

Corporate Governance

As Japan's only financial group specialized in trust banking, the SuMi TRUST Group is enhancing its corporate governance system in line with its business model.

When changing into a "company with Three Committees" in June 2017, in addition to the statutory committees required by the Companies Act, SuMi TRUST Holdings established the Risk Committee and the Conflicts of Interest Committee, as advisory bodies to the Board of Directors. Furthermore, an external director serves as chairman of the Board of Directors, in order to increase the Group's management transparency.



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 establish strong credibility from society, Sumitomo Mitsui Trust Holdings ("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 corporate value of the SuMi TRUST Group. In addition, the Board of Directors sets out and discloses SuMi TRUST Group's management principles ("Mission"), ideal model ("Vision"), and codes of conduct ("Value") as the anchor to all activities, which is shared by all 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 effective 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 such as shareholders, clients, employees, business partners, and local communities, and to establish corporate culture and climate where it conducts sound business operations based on a high degree of self-discipline.
- In order to establish the 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 a financial holding company with the function of managing the business administration of the SuMi TRUST Group, SuMi TRUST Holdings adopted the institutional design of a "company with Three Committees" and, by separating 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 and medium- to long-term enhancement of the corporate value of SuMi TRUST Holdings.

2. Perspectives regarding SuMi TRUST Holdings' Corporate Governance System

The Company is a financial holding company with subsidiaries such as Sumitomo Mitsui Trust Bank ("SuMi TRUST Bank"), Sumitomo Mitsui Trust Asset Management, Sumitomo Mitsui Trust Research Institute, and Japan Trustee Services Bank, etc. and shall aim to be client's "Best Partner" that provides a "Total Solution" that combines banking business, asset management and administration business and real estate business, based on the

fiduciary spirit of trust business and by making full use of its significant expertise and creativity. In addition, to fulfill the principles and to meet the expectations of stakeholders, SuMi TRUST Holdings shall endeavor to ensure the soundness and reliability of the business model and the transparency of its management of the SuMi TRUST Group and shall further enhance the SuMi TRUST Group's corporate governance.

3. Board of Directors

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") (see page 102). 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.

Composition of the Board of Directors

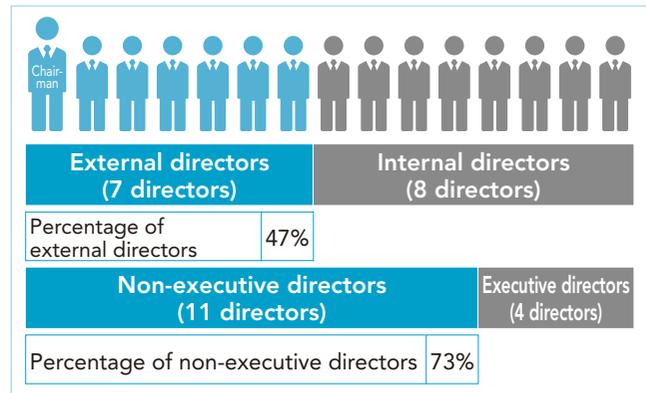
The Board of Directors of SuMi TRUST Holdings is comprised of no more than 20 directors, which is the number of directors prescribed in the Articles of Incorporation, and includes the number of directors that is necessary and appropriate to provide an effective supervisory system required of a financial holding company that serves the corporate management function of the SuMi TRUST Group. Due consideration is also given to ensuring the diversity and expertise of the Board of 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

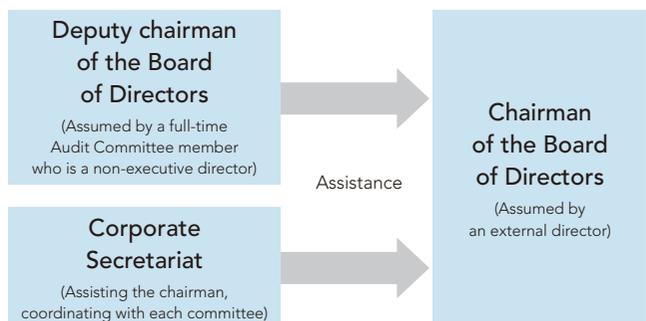


- All seven external directors have been registered as independent officers with the relevant financial instruments exchange.
- Breakdown of 15 directors: 14 men, 1 woman
- Since changing into a company with Three Committees, 12 Board of Directors meetings were held during the period from June 29, 2017 to March 31, 2018. The attendance rate for all 12 of these meetings was 100%.

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, and elected a full-time Audit Committee member who is a non-executive director as the deputy chairman of the Board of Directors, thereby providing various types of information, mainly regarding agendas for deliberation at the Board of Directors meetings, and offering assistance regarding matters such as the clarification of points from the perspective of management and supervision.



Results of the FY2017 Evaluation of the Board of Directors

SuMi TRUST Holdings conducts an annual evaluation of the effectiveness of the Board of Directors as a whole (the "Evaluation of the Board of Directors"), and reviews and implements remedial measures for the challenges it recognizes, thereby implementing a PDCA cycle to improve the effectiveness of the Board of Directors. The key points of the FY2017 Evaluation of the Board of Directors are as indicated below.

■ Key Evaluation Points

- (1) Leveraging of third party perspectives through interviews with external directors conducted by external experts
- (2) Enhancement of evaluation items concerning the "Demonstration of supervisory functions" of the board of directors
- (3) The board of directors' evaluation of each committee, and each committee's self-evaluation
- (4) Extensive discussion conducted by the board of directors based on the results of the evaluation (Discussion topics included the board of directors' standpoint as a supervisory body, the process of consultation/reporting between the board of directors and each of the committees, creative improvements in operation, and areas for greater focus in future deliberations)
- (5) Exchanges of opinions at the external directors' meeting regarding matters including the results of the evaluation of the board of directors

■ Measures to Address the Challenges Recognized by the FY2016 Evaluation of the Board of Directors

The major measures implemented during fiscal year 2017 that addressed the challenges recognized by the FY2016 Evaluation of the Board of Directors are as follows.

- (1) Operation that Contributes to the Demonstration of Functions as the Board of Directors of a Holding Company
Through revision of the criteria for submitting proposals/reporting to the Board of Directors, all decisions on business execution other than matters statutorily required to be decided by the Board of Directors were, in principle, delegated to executive officers, with a view toward enhancing the status report on the execution of duties regarding important management matters by executive officers. At the same time, SuMi TRUST Holdings worked to materialize purposeful operation that contributes to the demonstration of functions as the Board of Directors of a holding company, including selecting management priority issues as "management themes" from a medium- to long-term viewpoint, and initiating free discussions without the obligation to reach conclusions (see page 95).
- (2) Enhancement of an Infrastructure for the Operation of the Board of Directors Aimed at Efficient and Enhanced Deliberation

The format of the materials for the Board of Directors was revised to ensure that the operation of the Board of Directors is based on clearer explanations of the key points for deliberation at the Board of Directors, the status of deliberation by preliminary deliberation bodies, and the risks and challenges involved in the matters being deliberated upon.

Meanwhile, paperless meetings were introduced in order to improve both the visibility of materials and the efficiency of meetings.

(3) Enhancement of Deliberations in Line with the Business Model of a Trust Bank Group

The Board of Directors deliberated regarding themes concerning the business model of a trust bank group and the employees who advance it, including the "strategies and challenges faced by each business," the "status of business execution at major subsidiaries," and the "status of diversity & inclusion measures." These themes were identified by the Board of Directors and other bodies as areas requiring further deliberation, based on the results of questionnaires administered for the Evaluation of the Board of Directors in the previous fiscal year.

Based on the efforts described above, the FY2017 Evaluation of the Board of Directors checked the status of improvements for each challenge, and confirmed that the conditions had improved for all challenges, compared with conditions in fiscal year 2016.

■ Outline of the Results of the FY2017 Evaluation of the Board of Directors and Future Measures

Through the FY2017 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 FY2017 Evaluation, SuMi TRUST Holdings identified the following three challenges as requiring improvement and enhancement by the Board of Directors and each committee, and is working continuously to address these issues.

- (1) Refinement of the infrastructure for operation of the board of directors to contribute to efficient and enhanced deliberation
- (2) Further demonstration of supervisory functions over management matters important for promotion of the midterm management plan
- (3) Enhancement of coordination between the board of directors and each committee with a view toward ensuring the further demonstration of their functions

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.

External Directors' Attendance at Board of Directors Meetings

External directors 7	No. of meetings 7	Attendance rate 100%
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*From June 28, through November 30, 2018

4. Committees

In order to ensure the effectiveness of its corporate governance system and further enhance the soundness and reliability of its business model and the transparency of its management of the SuMi TRUST Group, SuMi TRUST Holdings has established the Risk Committee and the Conflicts of Interest Committee as advisory bodies to the Board of Directors, in addition to the Nominating Committee, the Compensation Committee, and the Audit Committee, the establishment of which is required under the Companies Act. Independent external directors participate in the Risk Committee and the Conflicts of Interest Committee.

As a financial group specialized in trust banking, we have established the Conflicts of Interest Committee, which has supervisory functions unparalleled in other financial groups.

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 and corporate auditors from the Board of Directors of SuMi TRUST Bank, 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.

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 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.

External Directors' Attendance at Nominating Committee Meetings

External directors 5	No. of meetings 6	Attendance rate 100%
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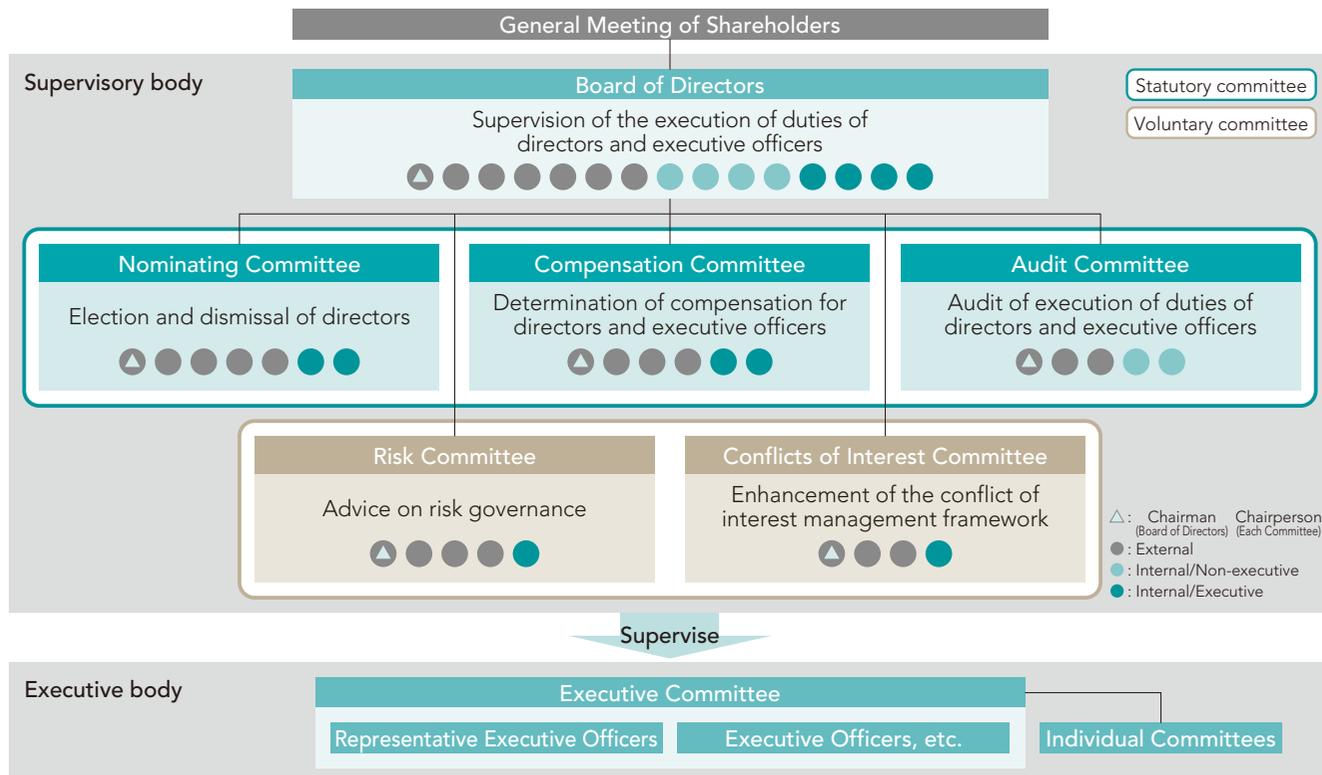
*From June 28, through November 30, 2018

External Directors' Attendance at Compensation Committee Meetings

External directors 4	No. of meetings 5	Attendance rate 100%
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*From June 28, through November 30, 2018

Corporate Governance System



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, in principle, from the pool of committee members who are independent external directors.

External Directors' Attendance at Audit Committee Meetings

External directors 3	No. of meetings 7	Attendance rate 100%
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*From June 28, through November 30, 2018

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 directors with professional knowledge and expertise in the concerned field.

External Directors' Attendance at Risk Committee Meetings

External directors 2	No. of meetings 3	Attendance rate 100%
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*From June 28, through November 30, 2018

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.

External Directors' Attendance at Conflicts of Interest Committee Meetings

External directors 1	No. of meetings 3	Attendance rate 100%
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*From June 28, through November 30, 2018

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

			Nominating	Compensation	Audit	Risk	Conflicts of Interest	
External	Directors	Isao Matsushita	△	△				
		Soichi Shinohara	●	●				
		Takeshi Suzuki	●	●		●	●	
		Mikio Araki	●	●		△		
		Shinichi Saito	●		△			
		Takashi Yoshida			●			
		Hiroko Kawamoto			●			
		Experts	Hideki Kanda*					
	Haruyuki Toyama*					●		
	Toshinori Kurihara*					●		
	Akiko Hosokawa*							●
	Internal		Tetsuo Ohkubo	●	●			
		Masaru Hashimoto	●	●				
		Yasuyuki Yagi			●			
		Hiroshi Misawa			●			
		Yutaka Nishida				●	●	

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

5. Compensation System for Directors and Officers

Policy Regarding Decisions on the Content of Compensation

- Compensation for directors and 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.
- As a holding company, in order to adequately discharge our supervisory duties over the Group companies, we accurately assess the roles that directors and officers of SuMi TRUST Holdings must perform in corporate management, as well as the results of their efforts, 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.

- before credit costs and consolidated net income and reflects corporate performance, etc. It shall make up around 15% of the overall compensation.
- 4) The number of stock options to be provided as compensation is determined when necessary, and reflects annual performance, etc. It currently makes up around 15% of the overall compensation.
 - 5) The approximate ratio of each to the overall compensation is as follows.

President	Fixed compensation portion of monthly compensation	Individual performance compensation portion of monthly compensation	Director/officer bonus	Stock options provided as compensation	Total
	4	3	1.5	1.5	10

Compensation for FY2017

The total amount of compensation in fiscal year 2017 for directors, excluding external directors, was ¥132 million and for corporate auditors, excluding external corporate auditors, was ¥14 million. Moreover, we have not disclosed compensation of individual directors or corporate auditors because no one at SuMi TRUST Holdings received total compensation in excess of ¥100 million, the level which triggers mandatory disclosure.

Director/officer category	Headcount	Total amount of compensation (¥ million)			
		Annual compensation	Compensation as stock options	Bonus	
Directors (ex. External Directors)	7	132	120	4	6
Corporate Auditors (ex. External Corporate Auditors)	2	14	14	—	—
Executive Officers	13	264	188	28	47
External Directors	7	94	94	—	—
External Corporate Auditors	3	7	7	—	—

- (Notes)
1. SuMi TRUST Holdings transitioned to a "company with Three Committees" from a "company with a Board of Corporate Auditors" by a resolution of the Ordinary General Meeting of Shareholders for the Sixth Fiscal Period held on June 29, 2017. Therefore, the headcount and the payment amount for corporate auditors and external corporate auditors stated above are the headcount of those who served as corporate auditors and external corporate auditors from April 1 to June 29, 2017 as well as the compensation for the duties executed by corporate auditors and external corporate auditors during that period.
 2. Compensation paid to executive officers who concurrently serve as directors is stated in the executive officer row.

Fiscal year under review (April 1, 2017 to March 31, 2018)

Overview of the Compensation System

In principle, compensation is paid via a combination of monthly compensation, director/officer bonuses, and stock options.

<Reference> President's Standard Compensation Table

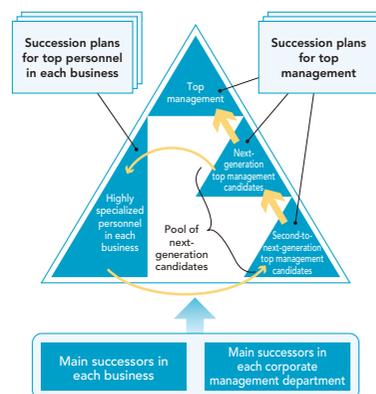
The composition and range of the President's compensation are specified as indicated below. This table is used for reference by the Compensation Committee in determining individual compensation amounts.

- 1) Monthly compensation consists of "fixed compensation," an amount fixed by position, and "individual performance compensation," an amount which is based on individual directors and officers' previous fiscal year assessment and reflects their earnings contributions over the medium to long term.
- 2) The "individual performance compensation" range shall be between 70% and 160% of the standard amount.
- 3) "Director/officer bonus" is determined when necessary, and is indexed on consolidated net business profit

6. 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 core subsidiary, SuMi TRUST Bank. 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 identify important positions, define the ideals and requirements of personnel in these positions, 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 engages in consultations regarding the appropriateness of this status, and reports to the Board of Directors.

7. Initiatives for Enriching Agendas at Board of Directors Meetings

The Board of Directors supervises the status of the execution of duties by executive officers, etc., defines basic management policy, and selects business models and makes decisions regarding risk-taking by formulating a management plan. In order to play this role, the Board of Directors selects management themes, consisting of legal and regulatory requirements, priority management issues, and medium- to long-term themes, and freely discusses these themes in the Board of Directors meetings, without an obligation to reach conclusions.

Through these initiatives, we utilize the expertise and perspectives of the external directors regarding the major themes that form the core of our corporate management.

Past Management Themes

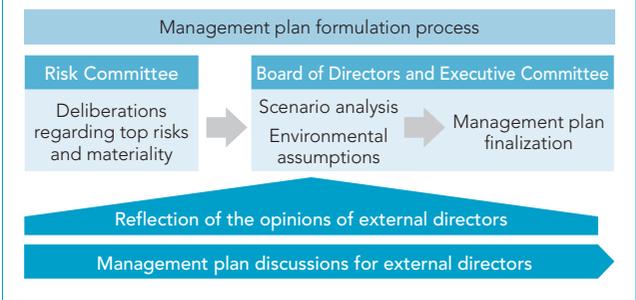
July and August 2017	Personnel development
September	Business model
November and December	Group corporate governance
January 2018	ESG initiatives
August	client assessment
September	Globalization of personnel
November	Case studies of governance failure at other companies

8. Management Plan Formulation Process

When formulating a management plan, the Risk Committee first discusses the top risks and materiality. Afterwards, the external environment scenarios that will serve as the premises of the management plan are considered, and the management plan is formulated based on these scenarios. In order to improve the effectiveness and objectivity of the management plan, we engage in multiple management plan discussions with external directors before analyzing scenarios or formulating the management plan, leveraging the knowledge of both external directors and external experts from the early stages of plan formulation.

Early Stage Participation in the Management Plan Formulation Process

The opinions of external directors are reflected in the management plan from the early stages of the formulation process



9. External Directors' Meetings

In order to further improve the effectiveness of our corporate governance, we hold external directors' meetings, which are only attended by external directors. These directors engage in exchanges of opinions based on the

operation of the Board of Directors, agendas, demonstration of functions, and results of the Evaluation of the Board of Directors. These meetings contribute to the greater objectivity and independence of the Board of Directors.

10. Dialog between External Directors and Investors

In February 2018, we held "SuMi TRUST IR Day," at which external director Mr. Isao Matsushita, who serves as chairman of the Board of Directors, provided an explanation of our corporate governance initiatives and conducted a Q&A session with the investors in attendance.



11. Regarding Cross-Shareholdings Policies Regarding Cross-Shareholdings

The SuMi TRUST Group shall not acquire and hold the shares, etc. of business counterparties, etc. (the “Cross-Shareholding Shares”), except in the case where it is deemed that such acquisitions and holdings will contribute to medium-to-long term enhancement of the corporate value of the SuMi TRUST Group, from the perspective of, among other things, establishing a stable transactional relationship over the long term or a business alliance, or facilitating or reinforcing collaborative business development with business counterparties, in principle.

Regarding individual Cross-Shareholding Shares, at a Board of Directors meeting, SuMi TRUST Holdings shall examine the relationship between the benefits/risks of holding the shares and capital cost and verify the suitability of holding them, etc., taking into account the aspect of maintaining and enhancing the overall relationship with business counterparties.

In principle, the SuMi TRUST Group shall sell the Cross-Shareholding Shares in cases where the significance and rationality of holding them is not observed, after taking into consideration various factors, including the impact of selling the shares on the stock market.

Standards for Voting on Cross-Shareholding Shares

SuMi TRUST Holdings and SuMi TRUST Bank, which is a core subsidiary of SuMi TRUST Holdings, shall decide to vote for or against each resolution and exercise voting rights pertaining to the Cross-Shareholding Shares (the “Voting Rights”), after comprehensively taking into consideration the business conditions, etc. of the issuer of the Cross-Shareholding Shares (the “Issuer”), as well as the impact on sustainable growth and medium-to-long term enhancement of the corporate value of the issuer and the SuMi TRUST Group.

In the case that SuMi TRUST Holdings or SuMi TRUST Bank is required to pay special attention upon the exercise of voting rights due to a long-term downturn of business conditions, a reorganization, or an occurrence of significant compliance violations, etc., of the issuer, SuMi TRUST Holdings or SuMi TRUST Bank shall decide to vote for or against each resolution after collecting enough information through a variety of methods including engaging in dialogue with the issuer.

In the case that there is a risk of conflicts of interest upon the exercise of voting rights, SuMi TRUST Holdings and SuMi TRUST Bank shall properly deal with the risk pursuant to the Management Policy Concerning Conflicts of Interest prescribed separately.

12. Measures for Protection of Stakeholders’ Interests

Management System of Related Party Transactions

When SuMi TRUST Group engages in transactions with its officers or major shareholders, etc., the transactions shall be referred to the Board of Directors for prior approval, in order to ensure that such transactions do not harm, among other interests, the interests of SuMi TRUST Group or the common interests of its shareholders, except where the trading terms are obviously equivalent to those of general transactions.

Management System of Transactions Involving Conflict of Interest with Customers in SuMi TRUST Group’s Business Operations

SuMi TRUST Group shall separately prescribe the Management Policy Concerning Conflicts of Interest (the “Management Policy”) pursuant to laws, etc., in order to ensure that none of the various services provided by each group company and its related parties unfairly harm the interests of its customers. Pursuant to the Management Policy, SuMi TRUST Group shall appropriately manage transactions that may give rise to a conflict of interest, and shall properly implement its business operations.

Compliance Hotline System

In order to promptly and appropriately respond to any serious violation of laws/regulations and internal rules or to acts that likely constitute such violation, SuMi TRUST Group has established a compliance hotline system where all officers and employees, etc. (including part-time employees, dispatched

employees, retired employees, and officers and employees, etc. of partner business operators, etc.) can directly report to the Compliance Department or external law firms, in addition to the regular reporting channels. This hotline system enforces rigorous control of information and protection of whistleblower privacy to ensure their protection, and prohibits adverse treatment of whistleblowers who utilize the system appropriately and those who cooperate with the investigation.

In addition, in order to ensure unified management of the Group, SuMi TRUST Holdings has its subsidiaries establish systems equivalent to this system (as necessary). The reported information is consolidated at SuMi TRUST Holdings, so that the Company can utilize this information to enhance its compliance system going forward.

Furthermore, in order to promote the appropriate use of the system, SuMi TRUST Bank, one of the major subsidiaries, has taken the lead in establishing and providing Q&As and training tools for employees and others. Compliance awareness surveys are also implemented at major subsidiaries, etc. in order to gauge their level of awareness.

The approach taken for the compliance hotline system is also taken for the accounting hotline system for the reporting of the Group’s inappropriate accounting, etc. SuMi TRUST Holdings conducts activities to raise the awareness of subsidiaries, etc. as well as discloses the contact points for whistleblowers on its website.

(See our website for more information:

https://www.smth.jp/about_us/management/compliance/index.html)

13. Internal Control

An internal control system is designed to prevent the occurrence of misconduct by putting various mechanisms and rules into place for the purpose of conducting sound management in a company. Basically, there are four objectives: (1) effectiveness and efficiency of operations, (2) reliability of financial reporting, (3) compliance with laws and ordinances concerning business activities, and (4) safeguarding of assets. Through development and operation of its internal control system, a company can attain these objectives.

To attain the aforementioned objectives, the Board of Directors has determined the Basic Policy on the Internal Control System so the Group can attain the aforementioned objectives. The basic policy pertains to the following: (1) the compliance system (ensures compliance with laws, regulations, etc.); (2) the risk management system; (3) the business execution system; (4) the system to ensure management



transparency; (5) the management system to ensure appropriateness of Group operations; (6) the information storage and management system; (7) the internal audit system; and (8) the system for audits by corporate auditors.

14. Risk Appetite Framework (RAF)

Positioning of the Risk Appetite Framework

The Risk Appetite Framework (RAF) is a group-wide corporate management framework consisting of the process for determining the type and level of risk (risk to be taken as a potential source of revenue, risk to be kept at or below a certain level, or risk to be avoided as a rule) 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 policies, together

with the internal control system underpinning that process.

The Group's RAF aims primarily to strengthen profitability and enhance risk management, and promotes the realization of these goals through environmental assumptions and risk awareness, increasing the transparency of risk taking process through the setting, communication, and oversight of risk appetite, appropriate allocation of management resources, and monitoring of operational status.

Operation of Risk Appetite

Determining Risk Appetite

The Group's risk appetite is determined in accordance with the management plan, based on management strategies, risk culture, and verification through stress tests. The Group reviews its risk appetite as necessary, at least once per year.

In setting risk appetite, the Group identifies the major risks (risk characteristics), including credit risk, market risk, information security risk, and conduct risk, to which each business is exposed according to the nature of its operations.

Monitoring of Risk Appetite

The Group sets risk appetite indicators to clarify risk appetite, and monitors them regularly. If the risk appetite indicators deviate from the set levels, the Group analyzes the

cause for the deviation and implements countermeasures or revises the levels.

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 taking, by clarifying and monitoring risk appetite and risk limits.

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.

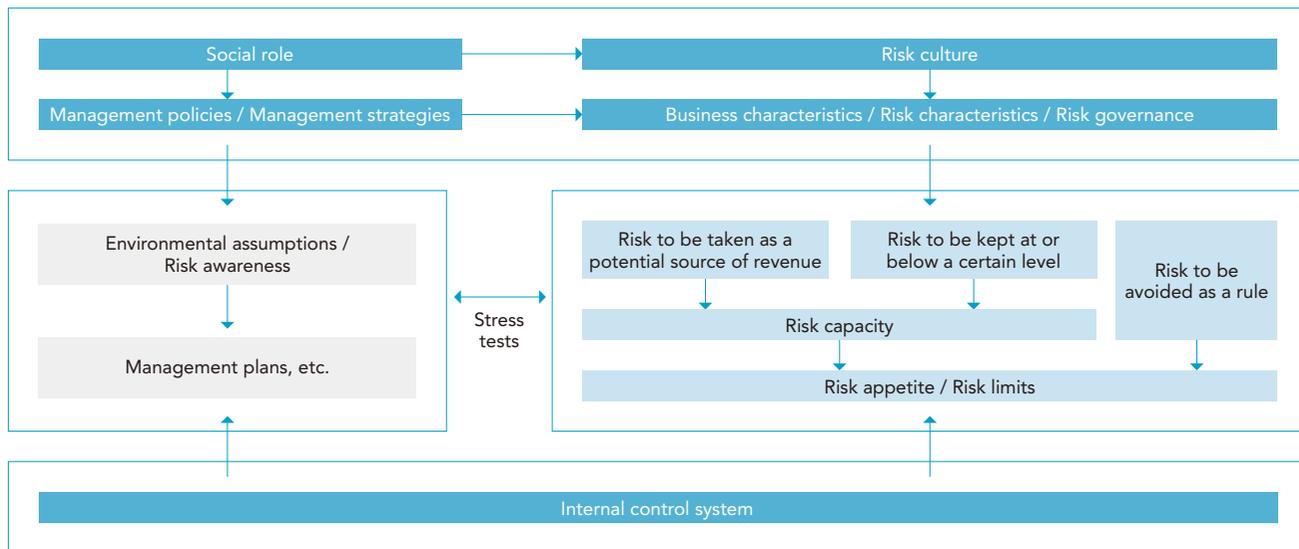
Fostering a Risk Culture that Takes Root across the SuMi TRUST Group

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.

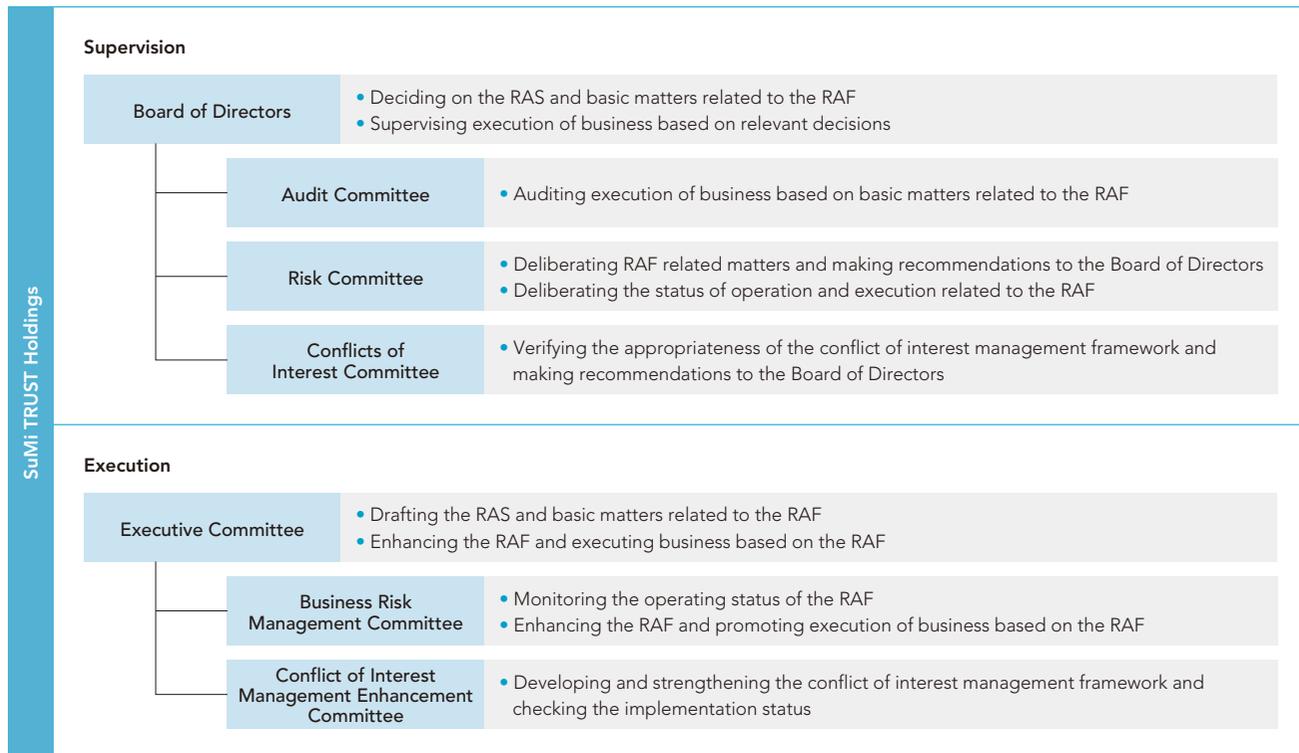
In order to foster a risk culture that takes root across

the Group, we are endeavoring to share and disseminate information regarding risk within the Group, through the delivery of messages from top management, training and education, and other measures. In addition, we have formulated a Risk Appetite Statement (RAS) clearly stating our RAF, which is used in lively discussions concerning risk appetite within the Group.

Outline of the Risk Appetite Framework



Risk Appetite Framework Operating System



15. Internal Auditing

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,

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,

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.

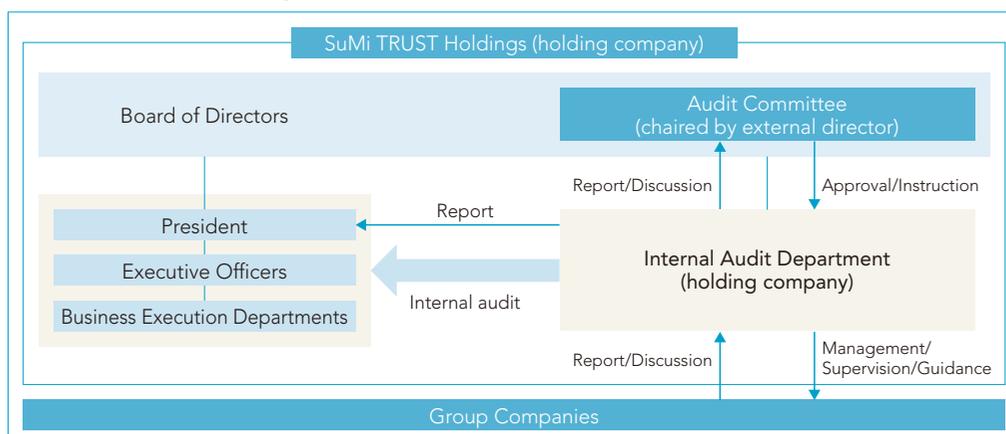
receives consultations from each Group company regarding the audit plan, and confirms its consistency with the basic policy. The Internal Audit Department carries out internal audits in collaboration with the internal auditing unit of each Group company. The role of the Internal Audit Department also 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 holding company, which is approved by the Board of Directors after consultation with the holding company.

Results of internal audits are reported, without delay to the president and to the holding company, and are also reported regularly to the Board of Directors and the holding company.

The SuMi TRUST Group



16. Communication with Shareholders and Investors

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, we endeavor to give our shareholders and investors a deeper understanding of SuMi TRUST Holdings' performance, business conditions, business strategies, etc., by holding information meetings and other events in addition to disclosing corporate information in a timely, fair, and accurate manner.

Information Meetings for Investors

Activities for Individual Investors

We strive to provide information that will allow individual investors to better understand SuMi TRUST Holdings 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").

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 February 2018, we held SuMi TRUST IR Day, where the officers in charge of our businesses described the features and strengths of the Group's main businesses, as well as our strategic direction. In addition, Mr. Isao Matsushita, an external director and chairman of the Board of Directors, gave a presentation describing our governance.



At an information meeting held in December 2017, we communicated the appeal of SuMi TRUST Holdings to individual investors in an easy-to-understand manner, through a dialogue with Mr. Yasushi Miyosawa, an announcer with Asahi Broadcasting Group Holdings Corporation.

For details, see "Information Meeting for Individual Investors" on our website (Japanese only).
https://smth.jp/investors/individual_meeting/index.html

IR Activities Carried Out in FY2017

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: 411 (including 205 overseas investors)
Information meetings for individual investors	Number of participants: 498



SuMi TRUST IR Day held in February 2018

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 translation 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.

17. Sustainability Initiatives of Sumitomo Mitsui Trust Group Fundamental Perspectives

SuMi TRUST Group's Basic Policy on Corporate Governance sets out the role of the Board of Directors as working to support the sustainable growth of society and increase the corporate value of SuMi TRUST Group by promoting active

efforts to resolve sustainability-linked environmental and social issues while taking into consideration its stakeholders. The sustainability initiatives of the Group are organized into the following three approaches.

Approach to Sustainability of Sumitomo Mitsui Trust Group

A

Promotion of materiality management to create shared value (please see pages 6-7)

A sustainability perspective is essential in order for the Group to create shared value and achieve growth with its stakeholders. The Group emphasizes ESG (environment, social and governance) as elements that form our management base, and promote materiality management incorporating the evaluation standards of long-term investors who expect sustainability in profit growth as well.

B

Sustainability initiatives in our business

The Group seeks to build a sustainable society with its clients by leveraging the functions of a financial group specialized in trust banking to provide total solutions that address social issues faced by clients. We use the SDGs (Sustainable Development Goals) as a standard to understand (verify the appropriateness of) the social value created by the products and services we provide.

C

Providing value to the community

Providing value to the community that constitutes society is linked to maintaining a sound business foundation, and we therefore consider it to be a social license required in order to conduct business. From this point of view, the Group makes it a practice to provide value to the community in various forms while also bearing SDGs in mind.

Structure for Promoting Sustainability

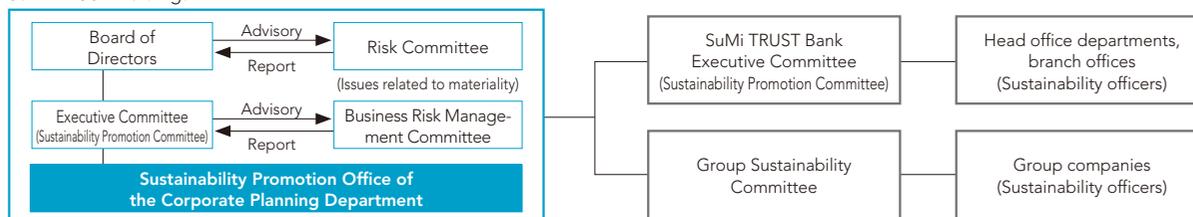
- 1) The Board of Directors formulates the Sustainability Policy, while managing sustainability activities as a whole in an effort to enhance the awareness of officers and employees of SuMi TRUST Group. At times the Board of Directors freely discusses sustainability as a management theme in order to leverage the insight and viewpoints of external directors.
- 2) The Sustainability Promotion Committee, which is held as part of the Executive Committee, formulates medium-term policies on sustainability as well as the policies for each fiscal year and manages the sustainability activities of SuMi TRUST Group based on the PDCA cycle.
- 3) With regard to issues related to materiality, the Risk Committee and Business Risk Management Committee function as advisory bodies to the Board of Directors and Executive Committee respectively.
- 4) The Chief Sustainability Officer oversees the Group's overall day-to-day operations related to sustainability,

based on the instructions of the officers in charge. The Sustainability Promotion Office, Corporate Planning Department plays an integral role in the practical operations.

- 5) Sustainability officers and sustainability coordinators have been appointed at each Group company and each branch of SuMi TRUST Bank to play a role in promoting sustainability activities.
- 6) Group affiliates formulate policies based on their respective operational attributes, and have promoted them in sustainability activities. Also, Group Sustainability Meetings are held regularly to exchange information.

Officer in charge of sustainability activities	Shigeki Tanaka (Managing Executive Officer)
Chief Sustainability Officer	Tsukasa Kanai (Fellow Officer)

SuMi TRUST Holdings



Four Pillars of Sustainability Promotion Office Activities

ESG management that aims to create shared value

- Supervision of sustainability activities (formulate management plans and promote sustainability activities based on the PDCA cycle)
- Promotion of materiality management
Act as secretariat for the Board of Directors and Executive Committee
Implement internal engagement
- Respond to ESG survey firms, engage in dialogue with investors
- Strategic ESG information disclosure through our integrated reports, ESG reports, etc.

Sustainability permeation across the Group, promoting "With You" activities

- Hosting various meetings
Group Sustainability Meetings, Global ESG Meetings, ESG Risk Response Project Team, Human Rights Due Diligence Liaison Committee, LGBT Matters Information Liaison Committee
- "With You" activities promotion at branches, budget grants, points management, and blogs management
- Providing information to individual clients about super-aging society problems, promoting regional collaboration, and responding to issues arising from dementia



(See page 158 regarding "With You" activities)

Developing innovative products and services, rolling out CSV businesses

- Developing innovative financial products and services that contribute to addressing environmental* and social issues



*We have coined the word "Eco-Trustution" to describe initiatives that provide solutions to ecological issues through the use of our trust function, and we are actively promoting such initiatives.

- Collect information on ESG risks for loans and investments related to climate change, natural capital, human rights, etc. which are prioritized by investors; disclose it internally

Building sound relationships with stakeholders

- Exchanging information with NPOs/NGOs in Japan and overseas, government organizations and universities, etc., and understanding the needs of stakeholders
- Actively participating in international initiatives (UNEP FI, United Nations Global Compact, Business and Biodiversity Initiative, Natural Capital Finance Alliance [formerly The Natural Capital Declaration], etc.)
- Actively participating and playing a leading role in financial alliance projects in Japan (Principles for Financial Action for the 21st Century, COLTEM Financial Satellite, etc.)

Sustainability Medium-term Policies/FY2018 Policies

(1) Sustainability Medium-term Policies (FY2017-2019)

Themes	Medium-term Policies
Promote ESG management directly linked to increasing corporate value	<ul style="list-style-type: none"> • Further sophistication of materiality management • Bolster ESG risk management for loans and investments • Strengthen messaging to investors, elevate sophistication of ESG information disclosure in our ESG/CSR reports and integrated reports
Contribute to improving earnings and actively promote CSV businesses	<ul style="list-style-type: none"> • Actively advance solution-based businesses linked to the five major sustainability themes of climate change, natural capital (biodiversity issues), environmentally friendly real estate, sustainable investment (ESG), and issues in super-aging societies
Pursuit of social returns	<ul style="list-style-type: none"> • Link CSV businesses and "With You" activities to the 17 SDG themes, build frameworks for specific initiatives and adopt concepts for pursuing not only economic returns but also social returns • Support research on problems arising from dementia, and actively contribute to property management initiatives in particular

(2) Sustainability FY2018 Policies

Themes	FY2018 Policies
Promote ESG management directly linked to increasing corporate value	<ul style="list-style-type: none"> • Enhance ESG initiatives to establish itself as the No. 1 financial institution for ESG management • Increase sophistication of materiality management • Increase sophistication of value creation process • Adopt more sophisticated information disclosure mechanisms to earn even better evaluations from ESG ratings agencies • Change names of operations and organizations (CSR → sustainability)
Actively promote CSV businesses and substantially contribute to improving earnings	<ul style="list-style-type: none"> • Bolster solution-based businesses linked to the five major sustainability themes of climate change, natural capital (biodiversity issues), environmentally friendly real estate, sustainable investment (ESG), and issues in super-aging societies
Pursue social returns	<ul style="list-style-type: none"> • Develop and promote operations in each business themed on the SDGs • Strengthen ability to cope with problems arising from dementia and disseminate information to the financial industry