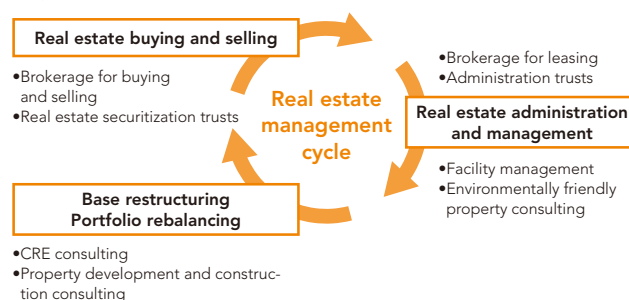
As real estate professionals, we will respond meticulously to the real estate needs of the clients of our alliance partners that have no business relationship with the Group in an effort to solve their issues, expand real estate transactions with new clients, and also contribute to the business of our alliance partners.

Real estate for individual clients

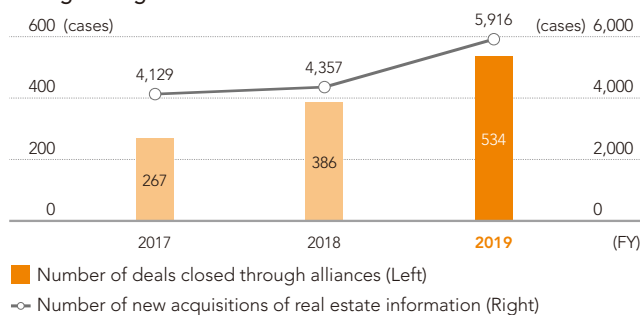
SuMi TRUST Bank and Sumitomo Mitsui Trust Realty mainly work together on catering to the real estate buying and selling needs of individual clients.

Both the elderly population and the number of inheritances in Japan is expected to increase up ahead. Accordingly, we will aim to harness the skills of the many qualified real estate transaction agents in the Retail Total Solution Services Business to strengthen our deployment of real estate services most likely required in an age of 100-year life. For example, supporting for the acquisition or sale of inherited properties for the next generation or moving into barrier-free properties.

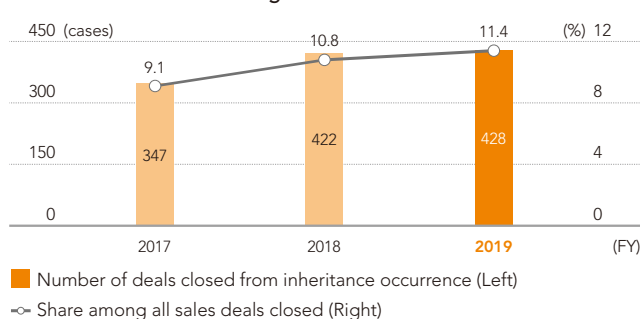
Wide array of services that contribute to the enhancement of corporate value and asset value for clients



Strengthening alliance efforts



Sales of real estate resulting from an inheritance occurrence*



*Number of deals starting from inheritance occurrence among all the closed real estate sales deals of SuMi TRUST Bank's individual clients

Sustainability initiatives

Environmentally friendly property initiatives

The amount of CO₂ emitted from the construction and management of buildings is said to account for approximately 40% of all CO₂ emissions in Japan, including indirect emissions. And given that humans spend a lot of time indoors, indoor environments affect the health and productivity of occupants. As real estate has a significant impact on the environment, society, and the economy, integrated initiatives for achieving the SDGs are thought to be highly beneficial in improving the sustainability of these three aspects. The Group aims to further promote energy-efficient and resource-efficient cities and buildings, as well as the uptake of environmentally friendly properties that contribute to improving production efficiency. We will continue to advance initiatives that contribute to enhancing property value mainly through exceptional environmental performance, which boosts revenue and reduces risk.

Links between environmentally friendly property and the SDGs



CASBEE certification support consulting

Under the guidance of the Ministry of Land, Infrastructure, Transport and Tourism, CASBEE (Comprehensive Assessment System for Built Environment Efficiency) was developed as a method to evaluate and rank the environmental performance of buildings. SuMi TRUST Bank played a leading role in the development of CASBEE for Real Estate and also headed up a related economic impact study. We have actively rolled out certification support consulting services (see our lineup below) and we have provided support to around half of all cases of certification acquisition. Subsequently, we have focused on developing Japan's environmentally friendly property market with CASBEE being the starting point.



Construction-phase support on environmental considerations

SuMi TRUST Bank commercialized Japan's first land trust product in the 1980s and is involved in developing and managing many building and condominium projects. Our construction consulting services leverage this extensive experience. According to client requests, we offer advice on factoring in environmental considerations, such as the installation of energy-saving systems in buildings, ways to take into account landscapes and ecosystems, extending building lifespans, and the adoption of recycling systems.



Hiroshima Orizuru Tower (Hiroshima Prefecture) Shimane Bank (Shimane Prefecture)

Visualizing the value of smart towns and cities and supporting concept formulation

In order to make smart towns and smart cities a reality, economic added value commensurate with higher costs must be created whilst establishing clear targets from the basic planning stage onward for environmental, social, and governance (ESG) issues. SuMi TRUST Bank supports projects for smart towns and cities on many fronts, such as devising frameworks that link various initiatives on environmental contributions to economic added value and formulating project concepts. Through our provision of financial functions such as home mortgages, we also help projects get executed.



Fujisawa Sustainable Smart Town (Kanagawa Prefecture)

*For more information, refer to our 2019/2020 ESG Report—Environmentally Friendly Property.

Stock Transfer Agency Services Business



Message from Executive Officer

Centering on support services for corporate stock practices, the Stock Transfer Agency Services Business will further strengthen its solutions for management issues related to dialogue with institutional investors and corporate governance matters by leveraging the valuable data, information, and case studies gained from its client base—number one in the industry in terms of both the number of listed companies under management and the number of shareholders under administration.

Atsushi Kaibara

Director, Senior Managing Executive Officer,
Head of Stock Transfer Agency Services Business, SuMi TRUST Bank
Senior Managing Executive Officer, Executive Officer*, SuMi TRUST Holdings

*Executive Officer as defined in our internal policy.

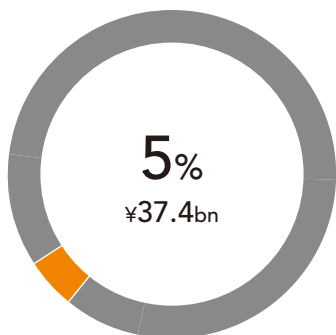
Medium- to long-term vision

With a core focus on corporate stock practices, we aim to consistently deliver sophisticated solutions across businesses to address the management issues of our clients regarding investor dialogue and corporate governance matters and realize sustainable growth models driven by even stronger client solutions and improved customer satisfaction.

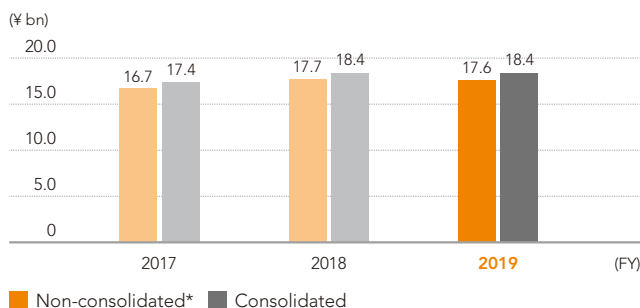
In order to satisfy the increasingly sophisticated and complex needs of clients, address societal demands, and respond to the major changes in the business environment

owing to the rollout of Japan's Corporate Governance Code and Stewardship Code, we are strengthening, in an integrated fashion, our support services for corporate stock practices centering on general shareholder meetings and support services in three areas of consulting: IR/SR, governance, and executive compensation. In addition, we will look to contribute to the further enhancement of corporate and market value for our clients by improving the accuracy of operations and providing optimum, high-quality solutions.

Weighting of substantial gross business profit



Net business profit before credit costs



Net business profit before credit costs remained generally flat year on year at ¥17.6 billion on a non-consolidated basis and ¥18.4 billion on a consolidated basis. This owed to a decrease in fees susceptible to market conditions, which offset record-high revenue from various consulting services.

*SuMi TRUST Bank

Business environment awareness

Environment awareness and issues

- Activization of dialogue with institutional investors
 - Adding substance to corporate governance measures
 - TSE market reforms
 - Amendments to the Companies Act
- Owing to the above-mentioned business environment, the needs of clients are diversifying and growing more sophisticated, thus requiring the provision of swift and accurate solutions

Opportunities and Group strengths

- Number one client base in the industry in terms of both the number of listed companies under management and the number of shareholders under administration
- Extensive data acquired through Japan's largest corporate governance and executive compensation surveys
- Commercialization of growth fields utilizing our position and know-how as a shareholder list manager

Key measures in Medium-Term Management Plan

Improving customer satisfaction to develop sustainable growth models

We will conduct corporate governance and executive compensation surveys which we have implemented since FY2017. We will continue to help further strengthen governance practices for our clients by ensuring that our surveys attract the greatest number of participating companies in Japan and by providing analysis results from multiple angles.

Creating a sustainable growth model in the consulting field

Given that companies are strongly requested to engage in constructive dialogue with institutional investors and reform their corporate governance practices, we intend to draw on the knowledge of J-Eurus IR Co., Ltd., which became a subsidiary of the Group in March 2020, to ensure more stable earnings by enhancing content and reinforcing our ability to provide information.

Expanding our business platform

By further expanding our experience and expertise harnessed thus far to meet the needs of our client base—the largest in the industry in terms of both the number of listed companies under management and the number of shareholders under administration—we aim to securely establish our position as the leading company in the stock transfer agency services industry.

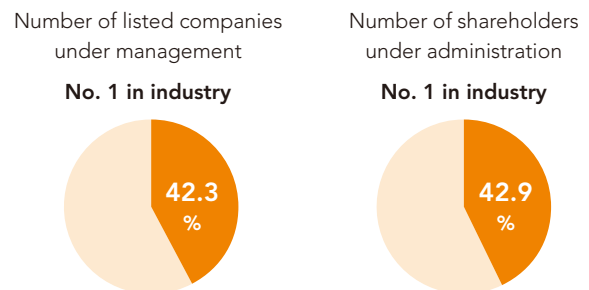
Utilizing digital technology

Considering the current advancements in digital technology, in addition to our provision of information on a face-to-face level, we will also aim to meet the needs of clients by providing information through non-face-to-face methods with the active use of digital technology.

- | | |
|--------------------------------|--|
| Governance survey | <ul style="list-style-type: none"> • 1,515 participating firms, the highest in Japan (roughly 40% of all listed companies) • Supervised by Professor Emeritus Kunio Ito (Graduate School of Business Administration, Hitotsubashi University), Japan's leading authority on corporate governance reform • Indexing of statistical data that contributes to stronger governance + scoring-based analysis |
| Executive compensation survey* | <ul style="list-style-type: none"> • 928 participating firms, the highest in Japan (executive compensation data for more than 17,000 people) • Survey covers compensation level, composition, evaluation systems, frameworks, and even position-based compensation <p><small>*Conducted in collaboration with Deloitte Tohmatsu Consulting</small></p> |



Industry share in stock transfer agency services* (as of March 31, 2020)



*Total for SuMi TRUST Bank, Tokyo Securities Transfer Agent, and Japan Securities Agents

Sustainability initiatives

Various forms of consulting

Leveraging the industry's biggest client base and the largest data in Japan provided by our corporate governance and executive compensation surveys, we support the activities of our clients by delivering solutions on corporate governance and dialogue with investors with mainly the following services: assistance on engaging in dialogue with institutional investors, support on board effectiveness evaluations, and executive compensation consulting.



Global Markets Business



Message from Executive Officer

The Global Markets Business has three functions: client service functions (marketing and market-making operations such as interest rate and forex transactions and investment advisory), market functions (investment operations and financial management operations), and administrative functions. We combine these functions to leverage our significant expertise and comprehensive capabilities and provide services in a timely manner.

Yoshinori Momose

Managing Executive Officer,
Head of Global Markets Business, SuMi TRUST Bank
Executive Officer*, SuMi TRUST Holdings

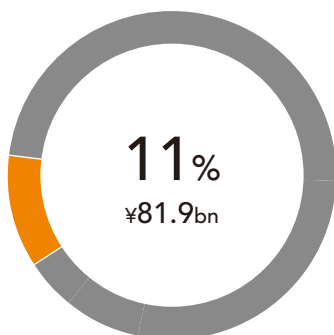
*Executive Officer as defined in our internal policy.

Medium- to long-term vision

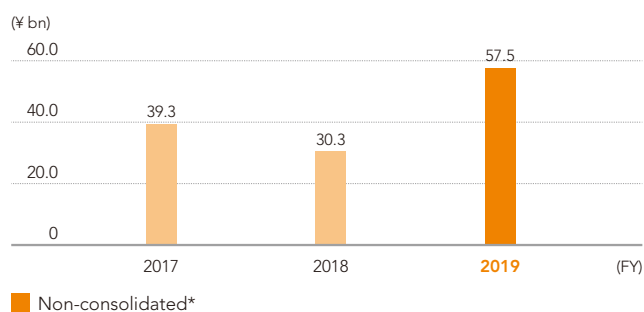
There is growing uncertainty surrounding the financial markets at present mainly because of the monetary policies of developed countries, economic trends in emerging countries, the global political situation, geopolitical risks, and the outbreak of the COVID-19 pandemic. The assets and balance sheets of our clients also harbor market risks, but we will aim to protect the value of our clients' assets by offering solutions with which to appropriately manage market volatility.

The optimal solutions we offer our clients make use of all the volatility management know-how of our group of experts, including knowledge of marketing and market-making operations, as well as technologies such as market risk control backed by many years of experience in investment and financial management operations.

Weighting of substantial gross business profit



Net business profit before credit costs



Mainly owing to brisk sales of client services for marketing and market-making operations and the non-recurrence of realizing US Treasury related unrealized loss booked a year earlier, net business profit before credit costs increased ¥27.1 billion year on year to ¥57.5 billion.

*SuMi TRUST Bank

Business environment awareness

Environment awareness and issues

- Market turmoil stemming from COVID-19 and geopolitical risks
- Companies entering overseas markets due to growth in emerging countries
- Demand for asset formation driven by an excess liquidity market and longer life expectancies

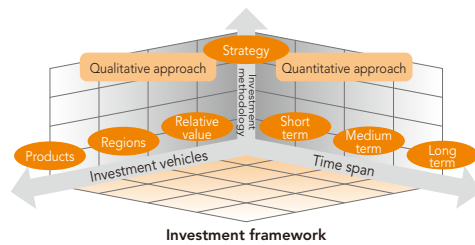
Opportunities and Group strengths

- Advanced market and liquidity risk management know-how
- Emerging currency forex hedging and remittance services
- Investment solutions utilizing volatility management technology

Key measures in Medium-Term Management Plan

Improving investment and ALM operations

We seek to optimize the risk-return spectrum (earnings) by drawing up versatile investment strategies suitable for all kinds of market phases and enhancing balance sheet management methodologies. We will also look to strengthen risk management and earnings capabilities by using the latest digital technology to improve the speed and capacity of market analysis.



Strengthening proposals on market-based total solutions

Utilizing the technology and investment know-how with which we have managed the risks inherent on our balance sheet for many years and providing this knowledge to our clients will enable us to solve both the Group's own issues and those of our clients at the same time. We will continue to address client needs with total solutions unique to a trust bank.



Improving financial literacy

The Global Markets Business issues publications on an ongoing basis to deepen the understanding of a broad range of people regarding financial markets and financial products. We will contribute to our clients efforts on asset formation and the development of sound financial markets through improvements in financial literacy.



Provision of market-based electronic trading platform

We will continue to support best execution practices by offering our corporate clients ample liquidity and highly transparent prices for forex transactions via our electronic currency trading platform that can be accessed from the website of SuMi TRUST Bank.



Sustainability initiatives

Issuing green bonds and contributing to solar power generation projects

SuMi TRUST Bank issues green bonds with the aim of accelerating sustainable finance initiatives concerning climate change, natural capital, environmentally friendly property, and other issues. In an effort to contribute to more widespread use of renewable energy, SuMi TRUST Bank also offers risk hedging transactions for solar power generation and other projects with the use of forex and derivatives.



Wholesale Asset Management Business



Message from Executive Officer

To address the asset management difficulties caused by changes in social structures and the financial environment, as well as the management issues caused by these developments, the Wholesale Asset Management Business offers corporate clients total solutions unique to a financial group specialized in trust banking, encompassing both assets and liabilities.

Kengo Noguchi

Director, Senior Managing Executive Officer,
Head of Wholesale Asset Management Business, SuMi TRUST Bank
Executive Officer*, SuMi TRUST Holdings

*Executive Officer as defined in our internal policy.

Medium- to long-term vision

As the graying of Japan's population and other medium- to long-term socioeconomic structural changes continue to steadily progress, we recognize that the business challenges of financial and non-profit organization clients are growing increasingly complex. This is particularly apparent now that we are on the cusp of a "new normal" brought on by the COVID-19 pandemic.

In aiming to solve the issues of our clients in this new business environment, we aim to be an indispensable and reliable "Best Partner" by providing asset management solutions driven by shrewd consulting and thoroughgoing follow-up services, as well as total solutions that leverage the diverse wealth administration functions unique to a financial group specialized in trust banking.

In particular, we aim to launch win-win collaborative businesses with mainly regional financial institutions that have a strong presence in regional economies so that they can make use of the Group's wide array of functions, like our inheritance, succession, and real estate services. We will also look to contribute to the building of sustainable ecosystems mainly by taking steps to solve the issues of regional communities through collaboration with schools and local governments—the best sources of local knowledge.

We will endeavor to expand our lineup of differentiated investment products by focusing on the development of new products using private assets that invest in unlisted shares (private equity) and real assets such as aircraft and real estate to generate medium- to long-term investment returns and the expected benefits of risk diversification.

Business environment awareness

Environment awareness and issues

- Addressing the business challenges of clients; namely, globally low interest rates, an aging population, and other changes in social structures, and adapting to the new normal of living with COVID-19
- Continuing to take on the challenge of boosting our competitiveness in the constantly evolving asset management industry
- Contributing to the sound development of regional economies and achieving the SDGs (for example, tackling environmental issues)

Opportunities and Group strengths

- Provision of asset management solutions centered on consulting services encompassing both assets and liabilities and an extensive product lineup
- Provision of total solutions that leverage the diverse wealth administration functions unique to a financial group specialized in trust banking to address business challenges
- Win-win collaboration with mainly regional financial institutions

Key measures in Medium-Term Management Plan

■ “Best Partner” for financial and non-profit organizations

Given that the challenging asset management market conditions continue to linger, we will pursue a business model with which we can grow together with our clients by targeting growth in AUM as one KPI and offering optimal portfolio solutions best suited to their financial attributes.

Furthermore, to address the business management issues of our clients, we will aim to be their “Best Partner” by leveraging our real estate know-how and other various functions and also by developing beneficial solutions in numerous fields with the help of our external partners.

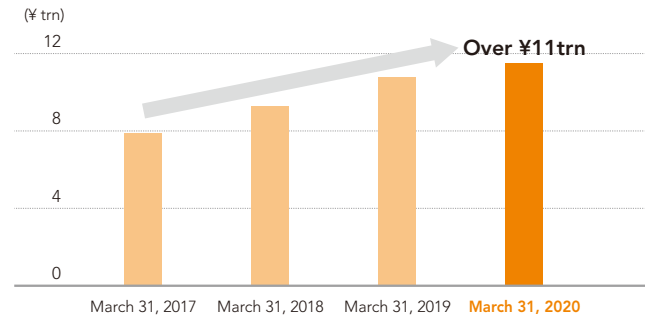
■ Growing the asset management business with private assets

Given the entrenchment of low interest rate environments around the world, investors are turning their attention to private assets as an investment outlet that can potentially generate medium- to long-term returns and deliver benefits of risk diversification. That said, owing to liquidity restrictions, a paucity of publicly available information, and other issues, only some advanced investors actually invest in such assets. SuMi TRUST Bank will harness its extensive experience in this field to provide information and investment support to clients and seek to grow this market by striving to enhance the Group’s lineup of investment products.

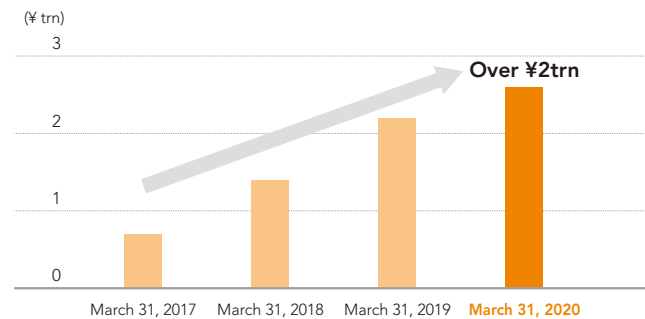
■ Undertaking collaborative businesses with mainly regional financial institutions

As we approach an age of 100-year life and changes in society are gathering even more momentum, there are growing opportunities for mainly regional financial institutions to make use of the Group’s varied expertise in the areas of inheritance, succession, real estate, and asset management. By combining the clientele of regional financial institutions with the Group’s wealth administration functions, we will look to team up with more business partners and increase transaction volume in an effort to further develop win-win collaborative business ventures through which both parties can achieve growth.

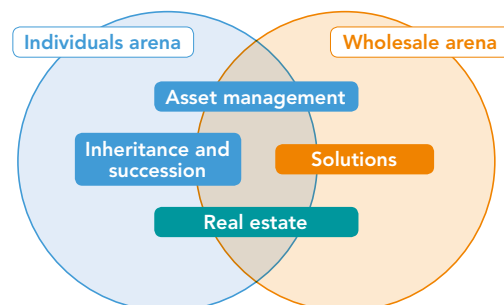
Wholesale Asset Management Business — AUM



Private asset products — AUM



Collaborative business with mainly regional financial institutions



Sustainability initiatives

Contributing to the building of a sustainable society

In July 2019 we established a joint venture business with Legend Partners Ltd. for the purpose of launching an initiative that seeks to build a startup ecosystem that supports sustainable local communities by leveraging the abundant management know-how of listed company founders to nurture up-and-coming business entrepreneurs.

Through this JV business, in February 2020 we signed a partnership agreement with Shinshu University with the aim of offering classes on the nurturing of entrepreneurs and providing know-how. We intend to share the university research results and information on supplying funds to venture firms, and facilitate cooperation among industry, government, and academia so as to deploy research and technology in social settings and invigorate regional economies.



Private Banking Business



Message from Executive Officer

In the Private Banking Business, our highly experienced, dedicated staff offer one-stop, total wealth management services to clients to meet their varied needs and issues concerning assets and liabilities, including real estate, asset management, and business succession.

Akira Yokota

Managing Executive Officer,
Head of Private Banking Business, SuMi TRUST Bank
Executive Officer*, SuMi TRUST Holdings

*Executive Officer as defined in our internal policy.

Medium- to long-term vision

As a specialist in assets and liabilities, the SuMi TRUST Group has long provided mainly business owner and landlord clients with solutions pertaining to asset succession, management, and administration unique to a financial group specialized in trust banking based on our plentiful know-how, knowledge, and experience accumulated over many years.

In January 2020, with the goal of providing a new standard of service to Japan's wealthy individuals, we launched a new business with the UBS Group, a financial

institution headquartered in Switzerland that has enjoyed the strong support of high net worth clients worldwide for some 150 years.

In launching one-stop, total wealth management services that fuse the unparalleled research capabilities and high-level financial technology of the UBS Group with our expertise and broad-ranging lineup of products and services unique to a financial group specialized in trust banking, we aim to harness the brand strengths of each group to offer services not possible up until now.

Business environment awareness

Environment awareness and issues

- Increase in the elderly population (growth in demand for wealth administration and succession services)
- Yearly increase in number of startups and companies going public (growing number of wealthy individuals owing mainly to new technological innovation)
- Diversification of issues and needs of wealthy individuals
- Greater desire to make social contributions, such as the nurturing of next-generation managers

Opportunities and Group strengths

- Provision of solutions unique to a trust bank; namely, real estate, business succession, asset succession, and inheritance
- Provision of cross-divisional solutions owing to collaboration with other businesses (strength of being one entity)
- Provision of total wealth management through collaboration with the UBS Group

Key measures in Medium-Term Management Plan

■ Total wealth management through collaboration with the UBS Group

The UBS Group is one of the world's leading providers of asset management and securities services, while the SuMi TRUST Group boasts a wide range of products and services in the fields of inheritance, asset succession, and real estate, just to name a few. By fusing together the strengths and brands of both groups, we aim to have our client-dedicated staff and experts in each field provide one-stop, total wealth management solutions to clients.

Our investment management solutions in particular will incorporate proposals featuring all the hallmarks of the UBS Group's strengths to cater to the various needs of our clients.*

*In around 2021 the wealth management business of UBS Securities will be spun off to create a new securities company in which SuMi TRUST Holdings plans to acquire a 49% equity stake.



The logo for the wealth management business tie-up symbolizes both groups coming together as UBS SuMi TRUST by encapsulating their respective brand colors into a single bar.

■ Using trusts and other functions to provide solutions

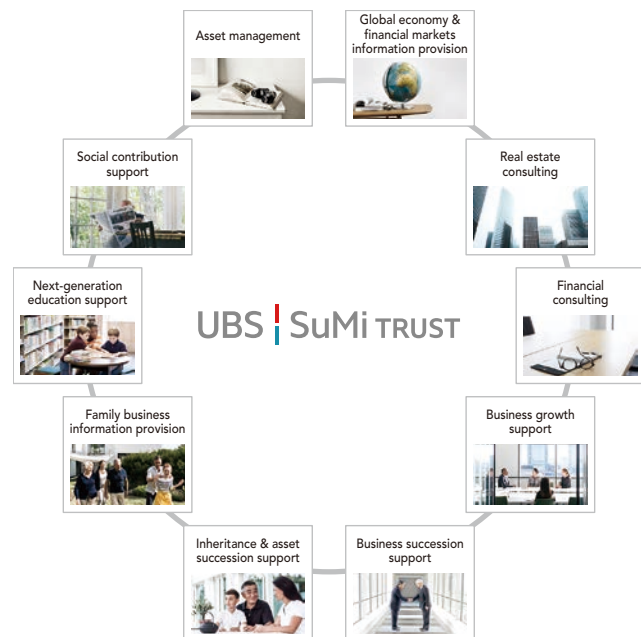
We intend to offer tailor-made trust-powered solutions to address client issues. Solutions for business owner clients include various kinds of trusts related to treasury stock, while for landlord clients, we offer real estate succession trusts.

On top of this, we have in place a system that can address the wide-ranging needs and requests of clients concerning M&A and other business succession matters by harnessing not only the know-how of SuMi TRUST Bank, but also the services of one of its affiliates, Japan Management Succession Support Co. Ltd.

■ Wealth administration for wealthy seniors

By establishing networks with lawyers, judicial scriveners, and other professionals to provide support on civil trusts and offer a lineup of wealth administration services for wealthy seniors, we will aim to strengthen our services that address dementia-related issues and other problems associated with the increase in Japan's elderly population.

Overview of total wealth management



Sustainability initiatives

Contributing to the sustainable development of Japan's economy by helping to solve social issues

We will aim to contribute to the sustainable development of the Japanese economy by offering support to companies that are worried about business succession, aiding the growth of innovative companies that are providing the market with new products and services, and supporting the growing desire among business owners to engage in social contribution activities, such as the nurturing of next-generation managers, for example.



Asset Formation Advisory, Work Place, Business



Futoshi Itani

Managing Executive Officer, Head of Asset Formation Advisory, Work Place, Business, SuMi TRUST Bank
Managing Executive Officer, Executive Officer*, SuMi TRUST Holdings

Message from Executive Officers

The Asset Formation Advisory, Work Place, Business has long endeavored to provide asset formation products to client companies and their employees in light of their HR systems already in place. Given the growing importance of asset formation for individuals, we will offer life plan consulting services that only a financial group specialized in trust banking can deliver by utilizing the strengths hitherto honed in each business.



Daisuke Maeda

Managing Executive Officer, Head of Asset Formation Advisory, Work Place, Business, SuMi TRUST Bank
Executive Officer*, SuMi TRUST Holdings

*Executive Officer as defined in our internal policy.

Medium- to long-term vision

The structure of Japan's society continues to be transformed by an aging population and other factors and as we approach an age of 100-year life, there is mounting interest in how one can affluently lead a prolonged "second life." At the same time, many different age groups are growing increasingly concerned and worried about asset formation for the future.

Our corporate clients too are grappling with important management issues, such as how to address extensions in the mandatory retirement age or boost company appeal

to secure and nurture talented employees in order to be competitive on the global stage. For these reasons, measures that support long-term, planned asset formation by younger employees are gaining momentum.

In responding to these changes, we offer life plan consulting services unique to a financial group specialized in trust banking to address the asset formation needs of employees in the wealth creation stage of life based on our track record in providing comprehensive consulting on retirement benefits and corporate pension plans.

Business environment awareness

Environment awareness and issues

- Heightened demand for asset formation in an age of 100-year life
- More sophisticated and complex life planning due to diversification of working styles and changes in lifestyles
- Employee-focused trends in companies (as part of this, supporting the asset formation self-help efforts of employees)

Opportunities and Group strengths

- Occupational client base cultivated through corporate pension plans and workplace asset formation schemes (asset accumulation savings, etc.)
- Provision of total consulting to support the life planning of clients over many years, from the time they enter a company through to retirement and the start of their "second life"

Key measures in Medium-Term Management Plan

■ Supporting asset formation in an age of 100-year life

In recent times, asset formation needs have grown increasingly diverse and sophisticated in response to not just changes in the time horizons and lifestyles of people's lives, but also extensions to the mandatory retirement age, diversification of working styles, and greater leeway with regards to when people can retire. In addition, developments in information technology has meant that clients are now demanding various services to be provided more conveniently and smartly.

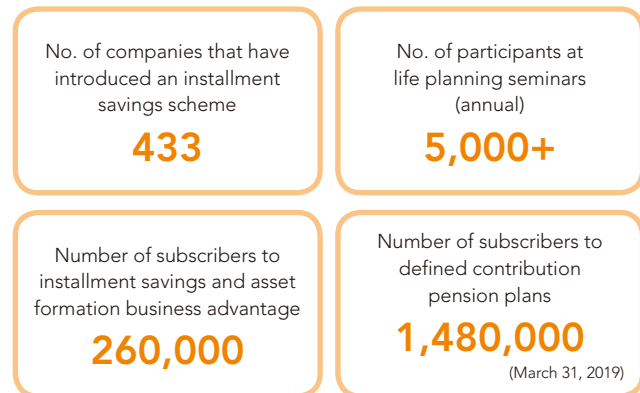
Accordingly, we will make every effort to optimize our products and services in line with the asset formation needs of each and every client depending on their stage in life and endeavor to strengthen our contact framework so that we can provide high-quality consulting through either face-to-face or non-face-to-face channels.

■ The management issue of strengthening human capital at companies

Improving the financial literacy of employees and supporting their asset formation is an ongoing management issue for companies because it not only enhances employee engagement, but also strengthens human capital in terms of securing talented employees and boosting productivity. We therefore provide consulting to companies concerning employee benefits taking into account their HR systems, and offer products and services that contribute to the asset formation efforts of employees, such as asset accumulation and installment savings schemes.

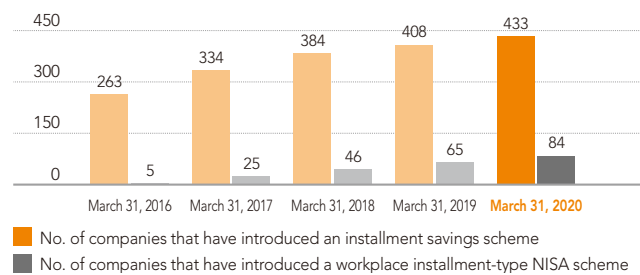
We also improve asset formation literacy to support the creation of workplaces where employees can work with peace of mind guided by the activities of the Sumitomo Mitsui Trust Future Assets Institute, which was established in 2019 for the purpose of hosting various life planning seminars, examining and conducting research into the various needs of individual clients pertaining to asset formation and utilization, and sharing information on the findings.

Asset formation support at SuMi TRUST Bank (March 31, 2020)

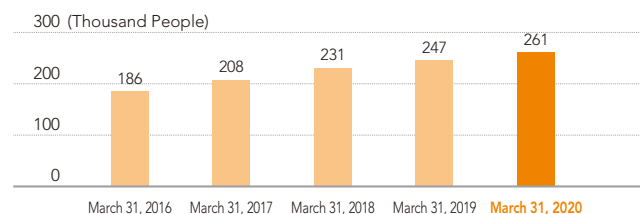


*Business advantage is a comprehensive service for workplace clients

No. of companies that have introduced an installment savings scheme or workplace installment-type NISA scheme



Number of subscribers to installment savings and asset formation business advantage



Sustainability initiatives

Sumitomo Mitsui Trust Future Assets Institute

In September 2019, we established the Sumitomo Mitsui Trust Future Assets Institute for the purpose of examining and conducting research into the various needs and concerns of individual clients pertaining to the building and utilization of assets. This new institute will aim to provide information about these activities to not only the Group's clients, but to broader society.

With the use of statistical data and online surveys, the institute will analyze how individuals build and utilize assets and then provide useful life planning information to clients at seminars or in publications.



Fiduciary Services Business



Message from Executive Officer

Guided by the Group's fiduciary spirit, the Fiduciary Services Business seamlessly deploys its significant expertise and know-how across the entire Group to provide client-oriented, high added-value services, from the design of pension plans right through to their management and administration.

Toru Takakura

Director, Senior Managing Executive Officer,
Head of Fiduciary Services Business, SuMi TRUST Bank
Executive Officer*, SuMi TRUST Holdings

*Executive Officer as defined in our internal policy.

Medium- to long-term vision

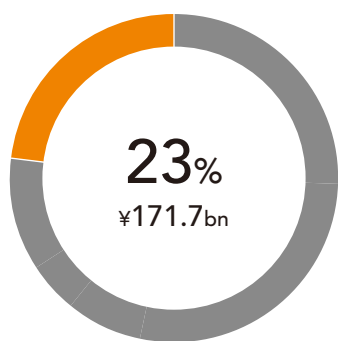
As we draw closer to an age of 100-year life, there is growing interest among corporate clients in modifying pension plans to suit an extension to the mandatory retirement age, while individual clients are keen to build wealth in preparation for a prolonged "second life" during which interest rates remain perpetually low. Through our pension business, we will look to accommodate the needs of our clients with pension plan proposals for a new age and support the asset formation needs of the working generation through investment education and other means.

In our asset management and administration business, we

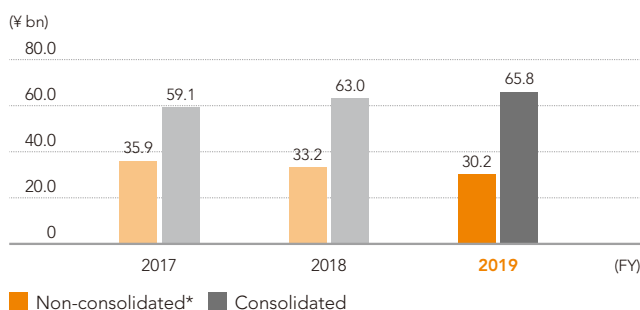
will aim to improve upon our significant expertise and brush up our administrative quality especially considering that the needs of institutional investors and individual clients are growing more sophisticated and diverse. We will also strive to offer even more extensive services by presenting proposals to clients in line with their intentions.

In this way the Fiduciary Services Business will contribute to the realization of a financially inclusive society by developing investment chains unique to a financial group specialized in trust banking and supporting the asset formation efforts of all kinds of clients.

Weighting of substantial gross business profit



Net business profit before credit costs



The client base of the corporate pension business has been further bolstered and expanded by mainly an increase in defined contribution (DC) pension plan members. Despite some impact of a decline in market value in the fourth quarter, assets under custody have steadily increased mainly due to the entrustment of new client assets, while assets under management have also remained stable. As a result, consolidated net business profit before credit costs rose ¥2.8 billion year on year to ¥65.8 billion.

*SuMi TRUST Bank

Business environment awareness

Environment awareness and issues

- Heightened demand for asset formation for an age of 100-year life
- Growing need for pension system reform along with work style reforms and an extension in the retirement age
- Ongoing asset management and administration needs owing to prolonged negative interest rates
- Sophistication of asset management methods and diversification of managed assets

Opportunities and Group strengths

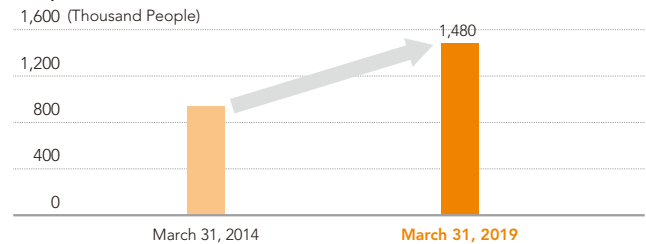
- Comprehensive support on pension systems, pension asset management, and employee benefit programs
- Extensive product lineup
- Ability to provide services based on close coordination between Group companies
- Ability to cater to outsourcing needs, benefits of economies of scale

Key measures in Medium-Term Management Plan

Strengthening defined contribution (DC) pension plan services

As DC pension plans grow increasingly important from the viewpoint of policy changes reflecting an extension in the retirement age and better employee benefit programs to help secure human resources, we have maintained the highest number of DC plan members in the industry thanks to our strong reputation among clients regarding our investment education, online services, and call center operations. Up ahead, we will make use of non-face-to-face web-based channels to provide DC pension plan consulting and other services so that we can continue to lend our total support to the cash flow plans of our clients in preparation for an age of 100-year life.

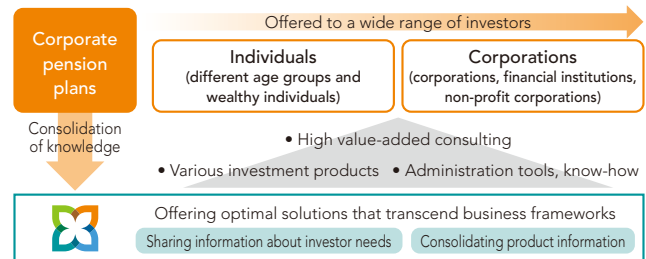
DC plan members



Asset management business

We will further strengthen our management know-how of defined benefit pensions and public pensions and improve the level of services we provide. We will also broadly offer the asset management consulting and product selection knowledge gained from dealing with institutional investors to mainly individual clients.

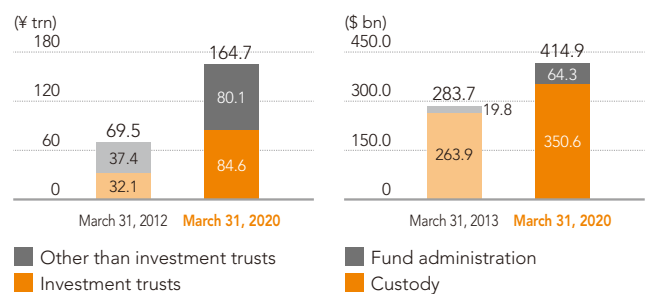
Asset management business



Asset administration business

We plan to complete the merger* of the Group's banks that specialize in asset administration and ramp up our efforts on improving Group-wide client services in Japan and overseas so that we can cater to the varied needs of asset managers and investor clients alike. Moreover, we will aim to merge the expertise and know-how cultivated primarily from the administration of securities into our administration business for mostly real estate and monetary claims in an effort to further expand our breadth of asset administration services.

Assets under custody of the Group



*Refer to page 12 for more information about the merger.

Sustainability initiatives

Expanding ESG products

With Japan's Corporate Governance Code and Stewardship Code now firmly entrenched in corporate management practices, we are working to enhance our lineup of mostly ESG products in light of heightened investor (individuals, institutional investors, etc.) interest in environmental and social issues. More specifically, we are increasing our number of ESG funds on offer, and from an investment management perspective, we are taking steps to help mitigate climate change and other social issues.



Asset Management Business

The SuMi TRUST Group's asset management business provides clients with asset management services mainly through Sumitomo Mitsui Trust Asset Management and Nikko Asset Management. The Group as a whole has approximately ¥87 trillion of assets under management, which is among the largest in Asia.



Yoshio Hishida

Representative Director, President
Sumitomo Mitsui Trust Asset Management



Hideo Abe

President, Co-CEO
Nikko Asset Management

Junichi Sayato

Executive Chairman, Co-CEO
Nikko Asset Management

The SuMi TRUST Group is well placed to manage the various funds of its clients, whether they be institutional investors or individuals. We will continue to fully maximize the investment functions of the Group to deliver optimal asset management solutions to our clients and help find solutions to social issues through ESG-focused engagement with investee companies.



Jiro Araumi

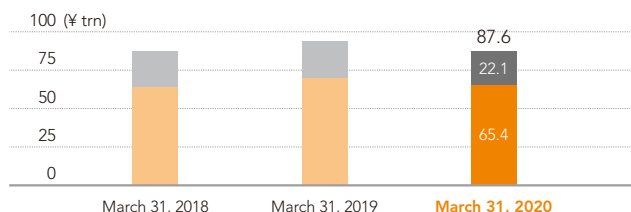
Director, Senior Managing Executive Officer, SuMi TRUST Holdings

Medium- to long-term vision

While we anticipate long-term growth in the global asset management market up ahead, the near- and medium-term business environment is growing increasingly uncertain against a backdrop of geopolitical risks, pandemic risks like COVID-19, and greater downward pressure on management fees owing to intensifying competition and stricter regulations.

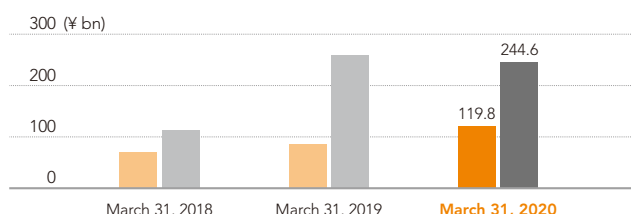
That said, we view this environment as an opportunity to draw on our strength of having multiple asset managers with different attributes within the Group, covering the full gamut of investment services, from passive to active funds, and even alternatives. We will therefore aim to cater to the changing needs of our broad range of institutional investors and individual clients in and outside of Japan.

Assets under management*
[Sumitomo Mitsui Trust Asset Management and Nikko Asset Management]



■ Sumitomo Mitsui Trust Asset Management ■ Nikko Asset Management
*Includes some assets under management at SuMi TRUST Bank from October 2018 onwards

Assets under management [Sky Ocean Asset Management and JP Asset Management]

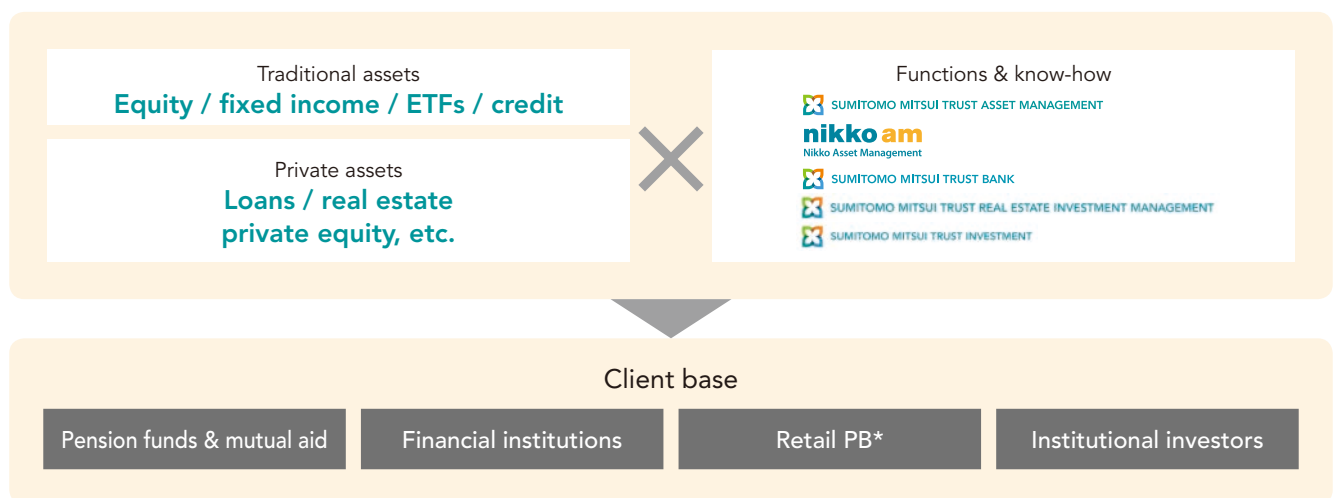


■ Sky Ocean Asset Management ■ JP Asset Management

Business environment awareness



Key measures in Medium-Term Management Plan



*Private banking

■ Traditional asset management and strengthening private asset functions

As a Group with one of the largest AUMs in Japan and Asia, we will aim to further refine our management capabilities and demonstrate our presence in the global market. To complement the high-liquidity asset-based conventional solutions currently offered by the Group’s asset management arms, namely multi-asset, smart beta, actively managed traditional assets, index, and exchange-traded funds, we will seek to expand our scope of investments to private assets, including loan receivables, real estate, and private equity.

■ Accelerating our global expansion

Considering the increasingly stronger downward pressure on fee rates as a result of competition between asset management firms, it is now even more important that we expand our business globally in order to realize sustainable growth in the asset management business. Alongside the overseas business expansion by taking advantage of the characteristics of each asset management company, we will ramp up the Group’s global expansion by forming strategic alliances (including equity stakes) with overseas asset managers.

■ Expanding our client base

By maximizing to the fullest extent possible the asset management functions of the Group, we will aim to deliver optimum solutions to even more institutional investors and DC clients. In the domestic retail market, we will seek to further boost our presence by providing funds that contribute to the long-term formation of assets for investor clients. We also have plans to extend the Group’s asset management know-how to Sky Ocean Asset Management and JP Asset Management as one way of delivering our asset management services to the broad-ranging client base of mostly regional financial institutions.

■ Helping to solve social issues

The SuMi TRUST Group participates in the PRI and various other global initiatives, and has hitherto engaged in trailblazing ESG activities on a global basis. We aim to maximize medium- to long-term investment returns by taking ESG issues into consideration. By initiating engagement activities with a broad range of investee companies in Japan and overseas, we aim to solve social issues and enhance corporate value.

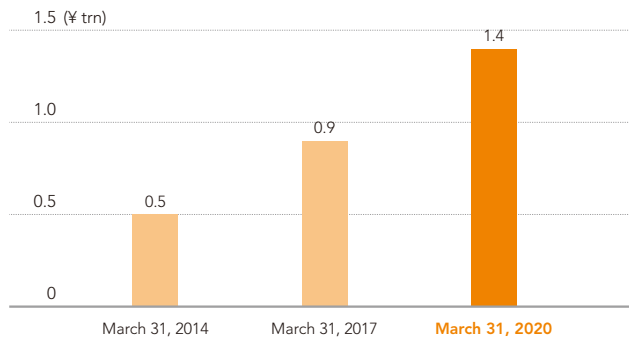
Sumitomo Mitsui Trust Asset Management

Boasting the biggest AUM in Asia, Sumitomo Mitsui Trust Asset Management (SMTAM) aims to further grow its business in the expanding domestic retail market to complement the strong presence it already commands among domestic institutional investors.

In the domestic DC market—in which it maintains a strong client base—SMTAM will endeavor to expand its product lineup based on the needs of its clients and shore up its client support framework.

Furthermore, SMTAM will ramp up its ESG engagement activities by leveraging the know-how of Legal & General Investment Management (LGIM), the UK’s largest asset manager, with whom it entered into a partnership agreement in June 2019.

DC investment trusts



Sustainability initiatives

Addressing the Principles for Responsible Investment (PRI)

SuMi TRUST Holdings, Sumitomo Mitsui Trust Asset Management, and Nikko Asset Management are signatories to the UN-supported Principles for Responsible Investment that came into force in May 2006. The Principles encourage institutional investors such as pension funds and asset managers to incorporate environmental, social, and governance (ESG) factors into investment decision-making processes. As one of the founding signatories, we have continued to play a leading role in expanding Japan’s ESG market.



Sumitomo Mitsui Trust Asset Management

Signatory to PRI	May 2006
Total assets under management (of which, ESG initiatives)	¥62trn (¥21trn)*
Approach to ESG	ESG issues reside in non-financial domains and do not manifest themselves in financial reporting, but they can have a considerable impact on corporate value over time. Based on this thinking, SMTAM considers the actions taken to address such issues to be integral to stewardship activities, alongside engagement and the exercise of voting rights. Through these activities, SMTAM aims to maximize returns for its clients and contribute to the achievement of the SDGs by actively fulfilling its role as an asset manager in the investment chain.
Specific ESG initiatives	Through engagement, the exercise of voting rights, and other activities, SMTAM encourages investee companies to grow sustainably by addressing ESG issues. Its main ESG activities currently revolve around four topics: (1) climate change; (2) water resources and marine pollution; (3) backing governance reforms; and (4) promoting ESG information disclosure. SMTAM shares its awareness of these ESG issues with companies and promotes efforts that contribute to their improvement by encouraging companies to draw up and disclose time horizon-based measures. It also applies ESG integration (incorporation of ESG factors) to all of its actively managed products for domestic and foreign stocks and bonds. This maximizes medium- to long-term investment returns for clients, minimizes downside risks, and also encourages the realization of a sustainable society.
PRI assessment (2019)	Comprehensive assessment: A+ (five years running) (Responsible investment integration: A+, Active ownership: A+ (Engagement: A+, Exercise of voting rights: A+), Fixed income investment: A)

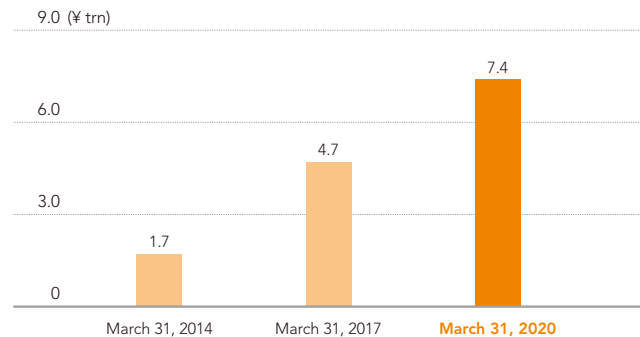
*Voting rights are exercised for all managed assets and therefore the ESG investment ratio is almost 100% when the exercise of voting rights is included in ESG investment. For more information, please refer to Sumitomo Mitsui Trust Asset Management’s Stewardship Report 2019/2020. https://www.sumitrust-am.com/file/02/ss_report.pdf

Nikko Asset Management

Nikko Asset Management (Nikko AM) will continue to draw on its strengths to provide innovative products and services to its clients. Those strengths include a network of offices (including JVs) spanning 11 countries, unique product development capabilities that take active advantage of this global network, and highly reputable distributor support services in Japan. Nikko AM has its sights set on sustainable growth by beefing up distribution overseas and diversifying its product lineup by expanding its range of investment to also include illiquid assets.

Nikko AM boasts one of the largest ETF businesses in Japan and is currently augmenting its global ETF operations by expanding overseas with a primary focus on Asian markets. It will lead the industry by driving forward collaboration between the Japan ETF team and ETF managers in Singapore, Hong Kong, and the UK.

Balance of domestic ETFs



Sustainability initiatives

Nikko Asset Management



Signatory to PRI	October 2007
Total assets under management (of which, ESG initiatives)	¥22trn (¥8.7trn)*
Approach to ESG	As an asset management company, Nikko AM's mission is to always act in the best interests of its clients. For that reason, it places utmost importance on fiduciary and ESG principles in its corporate philosophy and corporate activities. Guided by the belief that reflecting ESG in investment practices enhances the long-term value of corporations and contributes to sustainable economic growth, Nikko AM strives to incorporate ESG principles into numerous investment decision-making processes so that it can fulfill its fiduciary duties.
Specific ESG initiatives	Nikko AM's ESG Global Steering Committee meets quarterly to discuss the incorporation of ESG investment, methods for implementation, and new approaches. The Committee comprises leaders from investment teams worldwide, while multiple observers also attend the Committee meetings, which are run by Nikko AM's ESG specialists. The ESG specialists mainly support the investment teams in their ESG activities, formulate ESG policies, examine and assist the company's participation in various ESG-related initiatives, and coordinate joint engagements. Nikko AM believes that appropriately incorporating ESG into investment processes is key to achieving excess returns over the medium to long term. All of its active domestic equity investment strategies incorporate Creating Shared Value (CSV) evaluations, which also take ESG factors into consideration. The evaluation score is based on the application of the CSV theory and assesses how companies balance their engagement of ESG issues with the pursuit of profitability and competitiveness, in order to create value for both society and shareholders. Through continuous engagement with companies, Nikko AM's analysts actively evaluate how proactive they are in addressing ESG issues.
PRI assessment (2019)	Comprehensive assessment: A+ (six years running) (Responsible investment integration: A+, Active ownership: A+ (Engagement: A+, Exercise of voting rights: A+), Fixed income investment: A+)

*Nikko AM endeavors to fulfill its fiduciary duties by incorporating ESG principles into its many investment decision-making processes.

For more information, please refer to Nikko AM's 2019 Sustainability Report.

https://sustainability.nikkoam.com/files/pdf/annual-report/nikko_am_2019_sustainability_report_en.pdf

What is a trust?

A “trust” is a structure through which the property or assets of a person (the settlor) are entrusted to another person (the trustee) and managed, administered, or disposed in accordance with the settlor’s wishes and objectives. In actual fact, trusts play a role in our lives in various shapes and forms. On this page, we take a closer look at trusts—a system that the SuMi TRUST Group, as a trustee, has continued to uphold and develop.

1. Purposes

Trusts are predominantly used for any of the following four purposes: (1) saving/growing assets; (2) preserving/utilizing assets; (3) connecting/transferring assets; or (4) putting assets to good use.

Saving/growing (asset formation and management)

There are trusts for managing money, securities, or real estate. Some trusts are also utilized by companies under the government’s property accumulation savings scheme so that employees can build wealth.

Connecting/transferring (asset inheritance)

There are trusts that broadly provide assistance on paying education or marriage expenses. For example, school enrollment fees or the cost of lessons, as well as weddings and births, for one’s children or grandchildren. There are also trusts for passing on assets to family members after one’s death.

Preserving/utilizing (asset administration and utilization)

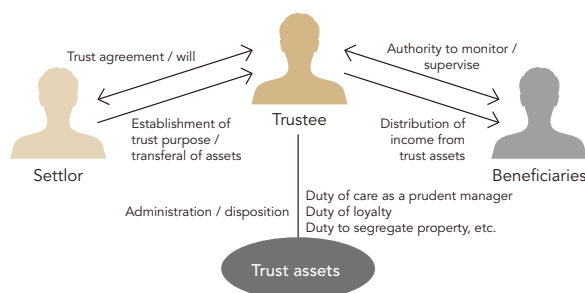
There are trusts for safely administering the assets of the elderly or people with disabilities, for example. Some trusts are also utilized by companies in corporate pension plans for employees.

Putting assets to good use (social contribution)

There are trusts that put one’s assets to good use for scholarships, environmental conservation, or research in academic fields. There are also trusts through which money is donated to non-profit organizations to support social contribution activities.

2. Mechanism

A trust comprises three parties: (1) the settlor who entrusts the assets; (2) the trustee who administers and manages the trust assets; and (3) the beneficiary who receives the benefits generated by the trust assets. More specifically, the purpose of the trust is established with the conclusion of a trust agreement between the settlor and the trustee. The assets are then handed over to the trustee, who distributes the assets along with any income generated by the assets to the beneficiary.



3. Trustee responsibilities

To earn the trust of the settlor and the beneficiary, various obligations are imposed on the trustee under Japan’s Trust Act and Trust Business Act.

The typical obligations of a trustee are as follows.

Duty of care as a prudent manager

The trustee must exercise due care of a prudent manager when administering the trust.

Duty of loyalty

The trustee must faithfully administer the trust for the beneficiary.

Duty to segregate property

The trustee must administer property belonging to the trust assets separately from its own property (property owned by the trustee itself) and from property belonging to other trust assets.

Duty of fairness

Where a trust has multiple beneficiaries, the trustee must execute its duties fairly for all beneficiaries.

The origin of trusts

While there are numerous views on how trusts came about, one theory relates to the “use” system that emerged in medieval England around the time of the crusades (11–13th century). At that time, a large sum of taxes had to be paid to the king or lord if the child of a person died in battle was to inherit the land of the deceased. To avoid such a heavy tax burden, it was customary for a person to donate their land to the church after they had died, but this was subsequently prohibited by law, so to counter this, the “use of land” system was developed. Thus, land was transferred to a trustworthy person and the income generated from its use was donated to the church.

Later on, the use system was also utilized at the time of the crusades. The land and possessions of a knight fighting in the crusades in the Middle East were assigned to a trustworthy person to be managed on behalf of his family left behind in England, while the income generated was to be handed over to the family. If the knight returned home safely, his land and possessions would be duly returned.

The use system was built on a strong relationship of trust between two parties and in time developed into what we now know as a “trust.”

Trust Q&A

Q In simplest terms, what is a trust?

A A trust is used to transfer your own assets to another person. While you are entrusting your assets, you are not lending them. You are transferring your ownership rights. The other person is called the trustee and not only can they lease your assets, they can also sell them.

Q So that means I'd no longer own those assets and the trustee can do whatever they want with them. Why on earth would I agree to that?

A You see, the trustee can't use the trust assets for themselves. They must only use them for the beneficiary. This is what's known as duty of loyalty.

Q I see. But in saying that the trust assets can only be used for the beneficiary, that could mean just about anything. Wouldn't the trustee have a hard time deciding on how the trust assets should be used?

A Exactly. Which is why the purpose of the trust is decided on beforehand. This way, the trustee uses the trust assets for the beneficiary in accordance with the purpose of the trust. In other words, it's a policy on how the trust assets are to be used.

Q I see. But if the trust assets now belong to the trustee, won't they be turned over to a creditor if the trustee goes bankrupt?

A Well, a function of trusts called "bankruptcy remoteness" means that the trust assets cannot be seized by the trustee's creditor even in the event of default. And of course, because the trust assets no longer belong to the settlor, they are impervious to bankruptcy on the part of the settlor. The same applies to bankruptcy of the beneficiary (although beneficiary rights can be seized).

Q But how does the trustee know which assets belong to themselves and which are the trust assets of the trust?

A The trustee has a duty to segregate property. They must properly manage the trust assets by separating them from other property. For assets like real estate that have a recording system, the trustee must make a record (known as a trust register) that basically shows what the trust assets are.

Q So, in what kind of situations can a trust be used?

A They have many uses, but particularly when assets are entrusted to a trust bank, many people expect their funds and assets to be managed and administered in a professional manner. The trustee of a trust has a duty of care as a prudent manager. That is, a duty to render attention sensibly as normally expected of a person undertaking such a task based on their capabilities and position. This means that even though the trust assets belong to the trustee, simply paying attention to them as their own assets is not good enough.

Q Interesting. So, even though the entrusted assets belong to the trustee, the trustee has numerous obligations to fulfil, which essentially guarantees that the trust assets will be used for the beneficiary of the trust.

Q By the way, could you go into a bit more detail about what it means to "utilize professional capabilities"?

A As an example, trust banks are investment management professionals. Not only do they manage assets for companies and individuals, they also manage pension fund contributions. They also jointly manage large sums of money entrusted from many clients.

On top of this, trust banks are also real estate professionals and they use their know-how to construct and manage buildings. In fact, a lot of capital is needed to erect a building and such funds need to be procured from somewhere, but this process happens to proceed more smoothly when a trust bank (the trustee) is the borrower. Even the paperwork for the municipal office can be handled solo because the trustee is also the owner, which is really convenient especially when there are multiple leaseholders.

Q I see. So the creditworthiness of the trustee can be put to good use and even legal matters can be simplified. Anything else?

A Another example would be the ability to create an investment product by liquidizing assets such as real estate, loan claims, or credit receivables. Using a trust, the assets become the beneficiary rights (credit obligations), but they can be broken up into smaller units and sold to investors. This is called multilayering and the beneficiary rights can also be separated into different types depending on the level of risk.

Q That's also called securitization. What else is there?

A Trusts can also be used in place of wills. You can decide in advance who will become the beneficiary of your trust after you have died. And you can even decide on the next beneficiary after them. Better still, you can also have the trust continue so that your children or grandchildren can receive regular payments, or you could have the trust continually donate money to a charity organization of your choosing.

Q Trusts really do have so many different functions and uses.

A Yes, they certainly do.

Professor Kazuo Shinomiya, a leading trust law scholar, wrote the following in his 1989 book *The Trust Act*: "...a trust can be created for any purpose unless it is an unlawful or impossible and as such there could be an infinite amount of them, but if there would be anything to limit their number, it would only be a lack of imagination on the part of lawyers and business people..." I think this statement really rings true.

Even as the times have changed, trust banks have continued to meet the needs of society by providing various trust products. For example, loan trusts supplied funds to Japan's industrial sector, pension trusts underpinned the adoption of the pension system, land trusts provided a means for the development of land to proceed without the need for real estate to be bought or sold at a time when land prices went through the roof during Japan's bubble economy, and liquidation trusts contributed to the diversification of corporate financing. Let's hope trust banks continue to make good use of trusts in imaginative and creative ways to meet the needs of society.

Corporate Governance



As Japan’s only financial group specialized in trust banking, the SuMi TRUST Group is taking steps to strengthen its corporate governance system in line with its business model. As a “company with Three Committees,” in addition to the requirement under the Companies Act for the establishment of statutory committees, we also have in place a Risk Committee and Conflicts of Interest Committee, both of which function as advisory bodies to the Board of Directors. We also strive to further enhance management transparency by appointing an external director as chairman of the Board of Directors.

1. Basic Initiative Policy

In order to adhere to the principles of sound management, based on a high degree of self-discipline with the background of fiduciary spirit, and to establish strong credibility with society, SuMi TRUST Holdings commits itself to enhancing its corporate governance system in line with the following basic philosophy, with the objective of supporting sustainable growth and medium- to long-term enhancement of the enter-

prise value of the SuMi TRUST Group. In addition, the Board of Directors sets out and discloses the SuMi TRUST Group’s Management Principles (“Mission”), Ideal Model (“Vision”), and Codes of Conduct (“Value”) as the anchor for all of our activities, which is shared by all of the directors, officers, and employees of the SuMi TRUST Group.

Basic Philosophy

- SuMi TRUST Holdings shall respect shareholder rights, and endeavor to develop an environment in which shareholders can exercise their rights appropriately and effectively, and to secure the effectively equal treatment of shareholders.
- By recognizing the importance of its social responsibilities and public mission, SuMi TRUST Holdings shall endeavor to appropriately cooperate with its stakeholders, including shareholders, clients, employees, business partners, and local communities, and to establish a corporate culture and climate in which it conducts sound business operations based on a high degree of self-discipline.
- In order to establish a basis for constructive dialogue with its stakeholders, SuMi TRUST Holdings shall separately set out its Disclosure Policy,

- and endeavor to appropriately disclose corporate information, including non-financial information, and ensure the transparency of its corporate management.
- As the financial holding company that assumes the corporate management function of the SuMi TRUST Group, SuMi TRUST Holdings adopted the institutional design of a “company with Three Committees,” and, by separating the execution and supervision of business, shall endeavor to ensure the Board of Directors’ role of effective supervision.
- SuMi TRUST Holdings shall engage in constructive dialogue with its stakeholders in order to contribute to sustainable growth, as well as the medium- to long-term enhancement of the enterprise value of SuMi TRUST Holdings.

2. Our Views on Corporate Governance

SuMi TRUST Holdings is a financial holding company with many subsidiaries under its Group umbrella, including SuMi TRUST Bank, Sumitomo Mitsui Trust Asset Management, and Nikko Asset Management. Guided by our fiduciary spirit, we aim to leverage our significant expertise and creativity to combine our banking, asset management & administration, and

real estate businesses to deliver total solutions to our clients as their “Best Partner.” In order to fulfill our principles and live up to the expectations of our stakeholders, we make every effort to ensure the soundness and reliability of the Group’s business model, as well as management transparency, and continually strive to enhance the Group’s corporate governance.

3. Board of Directors

(1) Roles of the Board of Directors

The Board of Directors ensures the fairness and transparency of the SuMi TRUST Group's corporate management as its central role, by setting out the basic management policy of the SuMi TRUST Group and supervising the overall management of the Group. Thus, with the exception of matters that are required by law to be decided by the Board of Directors, the Board of Directors, in principle, delegates decisions on the execution of business to executive officers, and supervises the execution of business by executive officers, etc. Meanwhile, the Board of Directors provides and improves an environment in which external directors may properly supervise the execution of duties by the Board of Directors and the top management, as well as any conflicts of interest that may arise between SuMi TRUST Holdings and the management team, etc. from the standpoint of stakeholders, in order to support sustainable growth and the medium- to long-term enhancement of the enterprise value of the SuMi TRUST Group. In light of the importance of environmental and social issues related to sustainability, the Board of Directors prescribes a basic policy regarding social responsibility that is to be implemented by each Group company (the "Sustainability Policy"). Under this Sustainability Policy, the Board of Directors enhances awareness among its officers and employees, and promotes positive efforts to resolve these issues while taking its stakeholders into consideration, with the aim of supporting the sustainable growth of society and increasing the enterprise value of the SuMi TRUST Group. Furthermore, the Board of Directors establishes policies regarding the provision of products and services suitable for the true benefit of our clients (the "Policies regarding the Fiduciary Duties of the Sumitomo Mitsui Trust Group"), acts to ensure client comfort and satisfaction by sharing our "client-orientation" policy within the SuMi TRUST Group, and promotes the practice of fiduciary duties in the SuMi TRUST Group by supervising each Group company's commitment to its fiduciary duties.

(2) Composition of the Board of Directors

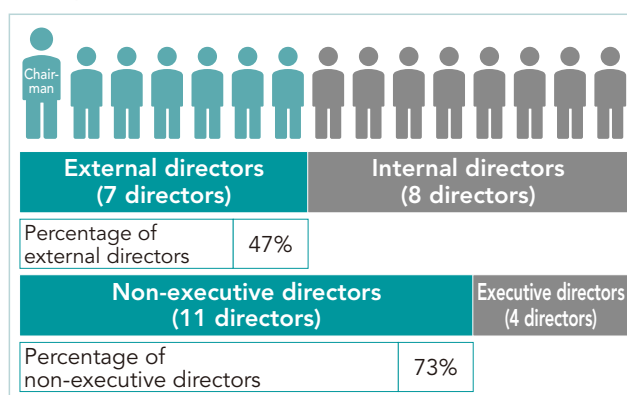
The Board of Directors at SuMi TRUST Holdings requires enough directors considered necessary and appropriate for the Board to demonstrate an effective supervisory function as required of a financial holding company tasked with the corporate management of the Group. In determining the number of directors, due consideration is also given to ensuring diversity and expertise among directors.

In light of the importance of the functions of external directors in corporate governance, as a general rule, at least one-third of the directors on the Board of Directors are independent external directors. The Board of Directors establishes and discloses Independence Standards of Independent Directors.

In determining candidates for directors, SuMi TRUST Holdings takes into consideration, among other factors, a balance between individuals who are capable of exerting strength in the management of specific business fields, and individuals who are suitable for corporate management. SuMi TRUST Holdings

strives to secure a board that is, as a whole, sufficiently balanced and diverse in terms of knowledge, experience, and capability to properly supervise the wide range of business fields in which SuMi TRUST Holdings has dealings, as a trust bank group.

■ Composition of the Board of Directors



■ All seven external directors have been registered as independent officers with the relevant financial instruments exchange.

■ Breakdown of 15 directors: 14 men, 1 woman

■ 16 Board of Directors meetings were convened during the period July 1, 2019 through June 30, 2020. Only on one occasion was one director absent.

(3) External Director Serving as Chairman of the Board of Directors

While a "company with Three Committees" is, in principle, able to delegate important business execution decisions to executive officers, the Board of Directors is required to exercise a greater supervisory function. In light of the role expected of the Board of Directors, SuMi TRUST Holdings has appointed Mr. Isao Matsushita, an external director, as chairman of the Board of Directors.

In addition, SuMi TRUST Holdings has established the Corporate Secretariat as an organization that assists the chairman in fulfilling his duties, thereby providing information for use in the selection of agendas for Board of Directors meetings, and offering assistance regarding matters such as the clarification of points related to the agendas of Board of Directors meetings.



4. Deliberations by the Board of Directors

We take steps to ensure that the operations of the Board of Directors are focused sharply on key topics of deliberation in its annual schedule, which we formulate as part of the PDCA cycle for the Evaluation of the Board of Directors conducted every year.

In FY2018 the Board of Directors spent a lot of time deliberating governance and risk management for the purpose of

making changes to the institutional design of major subsidiaries, but in FY2019 those changes were completed and therefore the focus of deliberations turned to the formulation of the Medium-Term Management Plan commencing in April 2020. As a result, the Board spent more time deliberating management strategies and monitoring.



■ Topics deliberated on by the Board of Directors in FY2019

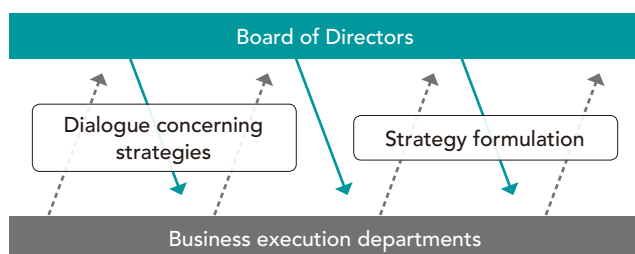
Subject	Topics
Management strategies and monitoring	<ul style="list-style-type: none"> Formulation of Medium-Term Management Plan (business environment assumptions, competitor analysis, plan direction and determination, etc.) Partnership with UBS Group in wealth management business
Governance and risk management	<ul style="list-style-type: none"> Results of evaluation of Board of Directors Transition of Nikko Asset Management to directly owned subsidiary Enhancement of anti-money laundering framework Addressing cyber security risks Impact of, and response to, COVID-19
Finance	<ul style="list-style-type: none"> Examining appropriateness of financial targets for formulation of Medium-Term Management Plan Balance sheet, efficient use of capital
Relationships with stakeholders	<ul style="list-style-type: none"> Dialogue with investors, shareholder measures Status of CS awareness survey Strengthening employee engagement Sustainability policy

5. Formulation Process for Medium-Term Management Plan

As part of the process to formulate the new Medium-Term Management Plan, strategies were developed based on a back-and-forth examination process involving mutual discussions and two-way dialogue between the Board of Directors and business execution departments. Other than Board of Directors meetings, preparatory briefings* were utilized to drive forward methodical discussions in line with the annual deliberation schedule.

*Meetings for the purpose of briefing mainly external directors about agenda items for Board of Directors meetings.

■ Back-and-forth examination process for strategy formulation



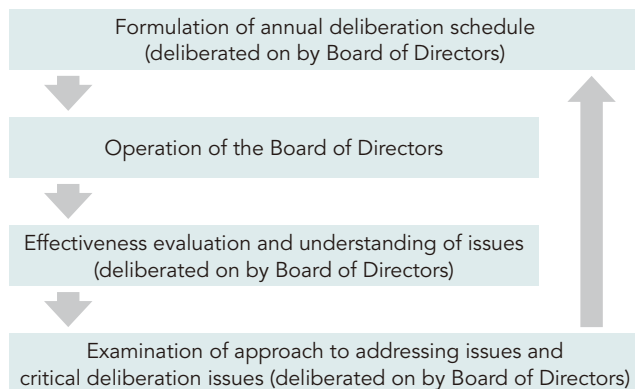
■ Deliberations on Medium-Term Management Plan

April 2019	Schedule for formulating Medium-Term Management Plan
May	Confirmation of management principles and other matters
June	Internal/external environment assumptions, competitor analysis
July	Focus points of Medium-Term Management Plan
September	Review of materiality Examination of Medium-Term Management Plan
October	Formulation of new materiality issues
November	Key points of discussion for Medium-Term Management Plan
December	Direction of Medium-Term Management Plan
January 2020	Particulars of Medium-Term Management Plan (1/2)
February	Particulars of Medium-Term Management Plan (2/2)
March	Policy on organizational changes Formulation of Medium-Term Management Plan

6. Results of the FY2019 Evaluation of the Board of Directors

Every year we perform an evaluation of the Board of Directors in an effort to enhance its effectiveness by considering and adopting measures aimed at improving issues identified in the evaluation and by implementing the PDCA cycle. The key points in the FY2019 evaluation of the Board of Directors are as follows.

■ PDCA Cycle



○ Key Points in the FY2019 Evaluation of the Board of Directors

- (1) The third-party organization leading the evaluation was changed from last fiscal year so that the Board of Directors could be examined from a different perspective and so new issues could be identified.
- (2) The third-party organization surveyed and interviewed the directors and self-evaluations were carried out in light of a review performed by the third-party organization.
- (3) Assessments were conducted from multiple angles; namely, self-evaluation by the Board of Directors, the Board of Directors' evaluation of each committee, each committee's self-evaluation, and executive officers' evaluations of the Board of Directors.

■ FY2019 Implementation Schedule for the Evaluation of the Board of Directors

Month and Year	Evaluation Process
January–February 2020	Directors and executive officers were surveyed by the third-party organization (external consultant) Members of each committee were surveyed
February–March	Directors were interviewed by the third-party organization (external consultant)
May	The Board of Directors deliberated the results of the evaluation of the Board of Directors
June	Areas of greater focus for future deliberations were discussed by the Board of Directors Annual deliberation schedule for the Board of Directors and each committee was formulated

○ Measures to Address FY2018 Issues

Based on the following measures that addressed issues in FY2018, results confirmed in the FY2019 evaluation of the Board of Directors have indicated that progress is being made on improving those issues.

- (1) Improving discussions concerning medium- to long-term management issues and strategies, including the formulation of the new Medium-Term Management Plan.
 - When the new Medium-Term Management Plan was being formulated, systematic discussions in line with the annual deliberation schedule took place and both the Board of Directors and business execution departments mutually examined and deliberated issues and strategies through back-and-forth discussions.
 - After going back to the management principles of the Group, medium- to long-term management issues and strategies were mainly discussed by the Board of Directors and during other preparatory briefings. The insights of external directors were fully utilized.
- (2) Strengthening monitoring to enhance Group governance.
 - Discussions aimed at improving the Group's corporate governance continued to take place. For example, changes were made to the institutional design of key Group companies, while in-house changes were also made.
 - Future issues were identified through the monitoring of internal control systems and the risk governance framework and further discussions focused on making improvements with an emphasis on a "three lines of defense" model.
- (3) Improving the framework that underpins the operation of the Board of Directors
 - With the goal of improving the PDCA cycle for evaluating the Board of Directors, a new external consultancy firm was appointed as the third-party organization to lead the evaluation so that the Board of Directors could be examined from a different perspective and new issues could be identified.
 - The monitoring of how business is executed in response to key opinions of the Board of Directors was strengthened. In particular, discussions were afforded more focus thanks to the visualization of agenda items requiring deliberation.
 - An annual deliberation schedule was drawn up based on the issues identified in the effectiveness evaluations performed on each committee and the self-sustaining PDCA cycles in each committee became more sophisticated mainly owing to more active discussions and improved operations.

○ Results of the FY2019 Evaluation of the Board of Directors and Future Measures

Through the FY2019 evaluation of the Board of Directors, SuMi TRUST Holdings concluded that the Board of Directors and each committee had been operated with a sense of their own purpose, in an effort to invigorate deliberation and enhance objectivity and transparency, and that they had maintained a certain level of effectiveness.

On the other hand, through the evaluation of the Board of Directors, SuMi TRUST Holdings identified the following three issues as requiring improvement and enhancement by the Board of Directors and each committee, and is working continuously to address them.

- (1) Supervision of and advice on the progress of the Medium-Term Management Plan in light of the impact of the COVID-19 pandemic.
- (2) Improvements to internal control systems and operations at Group companies.
- (3) Further improvements to the appropriate operations of the Board of Directors, reflecting the supervision and execution roles expected of it.

In its pursuit of sustainable growth and the medium- to long-term enhancement of enterprise value, SuMi TRUST Holdings is committed to further enhancing the effectiveness of the Board of Directors and each committee, by continuously implementing the PDCA cycle through the evaluation of the Board of Directors.

7. Committees

To ensure the effectiveness of corporate governance and further enhance the soundness and reliability of the Group's business model, as well as the transparency of management, we have established the Risk Committee and the Conflicts of Interest Committee as advisory bodies to the Board of Directors to complement the three committees required under the Companies Act, namely, the Nominating Committee, the Compensation Committee, and the Audit Committee. As a financial group specialized in trust banking, the Conflicts of Interest Committee possesses supervisory functions unlike at any other financial group.

Also, every year each committee conducts a self-evaluation in an effort to improve its autonomous management by considering and adopting measures aimed at improving issues identified in the evaluation.

(1) Nominating Committee

The Nominating Committee determines the content of proposals regarding the election and dismissal of directors to be submitted to the General Meeting of Shareholders, receives requests for consultation regarding the election and dismissal of executive officers including the President, as well as the succession plan for the management team from the Board of Directors, and deliberates and makes reports on these matters. It also receives requests for

consultation regarding the election and dismissal of directors from the Board of Directors of SuMi TRUST Bank and Sumitomo Mitsui Trust Asset Management, and deliberates and makes reports regarding these matters. The Nominating Committee consists of three or more directors, and a majority of the members are independent external directors. The chairperson of the Nominating Committee is selected from the pool of committee members who are independent external directors.

(2) Compensation Committee

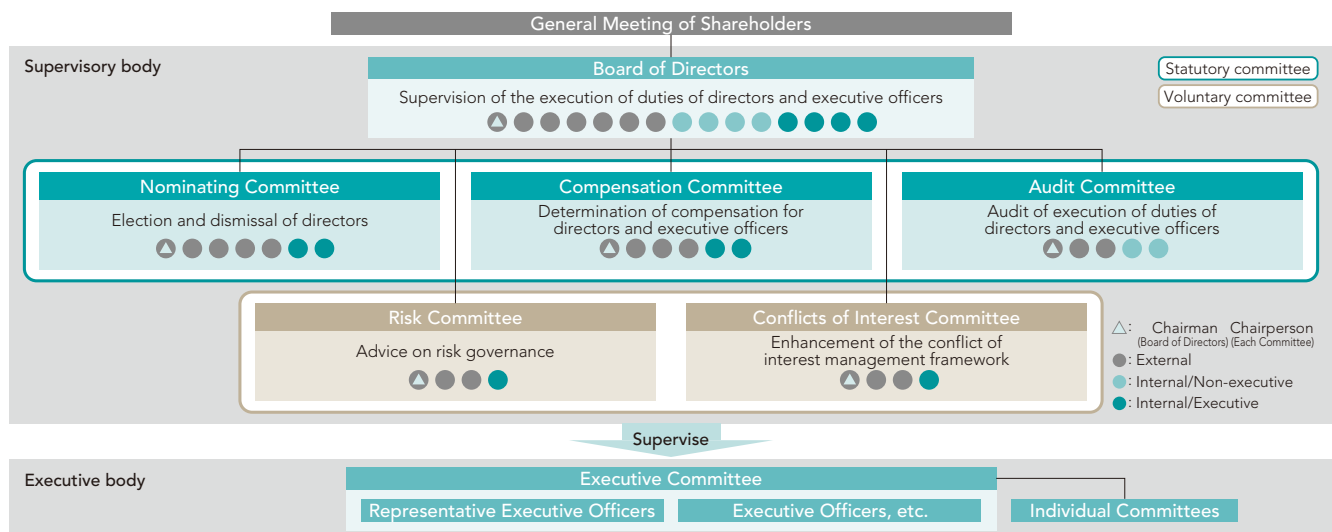
The Compensation Committee prescribes policy regarding decisions on the content of compensation for individual executive officers and directors, and determines the content of compensation for individual executive officers and directors, in accordance with this policy. It receives requests for consultation regarding policies on decisions on the content of compensation for individual directors, etc. from the Board of Directors of SuMi TRUST Bank and Sumitomo Mitsui Trust Asset Management, and deliberates and makes reports on these matters. The Compensation Committee consists of three or more directors, and a majority of the members are independent external directors. The chairperson of the Compensation Committee is selected from the pool of committee members who are independent external directors.

■ Meetings of Board of Directors and Committees (July 2019 through June 2020)

	July 2019	Aug.	Sept.	Oct.	Nov.	Dec.	Jan. 2020	Feb.	Mar.	Apr.	May	June
Board of Directors	●	●	●	●	●●	●	●	●	●●	●	●●	●●
Nominating Committee	●		●	●	●	●	●●	●●	●	●	●●	●
Compensation Committee	●	●		●	●	●	●		●	●	●	●●
Audit Committee	●	●●	●	●	●●	●	●	●	●●	●	●●	●●
Risk Committee	●			●	●	●	●		●		●	
Conflicts of Interest Committee	●				●		●					●

● One meeting ●● Two meetings

■ Corporate Governance System



(3) Audit Committee

The Audit Committee audits the execution of duties by executive officers and directors, and prepares audit reports. It determines the content of proposals regarding the election and dismissal of a financial auditor, and regarding refusals to reappoint a financial auditor that are submitted to the General Meeting of Shareholders.

In order to fulfill its role and responsibilities, the Audit Committee appropriately exercises its authority to investigate the status of business and the assets of companies belonging to the SuMi TRUST Group. It appropriately utilizes the internal control system of the SuMi TRUST Group, and systematically and efficiently conducts audits by receiving reports from executive officers, directors, and a financial auditor, and through communications with these individuals. The Audit Committee consists of three or more directors who do not concurrently serve as executive officers, and a majority of its members are independent external directors. The chairperson of the Audit Committee is selected from the pool of committee members who are independent external directors.

(4) Risk Committee

The Risk Committee receives requests for consultation from the Board of Directors on (i) matters concerning the business environment surrounding the SuMi TRUST Group, top risks, and materiality, and (ii) matters concerning the operation of its risk appetite framework, risk management, and monitoring of the effectiveness of the internal control system related to compliance management of the

SuMi TRUST Group, and reviews and reports on their appropriateness. In principle, a majority of the members of the Risk Committee are independent external directors and external experts. The chairperson of the Risk Committee is selected from the pool of committee members who are independent external directors.

(5) Conflicts of Interest Committee

The Conflicts of Interest Committee receives requests for consultation from the Board of Directors on (i) matters concerning the validity of the conflict of interest management framework of the SuMi TRUST Group, (ii) matters concerning the effectiveness of conflict of interest management, client explanation management, and client support management of the SuMi TRUST Group, as well as the enhancement of associated systems, (iii) matters concerning Policies regarding the Fiduciary Duties of the SuMi TRUST Group and the action plans, etc. of each Group company, (iv) particularly important matters concerning the dissemination of conflict of interest management and fiduciary duties in the SuMi TRUST Group, and other matters, and reviews and reports on their appropriateness. In principle, a majority of the members of the Conflicts of Interest Committee are independent external directors and external experts. The chairperson of the Conflicts of Interest Committee is selected from the pool of committee members who are independent external directors or external experts with professional knowledge and expertise in the concerned field.

Activities of each committee (July 2019 through June 2020)	Nominating Committee	Compensation Committee
Audit Committee <ul style="list-style-type: none"> Launched organizational audits (audits that leverage the internal control system). Carried out systematic and efficient audits supported by appropriate collaboration with executive officers, directors, the Internal Audit Department, financial auditors, and auditing units of affiliated Group companies. 	Nominating Committee <ul style="list-style-type: none"> Decided on proposed director candidate for SuMi TRUST Holdings. Deliberated on proposed director candidate for a major subsidiary. Selected next-generation top management candidates based on succession plans and considered improvements to development plans. 	Compensation Committee <ul style="list-style-type: none"> Deliberated on compensation for executives, including executives at major subsidiaries. Discussed makeup of monthly compensation, director bonuses, stock compensation, as well as compensation systems taking into account near-term and longer-term incentives. Modified stock compensation system and introduced share delivery trust system.
	Risk Committee <ul style="list-style-type: none"> Deliberated on the "three lines of defense" structure for Group risk governance and risk management in line with the Group's business model. Deliberated on external environment assumptions and top risks. Deliberated on matters concerning the risk appetite framework. 	Conflicts of Interest Committee <ul style="list-style-type: none"> Deliberated on a dynamic conflict of interest management framework taking into account case examples overseas, circumstances at other firms, the COVID-19 crisis, and trends in Japan and abroad. Deliberated on further penetration and implementation of FD and measures aimed at enhancing business quality control capabilities.

Members of Committees (▲: Chairperson, ●: Member (external), ●: Member (internal/non-executive), ●: Member (internal/executive))

			Nominating	Compensation	Audit	Risk	Conflicts of Interest	
External	Directors	Isao Matsushita	▲	●				
		Takeshi Suzuki	●	●		●	●	
		Mikio Araki	●	●		▲		
		Shinichi Saito	●		▲			
		Takashi Yoshida			●			
		Hiroko Kawamoto	●	▲				
		Mitsuhiro Aso			●			
	Experts	Hideki Kanda*						▲
		Haruyuki Toyama*				●		
		Akiko Hosokawa*						●
Internal		Tetsuo Ohkubo	●	●				
		Masaru Hashimoto	●	●				
		Yutaka Nishida				●	●	
		Kuniyuki Shudo			●			
		Kouji Tanaka			●			

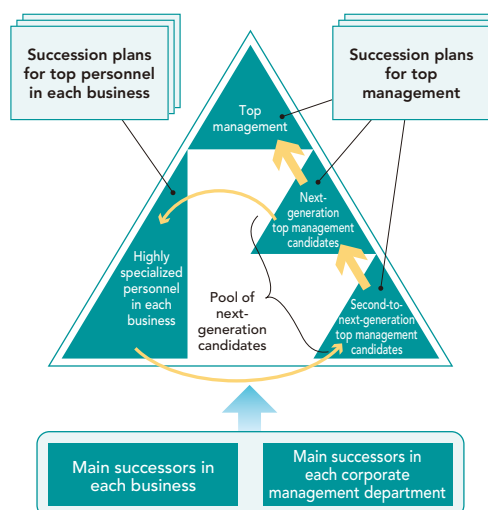
* Mr. Hideki Kanda is an external director of SuMi TRUST Bank. Mr. Haruyuki Toyama and Ms. Akiko Hosokawa are external experts.

8. Succession Plan

In order to realize the sustainable growth of the Group and enhance its enterprise value, the Group has created succession plans for the top management of SuMi TRUST Holdings and its major subsidiaries, SuMi TRUST Bank and Sumitomo Mitsui Trust Asset Management. We have also created management personnel development plans for the personnel that will be responsible for the management of each business and corporate management.

These plans define the ideals and requirements of directors and executive officers, and assist with the management and development of a pool of candidates that meet these ideals and requirements.

The status of the progress of succession plans and management personnel development plans is reported regularly to the Nominating Committee, which reports to the Board of Directors.



9. Compensation System for Directors and Executive Officers

(1) Policy Regarding Decisions on the Content of Compensation

- Compensation for directors and executive officers is intended to function effectively as an incentive for the improvement of corporate performance and expansion of enterprise value.
- Rather than focusing on a single-year performance evaluation in which short-term contributions to profit are emphasized, we are building a compensation system with a balance of near-term incentives and medium- to long-term incentives, with rewards based on a comprehensive evaluation that reflects earnings contributions over the medium to long term.
- We accurately assess the roles that directors and executive officers of SuMi TRUST Holdings must perform in corporate management, as well as the results of their efforts, in order for them to adequately discharge their supervisory duties over the

Group companies, and determine individual compensation based on highly transparent, fair, and objective evaluations.

- The Compensation Committee forges deeper collaborations with committees in order to build a higher accountability compensation system, and engages in deliberations with the aim of operating a fair and balanced compensation system.
- Neither internal nor external committee members participate in decisions regarding their own compensation.

(2) Overview of the Compensation System

In principle, compensation is paid with a combination of monthly compensation (comprising fixed compensation and individual performance compensation), bonuses for directors and executive officers (performance-linked bonuses), and stock compensation (share delivery trust).

	Fixed compensation (roughly 40%)		Variable compensation (roughly 60%)		
President	Fixed compensation as a percentage of monthly compensation	Individual performance compensation as a percentage of monthly compensation	Bonus	Stock compensation	Total
	40%	25%	20%	15%	100%
	Fixed compensation (roughly 45%)		Variable compensation (roughly 55%)		
Other than president	Fixed compensation as a percentage of monthly compensation	Individual performance compensation as a percentage of monthly compensation	Bonus	Stock compensation	Total
	45%	25%	20%	10%	100%

(3) Indicators (KPIs) Concerning Performance-Linked Compensation

A system has been introduced to derive total bonus (performance-linked) and stock compensation (share delivery trust) amounts for directors and officers by calculating achievement

rates for the items listed below with reference to KPIs and then multiplying the rates against a base amount.

Near-term / medium-term	Indicators (KPIs) concerning performance-linked compensation	KPI selection reason	Calculation method
■ Bonuses for directors and officers (performance-linked)			
Linked to near-term earnings	(1) Consolidated net business profit	Considered appropriate indicators of the company's business results and capabilities in the fiscal year under review	Calculated based on a weighted average with a 2:1 weighting on the achievement rates for (1) and (2), respectively
	(2) Consolidated net profit attributable to owners of the parent		
■ Stock compensation (share delivery trust)*			
Linked to near-term earnings	(1) Consolidated net business profit	Considered appropriate indicators of the company's business results and capabilities in the fiscal year under review	Calculated based on a weighted average with a 2:1 weighting on the achievement rates for (1) and (2), respectively
	(2) Consolidated net profit attributable to owners of the parent		
Linked to medium-term earnings	(3) Consolidated shareholders' equity and ROE	<ul style="list-style-type: none"> • Key financial indicators and non-financial items in the company's Medium-Term Management Plan and considered appropriate key topics in management strategy • To clarify commitment to management of directors, officers, and executive officers 	<ul style="list-style-type: none"> • Final achievement rate calculated by qualitatively assessing the achievement and progress of (3), (4), and (5), as well as the activities for (6) and (7) and adding the scores to the achievements rates calculated with (1) and (2) above • Achievement rate is capped at 130% (lower limit of 0%) so as to provide an appropriate incentive scheme
	(4) Consolidated common equity tier 1 capital ratio		
	(5) Consolidated overhead ratio (OHR)		
	(6) ESG-related activities and rating agency score, etc.		
	(7) Fiduciary duty and customer satisfaction activities		

*Compensation with the use of a trust scheme. Points are awarded every fiscal year based on the achievement rates for the KPIs above and delivered in the form of shares upon retirement. Malus provisions (reduction/forfeiture prior to share delivery) apply.

10. Changes to the Institutional Design of Group Companies

In order to enhance the SuMi TRUST Group's corporate governance system, three primary Group companies of SuMi TRUST Bank, Sumitomo Mitsui Trust Asset Management, and Nikko Asset Management, have changed from a "company with a Board of Corporate Auditors" to a Company with an Audit and Supervisory Committee.

Furthermore, Nikko Asset Management was made a directly owned subsidiary of SuMi TRUST Holdings (previously directly owned by SuMi TRUST Bank). This move aims to further advance the Group's asset management business and enhance corporate governance, including the appropriate management of conflicts of interest within the Group.

■ Changes to the Institutional Design of Group Companies/ Transfers within the Group

June 2017	SuMi TRUST Holdings became a "company with Three Committees"
October 2018	Sumitomo Mitsui Trust Asset Management became a Company with an Audit and Supervisory Committee
June 2019	SuMi TRUST Bank and Nikko Asset Management became a Company with an Audit and Supervisory Committee
July 2019	Transition of Nikko Asset Management to directly owned subsidiary of SuMi TRUST Holdings

11. External Directors' Meetings

In order to further improve the effectiveness of our corporate governance, we regularly hold external directors' meetings, which are only attended by external directors.

These external directors engage in discussions that are

active and unrestrained, sharing information and awareness from independent and objective positions. These meetings contribute to the greater objectivity and independence of the Board of Directors.

External Director Interview



Mikio Araki

External Director
Chairperson of Risk Committee

In addition to the requirement under the Companies Act for the establishment of three statutory committees, SuMi TRUST Holdings, as a “company with Three Committees,” also has in place a Risk Committee that functions as an advisory body to the Board of Directors. We asked External Director Mikio Araki, chairperson of the Risk Committee since its inception, about the status of the Group’s corporate governance, the activities of the Risk Committee undertaken thus far, and his vision for the future.

Question

How would you rate the measures adopted thus far that aim to enhance corporate governance at SuMi TRUST Holdings?

Under the banner of a “second foundation” in the previous Medium-Term Management Plan that kicked off in April 2017, the SuMi TRUST Group pushed ahead with reforms comprising three main parts: business model transformation, promotion of fiduciary duties, and corporate governance transformation.

In June 2017, SuMi TRUST Holdings switched to a “company with Three Committees” and in addition to the requirement under the Companies Act for the establishment of three statutory committees, it also set up a Risk Committee and a Conflicts of Interest Committee, both of which function as advisory bodies to the Board of Directors. The majority of members that sit on these committees are external directors, while the chairman of the Board of Directors and the chairperson of each committee also hail from outside of the company.

Then, over the period from 2018 through 2019, the major Group companies SuMi TRUST Bank, Sumitomo Mitsui Trust Asset Management, and Nikko Asset Management were reorganized into companies with an Audit and Supervisory Committee. So considering all of these developments, I do feel that the governance structure across the entire Group has been steadily strengthened.

That said, upgrading one’s governance framework should not be the end goal. Uncovering issues that require improvement from day-to-day practices and continually enhancing the

proficiency and maturity of the corporate governance structure is vitally important, in my opinion.

For example, I think the supervising and checking roles in a governance structure only really prove functional when they are paired with an external director who is expected to check things from an external point of view.

Rather than recognizing that oversight is strengthened solely because of the presence of external directors, I think it is important that corporate governance continues to be matured in terms of operational aspects, such as how functions and roles are separated from the executive side of the business, or what kind of information channels are set up with the executive side.

Question

What are the roles of the Risk Committee?

The Risk Committee has been active for a period of three years now since its establishment at the time of SuMi TRUST Holdings’ transition to a “company with Three Committees.” The Board of Directors consults with us on a plethora of subjects—for example, the Group’s risk appetite framework (RAF), materiality, and top risks. And because our discussions are quite broad-ranging, you could say that we enjoy a high degree of freedom regarding the activities we undertake. With regard to the recently formulated Medium-Term Management Plan, we engage in free discussions about the issues the plan rests its assumptions on, such as the awareness of the Group’s business environment and the forward-looking review of materiality.

However, owing to the fact that the committee is made up of mostly external committee members, there are limitations on how often we can meet, which means we are unable to discuss matters on a daily basis. For these reasons, we have not been given a strong mandate to supervise and monitor the day-to-day execution of the Group's business. Instead, our main role is to freely engage in sophisticated and wide-ranging discussions about risk-related topics and raise various issues for the executive side of the business to address.

What works in our favor is that in addition to two external directors and one internal director of SuMi TRUST Holdings, the other committee members or advisors that attend meetings include external experts well-versed in such topics as the macro economy, global finance, and trends at regulatory authorities and financial institutions in Japan and overseas. Accordingly, lively discussions are the norm at every meeting.

Moreover, directors that also sit on the Audit Committee and many executive officers of corporate management departments also participate in committee discussions and the details and opinions from such discussions are reflected in the day-to-day execution of business where necessary.

Up ahead, as an advisory body to the Board of Directors, we hope to build an even stronger system by further expanding on the recommendations of the Board of Directors and offering suggestions based on our findings.

Question

How do you feel when looking back on the activities of the Risk Committee carried out thus far?

Prior to the establishment of the Risk Committee, SuMi TRUST Holdings had already constructed a RAF for the Group in line with international standards and from FY2017 it stepped up efforts to have risk appetite limits adopted in each banking business and at all Group companies. Numerous interrelated issues come into play when building a RAF. For example, forward-looking environmental assumptions and scenario analyses of the macro economy and industrial and social trends, the setting and monitoring of risk appetite indicators, the sophistication of prediction management functions, and the identification of various risk and materiality issues. So considering that the primary objective of a RAF is to set a risk tolerance amount and compare the risk-return costs to improve risk management, revenue management, and by extension, business management, it is no surprise that the discussions of the Risk Committee revolve around the RAF to a varying degree.

Over the past three years, I can see that we have made steady progress on improving methods of setting and monitoring risk appetite indicators, enhancing prediction management methods, developing and improving risk appetite statements, and rolling out all of these initiatives to Group companies.

That said, many challenges await us up ahead. As a financial group specialized in trust banking, the SuMi TRUST Group is engaged in a multitude of businesses, which certainly gives it an edge over its competitors, but for that very reason of diversity, all of its risk appetite indicators must be set with a high degree of accuracy. Given these many technical challenges, I think ongoing improvements are absolutely essential. Progress has also been made on using the common language of the RAF as a tool for communication between corporate management departments, but initiatives aimed at instilling a risk culture at the front line and even among each and every employee are still a work in progress, so a great deal of ingenuity and effort will be crucial going forward. The creation and penetration of risk culture and corporate culture driven by the Group's top leadership, and even the establishment of an assessment and compensation structure consistent with these developments, must be accomplished in a climate of mutual respect and understanding.

Question

How do you view the impacts of the COVID-19 pandemic?

Economic activity is being significantly and adversely impacted by the global spread of COVID-19 and the various restrictions imposed on people's movements as a result. As a consequence, society is expecting all financial institutions to lend large sums of money to their clients. Naturally, financial institutions must firmly uphold their social duty to supply capital, but they are also required to strictly address and deal with sudden increases in credit risk and problems associated with securing liquidity.

Under these circumstances, the following opinion voiced during a recent Risk Committee meeting left a particular impression on me: "...exhaustive discussions about environmental assumptions and the appropriateness of a scenario portfolio during this time are meaningless. We must concentrate on deciding what kind of countermeasures we require in anticipation of the biggest risk that could potentially occur and checking whether such measures will work."

The SuMi TRUST Group too has implemented various initiatives and measures for preventing the spread of infections and ensuring business continuity, including restrictions on coming to work and the adoption of telecommuting. However, considering that all of this is a new experience for each and every employee, I am certain that we have all learnt something new, such as what we can put to use in the future and what to prevent from happening again. More than anything, I think it is vital that we not only use this awareness to overcome the immediate crisis, but after we get through this period, we take it all in and digest it thoroughly as an organization so that we can build a better system for sustainable business continuity.

Our Board of Directors and Executive Officers*1 *2

(As of July 1, 2020)

Directors (internal)

	Director, President (Representative Executive Officer) Tetsuo Ohkubo	Tetsuo Ohkubo has experience in positions for supporting part of corporate management, being in charge of corporate management departments of SuMi TRUST Holdings, and assumed office as President in April 2017 and as Director, President in June 2017. In addition, he has experience of being in charge of corporate management departments of SuMi TRUST Bank. He served as Deputy President of SuMi TRUST Bank for 1 year from April 2016, and as Director from April 2017.
	Director, Senior Managing Executive Officer (Representative Executive Officer) Jiro Araumi	Jiro Araumi has been in charge of the Asset Management Business Planning Department as Senior Managing Executive Officer since April 2017, and Director, Senior Managing Executive Officer since June 2017. He also has been in charge of the Fiduciary Services Business as Director, Senior Managing Executive Officer of SuMi TRUST Bank. Therefore he has extensive knowledge and experience regarding the corporate management and business operations of a trust bank group.
	Director, Senior Managing Executive Officer (Representative Executive Officer) Yutaka Nishida	Yutaka Nishida has been Regional Executive for Europe and General Manager of London Branch of SuMi TRUST Bank. Since April 2017, he has been in charge of the Risk Management Department, Compliance Department, Legal Department, and other departments as Senior Managing Executive Officer of SuMi TRUST Bank. Therefore, he has extensive knowledge and experience regarding the corporate management and business operations of a trust bank group.
	Director, Executive Officer Masaru Hashimoto	Masaru Hashimoto has been in charge of corporate management departments of SuMi TRUST Holdings. From October 2016 to March 2017, he served as Deputy President and Executive Officer. Since June 2017, he has served as Director, Executive Officer, in a position of assisting the Group's overall management. At SuMi TRUST Bank, he has been responsible for overall management since he took office as President in April 2017.
	Director Kunitaro Kitamura	Kunitaro Kitamura served as President of SuMi TRUST Holdings for 5 years from April 2012 and as Chairman of SuMi TRUST Bank from April 2012. Therefore, he has extensive knowledge and experience with regard to the overall management of a trust bank group.
	Director Hitoshi Tsunekage	Hitoshi Tsunekage has served as Chairman of SuMi TRUST Holdings since April 2011, and also served as President of SuMi TRUST Bank up to March 2017 and Chairman from June 2017. Therefore, he has extensive knowledge and experience with regard to the overall management of a trust bank group.
	Director Kuniyuki Shudo	Kuniyuki Shudo has served as general manager of the Fiduciary Services Business and overseas units, Regional Executive for the Americas and General Manager of New York Branch. He then served as Managing Executive Officer of SuMi TRUST Bank, Executive Officer of SuMi TRUST Holdings, in charge of the Global Business Management Office and the Americas Business Management Office. Therefore, he has extensive knowledge and experience regarding the corporate management and business operations of a trust bank group.
	Director Kouji Tanaka	Kouji Tanaka has served as general manager of the Real Estate Business and general manager of domestic branches. He then served as Managing Executive Officer of SuMi TRUST Bank, in charge of the Internal Audit Department. Therefore, he has extensive knowledge and experience regarding the corporate management and business operations of a trust bank group.

Executive Officers

Senior Managing Executive Officer,
Executive Officer*2
(Stock Transfer Agency Services Business)*3

Atsushi Kaibara

Managing Executive Officer

Kazuya Oyama

Executive Officer*2

Yukihiro Kitano

Executive Officer*2
(Wholesale Asset Management Business)*3

Kengo Noguchi

Executive Officer*2
(Private Banking Business)*3

Akira Yokota

Managing Executive Officer

Hitoshi Sato

Managing Executive Officer

Junya Ueda

Executive Officer*2
(Wholesale Total Solution Services Business)*3

Masahiro Tsuchiya

Executive Officer*2
(Retail Total Solution Services Business)*3

Seiji Iwakuma

Executive Officer*2

Toshio Masui

Managing Executive Officer,
Executive Officer*2
(Asset Formation Advisory, Work Place, Business)*3

Futoshi Itani

Executive Officer*1,
Executive Officer*2

Shigenori Ikemura

Executive Officer*2
(Fiduciary Services Business)*3

Toru Takakura








Executive Officer*2
(Real Estate Business)*3

Shigeki Tanaka

Executive Officer*2

Yoshio Hishida

Directors (external)

			Area of expertise		
			Corporate management	Financial accounting	Law
	Director (external) Takeshi Suzuki *1	Mr. Takeshi Suzuki has extensive experience and knowledge in the fields of accounting, finance, affiliated company management, etc. as a former Senior Managing Director of Toyota Motor Corporation. He has been involved in the management of companies operating finance related businesses, serving as Representative Director and President of Toyota Financial Services Corporation and Representative Director and Chairman of Aioi Nissay Dowa Insurance Co., Ltd. (He has served as an external director at SuMi TRUST Holdings since June 2015.)	●	●	—
	Director (external) Mikio Araki *1	Mr. Mikio Araki has extensive experience in bank management and policy-based finance, etc. as a former Representative Director and Deputy President of Development Bank of Japan Inc., and has extensive knowledge regarding domestic and foreign financial and economic circumstances as Chairman of the Board of Japan Economic Research Institute Inc. (He has served as an external director at SuMi TRUST Holdings since June 2015.)	●	●	—
	Director (external) Isao Matsushita *1	Mr. Isao Matsushita has extensive experience in the general management of companies, as a former Representative Director and President of JX Holdings, Inc. (currently ENEOS Holdings, Inc.), which is a representative integrated energy, resources, and material enterprise group in Japan. (He has served as an external director and chairman of the Board of Directors at SuMi TRUST Holdings since June 2017.)	●	●	—
	Director (external) Shinichi Saito *1	Mr. Shinichi Saito has extensive knowledge and experience in financial accounting as the former General Manager of the Finance Department of Marubeni Corporation. In addition to engaging in management at an investment company, he also has acquired deep insight as a company executive. (He served as an external auditor at SuMi TRUST Holdings from June 2013 to June 2017, and as an external director at SuMi TRUST Holdings since June 2017.)	●	●	—
	Director (external) Takashi Yoshida *1	Mr. Takashi Yoshida had been a member of a major audit firm for many years, and has extensive knowledge and experience in financial accounting as a certified public accountant in charge of auditing financial institutions and operating companies. He has been engaged in management as a representative partner and managing director of an audit firm, and also has global knowledge based on overseas work experience. (He served as an external auditor at SuMi TRUST Holdings from June 2016 to June 2017, and as an external director at SuMi TRUST Holdings since June 2017.)	—	●	—
	Director (external) Hiroko Kawamoto *1	Ms. Hiroko Kawamoto served as Executive Vice President of All Nippon Airways Co., Ltd. from April 2013, and as Executive Vice President and Member of the Board from April 2016. She was responsible for the overall management of the company and promotion of women's activities. (She served as an external director at SuMi TRUST Bank from June 2016 to June 2017, and as an external director at SuMi TRUST Holdings since June 2017.)	●	—	—
	Director (external) Mitsuhiro Aso *1	Mr. Mitsuhiro Aso has served as Superintending Prosecutor of Fukuoka High Public Prosecutors Office and Interlocking Professor at Hosei University Law School. Therefore, he is a legal expert with experience in organization management. (He served as an external auditor at SuMi TRUST Bank from June 2016 to June 2019, and as an external director at SuMi TRUST Holdings since June 2019.)	—	—	●

*1 External director as prescribed in Article 2, item 15 of the Companies Act. The overall balance, including areas of expertise above, is taken into consideration when external directors are selected.

*2 Executive Officers as defined in our internal policy; unless otherwise annotated, Executive Officers are defined in the Companies Act.

Executive Officer*2
(Global Markets Business)*3

Yoshinori Momose

Executive Officer*2

Toshiaki Nakano

Executive Officer*2

Masaya Noda

Executive Officer*2

Yasuyuki Suzuki

Executive Officer*2

Kazuteru Wakao

Executive Officer*2

Nobuaki Yamaguchi

Executive Officer*2

Takuji Marui

Executive Officer*2

Atsushi Matsumoto

Executive Officer*2

Shinichi Nonomura

Executive Officer*2
(Asset Formation Advisory,
Work Place, Business)*3

Daisuke Maeda

Executive Officer*2

Satoshi Kitai

Executive Officer*2

Nobuhisa Takahashi

Executive Officer*2

Manatomo Yoneyama

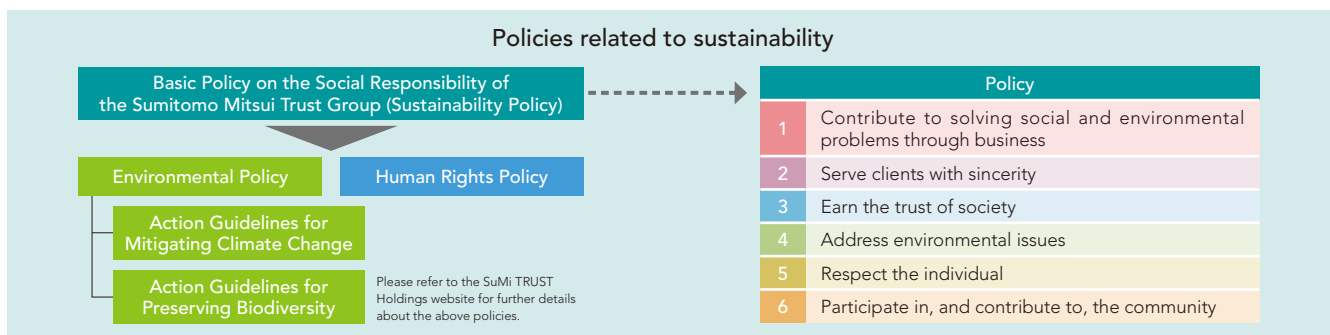
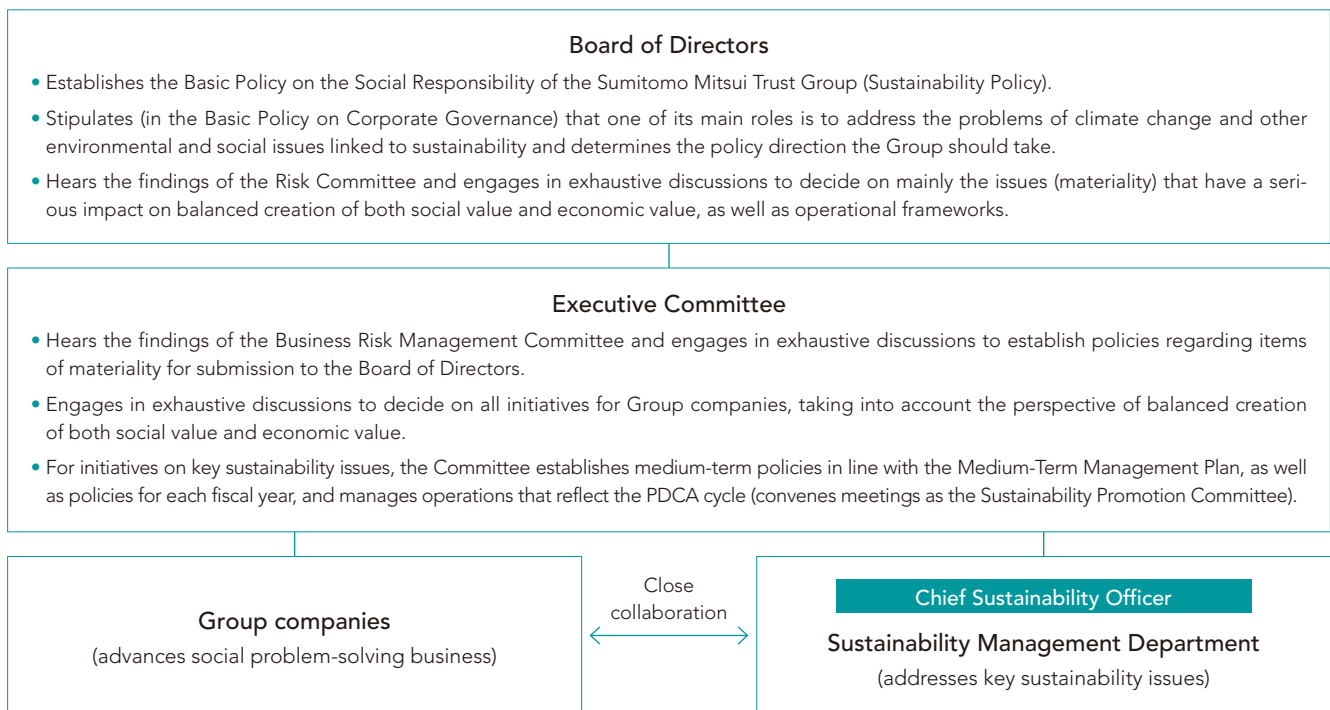
*3 Items in parentheses are business segments in charge at SuMi TRUST Bank.

Initiatives on Key Sustainability Issues

In our Medium-Term Management Plan, we have incorporated a basic strategy for generating positive impacts geared towards solving social issues and have placed sustainability at the core of the Group's management. Each SuMi TRUST Bank business and its affiliated companies will independently select the social issues that must be addressed first, and we will strengthen efforts on these issues through our core business. Meanwhile, for climate change and other key sustainability issues in Japan and overseas, our Sustainability Promotion Committee functions as a command center for the entire Group and formulates strategies to swiftly implement initiatives whilst collaborating with mainly international organizations.



1. Sustainability Promotion System



2. Roles of Sustainability Promotion Committee

The Sustainability Promotion Committee (secretariat: Sustainability Management Department), which is held as part of the Executive Committee, is tasked with mainly the following roles.

Management	<ul style="list-style-type: none"> • Promoting materiality management (see page 21) • Drawing up and promoting plans for sustainability work (manages the progress of social problem-solving businesses at Group companies) • Tackling climate change issues (see page 84) • Conducting strategic information disclosure by issuing ESG Reports and other publications*1 • Earning the trust of investors and other stakeholders and working to improve their assessment of the Group
Business development	<ul style="list-style-type: none"> • Developing innovative financial products and services that help solve key sustainability issues Promoting Eco-Trustution*2 • Strategically providing value to the community through “With You” activities*3
Employee education	<ul style="list-style-type: none"> • Making sure employees understand strategies by mainly distributing the Group’s employee integrated report to all directors, officers, and employees • Facilitating the acquisition of practical knowledge as quickly as possible by promoting in-house hands-on activities, such as participation in the challenge of helping achieve the SDGs, the SDG declarations formulated by each branch, and the “With You” activities*3
Dialogue	<ul style="list-style-type: none"> • Encouraging dialogue with, and ascertaining the needs of, various stakeholders, including shareholders, investors, NPOs and NGOs in Japan and overseas, international organizations, government agencies, and universities Utilizing internal engagement (see page 21) to bring the needs of stakeholders back into the Group and improve initiatives

*1 Strategic information disclosure



*2 Eco-Trustution

“Eco-Trustution” is a word we have coined that refers to the business of providing solutions to environmental problems with the use of our trust functions. One of the Group’s biggest strengths is our ability to develop sustainability products by leveraging our know-how as a financial group specialized in trust banking.



*3 “With You” activities

So that we may forge strong relationships of trust with local communities, the branch offices of SuMi TRUST Bank engage in community-based social contribution activities. Activities are categorized according to degree of difficulty and benefits and initiatives are carried out systematically, for example, with the use of a points system that serves as a guideline for establishing activity criteria.



3. Solving Social Issues through Business

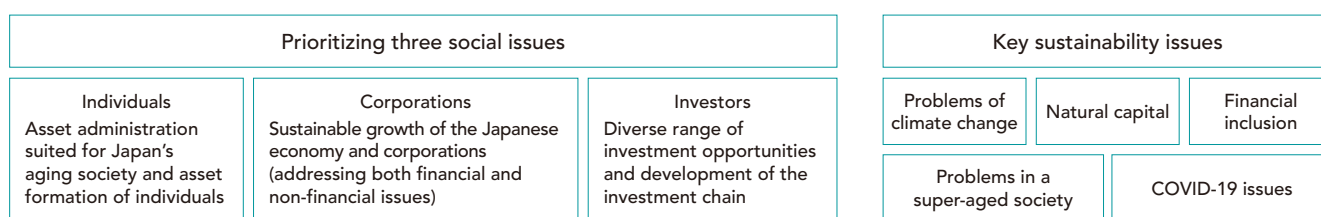
In our Medium-Term Management Plan, we have highlighted three issues that we intend to prioritize through our social problem-solving businesses. And alongside the problems that we have long focused on thus far—i.e., climate change and Japan’s super-aged society—we also plan to tackle new issues of sustainability in our business operations, like the COVID-19 pandemic, for example.

With the topic of sustainability attracting even more attention nowadays, the fields of social problem-solving business

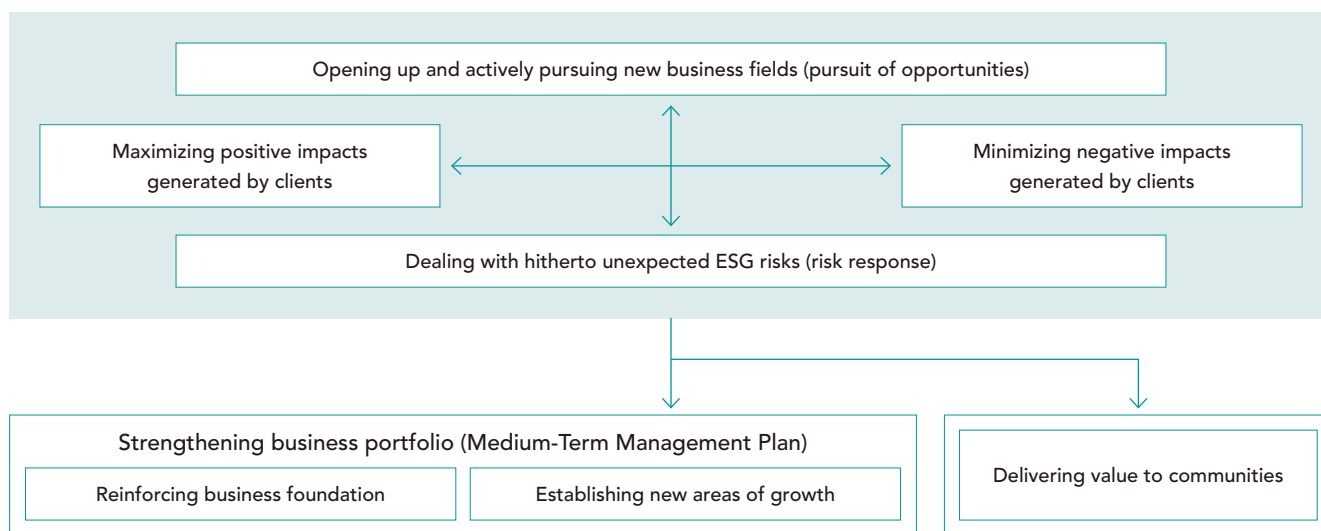
are expanding remarkably.

The Group actively seeks out business opportunities by supporting the actions of our clients to maximize positive impacts and minimize the negative ones.

Meanwhile, concerns are mounting with regard to hitherto unforeseen ESG risks, such as issues stemming from COVID-19 and climate change. In addition to pursuing business opportunities, enhancing our resilience to these new risks is also an important topic.



■ Viewpoint on business promotion



■ Examples of our sustainability business initiatives

Initiative	Pursuit of opportunity / risk response	Focus of impact generated (PI: positive impact / NI: negative impact)	Page location in this report
Sustainability business	Pursuit of opportunity	Maximizing PI	Each business section (P.40-65)
Financial inclusion	Pursuit of opportunity / risk response	Minimizing NI	P.83
COVID-19 issues	Pursuit of opportunity / risk response	Maximizing PI / minimizing NI	P.83
Addressing climate change issues	Pursuit of opportunity / risk response	Minimizing NI	P.84-87
Environmental and social considerations in investments and loans	Risk response	Minimizing NI	P.88-89
Delivering value to communities	Pursuit of opportunity	Maximizing PI / minimizing NI	P.90

Financial inclusion

Establishing a financial inclusion promotion framework

Initiatives related to financial inclusion were previously implemented at various Group companies. From November 2019, however, the Sustainability Management Department assumed control of these activities across the entire Group and took steps to develop an implementation strategy and expand the scope of initiatives. Its specific policies are outlined below.

1. Improving accessibility mainly through expansion of online transactions
2. Using mainly charitable trusts to provide finance schemes to people with little financial leeway
3. Financial inclusion initiatives for various types of loans
4. Initiatives based on the *G20 Fukuoka Policy Priorities on Aging and Financial Inclusion*
5. Flexible approach to mainly terms of repayment on loan transactions (initiatives for financial facilitation)

Improving accessibility mainly through expansion of online transactions

Given that financial infrastructure is already in place in Japan, expanding online transaction platforms in order to improve accessibility to financing would be one way to address financial inclusion. For example, SuMi TRUST Bank is endeavoring to enhance the convenience of client transactions by providing services through which a number of procedures can be completed online (internet banking) or over the phone (telephone banking) via its Sumitomo Mitsui Trust Direct platform.

Using mainly charitable trusts to provide finance schemes

SuMi TRUST Bank is using mainly charitable trusts to provide finance schemes to people with little financial leeway. As part of this initiative, we provide charitable trusts to benefactor clients with the goal of offering low-interest or no-interest scholarships to students who do not have the financial means to further their education.

Initiatives based on the *G20 Fukuoka Policy Priorities on Aging and Financial Inclusion*

The world's population continues to rapidly age and there are fresh concerns that conventional financial services will be unable to meet their needs. Through much discussion about the topics of aging and financial inclusion, the Global Partnership for Financial Inclusion (GPFI*) and the OECD jointly prepared and adopted the *G20 Fukuoka Policy Priorities on Aging and Financial Inclusion* at the G20 plenary meeting of finance ministers and central bank governors in June 2019. The document sets out eight key priorities to help the international community address the challenges of aging populations. SuMi TRUST Bank fully supports the priorities and therefore set out and announced concrete initiatives to address each of the eight items.

*The GPFI is an inclusive platform for all G20 countries, interested non-G20 countries, and relevant stakeholders to carry forward work on financial inclusion, including implementation of the G20 Financial Inclusion Action Plan.

*Refer to pages 76–80 in our 2019/2020 ESG Report for more information about financial inclusion.

Responding to the COVID-19 pandemic

Basic approach

The Group's ongoing response to the COVID-19 crisis will be guided by our basic stance, which hinges on three points: (1) ensuring the health and safety of employees and their families; (2) ensuring business continuity as a key piece of social infrastructure; and (3) preventing the spread of infection in society.

Ensuring the health and safety of employees and their families

- Make active use of teleworking, staggered starting times, and splitting employees into multiple teams so they report to work on a rotating basis
- In principle, employees that are pregnant or have preexisting health issues are to work from or remain at home
- Establish a consultation line for employees

Maintaining business continuity as a key piece of social infrastructure

At our 133 branches (excluding sub-branches) across Japan—which remain open for business—we are taking steps to prevent the spread of infection by setting up transparent acrylic boards to minimize transmission from respiratory droplets. We are also endeavoring to make things more convenient for our clients by provisionally processing various procedures, including mortgage loans, online or by telephone.

Banking business: Prioritizing lending and fund settlement operations

Trust-related business: Executing operations that underpin the

economy and people's lives (pension, stock transfer agency services, asset management and administration, real estate)

Stopping the spread of infection in society

Amidst the increasingly prolonged battle to contain the COVID-19 pandemic, SuMi TRUST Bank donated ¥100 million to the Japanese Red Cross Society to assist their efforts in treating COVID-19 patients and to support their activities for preventing the spread of the virus. Furthermore, SuMi TRUST Bank has donated approximately 100,000 medical masks to medical institutions (mainly by way of the Japan Business Federation and Kansai Economic Federation); the masks were previously stockpiled in preparation for the outbreak of new strains of influenza.

And as one way of beating this pandemic, SuMi TRUST Bank set up an account to accept donations from individual clients and other donors. From the perspective of contributing to society and the Group's desire to support the efforts of universities working hard to combat COVID-19 by developing a vaccine and medicine, or repurposing existing medicine, SuMi TRUST Bank also decided to donate ¥10 million to each university selected from different regions throughout Japan.

Refer to the following press releases for more information.

<https://www.smth.jp/en/news/2020/E200514-3.pdf>

<https://www.smth.jp/en/news/2020/E200514-4.pdf>

4. Addressing Climate Change Issues

The SuMi TRUST Group recognizes that climate change is the biggest factor affecting financial markets in terms of risks and opportunities and is accordingly stepping up its initiatives based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

(1) Governance

The Group’s Basic Policy on Corporate Governance states that the role of the Board of Directors is to pursue the sustainable development of society and improvement of corporate value of the Group through proactive sustainability efforts. Specific activities are based on the medium-term policies and plans for each fiscal year decided on by the Sustainability Promotion Committee—meetings for which are held as part of the Executive Committee—and supervised by the Sustainability Management Department of the Corporate Planning Department. For matters regarding materiality, the Risk Committee and Business Risk

Management Committee function as advisory bodies to the Board of Directors and Executive Committee, respectively.

Numerous climate change measures are intricately linked to the promotion of sustainability and risk management practices, which is why we have adopted a structure under which the Risk Committee and Board of Directors exercise supervision after the executive deliberations are made at the Business Risk Management Committee and Executive Committee in accordance with how these measures are promoted or managed.

In October 2019 we set up a TCFD Project Team (headed by the officer in charge of corporate planning) with the goal of strengthening risk management and information disclosure concerning climate change. In addition to personnel from the corporate management departments of SuMi TRUST Holdings, the team includes members from SuMi TRUST Bank, Sumitomo Mitsui Trust Asset Management, and Nikko Asset Management to cover the entire Group.

■ Main initiatives in FY2019

Meeting body	Description	
Steering committee for TCFD Project Team	Committee meetings for discussing TCFD matters are held regularly and attended by the officers in charge of corporate planning, financial planning, risk management, and asset management business planning Decides on approaches and information disclosure policies, and reports on the results of transition risk scenario analysis, among other matters	Execution
Executive Committee	Reports on the progress of the TCFD Project Team in addressing TCFD matters	Execution
Risk Committee	Reports on the progress of the TCFD Project Team and hears the opinions of Risk Committee members, including external advisors	Advisory body to the Board of Directors
Board of Directors	Reports on the progress of the TCFD Project Team and hears the opinions of directors, including external directors	Supervision

(2) Strategy

1. Basic approach

Medium- to long-term climate change could potentially have a negative impact on the Group’s earnings and financial situation owing to greater risk of physical damage to, for example, the natural environment, social infrastructure, and client assets (physical risks), as well as the risk of a rapid transition to a low-carbon society owing mainly to policy changes, changes in social norms and financial market preferences regarding climate change, and technological inno-

vation (transition risks).

More specifically, there is the (physical) risk of natural disasters impairing the credit standing of obligors and the value of their pledged assets, thereby negatively impacting the Group’s credit portfolio, and the (transition) risk of securities issued by companies that emit large amounts of CO₂ and loans extended to such companies dragging down the value of assets held by the Group owing to a rapid transition to a low-carbon society.

■ Risks in the Group pertaining to climate change

	Risk	Time horizon
Transition risks	Higher credit costs to major greenhouse gas-emitting sectors and companies	Medium to long term
	Decline in value of securities and other assets of major greenhouse gas-emitting companies	Short to medium term
	Compliance with tighter global legal restrictions and standards concerning climate change	Short term
	Deterioration in reputation regarding fossil fuels and forest conservation	Short term
Physical risks	Higher credit costs stemming from damage to pledged value owing to typhoons, torrential rain, floods, and other abnormal weather conditions	Short, medium, and long term

2. Scenario analysis

In following the recommendations of the TCFD, SuMi TRUST Bank carried out qualitative assessments of climate-related risks in each sector and identified which should be prioritized for analysis from the viewpoint of risk severity and exposure. Based on this, in FY2019 we commenced a scenario analysis of transition risks and physical risks in each sector.

• Identification of risks for scenario analysis

We first summarized the transition risks, physical risks, and business opportunities in the sectors belonging to the four non-financial groups in the TCFD recommendations most likely to be potentially impacted by climate change and a transition to a low-carbon economy. The four groups are: energy, transportation, materials & buildings, and agriculture, food, & forest.

■ Heat map

Sector	Transition risk	Physical risk	Opportunity
Oil, gas, and coal	H	M	M
Electric utilities	H	M	M
Maritime transportation	M	M	M
Railway transportation	L	L	L
Automobiles and parts	M	M	M
Real estate management and development*	L	H	M
Chemicals	M	M	M
Paper and forest products	M	H	M

H: High; M: Medium; L: Low

*Mortgage loans not included

• Scenario analysis of transition risks

The percentage of loans exposed to carbon-related assets*, an indicator of credit exposure to carbon-related

assets in the Group's business portfolio, is 5.2% (as of March 31, 2020, down 0.4 points from March 31, 019). Despite an increase in the overall loan balance, the decrease in exposure to carbon-related assets owed to an increase in project finance for renewable energy projects, which are subtracted from total exposure to carbon-related assets.

*Loans to the "energy" and "utilities" sectors (based on the Global Industry Classification Standard, excluding water utilities and independent renewable energy power producers) are defined as "exposure to carbon-related assets" in the TCFD recommendations. Calculation range based on the combined total for SuMi TRUST Bank and Sumitomo Mitsui Trust Bank (Thai).

Based on the results of our qualitative assessment of climate-related risks, we identified electric power as the sector for our scenario analysis of transition risks. The fact that the electric power sector has the highest weighting of carbon-related assets was also a factor in identification.

In analyzing transition risks, we employed two scenarios from the IEA's World Energy Outlook 2019: STEPS*¹ and SDS*². In both scenarios, we made assumptions for active investment in renewable energy power generation and no investment at all.

*1 Stated Policies Scenario (STEPS): A scenario that reflects future policy changes and targets; equivalent to the 3°C target

*2 Sustainable Development Scenario (SDS): A scenario in which measures necessary for achieving the 2°C target of the Paris Agreement are implemented

Below are the results of our scenario analysis

	STEPS	SDS
No investment in renewable energy power generation	Credit rating worsens by 2–3 notches	Credit rating worsens by 2–3 notches
Active investment in renewable energy power generation	No changes observed in credit rating	No changes observed in credit rating

Going forward, we will expand the scope of our scenario analysis to other sectors and utilize the results when engaging in dialogue with clients.

Initiatives on Key Sustainability Issues

• Scenario analysis of physical risks

We identified mortgage loans to individual clients as the subject of our scenario analysis of physical risks. The fact that mortgages account for roughly one third of all loans and the noticeable trend in recent times of homes suffering wind and flood damage largely as a result of powerful typhoons and abnormal weather events were the reasons for identification.

In our analysis we employed two scenarios known as RCP2.6 (2°C scenario) and RCP8.5 (4°C scenario) from the IPCC Fifth Assessment Report. They are both widely used as physical risk scenarios. We calculated that credit costs on mortgage loans at SuMi TRUST Bank would increase by around ¥7.0 billion by the year 2100 compared to the end of March 2020 based on the probability of floods occurring and the rate of change in property value caused by flood damage in each scenario. We think the financial impact of physical risks in mortgage loans at SuMi TRUST Bank is limited.

3. Climate change opportunities

There are growing opportunities to support the transition to a carbon-free society with the use of finance and trust functions.

- There may be more opportunities to offer advisory services and finance to projects and companies that are helping to slow or mitigate climate change
- The transformation of social infrastructure, such as the proliferation of renewable energy, may open up profitable opportunities over the medium to long term
- There may be more opportunities to provide finance for infrastructure and technological development that enhances the capacity to adapt to climate change
- Positive social evaluations as a financial institution helping to address climate change may translate into more business opportunities
- Greater social awareness of climate change may support sales of the Group's financial products that factor in environmental considerations

(3) Risk Management

We identify climate change to be a priority issue (materiality) that has implications for both the Group's corporate value and the building of a sustainable society. It is therefore a key point of focus for our risk management.

Guided by our Sustainability Policy, we have established

Action Guidelines for Mitigating Climate Change so that we may contribute to efforts on mitigating and adapting to climate change. As part of our policies on environmental and social considerations for loans, our basic policy is not to participate in any new coal-fired power generation projects being considered for construction. Furthermore, a climate change risk assessment was added to the items of due diligence owing to FY2020 revisions of the Equator Principles, guidelines that we apply to large-scale project finance.

Within the framework of Group-wide risk management resolved by the Board of Directors, every quarter we exhaustively bring to light risks and identify and evaluate those considered to be significant risks in terms of probability, degree of impact, and significance. From among the significant risks identified, the officer in charge of risk selects the top risks and emerging risks and monitors and manages them within our existing risk appetite framework by submitting a risk management status report to the Board of Directors on a quarterly basis. The former are risks that have the potential to significantly impact the Group within one year and warrant the attention of management, while the latter are risks that are unlikely to significantly impact the Group within one year, but have the potential to do so over the longer term (more than one year).

As of the end of March 2020, "climate change-related risk" has been added to our list of emerging risks because it poses a considerable risk over the medium to long term. As for climate-related risks, in FY2019 we performed a scenario analysis of both transition risks and physical risks. In FY2020 we intend to inject the knowledge we acquired from the analysis into our management of credit, market, and operational risks, and subsequently have relevant departments discuss this information and utilize it when engaging in dialogue with clients.

(4) Metrics and Goals

As a signatory to the Principles for Responsible Banking (PRB), we aim to bolster our initiatives in the areas of impact finance and renewable energy finance projects.

FY2020 goals	
Promote impact finance	Execute 20 new ESG-related finance transactions, such as positive impact finance
Mitigate climate change	Further ramp up renewable energy finance in Japan and overseas

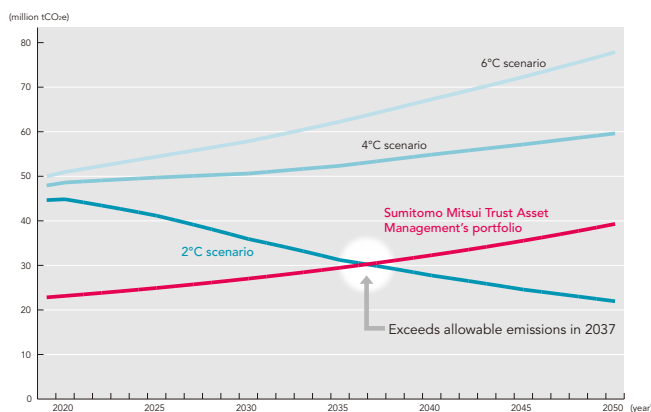
(5) Climate-Related Portfolio Analysis at Group Asset Manager

Sumitomo Mitsui Trust Asset Management, one of the Group's asset managers, assesses climate change risks in its portfolio for each asset class, as well as overall assets under management. It uses two assessment methods: (1) a fixed point analysis based on information disclosure and performance of the companies comprising the portfolio; and (2) a transition path analysis based on future climate change scenarios. The transition path analysis assesses how climate change risks in the portfolio will change under future climate change scenarios.

The chart below represents an overview of the results of assessing the resilience of Sumitomo Mitsui Trust Asset Management's portfolio of Japanese stocks against climate change scenarios using time-series comparisons. Estimates of the portfolio's future greenhouse gas emissions were compared against the volume of emissions (carbon budget) calculated for each climate change scenario. Specifically, in addition to the 2°C scenario, the benchmark of the Paris Agreement, comparisons with the 4°C scenario and the 6°C scenario confirm that, assuming the status quo, the portfolio's emissions will reach the level permitted under the 2°C scenario in 2037, but will likely exceed it thereafter. This analysis used data and methodologies provided by Institutional Shareholder Services.

■ Estimates of portfolio's future greenhouse gas emissions compared to emissions under each climate change scenario

(as of June 30, 2019; assessments performed on scope 1 emissions only (direct GHG emissions of companies))



If greenhouse gas emissions from the companies comprising Sumitomo Mitsui Trust Asset Management's overall portfolio of Japanese stocks continue at the current pace, they

will most likely exceed the amount permitted for achieving the 2°C scenario. For this reason, Sumitomo Mitsui Trust Asset Management plans to actively pursue the following initiatives with the objective of reducing emissions.

- Evaluate how investee companies are taking steps to reduce greenhouse gases, promote the use of renewable energy and energy-saving measures, and achieve a carbon-free or low-carbon society by, for example, developing alternative products to those derived from fossil fuels. And through active engagement, encourage them to disclose information about, and take action on, climate change issues.
- Make use of joint engagement opportunities (IICEF, CA100+, PRI, etc.) with other institutional investors and encourage investee companies to disclose information about, and take action on, climate change issues.
- Collaborate with the TCFD Consortium and relevant government agencies and step up activities in Japan and overseas to recommend to stock exchanges around the world that they encourage listed companies to disclose information concerning climate change.

(6) Initiative-Based Engagement and Collaboration between Stakeholders

Both Sumitomo Mitsui Trust Asset Management and Nikko Asset Management are participants in Climate Action 100+, an initiative established by global institutional investor organizations in December 2017 for the purpose of conducting joint engagement activities targeting corporations thought to be major greenhouse gas emitters. This initiative is based on the TCFD and through collaborative engagements with signatory bodies such as the PRI and Ceres, it calls on the world's top 100 greenhouse gas emitters to disclose information. Both asset managers leverage their high profiles in Japan and Asia to take charge of leading engagements in the Asia-Pacific region.



In addition to the above, both Group companies participate in numerous global initiatives and carry out stewardship activities through engagement and the exercise of voting rights, thus encouraging companies to disclose climate change information and urging them to take concrete steps towards addressing climate change issues. This is expected to help improve sustainability at investee companies and by extension, the entire market.

5. Environmental and Social Considerations in Investments and Loans

Policy on investments and loans at SuMi TRUST Bank

Prohibited transactions

- Transactions that are considered immoral, which involve anti-social forces, or where the use of funds is speculative
- Transactions with cluster munitions manufacturers and credit transactions with companies that have material involvement in the manufacturing process through lending and other activities with cluster munitions manufacturers

Transactions warranting special attention

- Coal-fired power generation

In principle, we do not participate in any new coal-fired power generation projects being considered for construction. That said, we may make exceptions by carefully and comprehensively considering the background, attributes, and other factors of each individual project if it meets strict environmental standards, such as OECD guidelines and power generation efficiency performance.

- Weapons manufacturing

We avoid lending and other activities in which funds are to be used for manufacturing nuclear weapons, chemical weapons, biological weapons, or other weapons of mass destruction, or for manufacturing inhumane weapons such as anti-personnel landmines.

- Forests

We engage with timber manufacturers and manufacturers using raw materials from these industries only after carefully checking international forest certifications and taking into full account the existence of any problems involving indigenous peoples and local communities.

- Palm oil

We engage with palm oil producers and manufacturers using raw materials from these industries only after carefully checking international or local sustainable palm oil certifications and taking into full account the existence of any problems involving indigenous peoples and local communities.

*For more information, refer to our March 31, 2020 press release regarding the reviewing of our policies and an outline of our views on environmental and social considerations for loans.

Initiatives based on the Equator Principles

SuMi TRUST Bank is a signatory to the Equator Principles, global guidelines that call on private financial institutions to fully consider the impacts on the natural environment and local communities when extending project finance and other loans to entities undertaking projects. When making the decision to extend loans, SuMi TRUST Bank conducts a comprehensive risk assessment involving a review of the environmental and societal impacts based on the project's environmental and societal risks, project location, and type of business.



*Refer to pages 129–131 in our 2019/2020 ESG Report for more information.

Signatory to the Poseidon Principles

SuMi TRUST Bank became the first financial institution in Asia to sign on to the Poseidon Principles, an initiative launched by financial institutions to address climate change risks in the marine transportation industry. A signatory to the Principles will, on an annual basis, measure the carbon intensity and assess climate alignment—carbon intensity relative to established decarbonization pathways—of its shipping portfolio using the methodology established by the Principles. SuMi TRUST Bank will also publish the overall climate alignment of its shipping portfolio starting from FY2021.



*For more information, refer to our March 13, 2020 press release regarding signing on to the Poseidon Principles by our subsidiary.

Initiatives at Sumitomo Mitsui Trust Asset Management

ESG Guidelines

As a signatory asset manager to the PRI and with a core focus on the United Nations Global Compact and the values expressed in the SDGs, Sumitomo Mitsui Trust Asset Management (SMTAM) engages with investee companies to help solve their ESG issues and contribute to medium- to long-term corporate value, all the while engaging in ESG-oriented investment activity. SMTAM has established 12 items of materiality in an effort to organize the categories used when evaluating an investee company.

Moreover, for self-managed active products and fixed income passive products, as well as separately established passive products, SMTAM's policy is to no longer purchase new or additional securities issued by any company involved in the manufacture of the following inhumane weapons, and depending on the results of engagement, will divest its current holdings of such securities.

Inhumane weapons: Cluster munitions, anti-personnel landmines, biological weapons, and chemical weapons

ESG Engagement Policy

SMTAM sees engagement as an opportunity to seek best practices from companies and communicates its own views so as to contribute to the enhancement of corporate value over the medium to long term by solving the ESG issues of investee companies. It has designated four key topics, including climate change and the backing of corporate governance reforms, through which it conducts top-down engagement activities. At the same time, SMTAM also employs a systematic bottom-up approach based on 12 items of materiality.

And in addition to its own engagement activities, SMTAM also conducts activities through collaborative engagements by participating in global initiatives that aim to address numerous agenda items, such as greenhouse gas emissions, palm oil, forest conservation, access to medical care, and diversity (appointment of women to management positions).

Initiatives at Nikko Asset Management

ESG Guidelines

Principle 1: Nikko Asset Management (Nikko AM) incorporates ESG issues in investment analysis and decision-making.

Principle 2: Nikko AM is an active owner and incorporates ESG issues into its ownership policies and practices.

Principle 3: Nikko AM seeks appropriate disclosure on ESG issues by the entities in which it invests.

Principle 4: Nikko AM promotes the acceptance and implementation of the Principles for Responsible Investment within the investment industry.

Principle 5: Nikko AM collaborates to enhance effectiveness in implementing the Principles for Responsible Investment.

Principle 6: Nikko AM reports its activities and progress towards implementing the Principles for Responsible Investment.

Nikko AM's commitment to responsible investing.

<https://www.nikkoam.com/about/fiduciary/esg>

ESG Engagement Policy

Engagement activities at Nikko AM involve the exchanging of opinions in line with an investee company's growth phase from a long-term perspective with regard to not only earnings and financial strategies, but also the management policies, business strategies, shareholder return policies, and ESG issues mentioned in non-financial information already disclosed. Nikko AM engages with a broad range of parties, from the management teams of investee companies, through to their finance departments, business planning departments, and even officers in charge of business operations. Particularly with regard to companies that are reluctant to disclose information, Nikko AM endeavors to reinforce the benefits of engagement by proposing meetings with management.

Nikko AM seeks to realize closer engagements with investee companies with the goal of sharing accurate information about their situation and supporting the creation of medium- to long-term corporate value.



6. Delivering Value to Communities

Delivering value to communities is a means for the SuMi TRUST Group to have a positive impact on stakeholders in a more direct manner. Some initiatives are Group-wide (see below), while others are being implemented independently by Group companies, like the “With You” activities (see



page 81). We will look to ascertain the social value that these activities generate so that we might implement more beneficial initiatives in the future.

*Refer to pages 164–194 in our 2019/2020 ESG Report for more information.



UWC ISAK Supporting a school that unearths and nurtures “changemakers” from disadvantaged backgrounds

Initiative	Value generated (particular SDGs emphasized)	KPI
Every year since 2013, the Group has paid for the travel expenses and tuition fees of one scholarship student attending the summer school program of United World College ISAK Japan (Lin Kobayashi, School Founder and Chair of the Board), a school that incorporates the idea of nurturing “changemakers” into its educational philosophy. As of 2020, UWC ISAK Japan has accepted seven participants into the summer school program, most of them being scholarship students from Shanti Bhavan, a school for lower-caste children in India.	<ul style="list-style-type: none"> Unearth talented students from disadvantaged backgrounds so they might become “changemakers” and help change the world Have graduates now active in society address poverty issues in the regions they hail from  	The career of students after graduating (where possible, trace the career paths of scholarship students that received assistance)



ESD project Innovative SDG-focused education program that sparks awareness of sustainability in the next-generation

Initiative	Value generated (particular SDGs emphasized)	KPI
The Group collaborates with sustainability and communication company TREE (Masahiro Mizuno, Representative Director) to run a progressive ESD (education for sustainable development) project at mainly schools throughout Japan with the use of visual aids and ICT. Since 2012, 13 sessions of the program have been held at a pace of two per year. In recent years in particular, collaboration with local boards of education across Japan has focused on the education of teachers. Going forward, online classes and other cutting-edge initiatives will be employed.	<ul style="list-style-type: none"> Archive of class “making-of” videos Using themes to create awareness of local SDG issues Development of innovative ESD methods using mainly ICT  	Accumulation of social value generated by each program (recorded video supplied to schools, new method trials, etc.)

Supporting national trusts Supporting national trust activities mainly to protect local ecosystems

Initiative	Value generated (particular SDGs emphasized)	KPI
Since 2005 the Group has teamed up with the Association of National Trusts in Japan and the Ecosystem Conservation Society-Japan (which has a close relationship with the former) to engage in various activities. For example, setting up a donation program to help purchase trust land, hosting panel exhibitions at our branches, cooperating on a joint display at the EcoPro exhibition, and hosting ESD programs on trust land. More recently, most of our activities have focused on supporting regional revitalization.	<ul style="list-style-type: none"> Supporting the preservation of Japan’s unique environment and ecosystems through land conservation Supporting regional revitalization initiatives by harnessing the environment as a local resource  	<ul style="list-style-type: none"> Number of ongoing support programs Area of trust land purchased through donation programs

Zero plastic waste declaration Implementing Group-wide measures to help reduce ocean plastic pollution

Initiative	Value generated (particular SDGs emphasized)	KPI
In 2019 the Group declared it would aim to achieve zero plastic waste (i.e., plastic discarded without being recycled) by the year 2030. To this end, Group-wide measures are currently being promoted, such as activities that aim to encourage employees not to throw out plastic rubbish, reviewing the Group’s material that is often distributed to clients, and changing the material used in windowed envelopes.	<ul style="list-style-type: none"> Reducing the amount of plastic used by the Group and making sure plastic is recycled Making employees more aware by having them tackle a universal environmental problem  	All Group companies will switch totally to using windowed envelopes that use Graphan (a pulp-based material) in FY2020



UWC ISAK



ESD project



Supporting national trusts



Zero plastic waste declaration

Multi-stakeholder Partnerships

Goal 17 of the SDGs is about advancing different types of partnerships for the purpose of achieving the goals. In recognizing that finance plays a key role in the formation of a sustainable society, the Group collaborates with various stakeholders, including other financial institutions, places much emphasis on actions that attempt to solve challenging issues, and actively participates in initiatives in Japan and overseas.



Major initiatives SuMi Trust Holdings is a signatory to or participates in



UNEP FI (United Nations Environment Programme Finance Initiative)



United Nations Global Compact (UN Global Compact)



Principles for Responsible Banking (PRB)



Principles for Responsible Investment (PRI)



Principles for Financial Action for the 21st Century



Leadership Declaration under Business and Biodiversity Initiative "Biodiversity in Good Company"



TCFD (Task Force on Climate-related Financial Disclosures)



CDP

About the Principles for Responsible Banking

We became a founding signatory to the Principles for Responsible Banking (PRB) advocated for by the United Nations Environment Programme Finance Initiative (UNEP FI) and launched in September 2019. By focusing on the areas in which our core business has significant impact, setting goals for specific initiatives, and taking action, we hope to make the greatest contributions towards achieving the targets of the SDGs on both a global and local level. Having signed on to the PRB, we are obligated to disclose information about our initiatives every year. We plan to disclose this information for the first time in our ESG Report slated for release at the end of 2020.

Major initiatives SuMi TRUST Bank is a signatory to or participates in



The Equator Principles



The Poseidon Principles

Major initiatives Sumitomo Mitsui Trust Asset Management and Nikko Asset Management are signatories to or participate in (excluding the initiatives SuMi Trust Holdings is a signatory to)



International Corporate Governance Network



Climate Action 100+



AIGCC



Thirty Percent Coalition member
30% Club UK / 30% Club Japan Investor Group member



Access to Medicine



Ceres



FAIRR

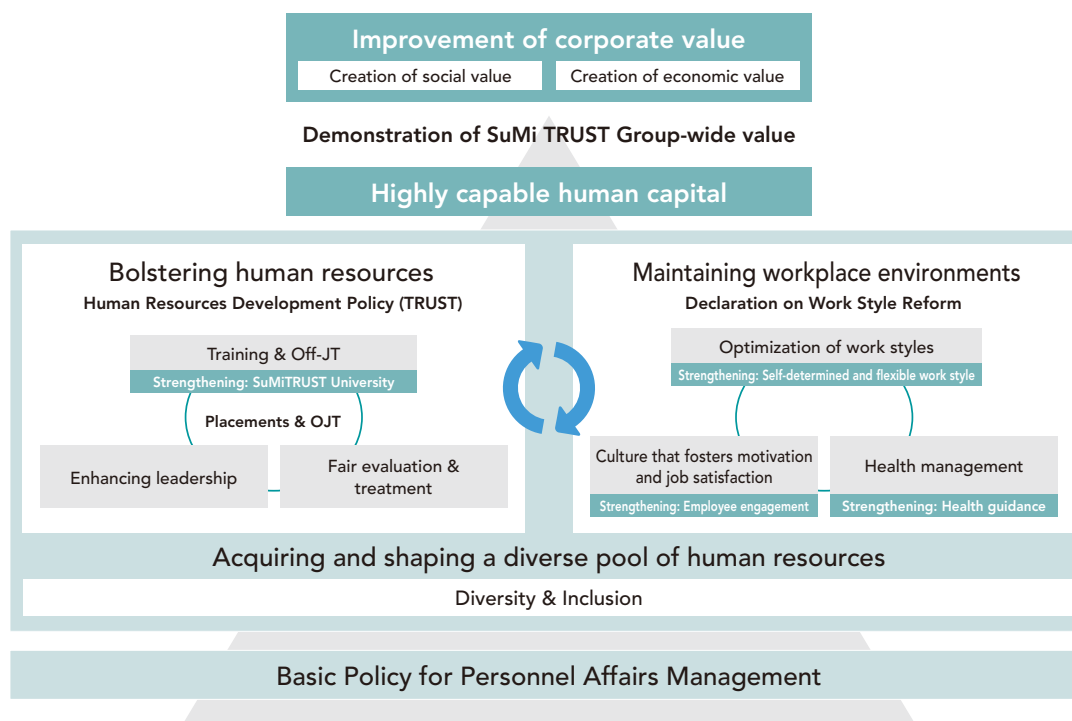


Investor Agenda

*Refer to pages 135–137 in our 2019/2020 ESG Report for more information.

Human Resources Strategy

We consider employees to be one of the key capitals (human capital) at the source of value creation for the SuMi TRUST Group. We also believe them to be the stakeholders to whom the Group delivers direct impacts. In line with the Group's Basic Policy for Personnel Affairs Management and driven by the two-pronged approach of bolstering human resources and maintaining workplace environments based on our principles of diversity and inclusion, we aim to improve the skills of our workforce to deliver total solutions and contribute to the enhancement of corporate value.



Status of the Group of Personnel that Provides Comprehensive Solutions

<p>Number of financial consultants (number of female consultants shown in parentheses)</p> <p>March 31, 2019: 264 (9) March 31, 2020: 267 (17)</p>	<p>Fellows ("SEI-KAIIN") of the Institute of Actuaries of Japan</p> <p>March 31, 2019: 44 March 31, 2020: 43</p>	<p>Number of registered real estate transaction agents</p> <p>March 31, 2019: 5,638 March 31, 2020: 5,611</p>
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Bolster Human Resources

<p>Number of hours of training held</p> <p>FY2018: 5,145 hours FY2019: 5,705 hours</p>	<p>Number of applicants for voluntary training</p> <p>FY2018: 1,105 FY2019: 1,338</p>	<p>Status of positions of female employees (March 31, 2020)</p> <table border="1"> <tr> <td>Executives:</td> <td>General manager level postings:</td> <td>Section manager level postings:</td> </tr> <tr> <td>4</td> <td>12</td> <td>135</td> </tr> </table>	Executives:	General manager level postings:	Section manager level postings:	4	12	135
Executives:	General manager level postings:	Section manager level postings:						
4	12	135						

Maintaining Workplace Environments

<p>Number of leave days used</p> <p>FY2018: 14.9 days FY2019: 14.6 days</p>	<p>Supporting work-life balance</p> <table border="1"> <tr> <td>Childcare leave:</td> <td>Nursing care leave:</td> <td>Childcare leave for male employees:</td> <td>Cancer treatment leave:</td> </tr> <tr> <td>356</td> <td>177</td> <td>164</td> <td>37</td> </tr> <tr> <td>(March 31, 2020)</td> <td>(cumulative total for FY2019)</td> <td>(cumulative total for FY2019)</td> <td>(cumulative total for FY2019)</td> </tr> </table>	Childcare leave:	Nursing care leave:	Childcare leave for male employees:	Cancer treatment leave:	356	177	164	37	(March 31, 2020)	(cumulative total for FY2019)	(cumulative total for FY2019)	(cumulative total for FY2019)	<p>Number of users of the internal job posting system</p> <p>FY2018: 494 FY2019: 595</p>
Childcare leave:	Nursing care leave:	Childcare leave for male employees:	Cancer treatment leave:											
356	177	164	37											
(March 31, 2020)	(cumulative total for FY2019)	(cumulative total for FY2019)	(cumulative total for FY2019)											

(All figures are actual results of SuMi TRUST Bank)

1. Diversity & Inclusion

Guided by the SuMi TRUST Group's management principles (mission), we seek to harness the diversity and creativity of each and every individual—the very concept behind diversity and inclusion—and our Basic Policy for Personnel Affairs Management aims to add value to the organization by making full use of the diversity and creativity of all employees. The business model of a trust bank group should aim to offer added value to its clients by leveraging the breadth of diversity throughout the organization. While we have always believed in respecting diversity as an organization, we consider it vital that our employees reaffirm the strengths of the Group so that we can continue to enhance our diversity. SuMi TRUST Holdings and SuMi TRUST Bank have each established a Diversity & Inclusion Office (D&I Office) within the Human Resources Department. SuMi TRUST Bank's D&I Office comprises dedicated employees from the Human Resources Department and business supervising departments. In addition to promoting the diversification of work styles for individual employees, the D&I Office implements measures that best suit the situation of each business with the aim of enhancing corporate value.

	Total	Women	Men
Number of employees (SuMi TRUST Bank)			
March 31, 2020	13,527	7,577	5,950
Number of new graduates hired (SuMi TRUST Bank)			
FY2020	400	261	139

(1) Initiatives for Active Participation and Advancement of Women

Guided by its general employer action plan commitment under Japan's Act of Promotion of Women's Participation and Advancement in the Workplace, SuMi TRUST Bank aimed to have 300 female employees in managerial positions (section manager or higher) by the end of March 2020. This target was achieved ahead of schedule in October 2019 with 357 female employees appointed to such positions. And from April 2020, with the goal of increasing the number of women in decision-making positions, SuMi TRUST Bank formulated a new action plan to have more than 12% of female employees appointed to section manager or higher and more than 30% in charge of management operations by the end of March 2023. Pipeline models have been formulated to facilitate the planned nurturing of employees in each business, while measures are being implemented to bolster their systematic development with a view to future appointments and support career planning. Such measures include rank-based training for women in leadership positions, career design workshops to assist self-determined career planning, and seminars for female employees in which executive officers deliver lectures. In addition, an unconscious bias training session for senior executives was also held as one way of instigating a change in mindset among the management team.

Meanwhile, at branch offices and departments, a bottom-up approach to D&I was adopted by providing opportunities to female employees to think about their own careers by interacting with female employees from other companies.

Female executives and managers at SuMi TRUST Bank

	March 31, 2018	March 31, 2019	March 31, 2020
(1) Executives	2 (2.8%)	2 (2.9%)	4 (5.7%)
(2) Women in general manager level positions	6 (2.4%)	9 (3.7%)	12 (4.8%)
(3) Women in section manager level positions	130 (11.3%)	134 (11.8%)	135 (11.7%)
(4) Women in section manager or higher decision-making positions ((2)+(3))	136 (9.7%)	143 (10.3%)	147 (10.5%)
(5) Women in charge of management operations	1,369 (22.6%)	1,423 (23.9%)	1,570 (25.8%)

*Ratio of women shown in parentheses. Executive officers included in (1). Women in assistant manager or higher positions shown in (5), which also includes (4).

(2) Initiatives on Supporting Work-Life Balance

SuMi TRUST Bank has introduced two new leave systems: (1) workplace reassignments for employees whose spouse has been relocated; and (2) leave for employees when their spouse has been transferred overseas. The use of either system will help employees continue their careers without being disrupted by major life events.

Number of system users	
Workplace reassignments in Japan as of March 31, 2020	System for taking leave to accompany spouse transferred overseas, as of March 31, 2020
150	14

Alongside the periodic provision of information to employees on maternity or childcare leave, we are working to create an environment in which employees can actively balance both child-rearing and work by organizing seminars aimed at facilitating their smooth return to work and supporting career development thereafter.

As for balancing work with nursing care, we have distributed a handbook about this subject and hosted a seminar together with the employees' union. Also, in the action plan that kicked off from April 2020, we set a goal of achieving at least 60 evaluation points (considered a positive assessment) in an annual awareness survey on nursing care schemes and corporate culture. In this way, we are working to improve nursing care schemes and foster a corporate culture in which such schemes are more user-friendly. We also have in place a framework that supports diverse work styles; for example, we lend our support to employees requiring cancer treatment so they can balance their hospital visits with work duties, and we also encourage the use of teleworking.

(3) Promoting Active Participation by Diverse Human Resources

• Promoting active participation by disabled persons

The Group aims to be a place where employees can work with motivation and display their talents to the fullest as members of the workplace, whether or not they are disabled. At SuMi TRUST Bank, employees with disabilities work alongside their colleagues at branch offices where they have contact with clients or perform back-office tasks at head office. The Bank also makes efforts to interview employees after they start work to respond to concerns or requests that arise after starting work, and uses the points brought up in the interviews to create an easier working environment from physical and mental perspectives.

Disabled person employment ratio
(as of March 31, 2020)

2.29%

Branch offices and departments with employees with disabilities
(as of March 31, 2020)

108 branch offices and departments

(SuMi TRUST Bank)

• Promoting active participation of global employees

SuMi TRUST Bank offers training every year to locally hired employees working at its overseas branches and overseas subsidiaries to deepen their understanding of the Group and its operations and to also strengthen networks among participants and respective business lines. In order to facilitate smoother communication with employees of other nationalities, the Bank also organizes a Japanese language course with lessons to assist the learning of Japanese and holds intercultural communication training for supervisors of foreign national employees. With the aim of encouraging the active participation and promotion to management of employees hired at overseas offices, the Bank organizes transfers to offices in different countries or long-term postings to Japan.

Employees also have the opportunity at the end of this training to put into practice what they have learned primarily through promotion and job rotation.

External Evaluation (as of June 30, 2020)

Sumitomo Mitsui Trust Holdings, Inc.



Selected as Nadeshiko Brand by Ministry of Economy, Trade and Industry (METI) and Tokyo Stock Exchange (TSE)



2020
健康経営優良法人
Health and productivity
ホワイト500

Selected in the White 500 for the third year running by METI and Nippon Kenko Kaigi as an organization having outstanding health and productivity management



Selected by Bloomberg in Bloomberg Gender-Equality Index for second year running

Sumitomo Mitsui Trust Bank, Limited



Selected by METI among winners of New Diversity Management Selection 100 project



Obtained "Platinum Kurumin" certification from Ministry of Health, Labour and Welfare



In recognition of its work to address LGBT issues, SuMi TRUST Holdings, SuMi TRUST Bank (awarded Gold in 2017 and 2018) and Sumitomo Mitsui Trust Asset Management collectively received the Gold rating in wwP's Pride Index. Nikko Asset Management was recognized individually.

Membership

Sumitomo Mitsui Trust Asset Management



Thirty Percent Coalition member
30% Club UK, 30% Club Japan Investor Group member

2. Bolstering Human Resource



The SuMi TRUST Group Human Resources Development Policy

The SuMi TRUST Group will maintain its workplace environment and bolster its human resources based on a development spirit consisting of “TRUST,” for the growth and career development of the employees who will create our future.

- T**alentTalent (individuality) can blossom
- R**espectRespect each individual
- U**niquenessDevelop true professionals
- S**upportMake mutual teaching and support our motto
- T**ryPraise small, daily challenges

Based on the “fiduciary spirit of TRUST,” the SuMi TRUST Group aims to contribute to our clients and the continuous development of society through the growth of our employees, thereby maximizing the creation of shared value and becoming the corporate group that is chosen by society.

Having set the goal of being the “No. 1 financial group for human resource development,” the Group established its Human Resources Development Policy (TRUST) in April 2018. We will also strive to be the “No. 1 financial group for human resource participation,” where diverse human resources can play active roles based on this Human Resources Development Policy.

(1) Skill-Raising Human Resource Assignment and OJT*

The SuMi TRUST Group views OJT as the foundation for human resource development. We also focus on assigning employees to roles that awaken their passion for growth and allow them to display their abilities to the maximum extent. In fiscal year 2018, SuMi TRUST Bank introduced a program that enables younger employees to experience multiple work domains within a fixed period. We are also advancing initiatives such as a trust internship program aimed at developing human resources who possess a “high degree of expert knowledge in trust operations” and a “deep understanding of the fiduciary spirit.”

* OJT: On-the-Job Training. OJT is a process whereby workplace supervisors and senior employees teach subordinates the knowledge, skills, and duties required of them via their daily tasks.

(2) Enhancing Training and Other Off-JT* Programs

The SuMi TRUST Group has established the SuMiTRUST University to offer group training with the objective of improving employee business skills and management abilities. In addition, many opportunities in the self-development programs encourage employees to continue improving their skills. The company’s president serves as the dean of SuMiTRUST University, while the executive officer in charge of the Human Resources Department and an external expert serve as vice deans. The university is a group-wide program that also receives advice regarding management from the graduate school of Hitotsubashi University. From FY2020 we plan to turn SuMiTRUST University into a platform through which employees can discover their own appetite for learning, connect with others around them, and learn from each other. We also intend to enhance the content offered and strengthen the university’s infrastructure so that it is more user-friendly.

*Off-the-job training: Workshops, training, and other methods are utilized to provide employees with the knowledge and skills that cannot be acquired through OJT.

(3) Enhancing Leadership

SuMi TRUST Bank offers a program to develop next-generation executive candidates in cooperation with Hitotsubashi University’s Graduate Programs. Candidates receive instruction on the values, general liberal arts knowledge, and MBA elements they need for management, and through sessions and courses, they complete the program by presenting a proposal to senior executives. The Bank also provides a leadership development program for female employees to step up to management through various rank-based training. After the employees complete their training, operations are conducted such as providing them with opportunities to practice what they have learned during training in a variety of environments, primarily through promotion and job rotation.

(4) Fair Evaluations and Treatment

Fair and just evaluations and treatment in accordance with abilities, roles, and results form the basis of SuMi TRUST Bank’s performance evaluation system. The system used is based on a participatory model, in which employees communicate closely with their supervisors on a daily basis to establish and review specific goals. The process focuses not only issues related to the performance of duties, but formulates and provides feedback on future career development. Also, as a means of obtaining a multifaceted view of personnel, we have introduced an anonymous survey through which subordinates and others can rate the day-to-day management actions of line managers (general managers, deputy general managers, section managers, etc.). By conducting this survey, we can encourage management action reform and foster a culture of interactive communication.

3. Upholding Positive Workplace Environments

Declaration on Work Style Reform

The SuMi TRUST Group hereby declares it a top commitment to offer a workplace where the diversity and creativity of its employees are more fully utilized to add value to the organization and where employees can have pride and be highly motivated in fulfilling their missions. The Group as a whole will work towards the following goals.

1. Achieving diverse work styles and work-life balance
2. Supporting health improvement through measures such as boosting health awareness and appropriately managing work hours
3. Providing opportunities for all employees to grow while participating actively with motivation

Through the enthusiastic work of each individual employee, we will continue to be a corporate group that contributes to the benefit of clients and is useful to society.

In terms of maintaining workplace environments, we have set up the Work Style Reform Headquarters headed by the presidents of both SuMi TRUST Holdings and SuMi TRUST Bank, and have also formulated a Declaration on Work Style Reform to which the company's management team is committed to achieving. The initiatives we have implemented under this declaration have been rated favorably by numerous organizations (see page 94).

(1) Optimizing Work Styles

With the aim of achieving diverse work styles and work-life balance, SuMi TRUST Holdings actively develops workplace environments in which employees can work at ease and still maintain a good balance between work and personal life. In addition to enhancing its various systems related to childbirth and childcare, including encouraging male employees to take childcare leave (103.2% of eligible male employees took childcare leave in FY2019), SuMi TRUST Bank introduced a new leave system in FY2019 to help employees balance cancer treatment and work.

This fiscal year too we will continue to reduce the volume of work at our branches mainly by expanding the functionality of our internal systems. A reduction in work volume means we can reassign employees with the capacity for an increase in workload to strategic areas and further broaden client interaction by streamlining functions across multiple branches.

(2) Health Management

The SuMi TRUST Group's active initiatives to promote better physical and mental health of all Group employees have been recognized for the third year running with our selection in the White 500 as an organization having outstanding health and productivity management. With regard to physical health, we provide health examinations every year and make reexamina-

tions mandatory. The Human Resources Department and others follow up on every individual to ensure that everyone who requires treatment at a healthcare institution receives it. From FY2020 we plan to focus our efforts more than ever before on health guidance and with the establishment of health promotion centers and other pieces of infrastructure, we will endeavor to engage in a style of health and productivity management befitting of the age of 100-year life. With regard to mental health, we provide line management-based care and carry out stress checks once a year. Group results are provided to the employees' union, and we discuss improvements in workplace environments and make efforts to further improve them.

Specific initiatives

- Establish and adhere to rules for taking breaks between work shifts
- Thoroughly implement attendance management and prevent overwork among all Group employees
- Prohibit smoking in all buildings

(3) A Culture that Fosters Motivation and Job Satisfaction

We work to build a climate that supports challenges and learning and activates bi-directional dialogue toward "providing opportunities for all employees to grow while participating actively with motivation." The SuMi TRUST Group has always encouraged activities that create opportunities for learning, such as circles formed by groups both in-house and outside, and has regularly held lectures by outside instructors. SuMi TRUST Bank encourages employees to independently and voluntarily shape their own careers through changes in job position or through an internal job-posting system. Since fiscal year 2018, we have promoted activities for employees to shape their own futures, which solicit ideas from employees for the creation of new businesses and services. We received a total of 267 ideas from 499 employees group-wide in fiscal year 2019, which has helped improve employee motivation. In order to spread and maintain this culture, it is essential to have good bi-directional dialogue between executives and employees. SuMi TRUST Bank held 31 consultation meetings and informal meetings between union and management in fiscal year 2019. The Bank also uses occasions when employees gather, such as rank-based training, as opportunities for discussion and questions about management policies, leadership, and other topics by the president and other executives.



Seminar by executives

4. Human Rights

(1) Human Rights Management

• Basic philosophy

The SuMi TRUST Group's human rights management is based on the "Guiding Principles for Business and Human Rights," which was adopted by the United Nations Human Rights Council in June 2011. We have established the Human Rights Policy along with the Basic Policy on the Social Responsibility of Sumitomo Mitsui Trust Group (Sustainability Policy) to respect the human rights of all stakeholders.

Human Rights Policy:

https://www.smth.jp/en/csr/management/human_rights_policy/index.html

• Human rights management system based on the guiding principles for business and human rights

The SuMi TRUST Group works to improve the quality of its human rights management in a PDCA cycle, in order to foster a corporate culture and workplace environment that respects the basic human rights of all stakeholders, by respecting individual human rights and diverse values, while eliminating discrimination. The SuMi TRUST Group has not had any cases of infringement of human rights in the past three years.

Commitment	Establishment of the Human Rights Policy.
Implementation of human rights due diligence*1	Once a year, the Human Rights Due Diligence Self-check List*2 is distributed to all branches, departments, and affiliates both at home and abroad as a tool to check the status of respect for human rights at each unit.
Access to redress	The Personnel Consultation Desk in the Human Resources Department serves as a contact point.

*1 Human rights due diligence refers to a series of initiatives to identify actual or potential impacts on human rights, resulting from the activities of the Group or related outside parties, to develop measures for the prevention or mitigation of such impacts, and to continuously verify and disclose the effectiveness of such measures.

*2 A check list serves to verify the progress in each department concerned with the Human Rights Management System, such as the status of implementation of human rights due diligence, compliance with the Human Rights Policy, and occurrence of human rights violations.

• Human Rights Due Diligence Liaison Committee

The Human Rights Due Diligence Liaison Committee, chaired by the head of the Sustainability Management Department of the Corporate Planning Department, was established as a joint organization by SuMi TRUST Holdings and SuMi TRUST Bank. The committee investigates how human rights are being addressed at all Group companies, including overseas entities, identifies issues and risks that need to be addressed, and discusses and implements measures for improvement. Based on discussions by the committee, the Corporate Planning Department formulates objectives and plans for the development and reinforcement of the framework of initiatives, and the Human Rights Education

Committee chaired by the Head of Human Resources engages in the formulation and implementation of various training programs and education activities concerning human rights issues at all Group companies, branches, and departments.

Training aimed at raising awareness about human rights was held at 261 departments in FY2019. Together with lectures delivered during rank-based training sessions, 403 hours in total were dedicated to human rights, reaching 24,177 participants.

*Refer to pages 160–161 in our 2019/2020 ESG Report for more information on human rights due diligence.

(2) Protecting Various Human Rights

• Initiatives to address Dowa and foreign residents issues

The SuMi TRUST Group regards tackling discrimination against the Dowa caste as a particularly important theme in the promotion of human rights education, and has worked to completely eliminate prejudiced or discriminatory views against the Dowa caste. With regard to foreign residents issues, we make all employees aware of giving consideration to the human rights of foreign residents, including the handling of personal authentication documents and respecting privacy.

• Prevention of sexual harassment and power harassment

Actions such as sexual harassment and power harassment are prohibited at the SuMi TRUST Group. In the event harassment does occur, advice is sought and complaints are registered via the Harassment Prevention Committee representative in each branch and department, or directly by the Personnel Consultation Desk (LGBT Consultation Desk) within the Human Resources Department. Stringent corrective measures or punishment are implemented against the perpetrators.

The Personnel Consultation Desk (LGBT Consultation Desk) responds to various consultations related to human rights and, in cases where a negative impact on human rights is evident, cooperates with the related departments to promptly take measures as needed. In fiscal year 2019, the Personnel Consultation Desk received 68 consultations, of which 27 were situations involving concerns about human rights violations, including harassment. Five of these situations remain unresolved, and we are working with the related departments to settle these cases.

• Initiatives to prevent discrimination against LGBT people

We strive to ensure thorough prevention of discrimination against sexual minorities such as LGBT in hiring or performing their work. Our Personnel Consultation Desk (LGBT Consultation Desk) addresses this issue as an ally (supporter).

• Investments and loans related to cluster bombs

The SuMi TRUST Group refuses to provide loans to foreign or domestic companies that produce cluster bombs, which are recognized as a weapon raising strong humanitarian concerns.

Management Foundation

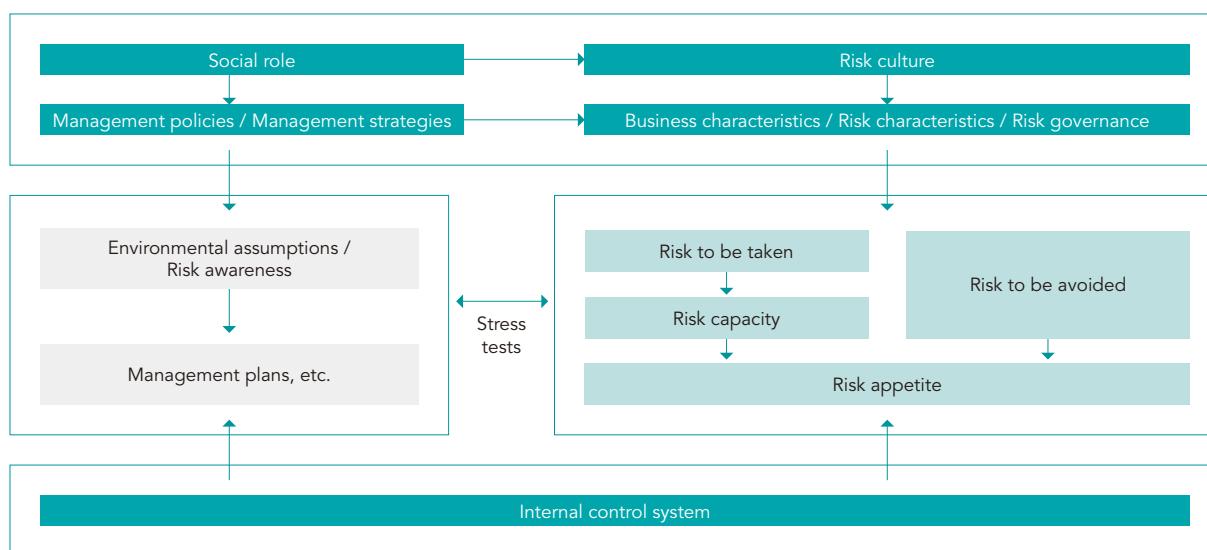
Risk Appetite Framework

1. Positioning of the Risk Appetite Framework

The Risk Appetite Framework (RAF) is a group-wide corporate management framework consisting of the process for determining risk appetite (the type and amount of risk to be willingly taken to achieve the management plan) within the Group's risk capacity, in order to achieve the management strategies formulated by management based on the Group's social role and management principles, together with the internal control system underpinning that process.

The Group's RAF aims primarily to strengthen profitability and enhance risk management, and promote the enhancement of the transparency of deliberation and determination process for the overall risk taking policy in capital allocation and profit maximization, etc. through the setting, communication, and oversight of risk appetite, as well as the optimization and speed-up of allocation of management resources and reinforce the monitoring system through the use of RAF as the universal language of the Group.

■ Outline of the Risk Appetite Framework



2. Operation of Risk Appetite

(1) Determining Risk Appetite

The Group classifies risks into two categories: (1) risk to be taken (that occurs in relation to activities that generate returns) and (2) risk to be avoided (such as conduct risk that cannot be tolerated by the Group).

Under RAF, the Group establishes a risk-taking policy, which is an overriding management policy based on its Mission, Vision, and Value, and takes into account the results of stress tests to set risk appetite indicators, then they are resolved by the Board of Directors. In addition, the Group sets more in-depth risk-taking policy and risk appetite indicators for

each business within the scope of policy set by the Board of Directors, which will be then resolved by the Executive Committee.

The risk-taking policy and risk appetite indicators are determined in accordance with the management plan. These are reviewed at any time at least once a year or when necessary.

(2) Monitoring of Risk Appetite

In order to verify that risk taking is carried out appropriately based on its business model, the Group sets separate risk appetite indicators from the perspective of return, risk, and

cost, and monitors them regularly. If the indicators deviate from the set levels, the Group analyzes the cause and implements countermeasures or revises the levels.

(3) Risk Governance

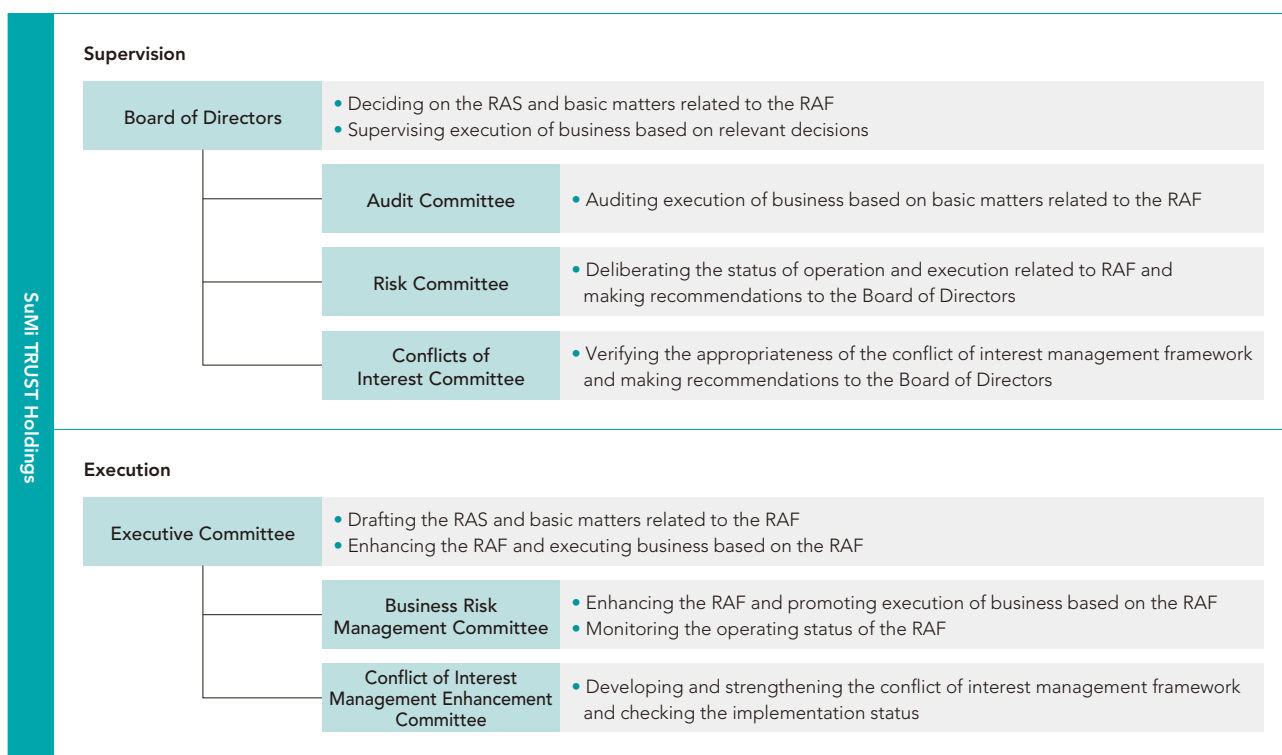
Risk governance, which forms a part of corporate governance, is a framework for identifying, measuring, managing, and controlling risks, as well as ensuring appropriate risk tak-

ing, by clarifying and monitoring risk appetite.

The Group promotes the enhancement of risk governance, with the aim of achieving the sound development of the Group.

SuMi TRUST Holdings strives to enhance the operation of risk appetite through discussions at the Risk Committee and the Conflicts of Interest Committee, etc. as part of its initiatives to enhance corporate governance.

■ Risk Appetite Framework Operating System



3. Fostering a Risk Culture that Takes Root across the SuMi TRUST Group

The Group defines risk culture as a basic philosophy that prescribes the codes, attitudes, and conduct of the Group's organizations, as well as its directors, officers and employees, that flexibly carry out risk taking, risk management, and risk control based on an appropriate assessment of risks, guided by a high degree of self-discipline based on the fiduciary spirit.

In order to foster a risk culture that takes root across the

Group, we have formulated risk-taking policies for each business to clarify management strategies, and are endeavoring to have all its employees secure soundness through appropriate risk taking and develop a sustainable business model. In addition, we have formulated a Risk Appetite Statement clearly stating our RAF, which is used as a universal language in lively discussions concerning risk appetite within the Group.

Risk Management

1. Basic Policy on Risk Management

In order to ensure sound management, secure revenue through risk taking based on management strategies, and achieve sustainable growth, the Group follows a basic policy of accurately assessing risk conditions and implementing necessary risk-related measures through a series of risk management activities, including risk identification, evaluation, monitor-

ing, control and mitigation, validation for advancement, and review, based on the Group's management policy and basic policy on the internal control system.

The Group's risk management framework encompasses the Risk Appetite Framework, and integrates it to function organically within the Group.

2. The Group's Risk Characteristics

Based on a fiduciary spirit, and leveraging its significant expertise and comprehensive capabilities, the Group, as a financial group specialized in trust banking, strives to create distinct value through a total solution business model that combines its banking, asset management and administration, real estate businesses and others.

The Group faces various risks, including credit risk, market risk, funding liquidity risk, and operational risk, which vary depending on the business characteristics of each of the Group's businesses.

As a basis for improving management of risks related to

trust business operations, we have established Group-wide Trust Business Guidelines to provide information about basic matters that warrant caution. SuMi TRUST Bank primarily manages these risks in the operational risk category, particularly in terms of its duty of due care as a prudent manager, duty of loyalty, and duty to segregate property as a trustee.

Reporting is regularly performed regarding whether the overall risk of the Group, combining the risks of each business, is within the limits of risk capacity (soundness and liquidity) that have been determined by the Board of Directors.

■ Risk Definition

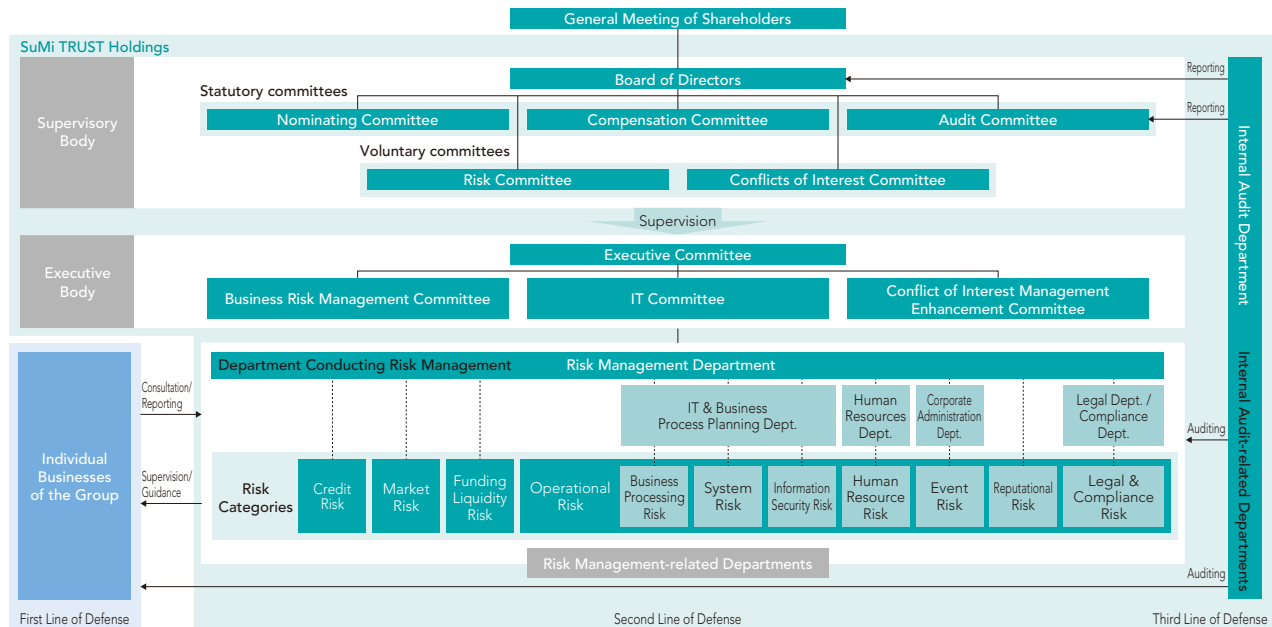
Risk Category	Definition
Credit Risk	Risk that the Group may incur losses due to a decrease or impairment of the value of assets (including off-balance sheet assets), for reasons such as deterioration of the financial condition of obligors. In this regard, "country risk" in particular refers to the risk that the Group may incur losses on credit provided overseas, due to the foreign exchange, political, or economic conditions in the countries where our clients operate.
Market Risk	Risk that the Group may incur losses due to fluctuations in the value of assets/liabilities (including off-balance sheet assets/liabilities), or in the earnings generated from assets/liabilities, due to fluctuations in various market risk factors, such as interest rates, foreign exchange rates, stocks, commodities, and credit spreads. In this regard, "market liquidity risk" in particular refers to the risk that the Group may incur losses due to a situation in which it becomes impossible to conduct transactions in the market, or becomes obligatory to trade at prices that are significantly more disadvantageous than usual, due to market turmoil.
Funding Liquidity Risk	Risk that the Group may incur losses in a situation where it becomes impossible to secure necessary funds, or becomes obligatory to raise funds at interest rates significantly higher than usual.
Operational Risk (Below are "risk sub-categories" within Operational Risk)	Risk that the Group may incur losses due to inadequate or failed business processes, the activities of executives or employees, computer systems, or due to external events.
Business Processing Risk	Risk that the Group may incur losses due to inappropriate business procedures arising from executives or employees neglecting to engage in proper business activities, or other incidents such as accidents or fraud.
System Risk	Risk that the Group may incur losses due to reasons such as computer system failures, malfunctions, and defects, as well as the risk that the Group may incur losses due to unauthorized computer usage.
Information Security Risk	Risk that the Group may incur losses due to the improper management or maintenance of information assets. This includes information leaks, information errors, and misuse of information, as well as an inability to use the information system.
Legal & Compliance Risk	Risk that the Group may incur losses due to uncertainty regarding the legal aspects of transactions, or due to insufficient compliance with laws, regulations, etc.
Human Resource Risk	Risk that the Group may incur losses due to personnel and labor management issues, such as unequal or unfair management of personnel, and harassment.
Event Risk	Risk that the Group may incur losses due to external events that impair business, such as natural disasters, crimes such as terrorism, damage to public infrastructure that prevents its functioning, and the spread of infectious diseases, or due to the inappropriate use or management of tangible assets.
Reputational Risk	Risk that the Group may incur losses as a result of a deterioration of the reputation of SuMi TRUST Holdings or its subsidiaries, due to reasons such as mass media reports, rumors, or speculation.

3. Risk Governance System

For the group-wide risk governance system, the Group has developed a Three Lines of Defense system consisting of risk management by individual businesses (first line of defense), risk management by the Risk Management Department and

individual risk management-related departments (second line of defense), and validation by the Internal Audit Department (third line of defense).

■ Risk Governance System



(1) First Line of Defense

Each Group business identifies and gains an understanding of the risk characteristics involved in carrying out its own business, based on knowledge of the services and products in that business.

Each business engages in risk taking within the established range of risk appetite, and, when a risk materializes, promptly implements risk control at the on-site level.

(2) Second Line of Defense

The Risk Management Department performs overall risk management, identifies and evaluates group-wide risks, creates a risk management process, and sets risk limits in accordance with the group-wide risk management policy determined by the Board of Directors. In addition, it formulates group-wide recovery strategies, in advance, to prepare for cases when risks materialize.

The Risk Management Department and risk management-related departments act as a restraint function for the risk taking of the first line of defense, and supervise and provide guidance regarding the risk governance system.

The Risk Management Department reports on the status of risk management to the Executive Committee and the Board of Directors.

(3) Third Line of Defense

The Internal Audit Department verifies the effectiveness and appropriateness of the group-wide risk governance system and processes from an independent standpoint.

(4) Executive Committee

The Executive Committee is composed of representative executive officers and executive officers designated by the President. It makes decisions on matters concerning risk management and undertakes preliminary discussions regarding matters to be resolved by and reported to the Board of Directors.

(5) Board of Directors

The Board of Directors is composed of all of the directors. It decides on the Group's management policy and strategic goals for risk taking, formulates a risk management policy, etc. that reflects these strategic goals based on a solid understanding of the location and nature of risks, and develops an appropriate risk governance system and supervises its implementation. The Board of Directors has voluntarily established the Risk Committee and the Conflicts of Interest Committee, as advisory bodies, based on the business strategies and risk characteristics of the Group.

Risk Management

• Risk Committee

The Risk Committee receives requests for consultation from the Board of Directors on matters concerning the business circumstances surrounding the Group and the effectiveness of its risk management, etc., reviews their appropriateness, and reports its findings.

• Conflicts of Interest Committee

The Conflicts of Interest Committee receives requests for consultation from the Board of Directors on matters concerning the Group's fiduciary duties and conflict of interest management, which are the foundation on which the Group seeks to become the "Best Partner" of its clients based on a fiduciary spirit, reviews their appropriateness, and reports its findings.

4. Risk Management Process

In the Group, the Risk Management Department and individual risk management-related departments act as the second line of defense, performing risk management using the following procedure. This risk management process, along with its associated systems, undergoes regular auditing by the Internal Audit Department, which acts as the third line of defense.

(1) Risk Identification

The risks faced by the Group are comprehensively identified, while ensuring the comprehensiveness of the Group's operations, and the risks to be managed are identified based on the scale and characteristics of the identified risks. Of note, risks that are particularly important are managed as material risks.

(2) Risk Evaluation

The risks identified as requiring management undergo analysis, assessment, and measurement in a manner appropriate for the business scale, characteristics, and risk profiles. We periodically evaluate material risks in terms of frequency of occurrence, degree of impact, and severity to determine whether they can be classified as top risks or emerging risks. The former are risks that have the potential to significantly affect the Group's capacity to execute business and achieve earnings targets within one year, while the latter are risks that have the potential to have a significant effect over the medium to long term.

(3) Risk Monitoring

Risk conditions are monitored with appropriate frequency, given the conditions of the Group's internal environment (risk profiles, allocated capital usage status, etc.) and external environment (economy, markets, etc.). Recommendations, guidance, and advice are given to each of the Group's businesses

based on the risk conditions. Monitoring contents are reported and submitted to the Board of Directors, the Executive Committee, and other bodies regularly or as needed.

Risk predictor management for top risks, etc.

Risk appetite indicators are defined for risks resulting from internal factors, based on the features of the Group's business model and risk characteristics, and these management indicators are monitored. Regarding risks resulting from external factors, the top risks are selected, and risk predictors are monitored. Countermeasures are implemented based on the monitoring results for both types of risks.

The top risks at present include "the global spread of COVID-19," "falling prices for strategic shareholdings, etc." "concentration of credit to large obligors in the credit portfolio," and "cyber attacks." Along with countermeasures, these risks are reported to the Board of Directors and the Executive Committee.

Emerging risks at present include "climate change," "innovation," and "Japan's declining birthrate and aging population." We are analyzing these risks and considering necessary countermeasures.

(4) Risk Control and Mitigation

If any incidents that could have a significant impact on the soundness of management occur, such as the risk amounts exceeding the risk limits, or the existence of concerns that it might do so, appropriate reports are presented to the Board of Directors, the Executive Committee, and other bodies, and the necessary countermeasures are implemented according to the severity of the risk.

5. Enterprise Risk Management

(1) Enterprise Risk Management System

We manage risks by comprehensively grasping the risks faced by the Group, which are evaluated on an individual risk category basis, and comparing and contrasting them against our corporate strength (enterprise risk management).

Among the risks we manage through our enterprise risk management, we combine the risk values for risks that can be quantitatively measured using a single standard, such as

VaR*, and compare the combined value against our corporate strength (capital position), thereby managing risks (integrated risk management).

* VaR = Value at Risk

(2) Capital Allocation Operations

For the purpose of the Group's capital allocation operations, SuMi TRUST Holdings allocates capital to each business, including the Group companies, based on each risk category

(credit risk, market risk, and operational risk) in consideration of the external environment, risk-return performance status, scenario analysis, and the results of assessments of capital adequacy levels. The capital allocation plan is subject to the approval of the Board of Directors. Capital allocation levels are determined based on the Group's risk appetite.

Each business is operated within both the allocated amount of risk capital and its risk appetite. The Risk Management Department measures the risk amount on a monthly basis, and reports regularly on the risk conditions, compared to the allocat-

ed capital and risk appetite, to the Board of Directors, and others.

(3) Stress Tests and Assessment of Capital Adequacy Level

The Risk Management Department performs three types of stress tests (hypothetical scenario stress testing, historical scenario stress testing, and examination of probability of occurrence) each time a capital allocation plan is formulated or reviewed, with the aim of ensuring capital adequacy from the standpoint of depositor protection. Based on the results of these stress tests, it assesses the level of capital adequacy, and reports to the Board of Directors, and others.

6. Crisis Management

The Group has developed systems to swiftly and appropriately implement emergency and crisis response measures in the event of natural disasters, computer system failures, outbreaks of new infectious diseases, and the like, which are rooted in its public mission and social responsibilities as a financial institution, and strives to disseminate information regarding these systems throughout the organization.

Specifically, we have developed BCPs (business continuity plans) for continuing business in the event of a crisis, after securing the safety of our clients, directors, officers, employees, and their families. In order to ensure the effectiveness of our BCPs, we periodically conduct exercises and revise their content. In addition, we have created a response system in which, in the event of a crisis, an emergency response headquarters is created, which is headed by the President.

For large-scale natural disasters such as earthquake, which are envisioned as having a significant impact, we are enhancing our response system through the preparation of backup offices and backup systems.

We are also strengthening our security measures at the ini-

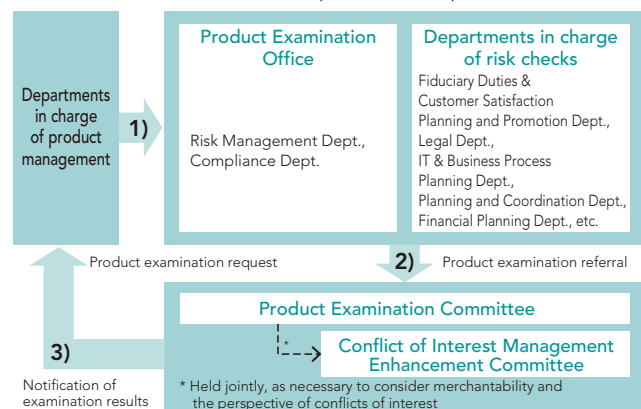
tiative of management to respond to cyber attacks, which are causing damage throughout society, through the formulation of the "Cyber Security Management Declaration." Specifically, the Group has established SuMiTRUST-CSIRT as an internal organization for gathering information, conducting analysis, implementing measures concerning cyber attacks, and allocating necessary staffing. The Group also works to continuously strengthen human resources and to enhance the management system through collaboration with external specialized agencies. In addition, we are endeavoring to strengthen our ability to respond to incidents through the creation and improvement of manuals, etc. for use in both normal times and emergencies, and periodic training and drills.

In responding to the COVID-19 pandemic, our basic stance is to ensure the health and safety of employees and their families, ensure business continuity as a key piece of social infrastructure, and to prevent the spread of infection in society. We are striving to balance the maintenance of services with safety considerations by establishing an emergency response headquarters, activating our BCPs, and actively encouraging telework.

7. New Product and New Operation Examination System

When introducing a new product or new operation, it is necessary to develop various systems in order to continue offering the product or running the operation, including making an advance determination regarding the existence of any inherent risks and identifying their types, evaluating and managing such risks, and providing explanatory materials and methods to clients. To that end, we have developed a new product and new operation examination system. In the product examination process, multiple departments carry out verification from various angles, with an emphasis on introducing products and operations that will earn the trust of clients. We also conduct validation through regular monitoring after a new product or new operation has been introduced.

■ Product Examination Process (SuMi TRUST Bank)



Compliance

1. Basic Initiative Policy

The Group has positioned compliance as one of its most important management issues necessary for the realization of “The Trust Bank,” its management principles and ideal model, and set out “strict compliance with applicable laws and regulations” in the Codes of Conduct (“Value”).

The Compliance Rules formulated by the Board of Directors define the Group’s overall basic policy, the standards that directors, officers and employees must follow, and the Group’s organization structure for realizing compliance,

creating a compliance system befitting “The Trust Bank.”

The Group’s stakeholders are becoming more demanding every day, and their expectations are rising. Under these circumstances, we aim to meet their expectations and win their trust by not only complying with laws, regulations, and rules, but also by implementing better and best practices.

Compliance-related risks fall under the category of legal & compliance risk, which is a sub-category of operational risk.

2. The Group Compliance Framework

The Group formulates the Compliance Program, which consists of specific practice plans for implementing compliance within the Group each fiscal year, with the approval of the Board of Directors, and the Board of Directors periodically receives reports on the progress and evaluation of the Compliance Program.

SuMi TRUST Holdings manages the compliance framework for the entire Group in order to create an appropriate framework in line with the characteristics of operations of each Group company. This is done by formulating the companies’ Compliance Programs and providing guidance and oversight on the progress and achievement status of these programs.

3. Initiatives to Foster Compliance Awareness

The Group has created a Compliance Manual containing explanation of laws and regulations that must be followed and actions to be taken in the event of the discovery of compliance infractions, with the approval of the Board of Directors, and employees across the Group are thoroughly informed regarding its contents.

We are also improving compliance education to promote the fostering of compliance awareness throughout the entire Group. Specifically, we provide training materials for e-learning and discussion-based study sessions on themes

shared by the entire Group. In addition to the training using the materials mentioned above, each Group company implements training and study sessions in accordance with the characteristics of their operations and products and the attributes of their clients, as well as e-learning on specific themes, to foster compliance awareness among employees.

Furthermore, in order to accurately grasp the status of the penetration of compliance awareness, the Group conducts awareness surveys on compliance at major subsidiaries and elsewhere to understand and improve any issues found out.

4. Hotline System

The Group has established a compliance hotline system through which all directors, officers and employees can report violations directly to the Compliance Department and an external attorney’s office. This hotline system enforces the rigorous control of information and protection of privacy to ensure the protection of whistleblowers, and strictly prohibits their adverse treatment. Simple

reporting functions have also been put in place, including by telephone (the external attorney’s office) and through a Web-based system (in-house point of contact (SuMi TRUST Bank)).

An accounting hotline system has also been established for the reporting of inappropriate accounting.

5. Prevention of Money Laundering*1

The Group has released its “Anti-Money Laundering Compliance Policy” with the approval of the Board of Directors, and made clear its resoluteness in standing up to money laundering.

We oversee the status of the anti-money laundering framework’s development and provide guidance on improving the framework at each Group company through periodic risk assessment on the framework. This effort is to prevent abuse of financial services within the entire Group including overseas bases. For risks that are identified, each Group company implements risk control measures according to risks. For instance, SuMi TRUST Bank carries out additional confirmation according to the transactions’ content, and it verifies, using an AML system*2, whether any illicit transfers between accounts have taken place, and has a system in place for employees, when coming across transactions suspected to be related to illegally obtained money or used

to finance terrorism, to immediately report to the person in charge, who notifies the relevant authorities. We also work continuously to improve the system, for example by enacting special provisions in response to the Financial Services Agency’s publication of its Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism.

In addition, we support internal training programs by each Group company and employees’ acquisition of specialized certifications on anti-money laundering. Internal training programs on anti-money laundering are provided periodically.

*1 Money Laundering is the act of hiding a source of money obtained illegally (for example, through the sale of illegal drugs) by routing it through multiple bank accounts or financial instruments. Terrorists and perpetrators of remittance scams are examples of people who may abuse the accounts of financial institutions. It is the responsibility of financial institutions to prevent the misuse of financial services. Such efforts are referred to as “money laundering prevention countermeasures.”

*2 AML system: Anti-Money Laundering system

6. Initiatives to Prevent Bribery

The Group, with the approval of the Board of Directors, has published its “Anti-Bribery and Corruption Compliance Policy,” and under the supervision of the management team, implements anti-bribery and anticorruption programs. We review and strengthen the programs through regular assessment of risks related to bribery and corruption, and endeavor to improve the framework for prevention of bribery and corruption. We do this by taking such measures as fostering

a close-knit collaboration between our overseas bases and local legal offices to allow for swift and proper responses at overseas bases, where such risk is high.

In addition, the Group provides directors, officers and employees with regular training each fiscal year. Also provided is additional specialized training for employees at departments with a high potential risk of facing bribery, and written pledges for compliance are obtained from the employees.

7. Response to Antisocial Forces

The Group has declared its resolute stance against antisocial forces in its Codes of Conduct (“Value”) and takes initiatives to prevent transactions by antisocial forces. The aim is to realize “The Trust Bank,” the Group’s management principles, and ideal model. Specifically, we have incorporated a clause to exclude organized crime from transactions in various products, services, etc., and established a framework to prevent transactions with antisocial forces by checking with a database operated by the National Police Agency, via the Deposit Insurance Corporation of Japan,

before providing new personal loans, etc. In cases in which the counterparty in a transaction is found to be an antisocial force after the commencement of a transaction, we take measures in close coordination with the police and other external expert organizations for the eventual cancellation of the transaction.

In addition, we provide directors, officers and employees with training for the prevention of transactions with antisocial forces each fiscal year to strengthen awareness of preventing such transactions.

8. Initiatives to Prevent Insider Trading

Through its “Rules on Insider Information Management,” the Group strictly regulates the handling of information that may be obtained during the execution of working duties.

In addition, we have established a framework for regular

training on prevention of insider trading, and we obtain written pledges for compliance with internal rules from directors, officers, and employees.

Compliance with International Financial Regulations

1. Compliance with Finalized Basel III Reforms

Triggered by the financial crises in 2008, the Basel Committee on Banking Supervision (BCBS) made the agreement to implement new regulations, called “Basel III.” Basel III includes the implementation of higher capital requirements, leverage ratio and liquidity requirements. In Japan, Basel III has been implemented in phased manner from the end of March 2013.

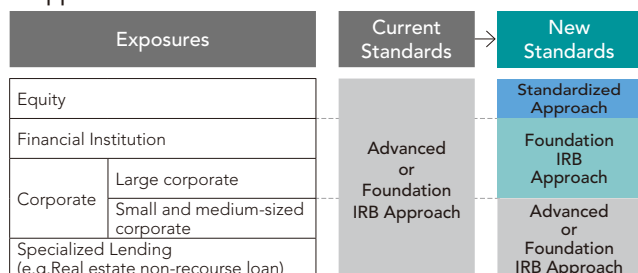
Subsequently, in December 2017, an international agreement was reached on “Finalized Basel III,” which aims to constrain the use of internally modelled approaches by banks and to introduce a new capital floor based on the standard-

ized approaches to the risk-weighted assets measurement approach in the calculation of the capital adequacy ratio.

“Finalized Basel III” is required to be implemented from 2023.* The Group will work to secure the target level through the future accumulation of capital and other means, and promote appropriate profitability and portfolio management to establish a framework for introducing tighter capital requirements.

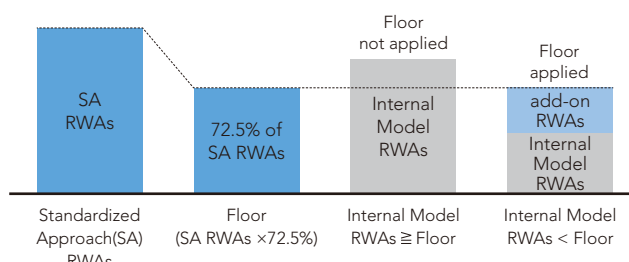
*The implementation has been postponed for one year from the original schedule to give priority to fighting the COVID-19 pandemic.

Conceptual Diagram of Risk-weighted Assets Measurement Approach for Credit Risk



Standardized Approach: Supervisory risk weight according to external credit ratings
 Foundation IRB Approach: Risk weight calculated based on banks’ own estimates of probability of default (PD)
 Advanced IRB Approach: Risk weight calculated based on banks’ own estimates of probability of default (PD) and loss given default (LGD)

Capital Floor Structure



• In the case where 72.5%* of SA RWAs (Floor) is larger than internal model RWAs, Add-on RWAs are charged.
 * As for the applicable multiplier of the floor, starting at 50% in 2023, it will be raised by 5% each year to 72.5% in 2028.

2. Strengthening of Regulations on Non-Financial Risk Areas

Regarding financial risks, BCBS made the agreement on Basel III as described above, and major frameworks for various liquidity risk regulations and Single Counterparty Credit Limit (SCCL) are close to being determined and although minor modifications of details are still needed, the hardest part is over. With this background, international organizations and the financial authorities of each country are focusing on tightening and enhancing regulations on non-financial risk areas. Specific examples include:

- Conduct risk
- AML/CFT (Anti-Money Laundering and Countering the Financing of Terrorism)
- Cybersecurity
- Subcontractor (third party) management
- Strengthening business continuity framework (operational resilience)

While remaining vigilant on cybersecurity and subcontractor (third party) management, the international community has recently focused on “operational resilience,” which aims to maintain the critical functions of financial institutions, in light of the fight against the COVID-19 pandemic, which is expected to be prolonged. Financial institutions are increasingly called on to further strengthen their business continuity systems to ensure their ability

to provide socially important financial services without interruption even under new circumstances that are different from the disaster scenarios that were assumed in the past.

The Group, as a trust bank entrusted with the management and administration of the assets of our clients, is committed to further strengthening and enhancing the framework of asset management and administration, while paying close attention to these global regulatory trends.

Framework for Compliance with International Financial Regulations

Overall supervision	Corporate Planning Dept. (Global Business Management Office)
Capital adequacy ratio/ Liquidity requirements	Risk Management Dept., Financial Planning Dept.
Extra-territorial application of laws Conduct risks	Compliance Dept. (Global Compliance Office)
Support for regulations for overseas bases	Global Business Planning and Coordination Dept.*, Global Markets Business Planning Dept.*, Fiduciary Business Planning Dept.*, Asset Management Business Planning Dept.
Cybersecurity	Risk Management Dept., IT & Business Process Planning Dept.
Overseas Office Recovery & Resolution Planning	Corporate Planning Dept. (Corporate Information Office), Risk Management Dept.

*SuMi TRUST Bank

Internal Auditing

1. Basic Initiative Policy

The SuMi TRUST Group believes that establishing an efficient and effective internal auditing system commensurate with the size and nature of its business, the content of laws and regulations that apply to operations, and the type of risks is indispensable to achieve management targets, appropriate legal compliance, facilitating financing, client protection, and risk management.

Therefore, with the aim of ensuring the soundness of management by improving and enhancing the business execution

system and the internal management system, SuMi TRUST Holdings and its main Group companies have established internal auditing units that are independent of departments involved in business execution and that adequately act as a restraint function. The internal auditing units verify the appropriateness and effectiveness of the business execution system and internal management system, provide comments and recommendations for correcting problems, and follow up on the status of improvement measures.

2. Internal Auditing Implementation System

(1) SuMi TRUST Holdings

1) Organization

In addition to establishing an Internal Audit Department independent of departments involved in business execution under the Board of Directors, SuMi TRUST Holdings has strengthened the supervisory and restraint capabilities (governance) with regard to management and business execution departments, by positioning the Internal Audit Department in a direct instruction and reporting relationship with the Audit Committee.

2) Functions and roles

The Internal Audit Department formulates an internal audit plan, taking into account the basic policy on internal audits, which dictates the direction to be taken in the development of the SuMi TRUST Group's internal auditing system, as well as significant group-wide risks. After receiving the consent of the Audit Committee, the plan is approved by the Board of Directors. The Internal Audit Department reports the results of the internal audit, without delay to the President and the Audit Committee, while also analyzing the internal audit results, including those for Group companies, and reporting regularly to the Board of Directors.

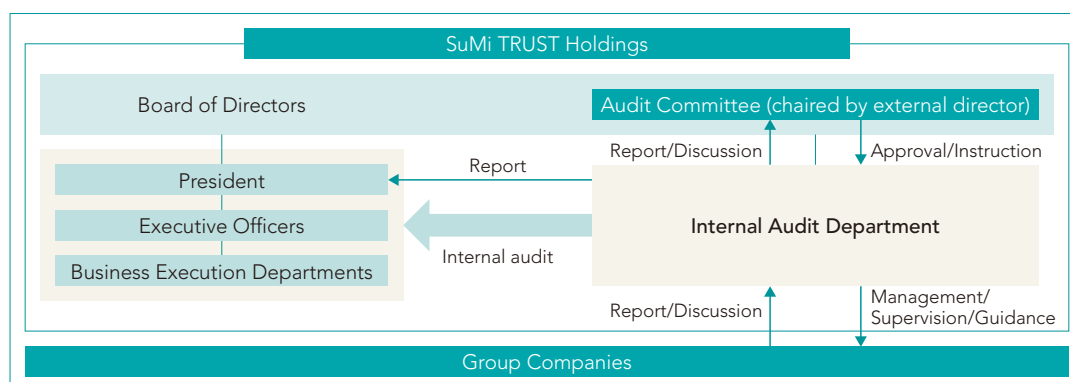
In addition, the Internal Audit Department, as the department supervising the Group's internal auditing, receives consultations from each Group company regarding the audit plan, and confirms its consistency with the basic policy. The Internal Audit Department carries out internal audits in collaboration with the internal auditing unit of each Group company. The role of the Internal Audit Department also includes receiving reports of internal audit results from Group companies, assessing and verifying the internal auditing system and its implementation status at each Group company, and providing guidance as necessary.

(2) Group Companies

Internal auditing units that are independent of departments involved in business execution have also been established at the main Group companies including SuMi TRUST Bank, and conduct internal audits. Each Group company formulates an internal audit plan in line with the basic policy on internal audits set by the Company, which is approved by the Board of Directors after consultation with the Company.

Results of internal audits are reported without delay to the president, the Company and others, and are also reported regularly to the Board of Directors.

■ The SuMi TRUST Group



Client-Oriented Initiatives

1. Providing Value to Clients

In an era of dramatic environmental change, the needs of both individual and corporate clients to build, manage, and review their assets and plan for succession are becoming increasingly complex, and their needs for trustworthy financial institutions are growing. The SuMi TRUST Group aims to be the “Best Partner” providing the greatest value to individual and corporate clients by accurately understanding their needs and providing total solutions that include a wide range of highly specialized products and services as the best way to address those needs. To this end, as the only independent financial group specialized in trust banking in Japan, along with striving to be completely client-oriented, we have estab-

lished a stringent conflict of interest management framework, which allows us to make effective use of the comprehensive capabilities that combine trust and banking functions, as well as the various trust functions within the Group.

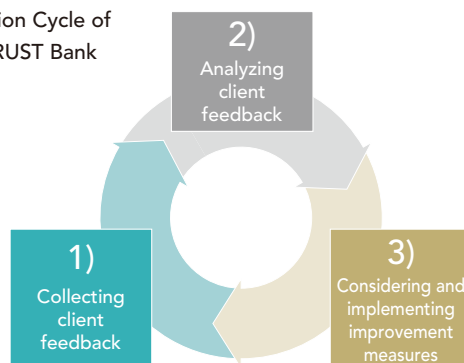
In April 2020, in order to further advance client orientation and customer satisfaction as sources of differentiation, we integrated our Fiduciary Duty (FD) unit (which promotes client-oriented business operations) with our Customer Satisfaction (CS) unit (which strives to improve customer satisfaction), thereby strengthening our efforts to improve our business quality management capabilities.

2. Enhancement of Customer Satisfaction

(1) Initiatives to Link the “Voice of Customers” to Enhanced Customer Satisfaction

1) SuMi TRUST Bank receives a large amount of opinions and requests through its branch offices across Japan, telephone centers, the Group’s website, and various questionnaires. 2) In order to realize customer satisfaction by utilizing the hundreds of thousands of feedback we receive each year, we use the “CS Voice of Customers Portal,” which is a system to analyze client feedback. We are striving to meet our clients’ needs by making client feedback “visible,” so that we can better “recognize” such needs. 3) Furthermore, regarding opinions and requests received from clients, branches and the head office cooperate to investigate and analyze the causes, and identify problems. Based on the results, we search for improvement measures, and strive to provide better products and services.

CS (Customer Satisfaction)
Promotion Cycle of
SuMi TRUST Bank



(2) Product Development Capabilities Supporting Total Solutions

In order to leverage the flexibility and expertise of its various financial and trust functions as a financial group specialized in trust banking, and put together an extensive lineup of unique and sophisticated products and services that are essential to providing total solutions, the SuMi TRUST Group focuses on promoting group-wide initiatives that combine the expertise of each business and Group company, rather than simply using their strengths and know-how. In this manner, the SuMi TRUST Group is creating a product development system that carries out medium-term, ongoing research activities on themes that would be difficult to categorize within the domains of individual businesses or Group companies.

Specifically, SuMi TRUST Bank has established a product

development department in each business, as well as the Business Research and Development Department, and a product development off-site meeting as its product development organization. The product development departments in each business analyze the client needs that have been collected in the course of business, and engage in improvement and development, mainly of products for immediate application, including reviews of existing products and design of new products. In addition, the Business Research and Development Department, which was established as a dedicated unit primarily for the development of trust products, serves as the engine that drives product development and provides development support for each business, while carrying out plan-

ning, development, and promotion of medium- to long-term development projects across businesses. Furthermore, the product development offsite meeting has been established as a forum for discussion among executive officers and general managers, where regular exchanges of opinion are held regarding product development, not only at a practical working level, but also based on management strategy from a medium- to long-term viewpoint.

The SuMi TRUST Group also focuses its efforts on nurturing human resources who are capable of flexible thinking that

sustains product development. At SuMi TRUST Bank, product development experience is included in the new employee training curriculum, and human resource development seminars on product development are held twice each year for product development personnel with little experience. At these seminars, groups engage in exhaustive discussions on the topic of new products to satisfy target client needs that are assigned in advance, with the goal of enabling participants to acquire an understanding of breakthrough points and problem-solving methods in product development.

(3) Technologies to Support Total Solutions

As digitization progresses at a rapid pace, the SuMi TRUST Group regards digital reform initiatives as one of its most important management strategies.

SuMi TRUST Bank introduced AI assisted automatic forecast analysis to understand the changing client needs due to the advent of the age of 100-year life and make proposals that are more client focused and appropriate. At trust type next generation branches, we provide consultation spaces that

can comfortably accommodate clients together with their family members spanning multiple generations, while actively utilizing digital technologies such as introducing new tablet devices. In this manner, we will transform branches from places to handle procedures to spaces for consultation.

By providing total solutions through the optimal combination of consulting and digital technologies, we will continually strive to provide a client experience that exceeds their expectations.

3. Initiatives Related to Fiduciary Duties (FD)

(1) Practicing Fiduciary Duties

The aim of the SuMi TRUST Group to be the “best partner” for clients is based on our client-oriented spirit. The Group has hitherto endeavored to be completely client-oriented given that a fiduciary spirit is essentially ingrained into our DNA. To this end, since we formulated and released

our Policies regarding the Fiduciary Duties of the Sumitomo Mitsui Trust Group (the “Policies”) in September 2016, we have continued to further strengthen our initiatives by revising the Policies whenever necessary.

■ The Group’s FD Promotion and Supervision System

	Organization		Initiatives	
SuMi TRUST Holdings	Board of Directors	Conflicts of Interest Committee	<ul style="list-style-type: none"> Supervise conflict of interest management for the Group, monitor FD progress 	
	SuMi TRUST Bank	Executive Committee	Conflicts of Interest Management Enhancement Committee	<ul style="list-style-type: none"> Discuss important cases Guide the improvement of relevant departments
		Department in charge	FD/CS Planning and Promotion Dept.	<ul style="list-style-type: none"> Promote FD within the organization
			Compliance Dept.	<ul style="list-style-type: none"> Enhance conflict of interest management
Group companies	Group-wide	Fiduciary Duties Discussion Panel	<ul style="list-style-type: none"> Consult with each company and incorporate discussions into each company’s FD activities 	

Client-Oriented Initiatives

We believe that the practice of fiduciary duties depends on “significant expertise” that our clients can rely on, “consulting practice” that offers clients optimal options according to their individual needs, and “stringent conflict of interest management.” The SuMi TRUST Group has put in place an extensive organizational structure from the management level to the working level, and strives constantly to enhance its initiatives in this area.

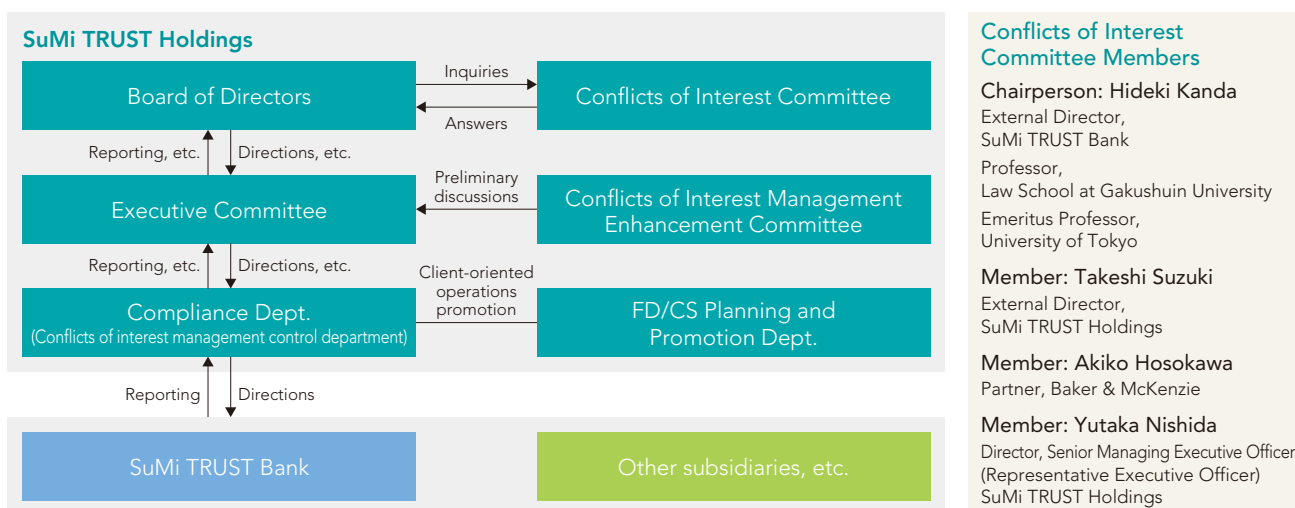
(2) Conflict of Interest Management

With the approval of the Board of Directors, the Group announced the Management Policy Concerning Conflicts of Interest (Outline), in order to protect the interests of our clients from undue harm caused by provision of various services by Group companies and their related parties. The Group identifies and classifies transactions that have possible conflicts of interest in advance and manages such transactions appropriately.

The SuMi TRUST Group makes public indicators that allow confirmation of the status of initiatives and Key Performance Indicators (KPIs) aimed at becoming our clients’ “Best Partner,” in order to communicate the results of these initiatives in a simple manner. These indicators are revised each fiscal year, and include the common KPIs, which are common indicators comparable across investment trust distributors.

Furthermore, we have established a system in which the Compliance Department, which is the department that controls conflict of interest management independently of sales divisions, regularly verifies the effectiveness of conflict of interest management across the Group. The results are regularly reported to the Board of Directors, etc., and improvement and direction are carried out continuously, as needed.

■ Conflict of Interest Management Framework*

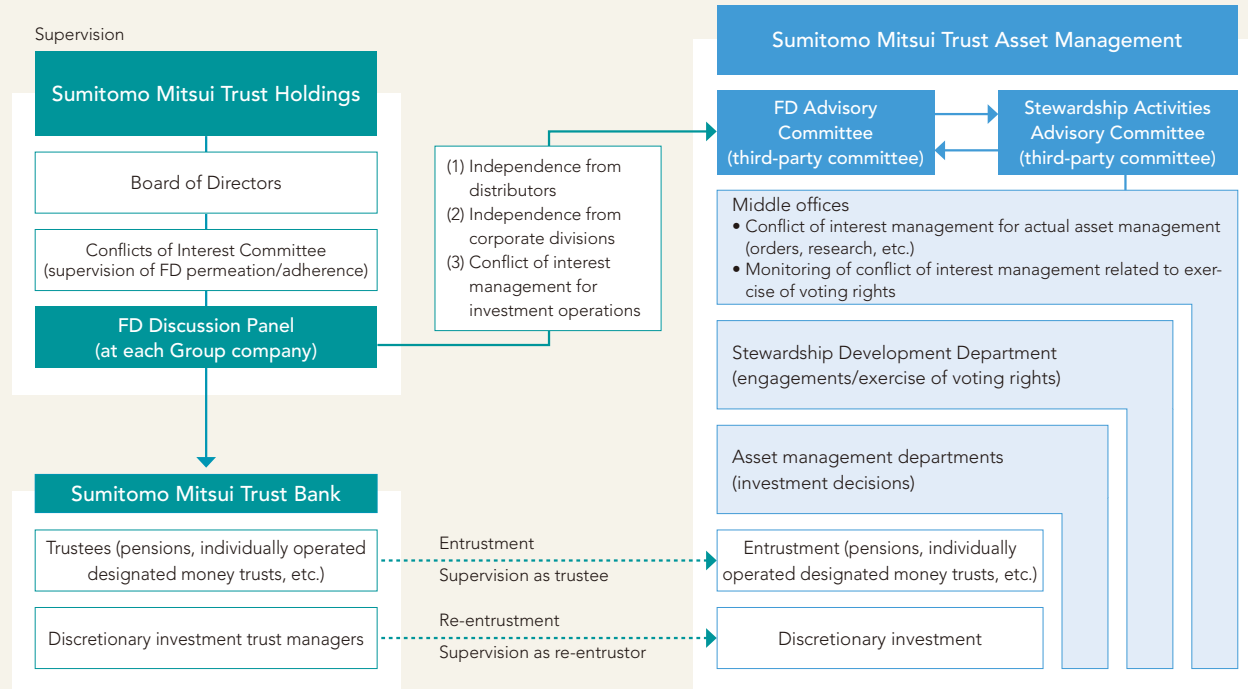


* For the specific role of the Conflicts of Interest Committee, please refer to page 73.

In addition, the Group has established the Conflicts of Interest Committee in an effort to enhance the effectiveness of the Group’s conflict of interest management framework. The majority on the Committee consists of external members. It serves as an advisory body to the Board of Directors and receives verification of the appropriateness of the Group’s conflict of interest management. The summary of agendas of the Committee has continuously been made available for public review.

With respect to our conflict of interest management system for stewardship activities, the Conflicts of Interest Committee has established a Stewardship Services (SS) Working Group composed of third-party members from the external committees of the Group’s asset management companies. The aim is to strengthen information coordination and oversight functions on the Group-level SS activities.

Conflict of Interest Management System for Stewardship Activities



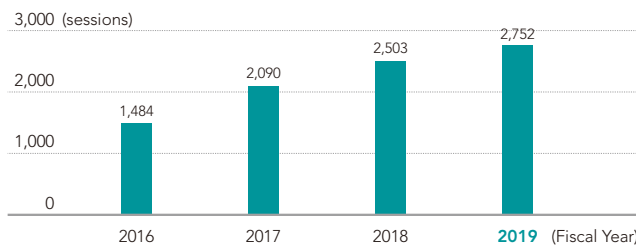
(3) Status of Initiatives Aimed at Becoming Our Clients' "Best Partner" and Key Performance Indicators (KPIs)

The SuMi TRUST Group regularly makes public indicators that allow confirmation of the status of initiatives aimed at becoming our clients' "Best Partner." These indi-

cators are revised periodically as we promote and enhance these activities.

Initiatives in Connection with Financial Education and Literacy Improvement of Clients

Number of Seminar Sessions Held

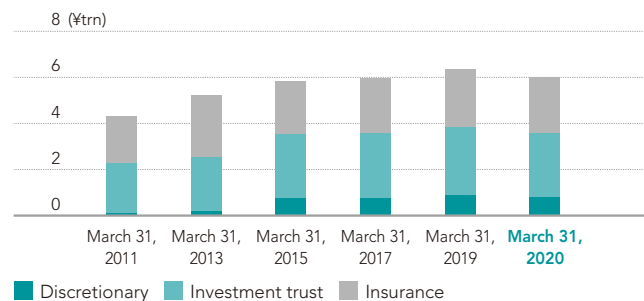


*Number of seminar sessions held for individual clients at SuMi TRUST Bank

We are making efforts to hold seminars, for example our "Asset Management Seminar" and "Inheritance Strategies Seminar," as opportunities to offer clients useful, specialized knowledge in an easy to understand manner.

Offering a Wide Range of Products and Services that Meet the Diverse Needs of Clients

Comprehensive Offerings Drive Growth in Balances of Investment Trusts, Discretionary Investment Management Products, and Insurance

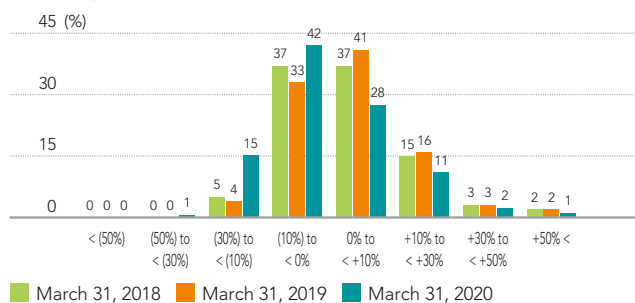


To meet the diverse needs of our clients, SuMi TRUST Bank offers a wide range of high-quality products and services, including investment trusts, discretionary investment management products, and insurance products, which continue to be highly popular with clients.

Client-Oriented Initiatives

Improving Investment Returns for Clients

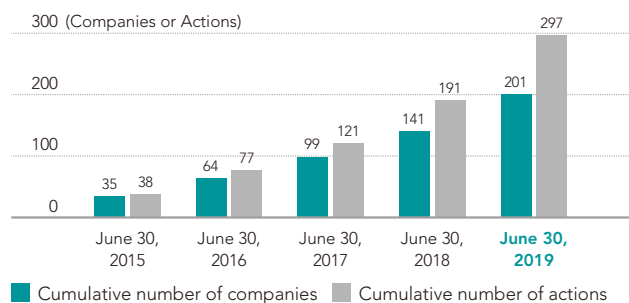
Spread of Clients with Investment Trust Gains/losses, Including Realized Profit and Loss



While investment gains/losses fluctuate depending on market trends and other factors, we make every effort to improve returns and realized profits/losses for our clients. To this end, when proposing investment products to our clients, SuMi TRUST Bank emphasizes the importance of carefully following up on their intentions in light of major life events and changes in the market environment. In this way, we strive to maintain an ongoing dialogue with our clients. The spread of client gains/losses on March 31, 2020 was negatively impacted by the decline in stock prices associated with the COVID-19 pandemic. However, the investment management climate improved with the subsequent recovery of the market, and as of May 31, 2020, the percentage of clients with investment trust gains had risen to 57%.

Enhancing Asset Management

Number of Companies and Number of Cases Where Corporate Action was Taken



As a responsible institutional investor, Sumitomo Mitsui Trust Asset Management pursues stewardship activities such as an engagement activity ("purposeful dialogue" with investee companies, conducted to encourage improvement of corporate value and the sustained growth of the investee company) and the exercise of voting rights aimed at medium- to long-term growth in corporate value. Through these activities, we are working to increase our clients' medium- to long-term investment returns. The number of corporate actions has been rising and now totals 297, indicating that engagement activities by Sumitomo Mitsui Trust Asset Management are being accepted by investee companies.

R&I Customer-oriented Investment Trust Sales Company Rating



SuMi TRUST Bank has earned an R&I Customer-oriented Investment Trust Sales Company Rating of "S" for two consecutive years.

The rating is based on R&I's neutral third-party evaluation of banks, securities companies, and other financial enterprises engaged in the sale of investment trusts. The rating assesses their "customer-oriented business operations" and their policies and initiatives in this area. The SuMi TRUST Group will continue to pursue client-oriented initiatives and promote their adherence as we strive to be a "Best Partner" whom our clients entrust with their business for many years to come.

*The "R&I Customer-oriented Investment Trust Sales Company Rating" ("the rating") is not a statement of fact. Rather, it represents R&I's opinions regarding the "customer-oriented business operation" initiatives of companies engaged in the trust investment sales business. Though R&I uses information that it deems to be reliable when carrying out the rating, it does not independently verify the accuracy of this information. Furthermore, R&I, etc. does not guarantee the accuracy or integrity of this information, nor does it endorse the purchase, sale or holding of any specific product nor guarantee the future performance of any such product. All intellectual property rights (copyrights, etc.) and any other rights pertaining to the rating belong to R&I, and any reproduction or republication without permission is prohibited.

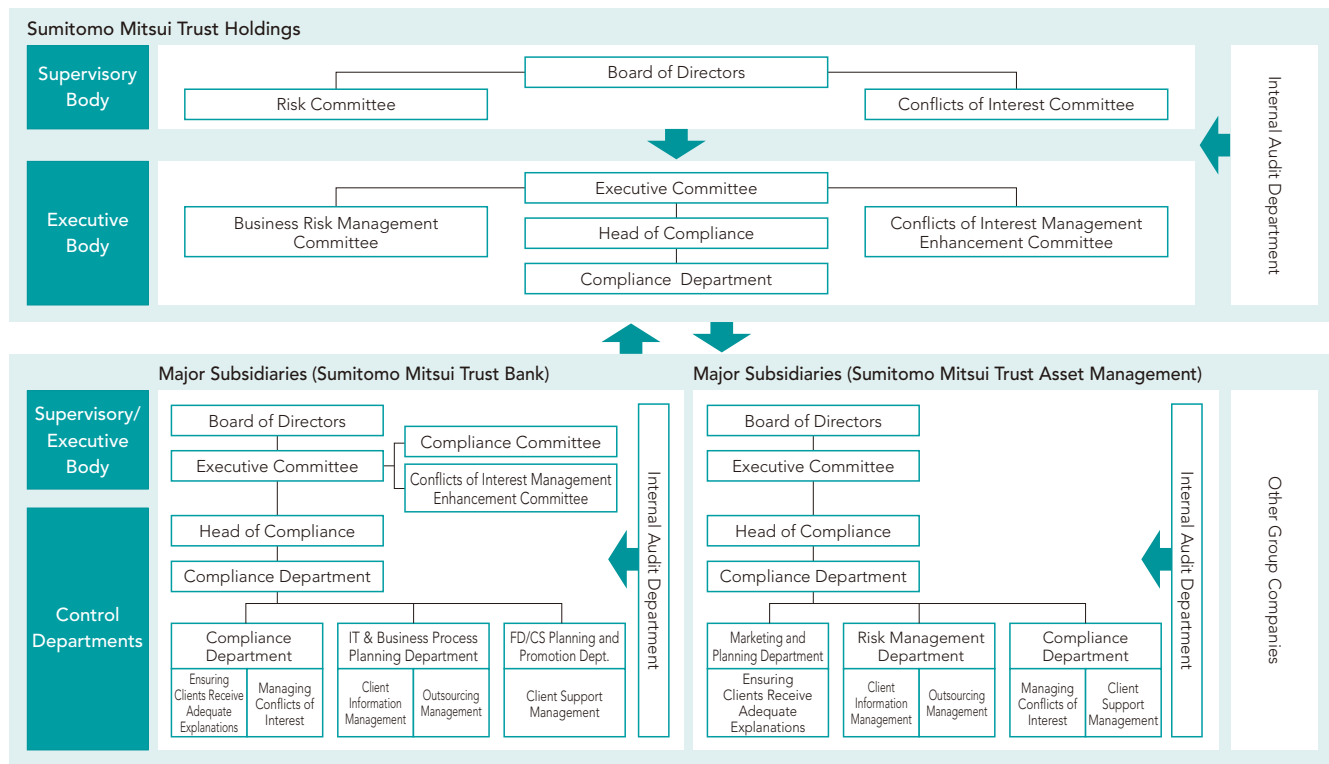
4. Initiatives for Management of Client Protection, Etc.

(1) Basic Initiative Policy

The Group regards client protection as one of its most important management issues. SuMi TRUST Holdings has established a basic policy in its Client Protection Management Rule designed to enhance the Group's client protection and convenience, to enable the Group companies to develop appropriate client protection management systems in accordance with the characteristics of their own operations. Based on the basic policy, each Group company has established the control departments for client protection management and

supervisory departments according to functions. The control departments oversee client protection management as a whole, through the preparation of internal company rules and regular reporting to the Board of Directors and others. Supervisory departments develop frameworks for each function, and ensure appropriateness and sufficiency of each function through guidance for related departments, and training expansion, and improvement.

■ Client Protection Management Framework



(2) Ensuring Clients Receive Adequate Explanations

When providing financial products and services, the SuMi TRUST Group provides appropriate and sufficient explanations and easy-to-understand information so that our clients understand and are assured about the products and services. Specifically, we have created a client protection management framework, such as thoroughly enforcing the suitability rule,* creating a client explanation manual that stipulates appropriate provision of information to clients, etc. and expanding and improving training, based on the solicitation policy regarding provision of financial products and services and the Policies regarding the

Fiduciary Duties of the Sumitomo Mitsui Trust Group.

In particular, we monitor whether appropriate explanations are provided to our clients to ensure their understanding in transactions involving financial products that may pose risk, including investment trusts and life insurance. We revise our solicitation rules, as necessary, to ensure that solicitation and sales activities for financial products are conducted appropriately from the perspective of the clients.

*Rules that prohibit inappropriate solicitation in view of clients' knowledge, experience, financial position, and purpose of transactions.

(3) Client Information Management

The Group has established the Sumitomo Mitsui Trust Group Privacy Policy to securely protect the personal information of its clients for establishing a framework for appropriately managing client information. When using client information jointly within the Group, each company complies with laws on personal information protection, guidelines on personal information protection in the financial industry, and other related

laws and regulations, so as to ensure the appropriate use of such information.

The SuMi TRUST Group requires all employees to submit a written affirmation of their duty of confidentiality, so that they clearly recognize the duty they have to keep important information, including personal data they come across while working, confidential.

Communication with Shareholders and Investors

1. Basic Philosophy

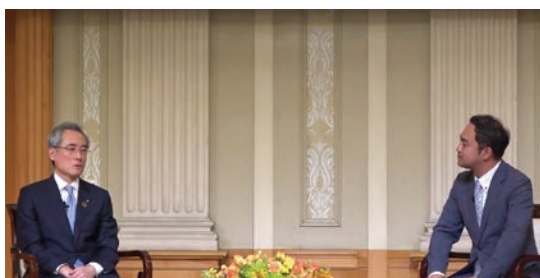
SuMi TRUST Holdings aims for highly transparent corporate management by striving for timely and appropriate disclosure of corporate information, as well as through proactive IR activities and constructive dialogue with shareholders and investors in Japan and overseas. Specifically, our top management

endeavors to give our shareholders and investors a deeper understanding of SuMi TRUST Holdings' performance, business conditions, business strategies, etc., directly by actively holding information meetings, in addition to disclosing corporate information in a timely, fair, and accurate manner.

2. Activities Carried Out

(1) Activities for Individual Investors

We strive to provide information that will allow individual shareholders and investors to better understand the Group through measures such as organizing information meetings, setting up a dedicated website for individual investors, and distributing a newsletter for shareholders ("The Trust Newsletter– Business Report"). At an information meeting held in December 2019, we communicated the attractiveness of the SuMi TRUST Group to investors in an easy-to-understand manner, through a dialogue with Mr. Shunji Nishimura, an announcer with CBC Television Co., Ltd.



For details, please see our website (Japanese only).
https://www.smth.jp/investors/individual_meeting/index.html

(2) Activities for Institutional Investors

Investor meetings on financial results aimed mainly at analysts and institutional investors are held twice a year, for the full-year and interim results. We also conduct briefings on our management strategy and financial position, etc. by participating in conferences organized by securities companies and by

holding one-on-one investor meetings in Japan and overseas.

In June 2019, we hosted a guided tour and information meeting at the Nihonbashi Business Department located in the historic Mitsui Main Building, which has been designated an important cultural property of Japan. In September of the same year we held SuMi TRUST IR Day under the theme of environmental, social and governance (ESG) initiatives. Discussions focused on the relationship between business and sustainability and how the Bank, as a financial group specialized in trust banking, contributes to the realization of a sustainable society through its businesses.

In response to the COVID-19 pandemic, which has made domestic and overseas travel difficult, we are nevertheless continuing to dialogue with investors by actively utilizing conference calls, video conferencing, and similar means.



SuMi TRUST IR Day

■ IR Activities Carried Out in FY2019

Investor meetings on financial results for analysts and institutional investors	2 times
Overseas IR events	8 times
One-on-one meetings with institutional investors in Japan and overseas	Number of companies: 267 (including 134 overseas investors)
Information meetings for individual investors	10 times (Number of participants: 1,119)

3. General Meeting of Shareholders

In addition to promptly sending out the convocation notice for the General Meeting of Shareholders held in June of each year, we post the notice on stock exchange websites and our own website one week before it is sent out. We are also striving to improve the voting environment by making it possible to exercise voting rights online or by cell phone (including smartphones), and by participating in a platform for the exercise of voting rights. Furthermore, we post an English transla-

tion of the convocation notice on our website at the same time as the Japanese version, before it is sent out, in an effort to increase the convenience of overseas investors. Notices of resolutions and voting results are posted on our website immediately after the conclusion of the General Meeting of Shareholders, along with video clips of the meeting for shareholders who were unable to attend.

Initiatives to Facilitate Financing

• Dealing with Facilitation of Financing

The SuMi TRUST Group considers the facilitation of financing to small and medium-sized enterprises (SMEs) and individuals seeking mortgage loans as one of its most important social missions.

SuMi TRUST Bank took steps to further enhance its financial intermediary function and established a basic policy on the facilitation of financing. This was to ensure prompt and appropriate responses to requests from SMEs and mortgage loan clients for various consultations, restructuring of loan repayment conditions, etc.

The bank facilitates financing operations through a system at branch offices to provide prompt and appropriate responses to clients' consultations about, or requests for, the restructuring of loan repayment conditions and other matters and a system at the head office to fully grasp the branch office support activities. The bank also responds to clients' requests for consultation and complaints through a dedicated telephone number as well as at branch offices.

The Act concerning Temporary Measures to Facilitate Financing for SMEs, etc. (SME Finance Facilitation Act) expired on March 31, 2013. Even so, the SuMi TRUST Group continues to provide appropriate and proactive financial intermediary services to facilitate the business activities of SMEs and to provide mortgage loan clients with financial security. Also, when there are consultations about, or requests for, the restructuring of loan repayment conditions, etc. from clients who have been directly or indirectly affected by recent natural disasters (including the Great East Japan Earthquake, the 2016 Kumamoto Earthquake, the 2018 Osaka Earthquake, the 2018 Hokkaido Eastern Ibari Earthquake, the 2018 heavy rains in western Japan, and the Typhoon No. 15 and No. 19 in 2019) or the COVID-19 pandemic, SuMi TRUST Group endeavors to respond in a flexible and appropriate manner, taking into account each client's circumstances. In April 2020 we established a support framework in response to the COVID-19 pandemic totaling 100 billion yen to meet the financing needs of clients affected by the pandemic.

In addition, SuMi TRUST Bank has a system under which it respects and abides by the "Guidelines for Management Guarantee" and "Guidelines for Management Guarantee (Special Provisions)" (effective as of April 2020), and discloses the utilization status of the guidelines (including the Special Provisions) on its website. The Bank has also reorganized its system for receiving inquiries related to the "Guidelines of Workout for Restructuring Debt for Victims of Natural Disaster," which was adopted in April 2016, and appropriately responds to client's requests for consultation.

• Status of Initiatives to Improve SME Business Operations and to Revitalize Regions

(1) Policy on Management Support Measures for SMEs

SuMi TRUST Bank assists SMEs with efforts to improve and revitalize their business operations by considering their conditions and providing business consultations, management guidance and support for formulating business reconstruction strategies, and other support services.

(2) Framework of Management Support for SMEs

In order to carry out management support for SMEs, SuMi TRUST Bank has established "Financing Facilitation Promotion Offices" in the Wholesale Business Planning Department and in the Personal Loan Business Promotion Department, to prepare a framework to deal appropriately and satisfactorily with various consultations and requests from clients.

In terms of specific measures related to management support for SMEs, branch offices and the head office are engaged in efforts such as support for formulating business reconstruction plans tailored to individual circumstances, and assistance aimed at making progress with business reconstruction plans, taking into account the industry conditions and the business dealings of individual SMEs. Furthermore, SuMi TRUST Bank prepares to support clients in overseas expansion and business succession as well as in electronically recorded monetary claims.

1) Initiatives related to support for overseas expansion

SuMi TRUST Bank has the five-branch one-subsi-dary system that includes New York, London, Singapore, Hong Kong, Shanghai and Thailand. These branches offer financial services such as loans,

deposits, foreign exchange, and derivatives to Japanese client companies who are expanding overseas.

In addition to developing our own offices, we are making efforts to address the growing need for financial services denominated in local currencies through partnerships with leading banks in Asian countries. In Vietnam, we are working to strengthen financial services such as sales finance for Japanese companies that are expanding into the market through the Bank for Investment and Development of Vietnam (hereinafter "BIDV"), with which SuMi TRUST Bank has a partnership, as well as our leasing joint venture company with BIDV (BIDV-SuMi TRUST Leasing Company, Ltd.).

2) Initiatives related to support for business succession

SuMi TRUST Bank provides detailed proposals and prompt information to meet the diverse asset inheritance and business succession needs of both its corporate and individual clients. Tailor-made services for the needs of company-owner and wealthy clients are provided in collaboration with an affiliate company, Sumitomo Mitsui Trust Wealth Partners, and various specialists (lawyers, tax accountants, etc.).

Financial consultants have been assigned to branches nationwide as immediate counseling service counter so that company-owner clients may consult on any inheritance or business succession concerns or issues they may have. Our financial consultants draw on the expertise they have accumulated through a rich, wide-ranging set of experiences to consult with clients on matters concerning inheritance, asset inheritance and business succession as well as asset management and administration.

Furthermore, we cooperate with our tax accountant corporate partner to hold seminars for business owners on the inheritance and business succession tax system and business succession measures that make use of trusts. These events serve as opportunities to make SuMi TRUST Bank's consulting function more broadly known among people who have never had dealings with a trust bank.

Moreover, in August 2018, for the first time at a specialized trust bank, the Bank was nationally recognized as a Support agency for business innovation, providing specialized support, such as support on tax matters, finance and financial affairs, for small and medium-sized enterprises.

3) Initiatives related to "Densai" (electronically recorded monetary claims)

In order to facilitate fundraising for SMEs, SuMi TRUST Bank has offered "Densai Services" since February 2012. The service is based on the Zengin Electronic Monetary Claims Recording Network, in which financial institutions nationwide are members. We also provide "Densai lump-sum factoring services."

Due to the impact of the COVID-19 pandemic, we have been asked by the Zengin Electronic Monetary Claims Recording Network, "densai.net Co., Ltd.," to endeavor to apply the same kinds of financial measures (e.g., deferment of insolvency proceedings) that are applicable under the Disaster Relief Act. We will endeavor to respond to our clients' consultation about the payment of monetary claims already issued, etc. in a flexible and appropriate manner, taking into account each client's circumstances.

(3) Status of Management Support Initiatives for SMEs and of Regional Revitalization Initiatives

SuMi TRUST Bank has branches throughout the country. Although it is not engaged in initiatives for the revitalization of specific regions, it carries out initiatives focused on support to improve the business operations of clients at each branch according to their individual circumstances and business dealings.

Examples of Specific Initiatives

- Introduced prospective buyers of idle real estate (buildings for rent and other properties) of clients and brokered the sale of such assets. Contributed to reducing interest-bearing debt of the clients.
- Carried out sales mediation services (real estate surveys) for clients to other clients, and contributed to increasing their sales.

Corporate Information

Financial Review

Terms with an asterisk are explained in "Glossary" on page 117.

In the consolidated financial results for fiscal year 2019, net business profit before credit costs increased by ¥6.7 billion year on year to ¥289.0 billion, basically in line with our forecasts. The rise was mainly due to an increase in effective interest related earnings, an expansion of non-interest revenues in corporate-related business, and an increase in market-related revenues in SuMi TRUST Bank.

In the meantime, net income attributable to owners of the parent decreased by ¥10.8 billion year on year to ¥163.0 billion, due mainly to a special loan loss provision of approximately ¥25 billion recorded in preparation for future total credit costs in light of the impact of the COVID-19 pandemic.

■ Overview of the Financial Results in FY2019

<Consolidated> SuMi TRUST Holdings (Consolidated)

	Billions of Yen (Unless specified otherwise)			
	FY2019 (A)	FY2018 (B)	Change (A)-(B)	Rate of change
Net Business Profit before Credit Costs*	289.0	282.2	6.7	2.4%
Ordinary Profit	257.6	256.4	1.2	0.5%
Net Income Attributable to Owners of the Parent	163.0	173.8	(10.8)	(6.2%)
Total Credit Costs*	(43.8)	(2.9)	(40.8)	—
Return on shareholders' equity*	7.12%	7.95%	(0.83%)	—
Return on equity*	6.25%	6.58%	(0.33%)	—
Net Income per Common Shares (EPS) (Yen)	434	458	(24)	(5.4%)
Net Assets per Common Shares (BPS) (Yen)	6,822.48	7,008.67	(186)	(2.7%)

* [Net Income Attributable to Owners of the Parent / (FY-start total shareholders' equity (equity) + FY-end total shareholders' equity (equity)) / 2] × 100

<Non-consolidated> SuMi TRUST Bank (Non-consolidated)

	Billions of Yen (Unless specified otherwise)			
	FY2019 (A)	FY2018 (B)	Change (A)-(B)	Rate of change
Net Business Profit before Credit Costs*	206.8	231.4	(24.6)	(10.7%)
Net Interest Income and Related Profit*	134.1	172.7	(38.5)	(22.3%)
Net Fees and Commissions and Related Profit*	174.3	186.3	(12.0)	(6.5%)
Net Trading Profit	102.1	27.9	74.2	265.9%
Net Other Operating Profit	42.5	80.3	(37.7)	(47.0%)
General and Administrative Expenses	(246.4)	(235.8)	(10.5)	4.5%
Total Credit Costs*	(34.7)	1.9	(36.7)	—
Net Non-recurring Profit, etc.	4.4	(24.3)	28.7	—
Ordinary Profit	176.4	209.0	(32.6)	(15.6%)
Extraordinary Profit	1.0	(4.2)	5.3	—
Net Income	124.7	148.6	(23.9)	(16.1%)

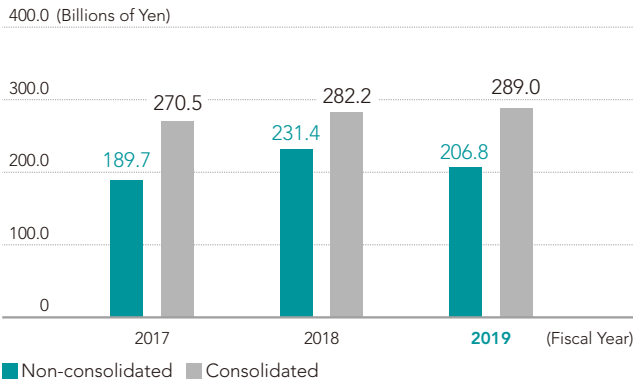
(Note) Amounts less than ¥100 million are rounded down.

<Dividends>

	FY2019 (A)	FY2018 (B)	Change (A)-(B)
Dividend per Share on Common Share (Yen)	150.00	140.00	10.00

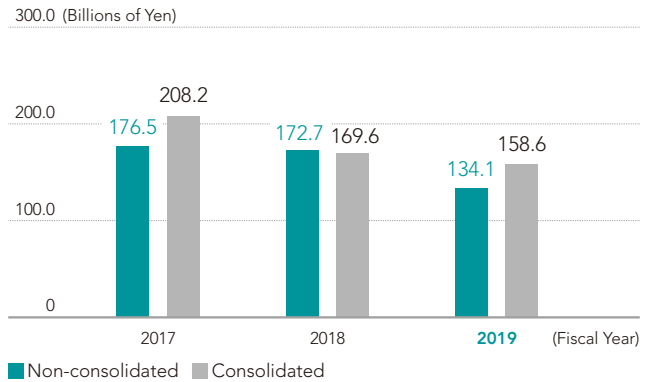
Status of Profit and Loss

Net Business Profit before Credit Costs*



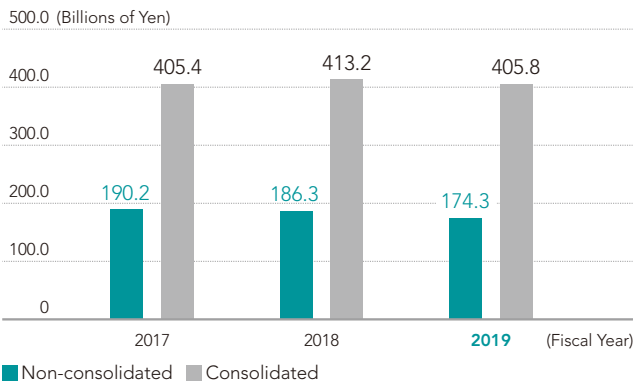
Despite a decline in net fees and commissions and related profit, there was an increase in effective interest related earnings, as well as non-interest earnings in corporate-related business, bringing the profit to ¥289 billion, increased by ¥6.7 billion from the previous fiscal year.

Net Interest Income and Related Profit*



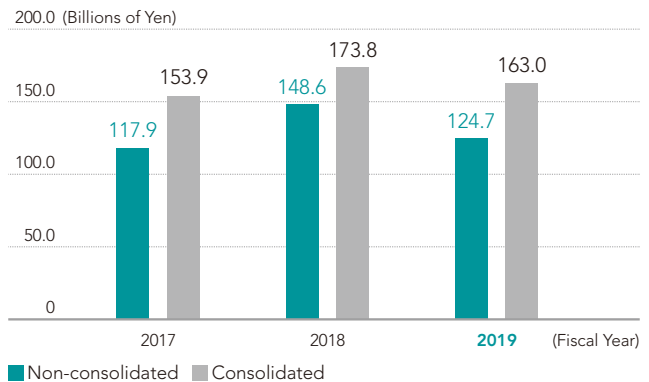
Nominal net interest income and related profit decreased by ¥10.9 billion compared to the previous fiscal year. On the other hand, profits increased in the international business divisions including profit attributable to deployment of foreign currency surplus funds, thereby securing an effective increase in net interest income on the whole.

Net Fees and Commissions and Related Profit*



Real estate brokerage fees (including those from subsidiary) secured gains, but declines in revenue related to investment management consulting services and revenue from asset management and administration resulted in a decrease of ¥7.3 billion from the previous fiscal year to ¥405.8 billion.

Net Income Attributable to Owners of the Parent



Although there was a rise in net business profit before credit costs, we are making adjustments to alleviate future financial burdens, including impairment of goodwill at subsidiaries and a special loan loss provision based on the impact of the COVID-19 pandemic. This resulted in a decline of ¥10.8 billion from the previous fiscal year to ¥163.0 billion.

Glossary

Net Business Profit before Credit Costs

Substantial profit of a bank's core businesses, calculated by eliminating the effects of non-recurring factors, such as total credit costs and net gains on stock from ordinary profit.

Total Credit Costs

Costs incurred in posting allowances for losses on loans and writing off loans.

Net Interest Income and Related Profit

Net revenues after subtracting interest paid on deposits, etc., from revenues on loans and securities investment.

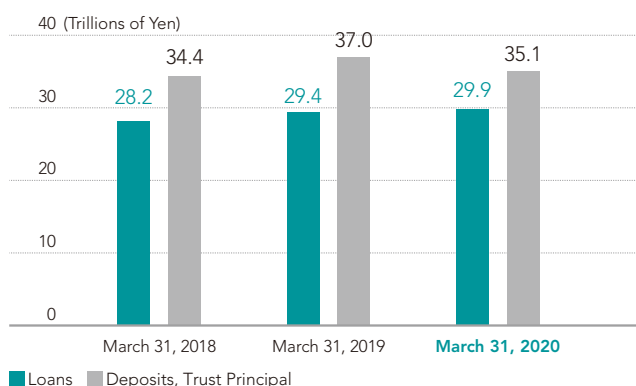
Net Fees and Commissions and Related Profit

Net profit of the sales fees of investment trusts, real estate brokerage fees, and trust fees for assets under management, etc.

Financial Status

Terms with an asterisk are explained in "Glossary" on page 118.

Loans and Deposits (Non-consolidated)

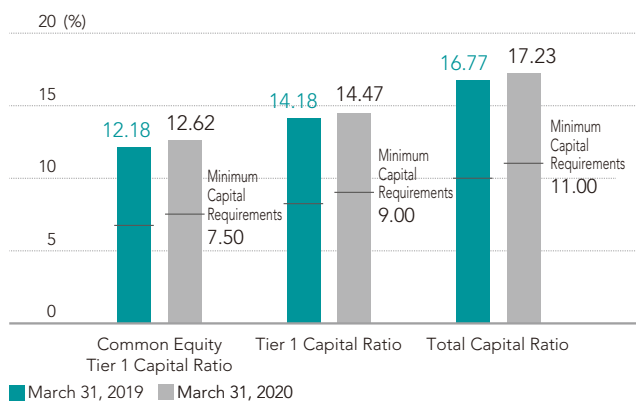


Loans increased while deposits decreased

Loans and bills discounted increased by ¥0.5 trillion from the end of the previous fiscal year to ¥29.9 trillion, due to rises in both mortgage loans and loans to corporations. Deposits, etc. decreased by ¥1.8 trillion to ¥35.1 trillion, mainly due to a decline in liquid deposits.

*Deposits, etc. include the principal guaranteed trust account (loan trusts and jointly operated money trusts), but exclude negotiable certificates of deposit.

Capital Adequacy Ratio, etc.* (Consolidated)



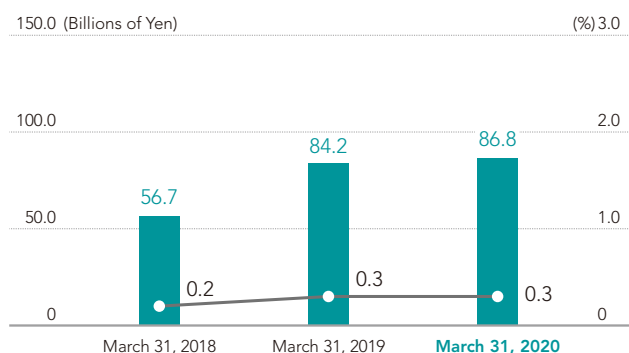
Levels remain well above regulatory standards

The Common Equity Tier 1 capital ratio increased by 0.44 percentage points from the end of the previous fiscal year to 12.62%. The rise was due to an increase in Common Equity Tier 1 capital resulting from the accumulation of net income attributable to owners of the parent, along with a decrease in risk-weighted assets. Total capital ratio also rose by 0.46 percentage points from the end of the previous fiscal year to 17.23%. The Common Equity Tier 1 capital ratio as well as the total capital ratio remain well above the corresponding regulatorily required levels of 7.5% and 11.00%, respectively.

Basel III:

Basel III is a new capital regulatory standard that was announced by the Basel Committee on Banking Supervision in December 2010. Basel III, intended to enhance the soundness of internationally active banks, has been adopted in Japan as of the end of March 2013 in a phased manner. Basel III newly defines "Common Equity Tier 1," which is comprised of capital components that can be used to cover unexpected losses and do not need to be repaid, such as common equity and retained earnings, and requires that the ratio of those capital components to risk-weighted assets, such as investments and loans, ("Common Equity Tier 1 ratio") must be kept higher than a prescribed level.

Problem Assets Based on the Financial Reconstruction Act* (Non-consolidated)



Problem Assets Based on the Financial Reconstruction Act (Left)
 ◊ Ratio to Total Loan Balance (Right)

Ratio to total loan balance remains low at 0.3%

A decline in doubtful loans and an increase in substandard loans left the total balance of problem assets based on the Financial Reconstruction Act roughly flat at ¥86.8 billion compared to the end of the previous fiscal year, with the ratio to total loan balance remaining contained at a low level of 0.3%. As for the ratio of problem assets covered by collateral and the allowance for loan losses, the ratio was 94% for doubtful loans and 41% for substandard loans, both of which are deemed sufficiently high.

Glossary

Problem Assets Based on the Financial Reconstruction Act

Assets for which disclosure is required by the Financial Reconstruction Act, and which are classified as follows. These are generally used in referring to "non-performing loans."

Bankrupt and Practically Bankrupt

Assets to debtors who are legally bankrupt (due to bankruptcy, corporate reorganization or rehabilitation proceedings, etc.), or virtually bankrupt.

Doubtful

Assets to debtors who are not legally bankrupt, but whose financial conditions and business results have deteriorated, with a high likelihood that the lender will not be able to collect the principal or receive interest in accordance with the contract.

Substandard

Assets more than three months past due and assets whose terms have been modified to support debtors through such means as interest reductions or exemptions.

Capital Adequacy Ratio, etc.

Basel III defines the composition of capital in three steps: Common Equity Tier 1 capital, Tier 1 capital and total capital. The ratios obtained by dividing them by risk-weighted assets refer to Common Equity Tier 1 ratio, Tier 1 ratio and total capital ratio, respectively.

Common Equity Tier 1 Capital

Common Equity Tier 1 capital is composed of core capital, consisting primarily of the capital stock, capital surplus and retained earnings.

Tier 1 Capital

Tier 1 capital is composed of Common Equity Tier 1 plus Additional Tier 1 capital, which includes preferred shares, etc.

Total Capital

Total capital is the total amount of capital, composed of Tier 1 capital and Tier 2 capital, which includes debt capital such as subordinated debt and subordinated loans.

Corporate Information (as of March 31, 2020)

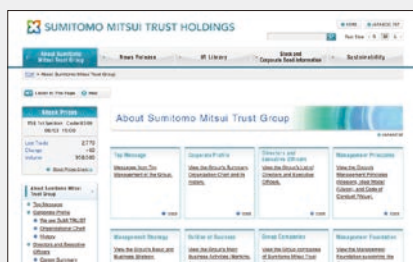
Registered Trade Name:	Sumitomo Mitsui Trust Holdings, Inc.
Headquarters Location:	1-4-1 Marunouchi, Chiyoda-ku, Tokyo 100-8233, Japan
Date of Establishment:	February 1, 2002 (Change of trade name: April 1, 2011)
Main Business:	With trust banking at its core, Sumitomo Mitsui Trust Holdings, Inc., will focus on the management of business operations, as the holding company of the Sumitomo Mitsui Trust Group, and sets the following (1) - (8) as its key functions: <ol style="list-style-type: none"> (1) Supervising management strategies (including the allocation of management resources) (2) Supervising financial management (3) Supervising human resource management (4) Controlling budget and expenses (5) Supervising IT management (6) Supervising risk management (7) Supervising compliance management (8) Managing internal auditing
Capital:	261,608,725,000 Yen
Stock Exchange Listings:	Tokyo, Nagoya Stock Exchanges Tokyo (1st Section), Nagoya (1st Section)
Securities Code:	8309

Rating Information (as of June 30, 2020)

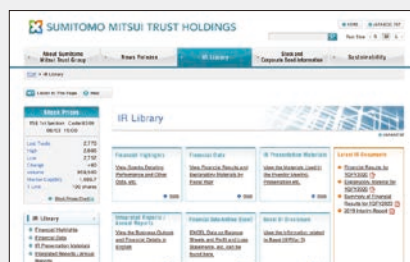
		Long-term	Outlook	Short-term
Sumitomo Mitsui Trust Holdings	JCR	AA-	Stable	—
	R&I	A	Stable	—
	S&P	A	Stable	A-1
Sumitomo Mitsui Trust Bank	Moody's	A1	Stable	P-1
	Fitch	A-	Stable	F1
	JCR	AA-	Stable	—
	R&I	A+	Stable	a-1

Website

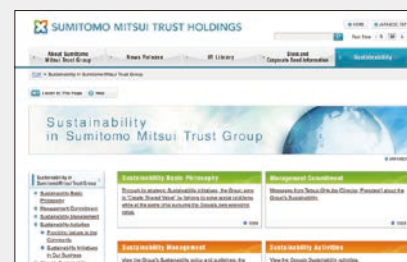
Please go to our website for specifics on our Group.



About The Sumitomo Mitsui Trust Group
https://www.smth.jp/en/about_us/index.html



IR Library
<https://www.smth.jp/en/ir/index.html>



Sustainability
 in The Sumitomo Mitsui Trust Group
<https://www.smth.jp/en/csr/index.html>

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 URL: <https://www.smth.jp/en/ir/index.html>

