Corporate Color

The corporate color is “Future Blue,” which represents the integration of the sense of value that the symbol mark implies, and evokes the closeness and the future.

Symbol Mark

The symbol mark features “Future Bloom” representing the vision of the Sumitomo Mitsui Trust Group, which is “to generate new value through the combination of significant expertise and comprehensive capabilities, and to help the future of 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.
Overview

P.16 Vision

16 Medium- to Long-Term Vision
18 Financial Operations, Capital Strategy
20 Enhancement of Corporate Governance
22 Interview with External Director
24 Client-Oriented Initiatives
27 Enhancements to the Conflict of Interest Management Framework relating to Fiduciary Duties
28 Enhancement of Stewardship Activities
29 Initiatives for Sustainable Development Goals (SDGs)

Editorial Policy
The Sumitomo Mitsui Trust Group has prepared this integrated report so readers can understand the Group’s initiatives aimed at sustainable growth and at providing values for all our stakeholders. After spelling out the Group’s value creation process and the medium- to long-term vision, we explain the management foundation supporting our business strategy as a financial group specialized in trust banking. In applying our editorial approach, we strive to improve and expand not just financial information but also non-financial information such as business strategy and environmental, social and governance (ESG) factors, referencing the integrated reporting framework issued by the International Integrated Reporting Council (IIRC). For more specific financial information and ESG information, please see the Financial Data Section and visit our website.

<Reporting Coverage>
Reporting Period:
From April 1, 2016 to March 31, 2017
(Partially including the information after April 1, 2017)
Scope of Reporting:
The Sumitomo Mitsui Trust Group;
including Sumitomo Mitsui Trust Holdings, Inc.,
Sumitomo Mitsui Trust Bank, Limited,
other subsidiaries and affiliated companies
The Sumitomo Mitsui Trust Group (the “SuMi TRUST Group”) has many Group companies with businesses in areas such as banking, asset management and administration, and real estate. Through the mutual coordination and cooperation of these Group companies with Sumitomo Mitsui Trust Bank (“SuMi TRUST Bank”), we can harness our comprehensive capabilities by integrating our trust and banking functions to provide total solutions from the standpoint of our clients.

**Domestic Network**
SuMi TRUST Bank has built a domestic branch network with a well-balanced footprint centering on the greater Tokyo metropolitan area, Kinki area, and Chubu area. In the internet domain, SBI Sumishin Net Bank offers services nationwide.

* Regarding branches, please see pages 8-11 of the Financial Data Section.
The SuMi TRUST Group is Japan’s largest asset manager and custodian, and it is the trust bank group that is top ranked in each business.

### Overseas Network

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

(as of March 31, 2017)

<table>
<thead>
<tr>
<th>Status</th>
<th>Assets under Management</th>
<th>¥80 trillion</th>
<th>No.1 among Japanese bank and securities company groups</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Assets under Custody*</td>
<td>¥261 trillion</td>
<td>No.1 among Japanese bank groups</td>
</tr>
<tr>
<td></td>
<td>Balance of Corporate Pension Funds</td>
<td>¥14 trillion</td>
<td>No.1 among Japanese trust banks</td>
</tr>
<tr>
<td></td>
<td>Lead Manager for Corporate Pension Funds</td>
<td>1,343 funds</td>
<td>No.1 among Japanese trust banks</td>
</tr>
<tr>
<td></td>
<td>Entrusted Balance of Investment Trusts</td>
<td>¥64 trillion</td>
<td>No.1 among Japanese trust banks</td>
</tr>
<tr>
<td></td>
<td>Entrusted Balance of Securitized Real Estate</td>
<td>¥14 trillion</td>
<td>No.1 among Japanese trust banks</td>
</tr>
<tr>
<td></td>
<td>Number of Shareholders under Administration</td>
<td>25,226 thousand people</td>
<td>No.1 among Japanese trust banks</td>
</tr>
<tr>
<td></td>
<td>Balance of Loans to Corporations</td>
<td>¥19 trillion</td>
<td>No.4 among Japanese banks</td>
</tr>
<tr>
<td></td>
<td>Total Loan Balance</td>
<td>¥28 trillion</td>
<td>No.4 among Japanese banks</td>
</tr>
</tbody>
</table>

Includes estimates based on investigations by SuMi TRUST Holdings

* Refers to the aggregate balance of trust assets at the SuMi TRUST Group

(as of March 31, 2017)

<table>
<thead>
<tr>
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<th>¥80 trillion</th>
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</tr>
</tbody>
</table>

Includes estimates based on investigations by SuMi TRUST Holdings

* Refers to the aggregate balance of trust assets at the SuMi TRUST Group

(as of March 31, 2017)
Based on the fiduciary spirit, the SuMi TRUST Group is putting into practice a business model as “The Trust Bank” serving as its clients’ “Best Partner”, while also pursuing greater stakeholder value and higher corporate value and contributing to the formation of a sustainable society.
### Providing Values

**Clients**
- Providing a variety of highly specialized products and services
- Providing best solutions by grasping current and potential needs

**Shareholders and Investors**
- Realization of earnings greater than capital costs
- Maximization of medium- to long-term shareholders' value
- Constructive dialogue
- Highly transparent disclosure of information including non-financial information

**Employees**
- Providing workplaces where diverse human resources can display their abilities to achieve the Group’s business model with hope and pride
- Providing a diversity of work styles and supporting work-life balance
- Fair assessment and treatment in accordance with abilities, roles and results

**Communities**
- Providing products and services to help resolve aging society issues and environmental issues such as climate change
- Contributing to the sound development of local communities, our operating base

---

### Providing Products and Services

<table>
<thead>
<tr>
<th>Banking + Asset Management and Administration + Real Estate</th>
<th>Asset Management and Administration + Real Estate</th>
<th>Real Estate</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Will Trusts</td>
<td>Real Estate Securitization</td>
<td>Real Estate Brokerage</td>
<td>Leasing</td>
</tr>
<tr>
<td>Asset Inheritance Services</td>
<td></td>
<td>Construction Consulting</td>
<td></td>
</tr>
<tr>
<td>Sales of Insurance Products</td>
<td>Bank Deposits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales of Investment Trust</td>
<td>Corporate Credit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asset Management and Administration</td>
<td>Loans to Individuals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asset Management and Administration</td>
<td>Foreign Exchange, Derivative, M&amp;A</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asset Management and Administration</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Pension Trust</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stock Transfer Agency Services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Banking</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank Deposits</td>
<td></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

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<table>
<thead>
<tr>
<th>Output</th>
<th>Value Creation Process</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking</td>
<td>Sumitomo Mitsui Trust Holdings, Inc. 2017 Integrated Report</td>
</tr>
</tbody>
</table>
Top Message

Sumitomo Mitsui Trust Holdings, Inc.
Director, President (Representative Executive Officer)
Tetsuo Ohkubo

Sumitomo Mitsui Trust Bank, Limited
President (Representative Director)
Masaru Hashimoto
We would like to extend our heartfelt thanks to all stakeholders for their invaluable support.

In April 2017, we, Tetsuo Ohkubo and Masaru Hashimoto, respectively assumed the posts of Director, President of Sumitomo Mitsui Trust Holdings, Inc. (“SuMi TRUST Holdings”), and President of Sumitomo Mitsui Trust Bank, Limited (“SuMi TRUST Bank”.

The social structure and the environment surrounding the financial industry have undergone major changes in recent years. However, we will combine our efforts to bring out new strengths in the Sumitomo Mitsui Trust Group (the “SuMi TRUST Group”) and lead its growth. We sincerely appreciate your support in this endeavor.

Medium- to Long-Term Management Strategy

The SuMi TRUST Group has developed new products and services in accordance with changes in the needs of clients and the economic environment, and has dedicated itself to forming a multi-layered earnings structures and diversifying its business portfolio. Such various functions and diverse business portfolio are of great advantage to the SuMi TRUST Group. Going forward, in the era of rising economic and financial unpredictability and uncertainty, we believe it is necessary to further enhance the ability to offer our own total solution services by further strengthening comprehensive capabilities that combine our trust and banking functions, as well as enhancing our expertise in various trust functions within the Group that compose a source of added value, under advanced conflict of interest management framework.

Based on this recognition, and taking into account the needs of clients and a society that change with the environment and the times, we have formulated our new midterm management plan, “Evolution of The Trust Bank”—The Second Foundation—, which includes a business model transformation. Our aim, as a financial group specialized in trust banking, is to achieve sustainable and stable growth immune to economic and market volatilities.

Amid a major shift “to asset formation from savings,” we will provide services that leverage the SuMi TRUST Group’s wide range of functions to address management and administration needs for all kinds of clients’ assets, including funds, securities and real estate, aspiring to become the leading group for asset management and administration in Japan. We will also respond steadily to client needs for funding procurement, while revising the content of the credit portfolio and raising profitability and efficiency. These are the pillars of the new midterm management plan.
In implementing the new midterm management plan, we will build a revenue base and client base that will enable sustainable and stable growth of the SuMi TRUST Group. To this end, we will work on enhancement of corporate governance and promotion of fiduciary duties and conflict of interest management, promote effective and client-oriented business operations, and become the “Best Partner” for our clients, while accelerating the process of business management through separation of supervision and execution.

- **Business Model Transformation**
  In light of client and societal needs, such as increasing needs for review of asset formation and management and for asset succession, we are working to reform our business portfolio through a sustainable shift of a large proportion of the Group’s earnings from “large corporate transactions based on loans” to “individual transactions, corporate/individual transactions* and private banking,” and from “large corporate credit and market earnings” to “management and administration fee businesses.” We will aim for sustainable growth with low volatility by achieving stable basic profit through the loan/investment business and by growing the fee businesses.

  Through these efforts, we will move ahead in becoming No. 1 through a continual strengthening of the asset management and administration functions that are the essence of trusts, build a wide-ranging position as the “Best Partner” to create added value together with our clients over the long term, and aim for the sustainable and stable growth of balance of assets under management and profit as well as improvement of ROE. At the same time, we will pursue improvement of the overhead ratio through low cost operations.

  Furthermore, from the perspective of improving balance sheet profitability and strengthening risk management, we will achieve both financial efficiency and profit stability by reducing strategic shareholdings, working to phase out foreign-currency denominated credit with low profits and reinforce risk management for major creditors, as well as thoroughly implementing downside risk management, including stock price fluctuation risk, foreign currency liquidity risk, and credit risk.

* Business engaged in “corporate transactions for owner-managed companies” and “individual transactions for company owners,” targeting owner-managed companies and company owners who have advanced and various needs both as corporations and as individuals.

- **Enhancement of Corporate Governance**
  SuMi TRUST Holdings established its "Basic Policy on Corporate Governance" in June 2015, aiming at sustainable growth and medium-to long-term enhancement of the corporate value of the SuMi TRUST Group. We have worked towards ensuring management transparency and appropriateness by increasing the number of independent external directors and external auditors on the Board of Directors, and through the functions of the Nominating and Compensation Committee and the Audit Committee newly established as advisory bodies to the Board of Directors. Having obtained approval at this year’s General Meeting of Shareholders, SuMi TRUST Holdings changed to become a “company with Three Committees.” We will work on the following three issues to further enhance corporate governance.
First, we will delegate decision-making regarding business execution from the Board of Directors to the newly established executive officers in an effort to achieve flexible and versatile business execution by making prompt management decisions.

Second, we will strengthen supervisory and restraining capabilities with regard to business execution by the Board of Directors and secure the effectiveness of governance through the functions of the newly established statutory committees (Nominating Committee, Compensation Committee, and Audit Committee) where external directors comprise the majority of each committee.

Third, in light of SuMi TRUST Holdings’ position as one of the Domestic Systemically Important Banks (D-SIBs) in Japan, we are committed to building and enhancing an effective risk governance system within the SuMi TRUST Group through the functions of the newly established “Risk Committee.” We will increase the Committee’s effectiveness by including external experts among those serving as its members.

- **Enhancement of Fiduciary Duties and Conflict of Interest Management**

  As a foremost industry leader in terms of fiduciary duties and conflict of interest management, the SuMi TRUST Group established the “Policies regarding the Fiduciary Duties of the Sumitomo Mitsui Trust Group” (hereinafter, the “Policies”) in September 2016 in order to practice and thoroughly implement fiduciary duties across all Group operations, and set up the “Fiduciary Duties Planning and Promotion Department” as an organization responsible for the penetration and thorough implementation of fiduciary duties at SuMi TRUST Holdings and SuMi TRUST Bank.

  In addition, we reinforced our systems through the establishment of a dedicated committee and a dedicated department to increase the transparency of stewardship activities in our asset management business.

  Furthermore, based on an advanced conflict of interest management framework, the SuMi TRUST Group will leverage its diverse functions as a financial group specialized in trust banking to pursue the following three initiatives aimed at firmly establishing the trust and reassurance of clients, shareholders and society.

  As the first initiative, we will supervise group-wide conflict of interest management and practice of fiduciary duties, and strive to enhance our business operations overall, through the functions of the “Conflicts of Interest Committee” newly established at SuMi TRUST Holdings. We will increase the committee’s effectiveness by including external experts among those serving as its members.

  Second, based on the “Principles for Customer-Oriented Business Conduct” released by the Financial Services Agency in March 2017, we have reviewed the Policies established in September 2016, and released the “key performance indicators for objective assessment of the degree of establishment of client-oriented business operations” based on the Policies, in an effort to implement client-oriented business practices.
Third, by enhancing our conflict of interest management framework through a review of authority and organization in the asset management services in the Fiduciary Services Business as well as in the Wholesale Asset Management Business that provides asset management products for corporate clients, we are committed to providing high-quality comprehensive services that offer clients even greater reassurance.

**Work Style Reform**

The SuMi TRUST Group has worked on initiatives aimed at becoming the “No. 1 financial group for human resource development” and promotion of “diversity & inclusion (D&I),” based on its management principles of providing comfort and satisfaction to clients and achieving contribution to society by leveraging our organizational capabilities with full creativity made possible by our diverse human resources who share an enthusiasm for trust.

Furthermore, recognizing that promoting the creation of an environment that supports the diversity, health, and motivation of each and every employee is more important than ever amid the advance of changes in the social structure such as the decreasing work force due to the declining birthrate and aging population and the maturation of the economy, we have launched the “Work Style Reform Headquarters” and established the “Work Style Reform Declaration.”

We will continue to promote Work Style Reform with the aim of realizing a virtuous circle where we grow together with our clients, in which the added value provided to clients is increased through energetic work, and praise from clients inspires even greater motivation among employees.

**Materiality Management**

The SuMi TRUST Group has identified priority issues (materiality) from the two perspectives of our own corporate value and the degree of impact on society. This identified materiality overlaps with the ESG (environmental, social and governance) issues in which investors have been increasingly interested in recent years, and we believe that seriously engaging with these issues is linked to the long-term growth of the Group.

From this point of view, in fiscal year 2016, we again analyzed feedback and evaluations received from ESG research firms and the latest ESG trends such as activities according to the Principles for Responsible Investment. On this basis, we have conducted “internal engagement” exercises where department responsible for CSR act as “in-house ESG quasi-investors” and engage in constructive dialogue with departments responsible for operations with high materiality.
With regard to the issue of climate change, one of the dialogue topics, we identified operational risks based on trends following the Paris Agreement that entered into force in November 2016, and put together an immediate response policy while also raising the issue on the Board of Directors’ agenda with the aim of sharing awareness at the management level.

In Conclusion

Client needs are becoming more and more complex, and demands for reliable financial institutions are growing by the day. We are increasingly convinced that this is, without a doubt, an era that calls once again for the client-oriented services rooted in the fiduciary spirit of and cultivated by the SuMi TRUST Group since our founding, and that we are being offered a unique opportunity to fulfill our social mission.

We, the united directors, officers and employees of the SuMi TRUST Group, will do our utmost to establish our position as the “Best Partner” of our clients, by leveraging the diverse functions of the Group to provide high-quality total solutions unique to the SuMi TRUST Group.

We sincerely ask for your continued support for our endeavors.

July 2017

Sumitomo Mitsui Trust Holdings, Inc.
Director, President (Representative Executive Officer)

[Signature]

Sumitomo Mitsui Trust Bank, Limited
President (Representative Director)

Masaru Hashimoto
Financial Highlights

Net Income Attributable to Owners of the Parent

Return on Shareholders’ Equity*

Fee Income Ratio*

Overhead Ratio*¹

Non-Performing Loan* (NPL) Ratio (non-consolidated)

Capital Adequacy Ratio, etc.

Net fees and commissions and related profit (left)
Gross business profit (left) ➔ Fee income ratio (right)
* Net fees and commissions and related profit divided by gross business profit

* Problem assets based on the Financial Reconstruction Act

* Page 18 for calculation method

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

General and administrative expenses (non-consolidated)*² (left)
General and administrative expenses (left)
Overhead ratio (right)
*¹ General and administrative expenses divided by gross business profit
*² SuMi TRUST Bank (non-consolidated)
Non-financial Highlights

**Collected Number of Client Voices***

400 (Thousand Voices)

![Graph showing collected number of client voices over fiscal years 2014 to 2016.]

* SuMi TRUST Bank

**Number of Employees with Qualifications Entitled to Support Asset Formation of Individual Clients***

6,000 (People)

![Graph showing number of employees with qualifications over March 31, 2015 to March 31, 2017.]

Employees in charge of individual clients who completed the basic course for securities analysts or course for employees with FP-related qualifications

* SuMi TRUST Bank

**Number of Female Employees in Management Positions***

300 (People)

![Graph showing number of female employees in management positions over fiscal years 2014 to 2016.]

Female employees at the level of head of section or above of SuMi TRUST Bank

**Branches Achieving “With You Activities***1)” Goals

100 (Branches)

![Graph showing branches achieving “With You Activities” goals over fiscal years 2013 to 2016.]

Branches achieving goals (left) — Achievement ratio*2 (right)

*1 Social contribution activities each branch of SuMi TRUST Bank implements to enhance trust through diligent efforts. For details, please refer to page 85.

*2 The total number of branches in each fiscal year were; 133 for FY2013, 114 for FY2014, 102 for FY2015 and 103 for FY2016.

**Ratio of External Directors, etc. on the Board of Directors and Committees**

<table>
<thead>
<tr>
<th>Committee</th>
<th>Chairman/Chairperson</th>
<th>Ratio of external directors and experts ODI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Directors</td>
<td>External Directors</td>
<td>47</td>
</tr>
<tr>
<td>Nominating Committee</td>
<td>External Directors</td>
<td>71</td>
</tr>
<tr>
<td>Compensation Committee</td>
<td>External Directors</td>
<td>67</td>
</tr>
<tr>
<td>Audit Committee</td>
<td>External Directors</td>
<td>60</td>
</tr>
<tr>
<td>Risk Committee</td>
<td>External Directors</td>
<td>80</td>
</tr>
<tr>
<td>Conflicts of Interest Committee</td>
<td>External Experts</td>
<td>75</td>
</tr>
</tbody>
</table>

(Rounding off after the decimal point)

Sumitomo Mitsui Trust Holdings, Inc. 2017 Integrated Report
Medium- to Long-Term Vision

• The Sumitomo Mitsui Trust Group (the “SuMi TRUST Group”), as a financial group specialized in trust banking, aims for sustainable and stable growth immune to economic and market volatilities in order to meet client and social needs, which change over time and in evolving environments.

• We will further enhance our comprehensive capabilities merging trust and banking functions and our expertise in trust businesses, which are the source of our added value mobilizing various trust functions within the Group, to elevate our capability to propose “Total Solutions”.

• Taking advantage of the changes in the current business environment as an opportunity for further progress, we are determined to accomplish business model transformation and establish a solid position as the “Best Partner” for clients, to pursue evolution of “The Trust Bank” as our vision.
• Enhance our “expertise” in various trust functions within the Group and our comprehensive capabilities, which create our added value, mobilizing expertise functions
• Create differentiation by providing prompt “total solutions” for the needs of individual clients at various life stages and for the business challenges of corporate clients
• Ensure sophistication of products and services as well as consultation for asset formation, asset management and asset inheritance as a leading group in asset management and administration business
• Expand alliances, with various financial institutions leveraging our neutral position to provide a wider range of products and services to a broader client base

• Pursue economies of scale through alliance strategies, including asset administration
• Improve productivity via IT utilization, including FinTech
• Pursue operational efficiency of the entire Group

• Strengthen capital utilization for M&A, including asset management and administration business
• Contract regulatory required capital for loan/investment businesses, including strategic shareholdings, based on the direction of financial regulation
• Stay cognizant of the best balance of the above to enhance shareholder return in the medium term

• Enhance supervisory functions and improve management decision-making efficiency by transitioning to a “company with Three Committees” model.
• Promote fiduciary duties and enhancement of conflict of interest management in operations, including asset management-related businesses

Total Solutions
• To accurately grasp current and potential needs of our clients
• Propose a diverse range of products and services as the best solution for clients to solve their problems together

Businesses with Expertise
• Offer a wide range of highly specialized products and services indispensable for providing total solutions
• Ensure joint effort to create client-oriented solutions, embedding them in products and services

“Best Partner” for our clients
Financial Operations, Capital Strategy

Our Basic Philosophy

While seeking to bolster the soundness of our financial base by securing our capital position in terms of both quality and quantity, our basic philosophy is to aim to maximize shareholder earnings through the pursuit of improved capital efficiency.

Financial- and Capital-related Key Performance Indicators (KPI)

<table>
<thead>
<tr>
<th>KPIs</th>
<th>FY2016 Result</th>
<th>Medium-term Target Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profitability</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Soundness</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common equity Tier 1 capital ratio (fully loaded basis)</td>
<td>11.19%</td>
<td>Stay at approximately 10% consistently</td>
</tr>
<tr>
<td>External credit ratings (Sumitomo Mitsui Trust Bank, Limited (“SuMi TRUST Bank”))</td>
<td>Moody’s: A, S&amp;P: A1, others</td>
<td>—</td>
</tr>
<tr>
<td>Strategic Shareholdings</td>
<td>Ratio of strategic shareholdings to Common Equity Tier 1 capital as of the end of March, 2017: 39% (42% as of the end of March, 2016)</td>
<td>Aim to reduce ratio of strategic shareholdings to CET1 capital by 50% in approximately five years from fiscal year 2016</td>
</tr>
<tr>
<td>Shareholder Returns</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividend payout ratio</td>
<td>40.9%*</td>
<td>Maintain approximately 30%</td>
</tr>
<tr>
<td>Total payout ratio*</td>
<td>46.7%*</td>
<td>Gradually increase to approximately 40% over the medium term</td>
</tr>
</tbody>
</table>

*1 Return on shareholders’ equity = [Net income attributable to owners of the parent ÷ (FY-start total shareholders’ equity + FY-end shareholders’ equity)/2] x100
*2 Fully loaded basis = Pro-forma capital calculations based on regulatory requirements to be applied from March 2019
*3 See page 93 for credit ratings information
*4 Strategic shareholdings = acquisition cost of shares on a consolidated basis; common equity Tier 1 capital = fully loaded basis, excludes valuation differences on available-for-sale securities
*5 (Aggregate dividend payment + amount of share repurchase) ÷ Net income attributable to owners of the parent
*6 In fiscal year 2016, net income attributable to owners of the parent was well below our forecasts at the start of fiscal year 2016 but dividends per share were in line with the initial forecast, so the dividend payout ratio and total payout ratio were both well above our target level.

- In focus areas where we can use our unique strengths as a Group, strategically examine and advance use of M&A to flexibly capture external growth opportunities
- Designate our asset management and administration businesses as priority areas and bolster our administration of trust and assets
- Through the use of strategic alliances, improve product formulation capabilities of asset management and administration of the Group, expand distribution channels for products and functions the Group offers, harness FinTech, and advance streamlining of operational processes

Major Recent Equity Investments

<table>
<thead>
<tr>
<th>Companies</th>
<th>Business Area</th>
<th>Investment Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sumitomo Mitsui Trust Club</td>
<td>Credit cards</td>
<td>December 2015</td>
</tr>
<tr>
<td>Sky Ocean Asset Management</td>
<td>Asset management</td>
<td>April 2015 (commenced operations)</td>
</tr>
<tr>
<td>JP Asset Management</td>
<td>Asset Management</td>
<td>January 2016 (commenced operations)</td>
</tr>
<tr>
<td>Midwest Railcar Corporation</td>
<td>Freight railcar leasing</td>
<td>June 2016</td>
</tr>
<tr>
<td>3IDV-SuMi TRUST Leasing Company</td>
<td>Leasing</td>
<td>May 2017</td>
</tr>
</tbody>
</table>
• Strive to improve and bolster our shareholders’ equity and financial base through profit accumulation, reduction of financial risks, and appropriate controls of risk assets
• Stable, planned funding procurement for the medium and long terms of additional Tier 1 capital and Tier 2 capital to satisfy prudential regulatory capital ratio requirements while taking capital efficiency into account

The policy of Sumitomo Mitsui Trust Holdings (“SuMi TRUST Holdings”) on shareholder return is to share its profits with shareholders in accordance with its profit level in each fiscal year, aiming to maintain the consolidated dividend payout ratio on common shares of approximately 30%. SuMi TRUST Holdings may also repurchase its own shares by considering the balance with profit growth opportunities, and the effect of the repurchase on the improvement of capital efficiency. Through the measures above, SuMi TRUST Holdings shall aim to enhance medium-term shareholder returns by increasing a total shareholder return to approximately 40% in a gradual manner.
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. With the aim of achieving sustainable growth and medium- to long-term enhancement of its corporate value, SuMi TRUST Holdings changed from being a “company with a Board of Corporate Auditors” to a “company with Three Committees” in June 2017.

1. History of Enhancement of Corporate Governance at the SuMi TRUST Group

The SuMi TRUST Group, as Japan’s only independent financial group specialized in trust banking, which is formed around the core entities, SuMi TRUST Holdings and SuMi TRUST Bank, has worked to refine its business model that provides unique added value and to enhance profitability through collaboration among Group companies, by providing total solutions for clients swiftly and accurately through the combination of its banking business, asset management and administration business, and real estate business.

At the same time, the SuMi TRUST Group has continued its efforts to strengthen its corporate governance, under the recognition that in order to establish the unwavering trust of our clients and society, it is essential to adhere to the principles of sound management based on a high degree of self-discipline with the background of fiduciary spirit.

With regard to the system, two external directors, among ten directors, assumed their offices in June 2013. Later, following the introduction of the Corporate Governance Code in 2015, SuMi TRUST Holdings set the ratio of external directors in principle at one-third or higher, and voluntarily established the Nominating and Compensation Committee and the Audit Committee, each of which external directors comprise the majority of the members, as advisory bodies to the Board of Directors.

Having confirmed the effectiveness of these efforts and in order to further promote improved profitability and enhanced corporate governance, while responding appropriately to rapid changes in the environment surrounding the financial industry, we consider it important to establish both management capabilities to realize prompt business execution and supervisory and restraining capabilities to ensure sound management. To this end, as part of the measures to further strengthen its system, SuMi TRUST Holdings changed to become a “company with Three Committees” on June 29, 2017.
2. Main Points of Enhancement of Corporate Governance of SuMi TRUST Holdings

The main points of the enhancement of corporate governance of SuMi TRUST Holdings are separation of execution and supervision through the transition to a “company with Three Committees,” strengthening of the system in line with the SuMi TRUST Group’s business model, and having an external director serve as chairman of the Board of Directors.

At a company with Three Committees, external directors comprise the majority of each of the three statutory committees established as internal bodies of the Board of Directors, namely the Nominating Committee, Compensation Committee and Audit Committee. A significant characteristic of such companies is that this allows for the creation of a more effective supervisory structure, and makes swift decisions possible as the Board of Directors’ decision-making authority on business execution can be delegated to the executive officers. In this way, SuMi TRUST Holdings seeks to establish both management capabilities to realize prompt business execution, and supervisory and restraining capabilities to ensure sound management.

Furthermore, in addition to the statutory committees required by the Companies Act, SuMi TRUST Holdings has established the Risk Committee and Conflicts of Interest Committee, as advisory bodies to the Board of Directors in which external directors participate, in order to ensure the effectiveness of corporate governance while further enhancing the soundness and reliability of the SuMi TRUST Group’s business model along with transparency of management.

While a “company with Three Committees” is able in principle 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 meeting of the Board of Directors. In addition, SuMi TRUST Holdings has established the Corporate Secretariat as an organization dedicated to assisting the chairman in fulfilling his duties, and elected a full-time Audit Committee Member who is a non-executive director as deputy chairman of the Board, thereby providing various information mainly on agenda for deliberation at the Board of Directors and offering assistance with regard to matters such as clarifying points from the perspective of management and supervision.

Through these initiatives, SuMi TRUST Holdings will leverage its significant expertise and comprehensive capabilities distinctive of a trust banking group to provide detailed, client-oriented total solutions in response to increasingly complex and diverse client needs, while reinforcing the corporate governance system in line with this business model.
SuMi TRUST Holdings is striving to reinforce the supervisory function of the Board of Directors in order to improve profitability and enhance its corporate governance.

As part of these efforts, in June 2017, we invited Mr. Isao Matsushita, former Representative Director and President of JX Holdings, Inc. (currently JXTG Holdings, Inc.), to serve as an external director of SuMi TRUST Holdings and appointed him as chairman of the Board of Directors. In this interview, Mr. Matsushita spoke about his thoughts on accepting the position of external director, his impression of the efforts to improve corporate governance at SuMi TRUST Holdings, and his ideas as chairman.

Question
Please tell us your thoughts on accepting the position of external director at SuMi TRUST Holdings.

I have been involved in the energy, resources, and material businesses for many years, and have worked in management at Japan Energy Corporation (currently JXTG Nippon Oil & Energy Corporation) and at JX Holdings, Inc. (currently JXTG Holdings, Inc.) following management integration at the company.

Japan relies heavily on imported resources, and business performance in these fields is strongly influenced by external factors, such as resource prices and foreign exchange rates. During my time in office, we faced severe changes in the environment and took on a series of challenges including management integration and reform of existing businesses.

The management environment in the banking industry has been extremely harsh recently as well, amid negative interest rates, soaring foreign currency procurement costs, and other factors. However, the SuMi TRUST Group is embarking on new endeavors, including initiatives aimed at “business model transformation,” “enhancement of corporate governance,” and “promotion of fiduciary duties,” with the announcement of its new midterm management plan as its “Second Foundation.”

Although the SuMi TRUST Group operates in a different industry from the JXTG Group does, I believe they have some things in common, such as operating under a holding company system after going through management integration, and working on business structure reform in a challenging management environment. Also, as a financial group specialized in trust banking, in contrast to a megabank, I expect that the SuMi TRUST Group can make unique contribution to Japan’s economy and society, and I intend to put my accumulated experience and knowledge to use to help improve the corporate value of the Group.
Question
What is your impression of the efforts to improve corporate governance at SuMi TRUST Holdings?

While financial institutions belong to a business category that plays a significant public role in the national economy to begin with, SuMi TRUST Holdings has been designated as one of the Domestic Systemically Important Banks (D-SIBs) of Japan, and is therefore required to have a greater degree of management soundness and underlying corporate governance than ordinary financial institutions do.

In light of these expectations, SuMi TRUST Holdings is steadily taking steps to improve corporate governance. It increased the number of external directors and external auditors and proceeded in turn to voluntarily establish the Nominating and Compensation Committee and Audit Committee. Then, after confirming that these measures ensured the transparency of management and were effective in strengthening the supervisory function of the Board of Directors, it made the transition from a “company with a Board of Corporate Auditors” to a “company with Three Committees.”

In addition, I can see that the SuMi TRUST Group has devised creative measures based on the Group’s unique characteristics for its structure following the transition, including the voluntary establishment of the Risk Committee and Conflicts of Interest Committee as advisory bodies to the Board of Directors, in addition to the three statutory committees (Nominating, Compensation and Audit Committees).

Going forward, I believe it will be important for SuMi TRUST Holdings to shift its focus even more towards formulation of the SuMi TRUST Group’s management policy and supervision of business execution, and to engage in high-quality discussion at the Board of Directors aimed at improvement of corporate value, in order to further enhance corporate governance.

Question
As chairman of the Board of Directors, to what areas of management do you intend to pay particular attention?

I consider the most important role of the Board of Directors to be promoting the company’s sustainable growth and improving corporate value over the medium-to long-term, by laying down a basic management policy and strategic direction based on an accurate assessment of management issues and the environment in which the company operates, and supervising management overall. The management environment surrounding financial institutions in particular is undergoing major developments on a global level, and in order for the Board of Directors to steer its way decisively and carefully through these environmental changes, it is crucial that it enhances both the offensive and defensive aspects of corporate governance and fulfill its accountability to stakeholders.

To fulfill this role, the Board of Directors must make objective decisions in an appropriate manner from a standpoint independent of management. By making the transition to a company with Three Committees, and selecting me, an external director, as chairman of the Board, SuMi TRUST Holdings has truly expressed its determination to strongly promote enhancement of corporate governance from this perspective.

In response, as chairman of the Board of Directors, I will establish a decision-making process that encourages critical discussion and exhaustive deliberation that includes opposing views, rather than management that aims to preserve harmony. Furthermore, I intend to provide the Board appropriately with necessary and adequate information while making full use of the knowledge and expertise of external directors in order to implement this kind of sound decision-making. First and foremost, I think what is expected of me is to offer a completely external perspective as a person with no experience in the financial industry, and to present my opinions firmly without holding back.
Client-Oriented Initiatives

1. Providing Value to Clients

The SuMi TRUST Group aims to accurately understand both the current and potential needs of individual and corporate clients and provide total solutions that offer a wide range of highly specialized products and services as the best ways to address those needs. In an era of dramatic environmental changes, the needs of both individual and corporate clients to build, manage and review their assets and to plan for succession are becoming increasingly complex, and their needs for trustworthy financial institutions are growing. The SuMi TRUST Group, as Japan’s only independent financial group specialized in trust banking, will leverage its comprehensive capabilities that combine trust and banking functions and the various trust functions within the Group, under a stringent conflict of interest management framework, with the aim of being the “Best Partner” for providing the greatest value to clients.

2. Practicing Fiduciary Duties

The aim of the SuMi TRUST Group to be the “Best Partner” for clients is based on our client-oriented spirit. While the SuMi TRUST Group has strived to be completely client-oriented from the beginning, with the fiduciary spirit as part of our DNA, we further enhanced our efforts by establishing and making public our “Policies regarding the Fiduciary Duties of the Sumitomo Mitsui Trust Group” (hereinafter, the “Policies”) in September 2016.

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 (please refer to page 27 for enhancement of the conflict of interest management framework). Along with the revision of the Policies in June 2017, we made public our “Key Performance Indicators (KPIs) concerning Initiatives Aimed at Becoming Our Clients’ “Best Partner”,” which will allow for easy-to-understand confirmation of the status of the SuMi TRUST Group’s initiatives through our complete client orientation.

Promoting/Supervising Structure of the Group

<table>
<thead>
<tr>
<th>Organization</th>
<th>Initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>SuMi TRUST Holdings</td>
<td>Supervise Conflict of Interest management for the group, monitor FD* progress</td>
</tr>
<tr>
<td>SuMi TRUST Bank</td>
<td>Discuss important cases, Guide improvement to relevant departments</td>
</tr>
<tr>
<td>Group-wide</td>
<td>Promote FD* within organization</td>
</tr>
<tr>
<td>Group-wide</td>
<td>Enhance Conflict of Interest management</td>
</tr>
</tbody>
</table>

*FD: Fiduciary duties
3. System for Promotion of Fiduciary Duties at the SuMi TRUST Group

The SuMi TRUST Group considers the promotion of client-oriented initiatives at SuMi TRUST Holdings and its subsidiaries based on the Policies to be one of its important management issues, and is putting in place a system to promote the practice and thorough implementation of fiduciary duties at SuMi TRUST Holdings and its subsidiaries, centered on the Fiduciary Duties Planning and Promotion Department that was newly established in October 2016.

Fiduciary Duties Planning and Promotion Department

To promote thorough adoption of practices ensuring fiduciary duties at SuMi TRUST Holdings and its subsidiaries, the Fiduciary Duties Planning and Promotion Department helps gather information and promote practices through the drafting of plans relating to improving conflict of interest management, along with provision of training, advice, and guidance to subsidiaries. The status of specific initiatives based on the Policies at subsidiaries is monitored and summarized regularly, and reported to the Board of Directors.

Subsidiaries

Subsidiaries falling within the scope of application of the Policies study and implement initiatives according to their respective areas of business operation.

Of our subsidiaries, SuMi TRUST Bank, Nikko Asset Management, Sumitomo Mitsui Trust Asset Management and Japan Trustee Services Bank are engaged in the asset management, product development, sales and asset administration businesses that are the core of fiduciary duties, and have established and made public “specific initiatives” relating to fiduciary duties (hereinafter, the “action plans”). Progress updates on the action plans are reported regularly to their respective Board of Directors, and the action plans shall be revised as necessary.

Fiduciary Duties Discussion Panel

SuMi TRUST Holdings, along with SuMi TRUST Bank, Nikko Asset Management, Sumitomo Mitsui Trust Asset Management and Japan Trustee Services Bank, has established the Fiduciary Duties Discussion Panel (hereinafter, the “Discussion Panel”) to promote more advanced initiatives at subsidiaries with asset management, product development, sales and asset administration businesses.

The Discussion Panel is composed of directors and executive officers as well as general managers responsible for promoting fiduciary duties at each of the aforementioned subsidiaries, with the Fiduciary Duties Planning and Promotion Department serving as secretariat. Each subsidiary reports on the matters listed below, shares their successful examples and discusses how to ensure practices that reflect fiduciary duties take root at each Group company.

- Status of compliance with the Policies regarding the Fiduciary Duties
- Successful examples from initiatives
- Initiatives relating to improvement in expertise
- Measures to promote advanced stewardship activities and successful examples
- Measures to promote advanced risk management and successful examples
- Appropriate coordination regarding product composition and sales of each company

History of Promotion of Fiduciary Duties

<table>
<thead>
<tr>
<th>Year</th>
<th>Month</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>September</td>
<td>Established “Policies regarding the Fiduciary Duties of the Sumitomo Mitsui Trust Group”</td>
</tr>
<tr>
<td></td>
<td>October</td>
<td>Established Fiduciary Duties Planning and Promotion Department (also set up at SuMi TRUST Bank)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Established Fiduciary Duties Discussion Panel</td>
</tr>
<tr>
<td>2017</td>
<td>January</td>
<td>Established “Policy for Enhancement of the Conflict of Interest Management Structure relating to the Asset Management Operations” at SuMi TRUST Bank</td>
</tr>
<tr>
<td></td>
<td>April</td>
<td>Established Conflict of Interest Management Enhancement Committee (at both execution side and SuMi TRUST Bank)</td>
</tr>
<tr>
<td></td>
<td>May</td>
<td>Revised Management Policy Concerning Conflicts of Interest</td>
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<tr>
<td></td>
<td>June</td>
<td>Revised “Policies regarding the Fiduciary Duties of the Sumitomo Mitsui Trust Group”</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Published “Key Performance Indicators (KPIs) concerning Initiatives Aimed at Becoming Our Clients’ “Best Partner”</td>
</tr>
<tr>
<td></td>
<td>July</td>
<td>Established Conflicts of Interest Committee as advisory body to the Board of Directors</td>
</tr>
</tbody>
</table>
Client-Oriented Initiatives

Principles of Action Policies on Fiduciary Duties

(1) Implementation of a client-oriented consulting practice
In order to provide products and services suited to the true benefit of our clients, we will strive, through high-quality consulting, to gain a shared understanding of the asset and liability position of our clients, which will change with their lifecycle, and their corresponding needs.

(2) Easily understandable provision of information
To assist in our clients’ investment decisions, we will strive to provide explanations about product characteristics, risks, and fees, etc. in a manner understandable by clients, based on the complexity of the products and services, and the importance of the information to be provided, and to take proper action that fits with our clients’ understanding.

(3) Development and provision of products and services that meet the diverse needs of our clients
In order to meet the diverse needs of our clients, we will make available a broad-range of high-quality products and services that accord with the needs of our clients, based on the various voices and opinions of our clients and through activities such as cooperation and joint-development of products and services with a broad-range of asset management companies and insurance companies, etc.

(4) Enhancement of our client-oriented focus and expertise
(i) Establishment of a corporate culture with the aim of becoming our clients’ “Best Partner”
Through measures such as training and discussion at each Group company, we will aim for thorough penetration of decisions and practices that are based on these Policies. Further, we will give thorough effect to our fiduciary duties by developing frameworks for performance evaluation and targets that value initiatives that contribute toward the implementation and penetration of client-oriented actions, and every one of our officers and employees will proceed with the establishment of a corporate culture with the aim of becoming our clients’ “Best Partner.”

(ii) Improvements to expertise in the area of support for client-oriented consulting, etc.
Through measures such as training of officers and employees and support for the acquisition of specialist qualifications, we will increase knowledge and specialist skills regarding market conditions, products and services.

(5) Provision of financial services that leverage the diverse functions of the trust bank group
As a trust bank group, while remaining thoroughly attentive to conflict of interest management, we will fully mobilize our diverse and flexible functions, such as the banking business, asset management and administration business, real estate business, etc., and quickly and accurately provide optimal and total solutions for our clients, whether they are individuals or corporate entities.

(6) Client comfort and satisfaction, and contribution to the economy and society
(i) Provision of new products and services that are responsive to economic and social changes
As well as providing products and services that bring comfort and satisfaction to our clients, we will contribute to the economy and society by utilizing our investment functions, etc., and through the creation of new products and services that respond to structural changes to the economy and society.

(ii) Proactive initiatives for financial education and investment education
To enable clients to proactively and rationally select financial products, and engage in sound asset formation, we will pursue activities in connection with improvement of financial education and literacy, etc., including life planning, by utilizing our know-how regarding investment education, etc. cultivated by experience with the defined contribution pension business, etc., and through our regular consulting activities and seminars, etc.

4. Product Development Capabilities Supporting Total Solutions

In order to leverage the flexibility and expertise of its various financial and trust functions as a trust bank and put together the 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, not merely using their strengths and know-how. In this way, 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 product development departments in each business, the Business Research and Development Department, and a product development offsite meeting as its product development organization. The product development departments in each business analyze client needs that have been collected in the course of business, and engage in improvement and development mainly of products for immediate application, including review 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 driving product development and provides development support for each business, while carrying out planning, 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 about 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 efforts on nurturing human resources 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 yearly for product development personnel who have little experience. At the seminars, groups engage in exhaustive discussion on the topic of new products to satisfy given client needs that are assigned in advance, with the goal of enabling participants to acquire understanding with regard to breakthrough points and problem-solving methods in product development.
Enhancements to the Conflict of Interest Management Framework relating to Fiduciary Duties

The SuMi TRUST Group operates with sound business management based on a high degree of self-discipline with the background of fiduciary spirit, and provides our clients with a wide range of financial services through fully utilizing its significant expertise and comprehensive capabilities.

Along with the various products and services provided by our companies, in order to protect the interests of our clients from undue harm, we have been appropriately managing transactions that have possible conflicts of interest and carrying out business operations based on our Management Policy Concerning Conflicts of Interest. Recently, we have revised the Management Policy Concerning Conflicts of Interest in order to advance the enhancement and consolidation of the conflict of interest management framework of our Group, including improving the supervisory structure of the entire Group, introducing separation of authority, etc. in the major departments and businesses of SuMi TRUST Bank, and developing a highly-effective management system. Under a framework of best practice, we will proceed to provide our clients with high value-added “total solutions,” as a trust banking group that is the “Best Partner” to our clients, able to foster even greater comfort and confidence than before.

Summary of Enhancements to the Conflict of Interest Management Framework of the SuMi TRUST Group

(1) Improvement of the Supervisory Structure of the Entire Group (including establishment of the Conflicts of Interest Committee)

1) Establishing the new “Conflicts of Interest Committee” (an advisory body of the Board of Directors of SuMi TRUST Holdings) (July 2017)

2) Also establishing the new “Conflict of Interest Management Enhancement Committee” on the operational side (April 2017)

(2) Introduction of Separation of Authority, etc. in the Major Departments and Businesses of SuMi TRUST Bank

1) Strengthening the conflict of interest management framework relating to asset management operations through the utilization of the “Stewardship Activities Advisory Committee” (see page 28)

2) Carrying out the separation of authority, etc. between the “wholesale total solution services business” centered on banking transactions with clients, such as business corporations, and the “wholesale asset management business” centered on providing managed products and services, such as trusts, to institutional investors, etc., based on the characteristics of each business

(3) Highly-Effective Management System of SuMi TRUST Bank

1) Strengthening the product review process when introducing new products and services

2) Deployment of a “Conflict of Interest Management Officer”

From the perspective of improving the effectiveness of conflict of interest management, in addition to a General Manager of Conflict of Interest Management at the group-wide level, we will deploy “Conflict of Interest Management Officers” to the business supervising departments, etc. of our business divisions, and will seek to implement conflict of interest management that is further suited to individual products and transactions.

SuMi TRUST Holdings

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<th>Conflicts of Interest Committee</th>
</tr>
</thead>
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<td>Reporting, etc.</td>
<td>Directions, etc.</td>
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<td>Inquiries</td>
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<td>Answers</td>
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<td>Preliminary discussions</td>
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Executive Committee

<table>
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<tr>
<th>Reporting, etc.</th>
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<tbody>
<tr>
<td>Conflict of Interest Management Enhancement Committee</td>
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<tr>
<td>Client-oriented operations promotion</td>
<td></td>
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<tr>
<td>Fiduciary Duties Planning and Promotion Dept.</td>
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</table>

Compliance Dept. (Conflict of interest management control department)

<table>
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<th>Reporting</th>
<th>Directions</th>
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<tbody>
<tr>
<td>SuMi TRUST Bank</td>
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<tr>
<td>Other subsidiaries, etc.</td>
<td></td>
</tr>
</tbody>
</table>

Conflicts of Interest Committee Members

Chairperson: Hideki Kanda*2
Professor, Law School at Gakushuin University
Emeritus Professor, University of Tokyo
*2 External Director, SuMi TRUST Bank

Member: Takeshi Suzuki
External Director, SuMi TRUST Holdings

Member: Akiko Hosokawa
Partner, Baker & McKenzie

Member: Yutaka Nishida
Senior Managing Executive Officer, SuMi TRUST Holdings

*1 For roles and responsibilities of each management structure and main departments, please refer to page 24.
Enhancements to the Conflict of Interest Management Framework in Stewardship Activities

SuMi TRUST Bank has established the “Stewardship Activities Advisory Committee” (hereinafter referred to as the “Advisory Committee”) regarding stewardship activities made up of a majority of external experts. The Advisory Committee is a body established to make recommendations for various activities under Japan’s Stewardship Code. The Advisory Committee will make recommendations for the establishment, revision, or abolition of the guidelines for the exercise of voting rights, decisions concerning whether to support a proposal not stipulated in these guidelines, appropriateness of interpretation of these guidelines for an individual proposal, and verification and improvement of the decision-making process on the exercise of voting rights on a proposal in connection with which a conflicts of interest may occur. The Officer in charge of Fiduciary Services Business, who is independent from the authority to execute the other operations of SuMi TRUST Bank, assigns maximum value to the recommendations of the Advisory Committee and makes decisions on various matters. If any recommendations are received from the Advisory Committee, the Officer in charge of Fiduciary Services Business shall immediately implement necessary corrective and remedial measures.

In terms of our exercise of voting rights, the Advisory Committee discloses numerical standards, etc. of the guidelines to enhance the visibility of our judgment. The Advisory Committee also discloses whether we voted for or against on each proposal for each investee company, thereby enhancing the visibility of exercise results. Through these efforts by the Advisory Committee to ensure the objectivity of processes involved and to enhance the visibility of the exercise judgment and results, we are raising the transparency of our exercise of voting rights.

Stewardship Activities Promotion Framework

Stewardship Meeting

- Officer in charge of Fiduciary Services Business (Authorized decision-maker)
- Advice
- Recommendation
- Report

Engagement

- Approval of policies on engagement and reports on activities

Exercise of voting rights

- Approval of policies on the exercise of voting rights and reports on the results

Responses to ESG and PRI (Principles for Responsible Investment)

- Approval of policies on ESG-related activities and reports on activities
- Deliberation of policies on responses to PRI assessments, etc.
- Consideration of ESG-related matters in the product management process

Stewardship Development Department

- (Department implementing engagements and exercising voting rights)
- Cooperation
- (Planning department)
- Investment Research Department

Stewardship Activities Advisory Committee

- Comprising three independent external experts and one internal committee member. A third-party committee, the majority of which consists of outside members.
- For the purpose of enhancing the independence and transparency of the exercise of voting rights and engagement activities, and strengthening conflict of interest management
- Makes recommendations on the exercise of voting rights and engagements to the Officer in charge of Fiduciary Services Business, the authorized decision-maker

Measures to enhance transparency of the exercise of voting rights consist of:

1) Ensuring the objectivity of the exercise process of voting rights through measures such as the introduction of a third-party organization

2) “Visualization” of standards and results of the exercise of voting rights

In terms of 1), the “Stewardship Activities Advisory Committee” was established as an advisory body for the Officer in charge of Fiduciary Services Business (January 2017).

In terms of 2), detailed disclosure of guidelines on the exercise of voting rights was conducted (clarified numerical standards and exceptional matters, etc.) (February 2017). Results of exercise will be disclosed promptly for each agenda.

Chairperson: Hiroshi Mitsunaga
External Director
SuMi TRUST Bank

Member: Hidetaka Kawakita
Emeritus Professor, Kyoto University

Member: Hideki Matsui
Attorney
Mori Hamada & Matsumoto

Member: Hiroyuki Horii
General Manager of Stewardship Development Department
SuMi TRUST Bank
Initiatives for Sustainable Development Goals (SDGs)

The Sustainable Development Goals (SDGs) adopted at the United Nations Sustainable Development Summit in September 2015 comprise 17 goals and 169 targets that bring together global-scale priority issues that should be addressed collectively worldwide toward 2030. The SuMi TRUST Group, which became a signatory to the United Nations Global Compact in 2003, has pursued various initiatives related to sustainability, and will continue working to provide value to our stakeholders including from the perspective of solving the issues raised by the SDGs.

Providing Value to the Community (See pages 84-85)

As a good corporate citizen, the SuMi TRUST Group considers it important to contribute to strengthening the environmental and social foundation on which we depend, and actively promotes social contribution and environmental activities rooted in the local communities primarily through its local branch offices. We also play an active role in maximizing stakeholder value as a member of the financial industry by participating in various partnerships both in Japan and overseas.

Sustainability Initiatives in Our Business (See pages 54-55)

Financial institutions play a vital part in creating a sustainable society, and are called upon to be involved in SDG-related themes through their businesses. The SuMi TRUST Group, which aims to be our clients’ “Best Partner,” is deepening its engagement with the SDGs by using the unique functions of a trust bank to actively pursue sustainability businesses that help resolve the environmental and social problems faced by our clients.

Human Resources Strategy and Initiatives Related to Human Rights (See pages 76-80)

The SuMi TRUST Group’s human resources strategy and initiatives related to human rights are also connected to the SDGs. We take a broad viewpoint based on global discussion in promoting these initiatives.
Retail Total Solution Services Business

As the “Best Partner” for our clients, the Retail Total Solution Services Business offers optimal total solutions tailored to the life stages of individual clients through the significant expertise and high-quality consulting that we have cultivated over many years as a financial group specialized in trust banking.

**Business Outline**

The Retail Total Solution Services Business provides comprehensive services to meet the wide-ranging demands of individual clients, including asset management, inheritance and succession, administration of real estate and other property, loans such as mortgage loans, support for asset formation through installments, and insurance products to prepare for unusual events.

**Asset Management**

We provide high-quality consulting services by offering a diverse product lineup to meet various asset management needs, including investment trusts, discretionary investment management products, annuity insurance, and whole life insurance, in addition to plans suited for management of retirement benefits.

**Inheritance and Succession**

We offer extensive products and a wide range of know-how to meet needs for the smooth transfer of assets to the next generation, such as through lifetime donation and inheritance.

**Loans**

We provide mortgage loans and unique products only available from a trust bank to meet the needs of clients that change with each of their life stages.

**Installment-Type Products and Insurance Products**

We provide solid support for needs related to asset formation and preparation for unusual events, through products including asset formation trusts, installment-type products that have taxation advantages such as NISAs (a Japanese version of individual savings accounts), and level premium insurance that offers clients comfort according to each of their life stages.

**Real Estate**

We use our broad network to meet diversifying needs related to real estate, such as purchase, sale and effective use of property, and change of residence.

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**Diagram: Providing total solutions according to life stages**

- Asset Management
- Real Estate
- Inheritance and Succession
- Installment-Type Products
- Insurance
- Mortgage Loan
Net business profit before credit costs decreased on a non-consolidated basis primarily due to a decline in sales of investment trusts and insurance.

On a non-consolidated basis*, net business profit before credit costs decreased by ¥5.5 billion year on year to ¥15.7 billion primarily due to a decline in sales of investment trusts and insurance. On a consolidated basis**, net business profit before credit costs increased by ¥5.3 billion year on year to ¥33.6 billion as a result of Sumitomo Mitsui Trust Club becoming a consolidated subsidiary.

*1 Sumitomo Mitsui Trust Bank (“SuMi TRUST Bank”) (non-consolidated)
*2 Sumitomo Mitsui Trust Holdings (“SuMi TRUST Holdings”) (consolidated)

Balance of Investment Trusts and Discretionary Investments

Balance of investment trusts and discretionary investments increased compared to the previous fiscal year as a result of engaging in asset management consulting through sales of installment investments, discretionary investment management products, and other products to support clients’ asset formation.

Balance of Loans to Individuals

We increased the amount of loans and significantly expanded the balance of loans by responding to demands for new house building, purchase of housing, and re-financing, which have grown amid a low interest rate environment, through various channels (over-the-counter, online, etc.) suited to client needs.

Number of Will Trusts

We have responded to growing needs related to inheritance and succession through consulting services by financial consultants and other staff with advanced expertise. As a result, the number of will trusts, which provide support for will writing and handle storage and execution, has increased.
Target Business Model

In an aging society where development of the information and communications network and advances in financial technology are progressing simultaneously, it is becoming increasingly important to have a trusted and secure partner to consult in order to make the best choices about asset management and administration at various stages of life.

In the Retail Total Solution Services Business, we aim to leverage the various strengths of the Sumitomo Mitsui Trust Group (the “SuMi TRUST Group”) to offer trust and comfort over the long term as our clients’ “Best Partner.”

Providing Total Solutions According to Life Stages

We provide client-oriented consulting services (added value) unique to a trust bank based on specific assumptions about assets and liabilities, etc., depending on the life stage of clients of various generations.

<table>
<thead>
<tr>
<th>Clients of Working Generation</th>
<th>Clients at Retirement</th>
<th>Clients of Senior Generation</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Home purchase needs</td>
<td>• Asset management (retirement fund operation) needs</td>
<td>• Asset management needs</td>
</tr>
<tr>
<td>• Long-term asset accumulation needs</td>
<td>• Needs to conserve fund for old age</td>
<td>• Asset administration/conservation needs</td>
</tr>
<tr>
<td>• Needs to prepare against risks</td>
<td></td>
<td>• Inheritance/gift needs</td>
</tr>
</tbody>
</table>

Leveraging Group Strengths

We will leverage the strengths of the Group, including affiliated companies, in order to meet the various needs of our clients.

Example of Initiatives (1)
Providing High-Quality Card Services with High Added Value

Along with the Sumitomo Mitsui Trust Card, since the addition of Sumitomo Mitsui Trust Club to the Group in fiscal 2015, we offer the Diners Club card among our high-quality card services with high added value. In addition, we offer Sumitomo Mitsui Trust Club clients the opportunity to use the broad range of products and services unique to a trust banking group in areas such as investment management, wills, inheritance, and real estate.

Example of Initiatives (2)
Development of Simple, Easy-to-Understand Insurance Products

We reached an agreement with BNP Paribas Cardif, a member of the major financial group BNP Paribas Group (headquartered in France), to cooperate in insurance business in Japan*. In cooperation with the Japanese branch of BNP Paribas Cardif, we aim to “develop simple, easy-to-understand insurance products” and to “establish an insurance business model that is unique to trust banks by making the most of expertise such as consulting skills both parties have developed.”

* Making Japan branch of BNP Paribas Cardif into Japanese incorporation, its share acquisition, etc. are premised on the permissions and approvals from relevant authorities.
Profit Targets of Midterm Management Plan

We aim to expand consolidated substantial gross business profit before credit costs by accurately capturing growth opportunities by leveraging the functions unique to a trust bank, including asset formation for a wide range of generations, and asset succession amid a mature economy.

Topics for Future Focus

Fundamental Reform of Transaction Procedures with Clients—New IT System for Marketing Assistance—

Sales staff for individual clients use tablet-type portable devices to process major transactions such as time deposits and investment trusts on the spot when visiting clients, which have significantly reduced the burden of filling out forms for clients.

By considerably reducing the workload of sales and administration staff, the devices have led to dramatic increases in productivity and made diverse work styles possible, and have thus become a powerful force driving the realization of our targeted business model.

Launch of Family Consideration Trust (Installment investment/lump-sum type)

We have begun offering a new product with added functions to meet asset management needs in the “Family Consideration Trust” series of trust products that help clients express their concern for their family when preparing to leave an inheritance.

This product addresses the desire of clients to “provide for my family if anything should happen to me,” as well as their desire to “carefully manage assets over the medium- to long-term to be left to my family.”
Wholesale Total Solution Services Business

In our Wholesale Total Solution Services Business, we contribute to the expansion of clients’ enterprise value and asset value and to their growth, by providing one-stop total solutions that only a trust bank group can offer through the integration of our various highly specialized functions including banking, asset management and administration, and real estate, to meet the advanced and diverse needs of clients.

Business Outline

In addition to the services under its supervision, such as loans and arrangement of various financing schemes, corporate consultations, and M&A advisory services, the Wholesale Total Solution Services Business also serves as a general point of contact for all transactions with corporate clients. By organically and flexibly coordinating with the various highly specialized functions of the Real Estate Business, Fiduciary Services Business, Stock Transfer Agency Services Business, Wholesale Asset Management Business, Global Markets Business, and Retail Total Solution Services Business, in addition to overseas bases and extending to the Group as a whole, we contribute to our clients’ development in a range of fields by providing speedy, one-stop solutions that are optimally tailored to clients’ needs and issues.
Financial Highlights

Net business profit before credit costs decreased primarily due to increased foreign currency funding costs.

Net business profit before credit costs decreased by ¥4.7 billion year on year to ¥78.6 billion on a non-consolidated basis*, and ¥1.9 billion year on year to ¥104.0 billion on a consolidated basis**, due to deterioration of net interest income/expense owing to increased foreign currency funding costs.

*1 SuMi TRUST Bank (non-consolidated)
*2 SuMi TRUST Holdings (consolidated)

Financial Results Summary

Growth in Transactions with Mid-Sized Corporations and Owner-Managed Companies

The loan balance to mid-sized corporations and owner-managed company clients grew as a result of strengthening various proposal activities unique to a trust bank, aimed at improving enterprise value and achieving growth for mid-sized corporations and owner-managed company clients. We also cultivated new clients and made progress in expanding our transaction base.

Growth of Product Related Loan Balance

As the investment and financing environment continues to be harsh amid factors including worldwide monetary easing, negative yen interest rates, and rising foreign currency funding costs, we stepped up efforts aimed at high-profit assets with a view to sustainable improvement of loan income and profitability. As a result, the balance of product related loans (including asset finance for aircraft, etc., project finance, and real estate finance) grew.

Growth of Wholesale Asset Management Business

The asset management needs of corporate clients, including institutional investors, have become increasingly sophisticated and diversified due to the persistently low interest rate environment. In light of this situation, SuMi TRUST Bank has strengthened its business that re-composes the receivables acquired through asset finance transactions into asset management products to meet the individual needs of investor clients. As a result, the balance of joint money trusts, etc. has grown steadily.
Target Business Model

The environment in which companies operate is transforming at a more dizzying pace than ever, and increasing in complexity. This includes the emergence of revolutionary IT technologies, industrial materials and engineering technologies, political and economic change on a global scale, and the expansion of various regulatory and social demands on companies.

In such an environment, the issues faced by corporate clients can no longer be resolved by providing individual products and services alone.

Our aim is to be the financial institution named by clients as their “Best Partner.” We will achieve this by “further enhancing the diversity and expertise found only at a trust bank,” including the banking, asset management and administration, and real estate know-how that we have cultivated as a financial group specialized in trust banking since our founding, and combining these in complex and sophisticated ways, to “develop a total solution model” that will help solve the current issues of our clients as well as issues that have yet to appear.

Profit Targets of Midterm Management Plan

By evolving our total solution model, we aim to contribute to sustainable expansion of trust and property management earnings through the pension, stock transfer agency, and real estate businesses. In addition, we seek to increase consolidated substantial gross business profit before credit costs by shifting from low-profit lending to product related and other high-profit lending to create a lean, profitable credit portfolio with stable profitability and achieve a turnaround and regrowth in income from banking business.
Wholesale Asset Management Business

The Wholesale Asset Management Business offers clients solutions unique to a trust bank for issues ranging from assets to liabilities, based on the diverse asset management and administration know-how that the SuMi TRUST Group has cultivated over the years.

Amid changes in the social structure such as a maturing economy, and an aging and declining population, “client-oriented asset management” has become an important role for financial institutions to play. The Wholesale Asset Management Business will leverage the diverse asset management and administration know-how cultivated by the Group in areas ranging from securities to real estate, private equity, aircraft, and various projects, to offer comprehensive services from proposals to product development and monitoring, mainly for financial and non-profit organizations facing asset management difficulties. In this way, we will help achieve optimal asset management for each of our clients.

In addition to asset management transactions, we build win-win relationships with our clients through property administration services (real estate, stock transfer agency, pensions, etc.) and alliance services (trust agencies, real estate solutions, etc.). We provide total solutions from assets to liabilities through our diverse functions in banking, asset management and administration, and real estate.

<table>
<thead>
<tr>
<th>Business Outline/Target Business Model</th>
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<tbody>
<tr>
<td>The SuMi TRUST Group</td>
</tr>
<tr>
<td>Know-how and functionality acquired as a trust bank</td>
</tr>
<tr>
<td>Investment/ Lending</td>
</tr>
<tr>
<td>Asset Management</td>
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<tr>
<td>Asset Administration</td>
</tr>
<tr>
<td>Real Estate</td>
</tr>
<tr>
<td>Global Markets</td>
</tr>
<tr>
<td>Consulting</td>
</tr>
<tr>
<td>Provide optimal asset management based on investors’ needs</td>
</tr>
<tr>
<td>Sourcing</td>
</tr>
<tr>
<td>Insight of numerous risk taking opportunities and asset classes</td>
</tr>
<tr>
<td>Arrangement</td>
</tr>
<tr>
<td>Utilize trust functions to modify the investment risk profile and structure so that it is acceptable to the investor</td>
</tr>
<tr>
<td>Support</td>
</tr>
<tr>
<td>Risk management and monitoring support</td>
</tr>
<tr>
<td>Follow up of asset custody status report, etc.</td>
</tr>
</tbody>
</table>

Offer comprehensive services from asset management proposals to product development and monitoring |

Clients

Provision of Asset Management and Administration Services responding to Clients’ Needs

- **Central financial institutions** (Insurers, National level cooperatives)
  - Provide bespoke products
  - Expansion of asset management method utilizing trust functions

- **Regional financial institutions** (Regional banks, Cooperatives)
  - Expansion of asset management by joint investment
  - Risk management and monitoring support

- **Non-profit organizations** (Schools, Religious institutions, Foundations)
  - Support risk asset management
  - Provide joint money trusts and structured deposits

Build win-win relationships with our clients through asset management as well as property administration services and alliance services

Provide total solutions from assets to liabilities through the best mix of our diverse functions in banking, asset management and administration, and real estate
In the Stock Transfer Agency Services Business, in light of demands for enhancement of initiatives to evolve from “Form” to “Substance” corporate governance reform focused on greater promotion of dialogue and provision of information between companies and institutional investors, as the “Best Partner” for clients, we provide a wide range of solutions to address the increasingly diverse and complex challenges of each company.

## Business Outline

Our Stock Transfer Agency Services Business works as an “agent of record for listed companies” provided for in the Companies Act and undertakes stock-related services on behalf of clients. We offer shareholder list management services that allow our clients to increase their administrative efficiency and rationalize their administration and various comprehensive consulting services as follows.

1) “Consulting services for matters related to stock and shareholders’ meetings” to support clients’ handling of stock-related matters through our abundant practical experience and advanced expertise
2) “IPO consulting services” to provide practical support for clients pursuing initial public offerings
3) "Consulting on investor and capital strategies" to support clients’ investor strategies, capital strategies, and public relations activities (IR/SR)
4) “Consulting on governance enhancement” to support clients’ efforts to enhance initiatives related to governance

### Consulting services for stock practices/general shareholders’ meeting practices

Providing fine-tuned consulting services for a variety of issues related to stocks and handling of shareholders’ meetings, including reorganization strategies, review of institutional design, and introduction of anti-takeover measures.

### IPO consulting services

Consulting for client corporations planning IPOs, on matters such as preparing shareholders’ registries, articles of incorporation and other company rules; capital increases, stock splits, and introduction of stock options; the schedule and required procedures leading up to the IPO; and handling of shareholders’ meetings after listing.

### Consulting services for investors/capital strategies

Providing solutions for various management issues in order to align the interests between management (officers) and investors (shareholders) in pursuit of enhanced corporate value.

### IR/SR consulting services

Providing services that take maximum advantage of the proprietary know-how and distinctive features as a stock transfer agent. Beneficial shareholder surveys to identify domestic and overseas institutional investors, provision of various types of information, as well as practical and effective support including overseas SR support and assistance with events for individual shareholders.

### Consulting services for enhancing governance

Providing various solutions for individual issues related to the Corporate Governance Code, such as consulting on officer compensation, support for evaluations of effectiveness of the Board of Directors, and consulting on integrated reporting.

### Affiliated companies

- Sumitomo Mitsui Trust TA Solution
- Japan Stockholders Data Service
- Administration and systems operations for the entire range of stock transfer agency services
- Undertaking administration of the shareholders’ registry, system development, and operations
Financial Results Summary

Net business profit before credit costs increased primarily due to an increase in the number of shareholders under administration and an increase in various consulting fees.

Net business profit before credit costs increased by ¥0.7 billion year on year to ¥16.2 billion on a non-consolidated basis*, and by ¥0.7 billion year on year to ¥17.1 billion on a consolidated basis**, due to an increase in recurring fees and commissions received due to an increase in the number of shareholders under administration, as well as an increase in various consulting fees.

*1 SuMi TRUST Bank (non-consolidated)
*2 SuMi TRUST Holdings (consolidated)

Financial Highlights

Listed companies under management: 1,533 (consolidated), 41% market share

New company listings by clients grew steadily amid an active IPO market, and new entrustments from existing listed companies were also strong. As a result, we are further expanding our client base, which is among the top in the industry.

Shareholders under administration: 25.22 million (consolidated), 44% market share

We have solidified our top position in the industry for the number of shareholders under administration, backed by steady expansion in the field of individual stock investment and listed companies focusing on measures to increase individual shareholders amid the trend “from savings to asset formation,” coupled with growth in the number of entrusted companies.
We seek to be our clients’ “Best Partner,” offering solutions from a cross-business perspective in response to management issues in investor and capital strategies, which are becoming increasingly important due to changes in the external environment, with the strong relationship we have cultivated as our clients’ “Best Partner” for stock-related matters.

The environment surrounding companies has changed considerably since the establishment of the Stewardship Code and the Corporate Governance Code, and client needs are expanding beyond stock-related matters and support for shareholders’ meetings to include enhancement of governance, ESG measures, and consulting on incentive compensation. Furthermore, clients are asking for stronger initiatives to evolve from “form” to “substance” corporate governance reform than in the past, and the related needs at each company are becoming diverse and complex.

The SuMi TRUST Group contributes to the further improvement of clients’ enterprise value and market value by providing optimal, high-quality solutions to management issues in investor and capital strategies, which are becoming increasingly important due to changes in the external environment.

In addition, we offer strong backup for the realization of IPOs through measures such as providing corporate and individual solutions for owner-managed companies as well as legal consulting services to clients pursuing IPOs from the preparation stage. We are also focusing on making a contribution to regional revitalization through cooperation with local financial institutions to support IPOs by regional companies. We intend to achieve the top share of entrustments from newly listed companies as a result of these initiatives.

By building further stronger relationships with our clients and establishing our position as their “Best Partner” through these activities, we will achieve sustainable expansion of our client base and an unshakeable status as the leading company in the stock transfer agency services market.

### Target Corporate Segment

<table>
<thead>
<tr>
<th>Solution Business</th>
<th>Stock Transfer Agency Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Differentiation through high value added services</td>
<td>Expand client base</td>
</tr>
<tr>
<td>Governance/Compensation consulting</td>
<td>Important client base for wholesale total solution services business</td>
</tr>
<tr>
<td>IR/SR consulting</td>
<td>Expand comprehensive transactions with early stage corporations</td>
</tr>
<tr>
<td>One-stop services for owner-managed companies, covering both corporate and individual needs</td>
<td>Further improvement of cost competitiveness</td>
</tr>
<tr>
<td>Improved profitability through offering high value added services</td>
<td>Additional cost reduction leveraging economies of scale/outsourcing</td>
</tr>
</tbody>
</table>
Profit Targets of Midterm Management Plan

While we are already No. 1 in the industry in terms of the number of shareholders under administration, we are also focusing on expanding our number and share of listed companies under management, with the aim of achieving the top position in the industry in terms of both shareholders and companies under management. We are also seeking to expand consulting fees by providing clients with solutions to management issues in investor and capital strategies. Moreover, through measures such as using FinTech to create systems related to routine administration, we will reduce costs by streamlining operations while continually increasing consolidated substantial gross business profit before credit costs.

Topics for Future Focus

Providing Solutions
The establishment of the Corporate Governance Code has prompted listed companies to aim for greater transparency in management from the perspective of investors, and the establishment of the Stewardship Code has led institutional investors to step up efforts to exercise voting rights in the interests of beneficiaries, through measures such as dialogue with companies.

Given these changes in the external environment, we recognize that the provision of governance enhancement measures and IR/SR services, which are focus areas of the SuMi TRUST Group, are becoming even more important, and we will further enhance our solutions for these issues as our clients’ “Best Partner.”

Against the backdrop of such trends among companies and institutional investors, studies are underway to examine revision of laws and regulations encouraging further promotion of dialogue and provision of information. The SuMi TRUST Group is carrying out verification and making proposals from various angles in order to put in place a structure that can fully address such reforms of the systems. As an industry leader, we will continue to provide optimal solutions for our clients, while contributing broadly to socio-economic development.

Publications
We strive to distribute a variety of information and publish books to allow those in management and those responsible for practical matters to deepen their understanding of stock-related matters and general meeting of shareholders.

We regularly publish the “News on Stock Transfer Agency Services,” which provides information concerning legal system reforms and practical business trends, and “Shoken Daiko Consulting Bucho no Me” (“Viewpoint of the General Manager of the Stock Transfer Agency Business Advisory Department”) on topics related to stock and general meeting of shareholders strategies that management personnel should know. In addition, we also issue a number of practical guides such as “Kabushiki Jitsumu/Kabunushi Soukai no Point 2017” (“Key points on stock-related matters and general meeting of shareholders 2017”), “Sugu Wakaru! Kabushiki Jitsumu no Point” (“Easy to understand key points on stock-related matters”), and “Kabushiki Jitsumu no Iroha” (“ABCs of stock-related matters”) (all edited by the Stock Transfer Agency Business Advisory Department of SuMi TRUST Bank), and the “Shokai/Kabushiki Jitsumu Gaido Bukku” (“Guidebook to stock-related matters: Detailed explanation”) (edited by Tokyo Securities Transfer Agent Co., Ltd.). We will continue striving to be recognized as the “Best Partner” of our clients by providing them with up-to-date information.
Our Real Estate Business has a large number of real estate specialists, such as real estate appraisers and first-class registered architects, providing a full line of services from brokerage to securitization and investment management in response to the real estate-related needs of a wide range of clients, including corporations, investors, and individuals in Japan and overseas.

**Solution Functions**

<table>
<thead>
<tr>
<th>Service Type</th>
<th>Function</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Real estate transaction services</strong></td>
<td>Buying and selling</td>
<td>Brokerage services for buying and selling real estate including offices, houses, hotels, commercial and distribution facilities, etc.</td>
</tr>
<tr>
<td><strong>Consulting</strong></td>
<td>Leasing</td>
<td>Brokerage services for leasing to tenants, including offices, commercial and distribution facilities, etc.</td>
</tr>
<tr>
<td><strong>CRE</strong></td>
<td>Advice related to CRE (corporate real estate), market research, gathering of necessary information and data, and services to support decision-making through various proposals</td>
<td></td>
</tr>
<tr>
<td><strong>Effective use</strong></td>
<td>Consulting services related to effective use of idle and unutilized/underutilized land</td>
<td></td>
</tr>
<tr>
<td><strong>Construction</strong></td>
<td>Consulting services related to building construction</td>
<td></td>
</tr>
<tr>
<td><strong>Environmentally friendly property</strong></td>
<td>Consulting services for environmentally friendly real estate development and building construction</td>
<td></td>
</tr>
<tr>
<td><strong>Securitization arrangement</strong></td>
<td>Arrangement of real estate securitization and creation of collective investment schemes</td>
<td></td>
</tr>
<tr>
<td><strong>Asset management</strong></td>
<td>Real estate fund management services</td>
<td></td>
</tr>
<tr>
<td><strong>Real estate securitization trusts</strong></td>
<td>Entrustment services for real estate trusts in real estate securitization, etc.</td>
<td></td>
</tr>
<tr>
<td><strong>Investment companies</strong></td>
<td>Asset storage, general administration (accounting administration, institutional operation, management services for investors’ registry)</td>
<td></td>
</tr>
<tr>
<td><strong>Real estate administration</strong></td>
<td>Real estate administration services using delegation of administration and administrative trusts</td>
<td></td>
</tr>
<tr>
<td><strong>Overseas real estate business</strong></td>
<td>Consulting on intermediation of overseas real estate, market research, and overseas expansion strategies, etc.</td>
<td></td>
</tr>
<tr>
<td><strong>Real estate market research</strong></td>
<td>Consulting on investment valuation and risk analysis regarding structured real estate finance products</td>
<td></td>
</tr>
</tbody>
</table>

**Structure for Providing Solutions**

**Corporate clients**

- **Tokyo metropolitan area:** Real Estate Business Dept., I-V
- **Chukyo area:** Real Estate Business Dept., Nagoya
- **Kinki area:** Real Estate Business Dept., Osaka
- **Other regions:** Real Estate Business Network Promotion Dept., Real Estate Sections of Branches

**Individual clients:** Sumitomo Mitsui Trust Realty

**Overseas clients:** Global Real Estate Business Planning and Promotion Dept.

**Various consulting services and solutions**

- Real Estate Business Solution Dept.
- Real Estate Advisory Dept.
- Real Estate Custody Business Dept.
- Real Estate Trust Business Dept.
- Real Estate Investment Business Dept.
- Sumitomo Mitsui Trust Real Estate Investment Management
- Sumitomo Mitsui Trust Research Institute

**Point of contact with client/brokerage solution**

- Akihiko Shirayama, Senior Managing Executive Officer, Executive Officer, SuMi TRUST Holdings, Officer in charge of Real Estate Business, SuMi TRUST Bank
- Tadao Umezawa, Executive Officer, SuMi TRUST Holdings, Officer in charge of Real Estate Business, SuMi TRUST Bank
**Financial Highlights**

*Net business profit before credit costs increased on higher brokerage revenue.*

In addition to higher real estate brokerage revenue from corporate clients, brokerage revenue from individual clients increased steadily. As a result, net business profit before credit costs increased by ¥4.4 billion year on year to ¥23.1 billion on a non-consolidated basis**, and by ¥5.1 billion year on year to ¥29.3 billion on a consolidated basis**.

**Financial Results Summary**

**Real Estate Transaction Services**

Gross business profit in the Real Estate Business reached ¥50.0 billion on a consolidated basis for the first time since management integration in 2011. This was primarily due to growth in brokerage fees at SuMi TRUST Bank and Sumitomo Mitsui Trust Realty.

**Real Estate Management and Administration Services**

Sumitomo Mitsui Trust Real Estate Investment Management undertakes management of private real estate funds. Sales of assets have been active in response to the recent rise in real estate prices, and the balance of assets under management has decreased slightly as a result.

**Real Estate Infrastructure Services**

Real estate securitization trusts and asset custody and general administration entrustments for investment companies are growing along with expansion of the REIT market, and we have secured the top place in Japan in terms of scale as a result.
**Target Business Model**

**To Be Our Clients’ “Best Partner”**

As the needs of clients are diversifying amid stronger calls for action on matters such as corporate governance and capital strategies, the needs regarding their real estate properties are becoming more complex.

The Real Estate Business will continue to work closely with clients as their “Best Partner” by providing real estate solutions to match the needs of clients according to their real estate management cycle.

By providing clients with total solutions that only a trust bank can offer, we contribute to improving corporate productivity and revitalizing the Japanese economy, while assisting regional revitalization through stronger cooperation with regional financial institutions.

Expanding Our Capacity to Provide Information and Further Developing Our Know-How

Based on their abundant experience and broad networks, SuMi TRUST Bank and Sumitomo Mitsui Trust Realty gather a wide range of information and provide solutions and information to suit client needs.

We will continue working to further expand our information volume and develop our know-how by cooperating with the Wholesale and Retail Total Solution Services Businesses and leveraging the marketing and planning functions of Sumitomo Mitsui Trust Research Institute, while making use of our networks with regional financial institutions and overseas financial companies, in order to continue providing optimal real estate solutions for our clients.

**Expanding capacity to provide information**

- Real estate information for clients through collaboration with other businesses
- Information on overseas institutional investors and wealthy clients
- Use of network with regional financial institutions and overseas financial companies

**Further developing know-how**

- Enhancing know-how using Sumitomo Mitsui Trust Research Institute
- Strengthening total solution capabilities through collaboration with other businesses
- Developing new solutions to suit client needs

**Providing total solutions to suit client needs**

(Examples)

- **Clients considering business reorganization**
  - Proposals to optimize asset portfolio and real estate administration
  - Providing information on business alliance partners and business real estate for overseas expansion

- **Individual clients who have received an inheritance**
  - Proposals for revision of asset portfolio including inherited assets
  - Proposals for effective use of inherited assets, asset succession trusts, etc.

- **Investor clients**
  - Providing marketing information related to real estate
  - Providing asset management and finance services
Profit Targets of Midterm Management Plan

We will enhance our system that swiftly provides one-stop solutions in line with our clients’ real estate management cycle, aiming for growth in flow-based income. We seek to expand consolidated substantial gross business profit before credit costs by strengthening our sales structure, including at consolidated subsidiaries, and achieving an increase mainly in brokerage fees.

Topics for Future Focus

Regional Revitalization Initiatives

Focusing on issues such as the aging population and declining birthrate and deterioration of public facilities, SuMi TRUST Bank engages in consulting on effective use, rebuilding, and selling with regard to underutilized land at national universities across Japan. We will continue to contribute to regional revitalization through use of PFI* in funding procurement and scheme arrangements that are available only from a trust bank.

* PFI (Private Finance Initiatives): Use of private funding, management methods, and technological capabilities to create social capital such as public facilities.

Environmentally Friendly Property Initiatives (Case Study: Shimane Bank New Head Office)

The new head office building for Shimane Bank, a project commenced around the 100th anniversary of its founding, has an energy-saving design and self-supporting systems for emergencies that bolster local disaster-response capabilities. A plank in the “GREEN BANK Shimain Project,” the building symbolizes the bank’s contribution to efforts to create a low-carbon regional economy and bolster local disaster preparedness.

To promote the introduction of environmentally friendly property, SuMi TRUST Bank provides consulting services on environmentally friendly construction where it advises on the installation of energy-saving systems in buildings, ways to take into account landscapes and ecosystems, extension of building lifespans, and adoption of recycling systems.
Fiduciary Services Business

In our Fiduciary Services Business, as a financial group specialized in trust banking, we leverage the asset management and asset administration functions that are the core competency of the trust business to provide high value added services as our clients’ “Best Partner.”

Business Outline

The Fiduciary Services Business is made up of three businesses: the pension business, the asset management business, and the asset administration business. Working with the SuMi TRUST Group as a whole, we provide client-oriented, high value-added services ranging from design of pension systems to management and administration.

While the SuMi TRUST Group’s balance of assets under management and assets under custody are both among the top levels in the industry, we strive to enhance our foundation as a financial group specialized in trust banking by seamlessly deploying our high-level expertise and know-how that are highly regarded by clients.

Pensions

As pension plan professionals, we propose optimal, tailor-made system designs for clients, including both defined-benefit (DB) corporate pension plans and defined-contribution (DC) pension plans.

Affiliated Companies

- Japan Pension Operation Service
  A company specializing in administration and computer systems for pension fund administration

Asset Management

We have a large number of experienced analysts and fund managers, whose significant expertise and comprehensive capabilities are brought together in our “asset management consulting & multiple products” to respond to the wide-ranging asset management needs of clients.

Affiliated Companies

- Sumitomo Mitsui Trust Asset Management
  The central asset management company of the SuMi TRUST Group
- Nikko Asset Management
  An asset management company that operates globally with a focus on Asia
- Sky Ocean Asset Management
  An asset management company established as a joint venture with the Bank of Yokohama, Bank of Kyoto, Gunma Bank and Tokyo TY Financial Group
- JP Asset Management
  An asset management company jointly established with Japan Post Bank, Japan Post, and Nomura Holdings
- Sumitomo Mitsui Trust International
  Central base of investment business for overseas investors

Asset Administration

Both in Japan and overseas, we provide a wide range of asset administration services, including the administration and settlement of securities in which clients have invested, the preparation of reports for clients regarding the status of asset management and custody, and securities lending.

Affiliated Companies

- Japan Trustee Services Bank
  A trust bank specializing in asset administration services
- Sumitomo Mitsui Trust Bank (U.S.A.)
  Central base for global custody services
- Sumitomo Mitsui Trust Bank (Luxembourg)
  Sub-custodian bank and European contact for Sumitomo Mitsui Trust Bank (U.S.A.)
- Sumitomo Mitsui Trust (UK)
  European base for global custody services
- Sumitomo Mitsui Trust (Ireland)
  Central base for foreign-domiciled fund administration operations
**Financial Highlights**

**Pensions**
Following the dissolution of company employees’ pension plans, entrustments of defined-contribution (DC) pension plans expanded as successor plans. The number of subscribers in our DC pension plans increased by approximately 430,000 in four years, among the highest in the industry. The quality of our investment education, online services, call centers, and other services is also highly regarded by clients.

**Asset Management**
With a balance of assets under management that has increased by approximately ¥17 trillion in five years, the SuMi TRUST Group boasts the No. 1 position among Japanese banking and securities groups. We are steadily increasing our balance by providing products to meet the diverse needs of various clients (pension funds, mutual aid associations, financial companies, retail clients, overseas investors, etc.) while leveraging the respective strengths of the asset management companies within the SuMi TRUST Group.

**Asset Administration**
Our balance of domestic assets under custody increased by approximately ¥47 trillion in four years, mainly in investment trusts which form the core of asset administration services. Our balance of overseas assets under custody increased by approximately $60.0 billion in four years due to continued enhancement of services for Japanese clients. Our balance of entrusted assets is growing steadily both in Japan and overseas.
As a leading financial group in Japan, we will lead the trend “from savings to asset formation” and contribute to “formation of the people’s assets,” “sustainable growth of Japan’s economy and corporations,” and “regional revitalization,” while pursuing profit expansion.

We will strengthen the asset management and asset administration functions that are the core competencies of our trust business with the aim of realizing our business model. We will expand active assets in asset management and pursue diversification of services in asset administration, while seeking to expand our balance of assets under management and custody, earnings and client base.

**Strengthening of Asset Management/Asset Administration Functions**
Profit Targets of Midterm Management Plan

We will pursue expansion of our client base, balance of assets under management, and earnings by promoting the following themes: “become the main bank for support of company welfare programs” by leveraging the strengths of the SuMi TRUST Group in seamlessly handling pension plans and asset management and administration; “become a multi-boutique asset management group” by taking advantage of the unique characteristics of the various asset management companies within the SuMi TRUST Group; and “evolve our asset administration business model” by providing diversified services and catering to outsourcing needs.

Topics for Future Focus

ESG Activities Aimed at Creating a Sustainable Society

SuMi TRUST Bank was awarded an outstanding prize in the Sustainable Finance Awards held by the Research Institute for Environmental Finance (RIEF), an organization that carries out activities to promote and raise awareness of environmental finance.

The award was given in recognition of SuMi TRUST Bank’s “global engagement activities based on international norms and rules.” In this initiative, the engagement with investees that is part of our ESG (environmental, social and governance) activities was put into practice on a global basis for the first time among Japanese financial institutions. SuMi TRUST Bank received the award for the second time, having been honored last year for our development of Japan’s first “ESG integration” methods.

SuMi TRUST Bank believes that finding solutions to ESG issues in order to create a sustainable society is linked to the interests of our clients, and will continue actively engaging with our investee companies regarding ESG. We will also make efforts to enhance our stewardship activities through measures such as establishing third-party committees and publishing the results of the exercise of voting rights.

Discussion of Management Integration of Trust Banks Specializing in Asset Administration

A basic agreement has been concluded among the major shareholders to start detailed review and discussion with a view to management integration of Japan Trustee Services Bank, Ltd. (JTSB) and Trust & Custody Services Bank, Ltd. (TCSB). By concentrating the management resources and know-how of both companies with regard to asset administration services, we aim to pursue economies of scale and realize stable and high-quality operations, and contribute to further development of the domestic securities settlement market and enhancement of the investment chain in Japan.

JTSB

- Shareholdings: SuMi TRUST Holdings (66.6%), Resona Bank (33.3%)
- Assets under custody: ¥294 trillion (Of which, trust assets are ¥244 trillion.)

TCSB

- Shareholdings: Mizuho Financial Group (54%), The Dai-ichi Life Insurance (16%), and others
- Assets under custody: ¥375 trillion (Of which, trust assets are ¥135 trillion.)
As experts in the management of market volatility, the Global Markets Business meets client needs for asset management and risk management regarding such matters as interest rate derivatives and foreign exchange related transactions by providing solutions through the structuring and marketing of market-based financial products.

Business Outline

In the Global Markets Business, our group of experts in the management of global financial market volatility draws on our domestic and overseas networks to provide optimal solutions for clients. Our Global Markets Business functions are broadly divided into client service functions, which undertake marketing operations and market-making operations; market functions, which handle investment operations and financial management operations; and administrative functions.

Outline of Products and Services

Client Service Functions
- Marketing Operations
  Making use of functions within the SuMi TRUST Group, we offer market-based financial products and solution services suited to client needs in a timely manner at a reasonable price.

- Market-Making Operations
  Our market-making operations are intermediary services to clients for various market-based transactions, including foreign exchange-related transactions and interest rate derivatives. We also work to supply high-quality, low-priced, market-based financial products by making full use of our financial technology.

Market Functions
- Investment Operations
  We invest in a wide variety of financial instruments such as global bonds, foreign exchange-related products, and stocks. To disperse risk and maximize profit, we categorize the investment business into three dimensions of investment assets, period and technology, and allocate them as intelligently as possible.

- Financial Management Operations
  We accurately control market risks in order to secure stable earnings from a group-wide perspective. We analyze market environments, measure the market risks faced by the SuMi TRUST Group, and plan and execute the necessary hedging operations (transactions to avoid or reduce risk.)

Administrative Functions

We provide high-quality administrative services to correctly process complex and large-volume administration and settlement of market-based transactions.

Business Model of Global Markets Business

[Diagram showing the relationship between Markets, Market transactions, The SuMi TRUST Group, Added value, and Clients]

Clients
- Retail
- Corporate
- Government
- Overseas
Financial Highlights

Net business profit before credit costs decreased due to sale of U.S. treasuries held for financial purposes.

Net business profit before credit costs decreased significantly year on year due to the sale of U.S. treasuries held for the purpose of stabilizing the economic value of securities overall, including strategic shareholdings. However, marketing operations, market-making operations, and investment operations performed strongly.

Financial Results Summary

Net business profit before credit costs decreased due to sale of U.S. treasuries held for financial purposes.

Net business profit before credit costs decreased significantly year on year due to the sale of U.S. treasuries held for the purpose of stabilizing the economic value of securities overall, including strategic shareholdings. However, marketing operations, market-making operations, and investment operations performed strongly.

Market Trend Highlights

Political risks emerged as factors in exchange rate fluctuations in fiscal 2016, including the U.K. referendum on leaving the European Union, and the presidential elections in the U.S. and in France.

The yen strengthened against the U.S. dollar during the first half of the fiscal year due to investor caution regarding these political risks. However, looking at the full year, the level remained mostly unchanged as expectations of a U.S. interest rate hike were mixed with concerns about a strong dollar in the wake of the new Trump administration in the U.S. The Nikkei Stock Average rose in anticipation of a boost to the U.S. economy from policies expected of the Trump administration such as major tax cuts and government spending. In addition, the fiscal year ended with long-term interest rates rising in Japan, the U.S., and Germany, including a large increase in U.S. interest rates.

Client Service Functions

- In marketing operations, amid an environment that remained challenging for asset management, provision of asset management products for domestic investors was strong, and foreign exchange transactions also became active during the period of yen depreciation that followed the results of the U.S. presidential election, which contributed to profit.
- In market-making operations, derivatives and foreign exchange transactions grew mainly due to an increase in sales of asset management products following the introduction of negative interest rates, and contributed to profit.

Market Functions

- In investment operations, we secured profit by capturing interest rate fluctuations in Japan and the U.S. arising from the launch of yield curve control by the Bank of Japan and the results of the U.S. presidential election.
- In financial management operations, we saw poor performance of U.S treasuries that were held for the purpose of reducing the risk of a drop in the share price of strategic shareholdings held by SuMi TRUST Bank in response to increasing uncertainty in the global economy, including the U.K.’s exit from the European Union. Meanwhile, through ALM that undertakes group-wide asset-liability management, we secured profit by strengthening our asset management capabilities using foreign exchange markets and accurately controlling risk, despite a headwind caused by the continuing negative interest rate environment in Japan and rising foreign currency funding costs.
Target Business Model

An Expert Group that Contributes to the Realization of “The Trust Bank” by Managing Market Volatility for All Clients Both Internal and External

The uncertainty surrounding the market is growing, due to factors including monetary policies of developed countries and economic trends in emerging countries, as well as the global political situation and geopolitical risks. Market risks also exist in clients’ asset holdings and balance sheets, and unforeseen gains and losses can occur as a result of market volatility. We will protect clients’ asset value by providing solutions to appropriately manage this volatility.

The solutions we offer our clients make use of all the volatility management know-how of our group of experts, including knowledge of marketing operations and market-making operations, as well as technologies such as market risk control backed by many years of experience in investment operations and financial management operations. We provide optimal solutions to our clients that make full use of our significant expertise and comprehensive capabilities, based on our client-oriented awareness and action rooted in the fiduciary spirit cultivated at the SuMi TRUST Group over the years.

Expanding the Scope of Use of Global Markets Business Know-How and Expertise

Among the financial assets held by our corporate clients, many of the products that have complicated mechanisms lack a declared value, etc. We provide “Ris-Navi (Risk Navigation)” in response to clients who expressed the wish to gain more detailed understanding of the actual status of assets in a timely and appropriate manner. Ris-Navi is a system developed using Global Markets Business expert knowledge in market risk analysis, which can perform risk management and analysis of financial instruments. By letting clients take advantage of Global Markets Business know-how through the use of Ris-Navi, we are working to expand the scope of use of such know-how.

Marketing operations
Market-making operations

Investment operations

Financial management operations

Market volatility
Defending clients’ asset value

Using know-how

Market volatility
Defending market value

Volatility of our profit
Defending financial value
Profit Targets of Midterm Management Plan

Our marketing operations and market-making operations seek steady growth through greater development of those functions which allow us to provide optimal solutions to clients. Our investment operations aim for more stable growth through the promotion of global investment strategy and risk dispersion.

In our financial management operations, we will strengthen risk control functions from a group-wide perspective, with the aim of profit expansion focusing on ALM.

Topics for Future Focus

Foreign Currency Deposits

Although foreign currency deposits are now in widespread use, the balance of foreign currency deposits in Japan still amounts to only a small percentage of yen deposits. However, in Japan, which depends on foreign countries for resources and food, the price of imports soars when the yen weakens significantly. From the perspective of protecting clients’ asset value (purchasing power), it is possible to offset the negative impact of inflated import prices by holding a certain amount of foreign currency deposits. We propose foreign currency deposits to clients as a tool to hedge their risks.

Enhancing Interest Risk Management for Mortgage Loans

Loans to individual clients are sometimes repaid in advance due to trends in market interest rates. Mortgage loans in particular require a high degree of interest risk management because the amounts are high and the terms are long. In light of the introduction of previously unseen monetary policies such as negative interest rates and yield curve control, we will steadily enhance our risk management in order to offer high-quality, low-priced mortgage loans to clients.

Management of Foreign Exchange Settlement Risk

There is a settlement risk in foreign exchange transactions stemming from the time difference between the countries whose currencies are being transacted, so that while yen is paid in Tokyo time, U.S. dollars are received in New York time. While we are promoting the global multi-currency settlement system in order to reduce foreign exchange settlement risk, we will further enhance our risk management in the future, and expand its scope to include foreign exchange transactions with trust accounts, etc.

Publications

In order to allow many people to deepen their understanding of financial markets and financial products, the Global Markets Business has issued The Financial Markets Forecasting Handbook for Investors (published by NHK Publishing, Inc.) and Derivatives: 333 Keywords (published by Kinzai Institute for Financial Affairs, Inc.).
Sustainability Initiatives in Our Business

The SuMi TRUST Group is working actively to develop financial products and services based on the concept of Creating Shared Value (CSV), whereby companies create social value by addressing society’s needs and challenges while simultaneously creating their own economic value.

When pursuing these sustainability businesses, it is important to verify the appropriateness of the social value we are providing.

The SuMi TRUST Group uses the relationship with SDGs (sustainable development goals) as one means of verification (See page 29).

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SuMi TRUST Bank is promoting the introduction of environmentally friendly construction consulting services, where we advise on the installation of energy-saving systems in buildings, ways to take into account landscapes and ecosystems, extension of building life spans, and adoption of recycling systems.

SuMi TRUST Bank is also promoting the adoption of renewable energy through project finance. Loans are increasing for large-scale offshore and onshore wind power generation overseas, and for mega-solar projects in Japan. The accumulated generation capacity of these projects is 4,154 MW, and annual power output has reached 7,637 GWh.

SuMi TRUST Bank has a range of wealth management services for clients with dementia and can develop solutions for individual needs. For example, the Guardianship System Support Trust protects from embezzlement the assets of those under the adult guardianship system, the Security Trust protects those with declining capacity for judgment against money transfer scams, and the Arishin Support Trust is designed so pre-specified arrangements to pay sums necessary to cover usage fees for a nursing home for the elderly can be made for those worried their capacity to manage their wealth will decline later in life.

SuMi TRUST Bank provides Environmental Rating Loans with Evaluation of Natural Capital Preservation, which embed the concept of evaluating impacts on natural capital and a company’s initiatives into the environmental rating evaluation process that assesses its environmental measures. This is the world’s first attempt to incorporate natural capital evaluation into loan criteria, and our efforts have been cited in government environmental white papers and European Commission reports as an example of leading-edge practice.

SuMi TRUST Bank supports the activities of the Association of National Trusts in Japan, donations to public-interest organizations carrying out social contributions activities, and is one of Japan’s standard-setting RI funds.

SuMi TRUST Bank launched Japan’s first responsible investment (RI) Fund aimed at corporate pension in 2003. Using the same RI approach, the SRI Japan Open (Good Company) mutual fund offered by Sumitomo Mitsui Trust Asset Management is marketed to a wide variety of investors, including individuals, and is now regarded as one of Japan’s standard-setting RI funds.

Summary of Sustainable Development Goals
- Goal 1: No poverty
- Goal 2: Zero hunger
- Goal 3: Good health and well-being
- Goal 4: Quality education
- Goal 5: Gender equality
- Goal 6: Clean water and sanitation
- Goal 7: Affordable and clean energy
- Goal 8: Decent work and economic growth
- Goal 9: Industry, innovation, and infrastructure
- Goal 10: Reduced inequalities
- Goal 11: Sustainable cities and communities
- Goal 12: Responsible consumption and production
- Goal 13: Climate action
- Goal 14: Life below water
- Goal 15: Life on land
- Goal 16: Peace and justice, strong institutions
- Goal 17: Partnerships for the goals
“FinTech,” a term coined from the words “finance” and “technology,” has been attracting attention as a new mechanism to provide financial services using the most recent technologies. The use of FinTech makes it possible to offer new services to our clients. The SuMi TRUST Group is pursuing FinTech initiatives focused on making maximum use of the strengths of each Group company, including SuMi TRUST Bank.

### FinTech Initiatives at SuMi TRUST Bank

SuMi TRUST Bank is propelling the introduction of FinTech technologies centered on its cross-divisional FinTech project teams. It is carrying out demonstration experiments for the introduction of FinTech technologies in the consulting and asset management and administration businesses that are strengths of SuMi TRUST Bank.

With regard to blockchain, SuMi TRUST Bank is engaged in investigation and study with a view to its application possibilities, including verification of the effectiveness of utilizing blockchain technology for the global custody account opening workflow and trust beneficiary rights securitization.

As for initiatives using AI (artificial intelligence), SuMi TRUST Bank is studying enhancement of consulting-based sales and of investment decision and management methods in asset management through the use of natural language analysis technologies, as well as streamlining of trust administration using AI and other technologies.

### FinTech Initiatives at SBI Sumishin Net Bank

SBI Sumishin Net Bank, an affiliated company of the SuMi TRUST Group, has successfully conducted Japan’s first blockchain demonstration experiment for core banking operations, and is also carrying out a demonstration experiment for the use of AI in cutting-edge screening methods in its loan business.

In addition, SBI Sumishin Net Bank is actively promoting API* connections for providing services to partner companies, and has begun offering the transfer linked function “Robo-advisor” (automated asset management service) using a reference-type API, and automated savings service using an update-type API, all of which are first for a Japanese bank.

In addition, SBI Sumishin Net Bank has launched “LENDING ONE,” a business loan service using big data from e-commerce transactions, with a view to linking innovations in the FinTech field not only to greater convenience for individual clients, but also to enhancement of enterprise value for corporate clients.

* API (Application Programming Interface) is a mechanism that makes specific functions and services provided by one system easily accessible from another system.
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, 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 supervises 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. expired on March 31, 2013. Even so, the SuMi TRUST Group will continue providing appropriate and proactive financial intermediary services to facilitate the business activities of SMEs and to help mortgage loan clients enjoy a stable lifestyle. 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 the Great East Japan Earthquake or the 2016 Kumamoto Earthquake, the SuMi TRUST Group endeavors to respond in a flexible and appropriate manner, taking into account each client’s circumstances.

In addition, SuMi TRUST Bank has a system under which it respects and abides by the “Guidelines for Management Guarantee.” The bank has reorganized its system for receiving inquiries related to the “Guidelines on Arrangement for Victims of Natural Disasters,” which was adopted in April 2016, and appropriately responds to clients’ 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-subsidiary 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. To this end we established DBSI - SuMi TRUST Japanese Business Services. It operates within PT Bank DBS Indonesia, which is a local subsidiary of DBS Bank Ltd., a major bank based in Singapore. In addition, SuMi TRUST Bank also joined in a partnership with Bank for Investment and Development of Vietnam, to enhance its financial services geared toward Japanese companies expanding into Asian countries.

2) Initiatives related to support for business succession

In April 2013, SuMi TRUST Bank consolidated branch support functions for services in inheritance, asset inheritance, and business succession in its Private Banking Department. We offer fine-tuned proposals and prompt information to meet the diverse asset inheritance and business succession needs of both our corporate and individual clients. In collaboration with an affiliate, Sumitomo Mitsui Trust Wealth Partners Co., Ltd., we provide tailor-made services for the needs of our company-owner and property-owner clients.

In addition, we have assigned a total of 249 financial consultants (as of April 1, 2017) to branches nationwide as an easily accessible channel for our company-owner clients to consult about inheritance and business succession concerns and challenges. Our financial consultants draw on the expertise they have accumulated through a rich, wide-ranging set of experiences to consult with clients from the perspectives of “inheritance/asset inheritance and business succession,” “asset management and asset administration” and other factors.

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 clients aware of SuMi TRUST Bank’s consulting function more broadly known among people who have never had dealings with a trust bank.

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.”

(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.
Materiality Management

Materiality (highest priority issues) refers to events that have a material impact on a company’s value creation process. The Sumitomo Mitsui Trust Group (the “SuMi TRUST Group”) promotes materiality management that identifies materiality issues to be addressed as priorities from a medium- to long-term viewpoint and dealt with at the top level of management.

Materiality is identified both in terms of impact on the Group’s medium- to long-term corporate value and the Group’s impact on society through its relationships with stakeholders. In the process, we consider themes related to our management foundation, including governance; social themes, including relationships with employees and the community; and environmental themes that are directly related to resource and energy problems. The Group therefore recognizes materiality and ESG (environmental, social and governance) as overlapping areas.

Materiality Map of the SuMi TRUST Group

Identify and manage high priority issues (materiality) which give impact to value creation process

Identified highest materiality issues

- Corporate Governance (see pages 60-65)
  - Stability of Financial System

- Risk Management and Resilience (See pages 66-73)
  - Personal Information and Client Data protection
  - Safety of Financial Products
  - Cyber Attacks
  - Consideration of environmental and social impact to investment destination and borrowers

- Compliance (See pages 74-75)
  - Consideration on fair transactions
  - Transactions with anti-social forces
  - Crime prevention

- Human Capital (See pages 76-80)

- Dialogue with Stakeholders (See page 81)

- Improvement of Client Satisfaction Level/Fiduciary Duties (See pages 24-27, pages 82-83)
Materiality Identification Process and Practice

The SuMi TRUST Group identified high materiality issues in 2015 and regards them as “environmental and social issues linked to sustainability the Board of Directors ought to address,” as prescribed in Article 3-4 of the Group’s Basic Policy on Corporate Governance. In addition to holding high-level discussions on these issues, we use them as a means of incorporating the investor’s perspective into the improvement of day-to-day operations by raising them in internal engagement themes.

Materiality issues are evaluated from the two perspectives of “impact on medium- to long-term corporate value” and “impact on stakeholders.” The former is evaluated by all external officers and related internal departments, and the latter by external officers and external experts.

We emphasize the views of ESG investors who pursue corporate value from a long-term perspective. Taking into consideration guidelines such as IIRC*1 and GRI*2, indicators from ESG research institutions, and risks unique to Japan, we select issues for identifying materiality.

The materiality evaluations produced in STEP 2 are plotted on the materiality map (scatter diagram), with the “degree of impact of each issue on the Group’s medium- to long-term corporate value” as the horizontal-axis and the “degree of the Group’s impact on society (stakeholders) via each issue” as the vertical-axis. Issues that fall into the highest materiality zone of the map are designated as the highest priority ESG issues at the Executive Committee, and then reported to the Board of Directors.

Internal Engagement

In internal engagement, the CSR Promotion Office of the Corporate Planning Department plays the role of “in-house quasi-investor” and engages in dialogue with departments responsible for matters relevant to high materiality issues. This creates an opportunity for departments which have little direct dialogue with external institutional investors and stakeholders to become aware of issues from the investor’s perspective and to examine specific measures to address these issues.

*1 IIRC: International Integrated Reporting Council
*2 GRI: Global Reporting Initiative

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**Materiality Identification Process and Practice**

- **STEP 1: Identify Materiality Issues**
  - We emphasize the views of ESG investors who pursue corporate value from a long-term perspective.
  - We consider guidelines such as IIRC*1 and GRI*2, indicators from ESG research institutions, and risks unique to Japan in selecting issues for identifying materiality.

- **STEP 2: Interview Stakeholders**
  - The materiality evaluations produced in STEP 2 are plotted on the materiality map (scatter diagram), with the “degree of impact of each issue on the Group’s medium- to long-term corporate value” as the horizontal-axis and the “degree of the Group’s impact on society (stakeholders) via each issue” as the vertical-axis. Issues that fall into the highest materiality zone of the map are designated as the highest priority ESG issues.

- **STEP 3: Draw Materiality Map**
  - The materiality evaluations produced in STEP 2 are plotted on the materiality map (scatter diagram), with the “degree of impact of each issue on the Group’s medium- to long-term corporate value” as the horizontal-axis and the “degree of the Group’s impact on society (stakeholders) via each issue” as the vertical-axis. Issues that fall into the highest materiality zone of the map are designated as the highest priority ESG issues.
In June 2017, the SuMi TRUST Group changed to become a “company with Three Committees,” with a view to developing a corporate governance system appropriate for a leading trust bank group which boasts the largest and highest status in Japan combining its banking, asset management and administration, and real estate businesses. With this change, the SuMi TRUST Group will further enhance the transparency and soundness of its management and accelerate its decision-making to ensure flexible adaptation to changes in business environment.

### Corporate Governance

#### 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. The Board of Directors

(1) Roles of the Board of Directors

The Board of Directors shall ensure fairness and transparency of the SuMi TRUST Group’s corporate management as its central role, by setting out the basic policy of managing the SuMi TRUST Group and supervising overall management of the Group.

Thus, except for matters which are required by law to be decided by the Board of Directors, the Board of Directors shall, in principle, delegate decisions on the execution of business to executive officers, and shall supervise the execution of business by executive officers, etc. Meanwhile, the Board of Directors shall provide and improve the environment where external directors may properly supervise the execution of business by the Board of Directors and the top management, and 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 medium-to long-term enhancement of the corporate value of the SuMi TRUST Group.

In light of the importance of environmental and social issues over sustainability, the Board of Directors shall prescribe basic policy regarding social responsibility to be implemented by each Group company (the “Sustainability Policy”). With the Sustainability Policy, the Board of Directors shall enhance awareness of its officers and employees, and promote positive efforts to resolve these issues by considering its stakeholders, in order to support the sustainable growth of society, and increase the corporate value of the SuMi TRUST Group.

Furthermore, the Board of Directors shall set policy on the provision of products and services suitable for the true benefit of clients (the “Policies regarding the Fiduciary Duties of the Sumitomo Mitsui Trust Group”), and shall act to ensure clients’ comfort and satisfaction by sharing our “client-orientation” policy within the SuMi TRUST Group, and shall promote 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 of SuMi TRUST Holdings shall have no more than 20 directors, which is the number of directors prescribed in the Articles of Incorporation, and it shall comprise such number of directors as shall be necessary and appropriate to provide an effective supervisory system, required of a financial holding company managing the business administration of the SuMi TRUST Group. However, due consideration shall also be given to securing diversity and professionalism of the Board of Directors in deciding such number.

In light of the importance of external directors’ functions in the corporate governance, SuMi TRUST Holdings shall operate the Board of Directors with at least one-third of directors being independent external directors, in principle. The Board of Directors shall establish and disclose Independence Standards of Independent Directors (the “Independence Standards”).

In deciding the candidates for directors, SuMi TRUST Holdings shall consider the balance between, among other things, individuals who can exert their strength in management of particular business fields, and individuals who are suitable for management administration, and strive to secure a board that is, as a whole, so balanced in terms of knowledge, experience, and capability; and so diversified that it is appropriate to properly supervise the wide business fields of SuMi TRUST Holdings as a trust bank group.

Composition of the Board of Directors

<table>
<thead>
<tr>
<th>SuMi TRUST Holdings</th>
<th>15 directors</th>
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<tr>
<td>Internal directors</td>
<td>8 directors</td>
</tr>
<tr>
<td>Executive directors</td>
<td>4 directors</td>
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<tr>
<td>Non-executive directors</td>
<td>11 directors</td>
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<tr>
<td>External directors*</td>
<td>7 directors</td>
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</table>

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

(3) Evaluation of the Board of Directors

SuMi TRUST Holdings conducts annual evaluation of the effectiveness of the Board of Directors as a whole, and reviews and implements remedial measures for the challenges derived therefrom, whereby a PDCA cycle is activated for improving the effectiveness of the Board of Directors.

For the purpose of evaluating the Board of Directors in fiscal year 2016, SuMi TRUST Holdings conducted a questionnaire for all directors and corporate auditors of SuMi TRUST Holdings over the issues of “composition of the Board of Directors/proposals for deliberation/time for deliberation, etc.,” “meeting materials/prior briefing, etc.,” and “management of the meeting proceeding/status of the board members’ expressing opinions, etc.” (Evaluation of the Board of Directors for fiscal year 2016 was conducted for corporate auditors as well as directors, as SuMi TRUST Holdings was a company with a Board of Corporate Auditors.)

In addition, after the above questionnaire, evaluation based on a third-party perspective was carried out, such as interviews conducted between an external expert and all external directors and external auditors of SuMi TRUST Holdings.

The Secretariat for the Board of Directors conducted analysis and assessment concerning the effectiveness of the Board of Directors, based on the results of the questionnaire and interviews, which were later reported at the Board of Directors meeting held in April 2017.
4. Committees

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

- Nominating Committee

The Nominating Committee shall determine the content of proposals regarding the election and dismissal of directors to be submitted to General Meeting of Shareholders, receive requests for consultation on the election and dismissal of executive officers including the President and the succession plan of management from the Board of Directors, and deliberate and makes reports on these. It shall also receive requests for consultation on the election and dismissal of directors and Audit & Supervisory Board Members from the Board of Directors of SuMi TRUST Bank, and deliberate and make reports on these. The Nominating Committee shall consist of three or more directors, and a majority of the members shall be independent external directors. The chairperson of the Nominating Committee shall be selected from among members who are independent external directors, and this position is served by Mr. Isao Matsushita for fiscal year 2017.

- Compensation Committee

The Compensation Committee shall prescribe policy on decisions on the content of remuneration for individual executive officers and directors, and decide the content of remuneration for individual executive officers and directors in accordance with this policy. It shall receive requests for consultation on policy on decisions on the content of remuneration for directors, etc. from the Board of Directors of SuMi TRUST Bank, and deliberate and make reports on these. The Compensation Committee shall consist of three or more directors, and a majority of the members shall be independent external directors. The chairperson of the Compensation Committee shall be selected from among members who are independent external directors, and this position is served by Mr. Isao Matsushita for fiscal year 2017.

- Audit Committee

The Audit Committee shall audit the execution of duties by executive officers and directors and shall prepare audit reports.
It shall determine the content of proposals regarding the election and dismissal of a financial auditor, and the refusal to reappoint a financial auditor, to be submitted to General Meeting of Shareholders, as well as appropriately exercise consent rights regarding decisions on remuneration of the financial auditor.

In order to fulfill its role and responsibility, the Audit Committee shall appropriately exercise its authority to investigate the status of business and the assets of companies belonging to the SuMi TRUST Group. It shall appropriately utilize the internal control system of the SuMi TRUST Group and systematically and efficiently conduct audits through hearing reports from executive officers, directors and a financial auditor, and shall communicate with these persons. The Audit Committee shall consist of three or more directors who do not concurrently serve as executive officers, and a majority of members shall be independent external directors. The chairperson of the Audit Committee shall, in principle, be selected from among members who are independent external directors, and this position is served by Mr. Shinichi Saito for fiscal year 2017.

- **Risk Committee**

The Risk Committee shall receive requests for consultation from the Board of Directors on (i) matters concerning the business environment surrounding the SuMi TRUST Group, top risks, and materiality, as well as (ii) matters concerning the management of its risk appetite framework, risk management, and monitoring the effectiveness of the internal control system related to compliance management of the SuMi TRUST Group, and other matters, and shall review the appropriateness, etc. of them, and make reports.

In principle, a majority of the members of the Risk Committee shall be independent external directors and independent external experts. The chairperson of the Risk Committee shall be selected from among members who have professional knowledge and expertise in the field concerned, and this position is served by independent external director Mr. Mikio Araki for fiscal year 2017.

- **Conflicts of Interest Committee**

The Conflicts of Interest Committee shall receive requests for consultation from the Board of Directors on (i) matters concerning the validity of the framework for managing conflicts of interest of the SuMi TRUST Group, (ii) matters concerning the effectiveness of conflict of interest management, management of client explanation, and management of client support and the enhancement of systems for management of these, (iii) matters concerning the policy on fiduciary duties of the SuMi TRUST Group and the action plans, etc. of each company, (iv) particularly important matters concerning dissemination of conflict of interest management and fiduciary duties in the SuMi TRUST Group, and other matters, and shall review the appropriateness, etc. of them, and make reports. In principle, a majority of the members of the Conflicts of Interest Committee shall be independent external directors and independent external experts. The chairperson of the Conflicts of Interest Committee shall be selected from among members who are independent external directors and who are external experts with professional knowledge and expertise in the field concerned, and this position is served by Mr. Hideki Kanda for fiscal year 2017, who is an external expert and independent external director of SuMi TRUST Bank.

### Members of the respective committees

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<tr>
<th>External Directors</th>
<th>Nominating</th>
<th>Compensation</th>
<th>Audit</th>
<th>Risk</th>
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<td>Isao Matsushita</td>
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<td>Soichi Shinohara</td>
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<td>Takeshi Suzuki</td>
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<td>Mikio Araki</td>
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<td>Takashi Yoshida</td>
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<td>Hiroko Kawamoto</td>
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<td>Hideki Kanda*</td>
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<td>Haruyuki Toyama*</td>
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<td>Toshinori Kurihara*</td>
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<td>Akiko Hosokawa*</td>
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<td>Tetsuo Ohkubo</td>
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<td>Masaru Hashimoto</td>
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<td>Yutaka Nishida</td>
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* Mr. Hideki Kanda is an external director of SuMi TRUST Bank. Mr. Haruyuki Toyama, Mr. Toshinori Kurihara, and Ms. Akiko Hosokawa are independent external experts.
Board of Directors and Executive Officers of Sumitomo Mitsui Trust Holdings, Inc.

(As of July 1, 2017)

Directors

Tetsuo Ohkubo, Director, President (Representative Executive Officer)

Mr. Tetsuo Ohkubo has been managing the Group’s overall management. Accordingly, Sumitomo Mitsui Trust Holdings has selected him as a Director.

Jiro Araumi, Director, Senior Managing Executive Officer (Representative Executive Officer)

Mr. Jiro Araumi has been in charge of the Corporate Management Sections as a Managing Executive Officer of Sumitomo Trust Holdings as well as serving as Deputy Officer in charge of fiduciary services businesses as a Managing Executive Officer of Sumitomo Trust Bank. Therefore, he has extensive knowledge and experience with regard to management administration and business operations of a trust bank group. Sumitomo Trust Holdings expects that, based on his experience accumulated thus far, he will play a leading role in achieving the sustainable growth of the Sumitomo Trust Group and the enhancement of the Group’s corporate value, in a position of assisting the Group’s overall management. Accordingly, Sumitomo Trust Holdings has selected him as a Director.

Toru Takakura, Director, Senior Managing Executive Officer (Representative Executive Officer)

Mr. Toru Takakura has been an Officer in charge of the Corporate Management Sections as a Managing Executive Officer of Sumitomo Trust Holdings as well as serving as Deputy Officer in charge of the Retail Services Business as a Director and Managing Executive Officer of Sumitomo Trust Bank. Therefore, he has extensive knowledge and experience with regard to management administration and business operations of a trust bank group. Sumitomo Trust Holdings expects that, based on his experience accumulated thus far, he will play a leading role in achieving the sustainable growth of the Sumitomo Trust Group and the enhancement of the Group’s corporate value, in a position of assisting the Group’s overall management. Accordingly, Sumitomo Trust Holdings has selected him as a Director.

Masaru Hashimoto, Director, Executive Officer

Mr. Masaru Hashimoto has served as an Officer in charge of the Corporate Management Sections of Sumitomo Trust Holdings, and from October 2016 to March 2017, served as Deputy President and Executive Officer; in a position of assisting the Group’s overall management. At Sumitomo Trust Bank, he took office as President since April 2017, and has been responsible for the overall management. Sumitomo Trust Holdings expects that he will play a leading role in achieving the sustainable growth of the Sumitomo Trust Group and the enhancement of the Group’s corporate value, in a position of conducting the Group’s overall management. Accordingly, Sumitomo Trust Holdings has selected him as a Director.

Kunitaro Kitamura, Director

Mr. Kunitaro Kitamura has served as the President of Sumitomo Trust Holdings for 5 years since April 2012, therefore, he has extensive knowledge and experience with regard to management administration and business operations of a trust bank group. Sumitomo Trust Holdings expects that, by using his experience accumulated thus far, he will continuously provide contribution to the sustainable growth of the Sumitomo Trust Group and the enhancement of the Group’s corporate value. Accordingly, Sumitomo Trust Holdings has selected him as a Director.

Hitoshi Tsunekage, Director

Mr. Hitoshi Tsunekage has served as the Chairman of Sumitomo Trust Holdings since April 2011 as well as serving as President of Sumitomo Trust Bank up to March 2017; therefore, he has extensive knowledge and experience with regard to the overall management of a trust bank group. Sumitomo Trust Holdings expects that, by using his experience accumulated thus far, he will continuously provide contribution to the sustainable growth of the Sumitomo Trust Group and the enhancement of the Group’s corporate value. Accordingly, Sumitomo Trust Holdings has selected him as a Director.

Hiroshi Misawa, Director

Mr. Hiroshi Misawa has served as President of Sumitomo Trust Bank up to March 2017; therefore, he has extensive knowledge and experience with regard to management administration and business operations. Also, he has served as Auditor of Sumitomo Trust Holdings since June 2016, and has accumulated knowledge and experience of auditing the overall status of execution of business from a fair and objective viewpoint; therefore, Sumitomo Trust Holdings expects that he will provide contribution to enhancement of soundness and transparency of the management. Accordingly, Sumitomo Trust Holdings has selected him as a Director.

Yasuyuki Yagi, Director

Mr. Yasuyuki Yagi has experience of serving as general manager of credit supervision department and president of a real estate lending company, and served as Executive Officer in charge of Kinki area as a Senior Managing Executive Officer of Sumitomo Trust Bank; therefore, he has extensive knowledge and experience with regard to business operations. Also, he has served as Auditor of Sumitomo Trust Holdings since June 2016, and has accumulated knowledge and experience of auditing the overall status of execution of business from a fair and objective viewpoint; therefore, Sumitomo Trust Holdings expects that he will provide contribution to enhancement of soundness and transparency of the management. Accordingly, Sumitomo Trust Holdings has selected him as a Director.

Hitoshi Shinohara, Director (External)

Being an economist specializing in international economics and macroeconomics, Mr. Hitoshi Shinohara has extensive knowledge and deep insight in relation to domestic and foreign economics. He has provided comments and advice based on such experience during his term of office as an external director of Sumitomo Trust Holdings. Sumitomo Trust Holdings has selected him as an external director, in order to continue to make full use of his knowledge and insight in its management.
Mr. Takeshi Suzuki has extensive experience and knowledge in the field of accounting, finance, affiliated company management, etc., as the former Senior Managing Director of Toyota Motor Corporation, which is a leading global company in Japan. After retiring from the office of the Senior Managing Director of Toyota Motor Corporation, he has been involved in the management of companies operating finance-related businesses; he has served as the Representative Director and President of Toyota Financial Services Corporation and the Representative Director and Chairman of Aioi Nissay Dowa Insurance Co., Ltd. He has provided comments and advice based on such experience, mainly at board meetings, during his term of office as an external director of SuMi TRUST Holdings. In order to continue to make full use of his knowledge and insight, SuMi TRUST Holdings has selected him as an external director.

Mr. Mikio Araki has extensive experience in bank management and policy-based finance, etc., as the former Representative Director and Vice President of Development Bank of Japan Inc., and has extensive knowledge on domestic and foreign financial and economic circumstances as the President of the Japan Economic Research Institute. He has provided comments and advice based on such experience, mainly at board meetings, during his term of office as an external director of SuMi TRUST Holdings. In order to continue to make full use of his knowledge and insight, SuMi TRUST Holdings has selected him as an external director.

Mr. Tsuyoshi Saito has extensive knowledge and experience in financial accounting as the former Finance Director of Marubeni Corporation. In addition to engaging in management at an investment company, he also has deep insight as a company executive. He has provided comments and advice based on such experience during his term of office as a corporate auditor of SuMi TRUST Holdings since June 2013. In order to continue to make full use of his knowledge and insight, SuMi TRUST Holdings has selected him as an external director.

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, he had been engaged in management as the Representative Partner or Managing Director of an audit firm and also has global knowledge based on overseas work experience. Since he became a corporate auditor of SuMi TRUST Holdings in June 2016, he has provided comments and advice based on such experience during his term of office. In order to continue to make full use of his knowledge and insight, SuMi TRUST Holdings has selected him as an external director.

Mr. Hiroko Kawamoto served as a Director and Senior Executive Officer in All Nippon Airways Co., Ltd., and was responsible for the overall management of the company and promotion of women’s activities. In addition, since June 2016, she has been an external director of SuMi TRUST Bank. She has provided comments and advice based on such experience during her term of office as an external director of SuMi TRUST Bank. In order to continue to make full use of her knowledge and insight, SuMi TRUST Holdings has selected her as an external director.

*1 External director as prescribed in Article 2, item 15 of the Companies Act. Executive officers are defined in the Companies Act.

*2 Executive Officers as defined in our internal policy; unless otherwise annotated, Executive Officers are defined in the Companies Act.
Risk Appetite Framework (RAF)

1. Positioning of Risk Appetite Framework

The Risk Appetite Framework (RAF) is a group-wide business management framework made up of the process for deciding the types and levels of risk that SuMi TRUST Holdings is willing to take, within its risk capacity, in order to achieve its 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 both strengthen profitability and enhance risk management, and promotes the realization of those goals through environmental assumptions and risk awareness, and increasing the transparency of risk-taking through the setting, communication, and oversight of risk appetite, appropriate allocation of management resources, and monitoring of operational status.

2. Operation of Risk Appetite

Deciding Risk Appetite

The Group’s risk appetite is decided in accordance with the management plans, based on management strategies and verification through stress tests.

The Group reviews risk appetite as needed, at least once a year.

In setting risk appetite, the Group identifies the main 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 of the deviation, and then takes countermeasures or revises the levels.

Risk Governance

Risk governance, which forms part of corporate governance, is a system to identify, measure, manage and control risks by clarifying and monitoring risk appetite and risk limit.

We promote the enhancement of risk governance, aiming for the sound development of the Group.

SuMi TRUST Holdings strives to enhance operation of risk appetite through measures such as establishing the Risk Committee and the Conflicts of Interest Committee as part of its initiatives to enhance corporate governance which include the transition to a “company with Three Committees.”

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 organization, as well as officers and employees, that flexibly carries out risk-taking, risk management, and risk control based on an appropriate assessment of risks, guided by a high degree of self-discipline rooted in the fiduciary spirit.

In order to foster a risk culture that takes root across the Group, we are endeavoring to share and disseminate knowledge of risk culture within the Group through 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 Risk Appetite Framework

- Social role
- Risk culture
- Management policies / management strategies
- Business characteristics / risk characteristics / risk governance
- Environmental assumptions / risk awareness
- Management plans, etc.
- Risks taken willingly
- Risks not taken
- Stress tests
- Risk capacity / risk appetite / risk limit
- Internal control system

Risk Appetite Framework Operating System

**Supervision**

- **Board of Directors**
  - Deciding RAS and basic matters related to RAF
  - Supervising execution of business based on relevant decisions
- **Audit Committee**
  - Auditing business execution based on basic matters related to RAF
- **Risk Committee**
  - Deliberating matters related to RAF and making recommendations to the Board of Directors
  - Deliberating status of operation and execution related to RAF
- **Conflicts of Interest Committee**
  - Verifying appropriateness of conflict of interest management framework and making recommendations to the Board of Directors

**Execution**

- **Executive Committee**
  - Drafting RAS and basic matters related to RAF
  - Enhancing RAF and executing business based on RAF
- **Business Risk Management Committee**
  - Monitoring operating status of RAF
  - Enhancing RAF and promoting business execution based on RAF
- **Conflict of Interest Management Enhancement Committee**
  - Developing and strengthening conflict of interest management framework and checking implementation status
SuMi TRUST Holdings has adopted a risk management system based on the Three Lines of Defense model, in order to carry out risk-taking with the aim of achieving the profit plans of each business based on group-wide business strategies, while making appropriate revisions to the business model according to changes in the risk situation and implementing measures to handle emergencies.

The Three Lines of Defense comprise the following three elements.

(1) First Line of Defense (Risk-taking, Risk Control)
- Each business identifies and gains an understanding of the risks involved in carrying out its own business, based on knowledge of 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 (Risk Governance)
- Each business management department serving as a risk management-related department identifies and evaluates group-wide risks in accordance with the group-wide risk management policy determined by the Board of Directors, creates a risk management process, and sets risk limits. The second line of defense formulates group-wide recovery strategies in advance for when risks materialize.
- The risk management-related departments monitor the status of compliance with risk limits during the fiscal year, and report to management.
- The risk management-related departments act as a restraint function for the risk-taking of the first line of defense, and supervise and direct the risk management system.

(3) Third Line of Defense (Risk Assurance)
- Internal Audit Department verifies the effectiveness and appropriateness of the group-wide risk governance system and processes from an independent standpoint.

Under this system, each line is monitored and controlled by higher-level bodies, including various committees, the Executive Committee, and the Board of Directors.

### Composition of Each Line

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Management</td>
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<tr>
<td>Senior managers</td>
<td>Senior managers</td>
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<tr>
<td>Front offices of</td>
<td>Each corporate</td>
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<td>each business, sales,</td>
<td>management department</td>
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<td>investments and loans</td>
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<tr>
<td>Management</td>
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<tr>
<td>Executive Committee</td>
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<tr>
<td>Credit Risk Committee</td>
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<td>Internal Auditing</td>
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<td>ALM Committee</td>
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<tr>
<td>Operational Risk</td>
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<td>External Auditing</td>
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<tr>
<td>Management Committee</td>
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<td>Board of Directors</td>
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<td>Managers/</td>
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<td>Businesses</td>
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<td>Senior managers</td>
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<td>(Officers in charge,</td>
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<td>general managers, etc.)</td>
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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 establishing a statutory Audit Committee (chaired by an external director).

2) Functions and Roles

Internal Audit Department of SuMi TRUST Holdings formulates an internal audit plan, taking into account the basic policy on internal audits, including 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 Director, 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, Internal Audit Department of SuMi TRUST Holdings, as the department supervising the Group’s internal auditing, approves the internal audit plans of Group companies after confirming their conformity with the basic policy, and 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 of all Group companies. 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 of each company after consultation with the holding company. Results of internal audits are reported without delay to the president and to the holding company. Analysis results of internal audits, including those of Group companies, are also reported regularly to the Board of Directors and the holding company.
## Risk Management

### 1. Basic Initiative Policy

As the trust bank group which boasts the largest scale and the highest status in Japan, the SuMi TRUST Group regards the development of a risk management system suited to the characteristics of its operations and environmental changes as one of the most important management issues it faces. Accordingly, the SuMi TRUST Group is making constant efforts to enhance and advance its risk management, which forms the basis of operations that support business expansion and sustainable growth of the SuMi TRUST Group.

### 2. Risk Management Structure

The roles and responsibilities of the management structure and principal departments related to risk management are as follows.

1) **Board of Directors**

   Clarifies the SuMi TRUST Group’s management policy and strategic goals, formulates the risk management policy based on the strategic goals, supervises development of an appropriate risk management system, and implements appropriate measures to raise awareness of the risk management policy throughout the SuMi TRUST Group.

2) **Directors, Officers in Charge**

   Directors are fully aware of the importance of risk management, and officers in charge of risk management-related departments consider policies and specific measures for developing and establishing a proper risk management system.

3) **Risk Management-related Departments**

   Accurately recognize risk status, and conduct appropriate management and operations regarding risks, through a series of activities which include risk identification, assessment, monitoring, control and reduction.

4) **Internal Audit Department**

   Verifies the appropriateness and effectiveness of the risk management system as a department independent of business execution.

### Risk Management Structure

<table>
<thead>
<tr>
<th>Risk Management-related Departments</th>
<th>Risk Categories</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sumitomo Mitsui Trust Holdings</td>
<td>Credit Risk</td>
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<tr>
<td></td>
<td>Market Risk</td>
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<tr>
<td></td>
<td>Funding Liquidity Risk</td>
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<td>Operational Risk</td>
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<td></td>
<td>Business Processing Risk</td>
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<td>System Risk</td>
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<td>Information Security Risk</td>
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<td>Human Resource Risk</td>
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<td>Event Risk</td>
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<td>Reputational Risk</td>
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<tr>
<td></td>
<td>Legal &amp; Compliance Risk</td>
</tr>
</tbody>
</table>

### Executive Body

- **Supervisory Body**
  - Statutory Committees
    - Nominating Committee
    - Compensation Committee
    - Audit Committee
  - Voluntary Committees
    - Risk Committee
    - Conflicts of Interest Committee

### Internal Audit Department

- **Supervise**
  - Business Risk Management Committee
  - IT Committee
  - Conflict of Interest Management Enhancement Committee

### Risk Management Department

- **Risk management department**
  - IT & Business Process Planning Dept.
  - IT & Business Process Planning Dept.
  - Human Resources Dept.
  - Corporate Administration Dept.
  - Legal Dept. / Compliance Dept.

### General Meeting of Shareholders

### Executive Committee

- **Supervise**
  - Business Risk Management Committee
  - IT Committee
  - Conflict of Interest Management Enhancement Committee

### Supervision & Guidance

- **Consultation & Reporting**
  - SuMi TRUST Bank
  - Other Group Companies
3. Outline of Initiatives

(1) Risk Categories
The SuMi TRUST Group classifies risk categories by the cause of risks faced by the entire group in business operations into “credit risk,” “market risk,” “funding liquidity risk,” and “operational risk.” It manages these risks according to the characteristics of respective risks.

(2) Risk Management Methods
The SuMi TRUST Group has established a department to supervise the overall group risk management and monitor the risk status of the entire group, and has designated other risk management-related departments to supervise risk management for each risk category. These departments provide appropriate supervision and guidance to the SuMi TRUST Group companies as needed.

The SuMi TRUST Group has also established the Risk Management Rules covering the basic points of risk management for the entire group. It has clarified the authority and organizational structure so that it can appropriately perform a series of activities, which include risk identification, assessment, monitoring, control and reduction. The SuMi TRUST Group has also created risk management policies and plans (the risk management plan and the risk capital allocation plan).

The SuMi TRUST Group companies develop appropriate risk management systems suited to the characteristics of their own operations and risks, based on our policy concerning risk management.

### Risk Categories

<table>
<thead>
<tr>
<th>Risk Category</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit Risk</td>
<td>Risk that the Group incurs losses due to the value of an asset (including off-balance sheet assets) decreasing or impairing owing to such reasons as deterioration in the financial condition of an obligor. Of this, “country risk” in particular means risk that the Group incurs losses on credit provided overseas, due to foreign exchange, political and economic conditions of the country of the obligor.</td>
</tr>
<tr>
<td>Market Risk</td>
<td>Risk that the Group incurs 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. Of this, “market liquidity risk” in particular means risk that the Group incurs losses caused in a situation where it becomes impossible to conduct transactions in the market or becomes obligatory to trade at prices significantly disadvantageous than usual due to market turmoil.</td>
</tr>
<tr>
<td>Funding Liquidity Risk</td>
<td>Risk that the Group incurs 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.</td>
</tr>
<tr>
<td>Operational Risk</td>
<td>Risk that the Group incurs losses resulting from inadequate or failed internal processes, people and systems or from external events.</td>
</tr>
<tr>
<td>Business Processing Risk</td>
<td>Risk that the Group incurs losses due to inappropriate business procedures arising from executives or employees neglecting to engage in proper business activities, or other incidents such as accident or fraud.</td>
</tr>
<tr>
<td>System Risk</td>
<td>Risk that the Group incurs losses due to such reasons as computer system failure, malfunction and defects, as well as the risk that the Group incurs losses due to unauthorized use of a computer.</td>
</tr>
<tr>
<td>Information Security Risk</td>
<td>Risk that the Group incurs losses because information assets are not properly maintained or managed. This includes information leaks, incorrect information, an inability to use the information system or misuse of information.</td>
</tr>
<tr>
<td>Legal &amp; Compliance Risk</td>
<td>Risk that the Group incurs losses due to uncertain legal aspects of transactions, or due to insufficient compliance with laws, regulations, etc.</td>
</tr>
<tr>
<td>Human Resource Risk</td>
<td>Risk that the Group incurs losses due to personnel and labor management issues, such as unequal or unfair management of personnel and harassment.</td>
</tr>
<tr>
<td>Event Risk</td>
<td>Risk that the Group incurs losses due to external events that impair business, such as natural disasters, crimes such as terrorism, damage to public infrastructure that prevents its functioning, the spread of infectious diseases, and the inappropriate use or management of tangible assets.</td>
</tr>
<tr>
<td>Reputational Risk</td>
<td>Risk that the Group incurs losses as a result of deterioration in reputation for SuMi TRUST Holdings or its subsidiaries, owing to such reasons as mass media reports, rumors or speculation.</td>
</tr>
</tbody>
</table>
(3) Enterprise Risk Management
The SuMi TRUST Group has established an enterprise risk management process to serve as a framework for risk management to secure sound management by keeping risks within the limits of the SuMi TRUST Group’s overall financial strength. Specifically, it employs risk capital allocation operations and conducts scenario analysis and others; executes appropriate management to improve corporate value through optimization of risk-return performance and assessment of capital adequacy levels based on the basic policy formulated by the Group; and reports on these to the Board of Directors and others on a regular basis.

1) Risk Capital Allocation Operations
The SuMi TRUST Group assesses capital adequacy levels in consideration of the external environment, risk-return performance status, strategic targets and the results of its scenario analysis, and allocates capital of the SuMi TRUST Group to each Group company.

2) Scenario Analysis
When formulating management plans, the SuMi TRUST Group conducts scenario analysis under the risk capital allocation plan and the capital adequacy ratio plan, and utilizes the result for purposes including assessment of capital adequacy levels and development of countermeasures against the occurrence of the risks (contingency plan).

(4) Crisis Management System
The SuMi TRUST Group has developed contingency plans in order to swiftly implement emergency response measures when a crisis occurs, such as natural disasters, computer system breakdowns, and outbreaks of new infectious diseases. Moreover, regarding important business operations, such as financial settlement, we have developed systems to continue business, including BCPs (business continuity plans) and back-up offices. In order to ensure the effectiveness of such systems, we periodically conduct exercises and revise our BCPs.

When the crisis is serious and its impact is extensive, causing significant disruptions to the normal business operations of the Group and making it necessary to urgently make comprehensive and high-level management judgment, the Group will establish a joint emergency response headquarters headed by the presidents of both SuMi TRUST Holdings and SuMi TRUST Bank to swiftly implement emergency response measures.

(5) Response to Threat of Cyber Attacks
The threat of cyber attacks and the damage they can inflict are growing both in Japan and overseas. To protect the precious assets of our clients from attacks, the SuMi TRUST Group monitors the computer systems of SuMi TRUST Bank around the clock. In addition, SuMi TRUST Holdings has established SuMiTRUST-CSIRT as an internal organization for gathering information, conducting analysis and implementing measures relating to cyber attacks, and coordinates with outside expert organizations to strengthen its management system.

(6) Systems for Introducing New Products and New Operations
When starting to handle new products or when engaging in new operations, it is necessary to develop various systems in order to continue offering products and services, including determining in advance whether there are any inherent risks and identifying their type, evaluating and managing such risks, and providing explanatory materials and methods to clients. To that end, we have developed a product examination system. In the product examination process, multiple departments carry out verification from various angles, with emphasis on introducing products and services that will earn the trust of clients. We also conduct verification through regular monitoring after the product has been introduced.

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Product Examination Process

1) Product examination request
2) Product examination referral
3) Notification of examination results

Departments in charge of risk checks:
- Fiduciary Duties Planning and Promotion Dept.,
- Customer Satisfaction Promotion Dept.,
- Legal Dept.,
- IT & Business Process Planning Dept.,
- Planning and Coordination Dept.,
- Financial Planning Dept., etc.

Product Examination Committee
- Held jointly when necessary to consider merchantability and perspective of conflicts of interest
4. Environmental and Social Considerations in Investments and Loans

The SuMi TRUST Group identifies “consideration of environmental and social impact of investment and financing targets” as one of its most important materiality issues in relation to sustainability.

We believe it is our responsibility as a sound financial institution to avert or mitigate the Group’s risks by considering the environmental and social impacts caused by the activities of those that we invest in or lend to.

Environmental and Social Considerations in Project Finance

Equator Principles

SuMi TRUST Bank is a signatory to the Equator Principles, a set of international guidelines for private financial institutions that requires project proponents to give due consideration to the impact on the natural environment and the regional community when approving project finance.

When making decisions on loans, we review the environmental and social impact of the project based on its environmental and social risks, the country where it is sited, and the type of industry, and conduct a comprehensive risk assessment.

Since it became a signatory in February 2016, SuMi TRUST Bank has implemented 21 projects subject to the Equator Principles as of March 2017.

Equator Principles Operational Structure

Three Pillars of Stewardship Activities

Initiatives Aimed at ESG Topics in Stewardship Activities

Engagement

Analysts seek to raise awareness on ways to improve management by offering opinions to investee companies.

ESG Integration

Analysts evaluate investee companies based on dialogue with management-level personnel at the companies and non-financial information obtained from industry analysis and other means. These evaluations are used for investment purposes.

Exercising Proxy Votes

Exercising proxy votes is one way or means to send a message to management about the state of governance.
Compliance

1. Basic Initiative Policy

Compliance means conforming to social norms. Achieving compliance is naturally a basic principle for the SuMi TRUST Group, and executives and each individual employee must solidly practice compliance in our daily operations. The SuMi TRUST Group has established specific compliance standards in the Compliance Rules. A checking system and promotion system are also developed, so the Group complies with these and carries out sincere and fair company activities.

2. Group Compliance System

The SuMi TRUST Group positions supervision of the entire Group’s compliance system as one of its most important functions. SuMi TRUST Holdings’ Compliance Rules establish standards which directors, officers and employees must follow. For specific practice plans in various measures on compliance, a Compliance Program is made each fiscal year, and progress status is periodically assessed.

3. Initiatives to Foster Compliance Awareness

In order to foster compliance awareness throughout the SuMi TRUST Group, a Compliance Manual has been created for SuMi TRUST Holdings and each Group company, and employees are thoroughly informed about laws and regulations as well as various rules and items which must be followed. The Group is also enhancing training courses including a course for rules to strictly comply with insider trading regulations, and each company’s compliance department has primary responsibility for providing training as to group-wide compliance themes.
4. Hotline System

In order to promptly and appropriately cope with any legal violation, the SuMi TRUST Group has established a compliance hotline system through which all directors, officers and employees can directly report violations to the Compliance Department and an external attorney’s office, without having to go through regular reporting channels. This hotline system enforces rigorous control of information and protection of privacy to ensure protection of whistleblowers, and forbids their adverse treatment.

5. Response to Antisocial Forces

The SuMi TRUST Group has declared, both internally and externally, its resolute stance against antisocial forces in its Codes of Conduct (“Value”) and various other codes. We have established a system for conducting checks in all types of transactions in order to prevent transactions by antisocial forces. We have also incorporated a clause to exclude organized crime in the provision of our loan and deposit contracts. This clause deters antisocial forces from initiating transactions with us. The measure gives us the legal grounds to dissolve contracts, once the presence of antisocial forces is detected, after the commencement of transactions. If the counterparty in a transaction is shown to be an antisocial force after the commencement of a transaction, we have developed a framework that allows us to take measures in close coordination with police and other external expert organizations for the eventual cancellation of such a transaction. In addition, in order to strengthen awareness about and systems to deal with antisocial forces, in fiscal year 2016, SuMi TRUST Bank provided all directors, officers and employees with training for the prevention of transactions with antisocial forces.

6. Prevention of Money Laundering

In order to prevent money laundering, etc., the SuMi TRUST Group conducts checks on personal identification items, such as name and address, as well as client management items, such as transaction purpose and occupation, when starting continuous business relationships, when conducting large-lot cash transactions, or when conducting transactions with persons who reside or stay in specified countries. In addition, when they come across transactions suspected to be related to money obtained illegally or terrorist financing, employees immediately report to the person in charge, who notifies the relevant authorities. Moreover, SuMi TRUST Bank has adopted an anti-money laundering (AML) system, which verifies whether any illicit transfers between accounts have taken place. SuMi TRUST Bank obligates employees at relevant branches and departments to periodically receive training concerning prevention of money laundering, etc. In fiscal year 2016, SuMi TRUST Bank provided all directors, officers and employees with training for the prevention of transactions with antisocial forces.

7. Other Initiatives

The SuMi TRUST Group prevents insider trading and other wrongdoing by strictly managing insider information that may be obtained during the execution of job duties. Specifically, the “Rules on Insider Information Management” obligates employees to immediately report to their supervisors when they have obtained information that may constitute insider information. In addition, head office departments of SuMi TRUST Bank gather information on legal revisions and report them to the Compliance Department. The Department centrally manages information on the revisions, and instructs and manages the related departments to respond to them in an appropriate manner. Furthermore, the SuMi TRUST Group has set forth rules to be followed by directors, officers and employees for the prevention of bribery, etc., in the Compliance Rules.
Human Resources Strategy

Human resources are the most valuable resource of financial institutions. The SuMi TRUST Group endeavors to educate employees in human rights so that individuality is respected and they will not be subject to discrimination based on age, gender, nationality, etc. It also aims to increase corporate value by fostering a pool of human resources that can devise total solutions using all-around capabilities and well-developed expertise that fully draw on their individual uniqueness and creativity to create added value for the organization. SuMi TRUST Holdings and SuMi TRUST Bank have presented a map leading to the increase of corporate value, and have set KPIs for individual activities according to which they measure the status of implementation of the activities. Additionally, in fiscal year 2017, the presidents of both SuMi TRUST Holdings and SuMi TRUST Bank made a declaration on work style reform, and will provide value to each and every employee.

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**Increase Corporate Value**

**Fair Evaluations and Treatment**

**Highly Capable Human Capital**

**Bolster Human Resources**
- Foster human resources
- Foster next-generation leaders
- Global perspective
- Diversity & inclusion

**Maintaining Workplace Environments**
- Appropriate work management
- Optimize work styles
- Employee health
- Prevent labor affairs problems

**Stimulate Communication**
- Cultivating a climate of learning
- Employee awareness surveys
- “The Trust Bank” discussion

**Personnel System**

**Operational Principles**

**Basic Policy for Personnel Affairs Management**

The SuMi TRUST Group provides a workplace in which individuals’ diversity and creativity are fully utilized as value-added to the organization and they can have dreams and pride and feel a sense of satisfaction when working. It also forms a group of personnel capable of providing total solutions by making full use of their advanced expertise and comprehensive capabilities and helps them to make successful achievements.

**The SuMi TRUST Group’s Human Rights Policy**

**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 a sense of satisfaction in their work**

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.

**Enhancement of Human Resources Strategy in Stages**

- **Initiatives aimed at being the No. 1 financial group in human resources development**
  - From April 2016
  - • Incentives for learning
  - • Support for learning
  - • Mentoring culture

- **Promotion of diversity & inclusion**
  - From October 2016
  - • Active participation by women
  - • Global initiative
  - • Supporting work-life balance

- **Work style reform**
  - From April 2017
  - • Diversity
  - • Health
  - • Satisfaction at work
1. Bolstering Human Resource

- Number of new recruits (FY2017)
  Total: 433 (179 male, 254 female)

- Number of female employees in management positions (as of March 31, 2017)
  Executives: 1
  Level of general manager: 14
  Level of section manager: 232
  Level of assistant manager: 1,069

- Data concerning training (FY2016)
  Number of hours of training held: 4,606 hours
  Number of employees posted overseas (as of March 31, 2017)
  Executives: 225
  Employees of foreign nationality working in Japan (as of March 31, 2017)
  43

(1) Fostering Human Resources

The SuMi TRUST Group strives proactively to employ capable personnel, to reflect employees’ will in job assignments, and to develop their skills.

With regard to job assignment, we have set up an internal job posting system and a career course changing system to reassign employees due to relocation or transfer and encourage them to independently and voluntarily shape their own careers.

Employee training and skills development at SuMi TRUST Bank are aimed at realizing distinct added value that is “unique to a trust bank” and “distinctive of Sumitomo Mitsui Trust Bank,” and developing human resources who can swiftly provide comprehensive solutions to clients. While training and skills development are generally provided on an OJT* basis, group training is also provided with the objective of improving employees’ operational skills and management abilities, and many opportunities for self-development are also provided to encourage employees to continue improving their skills. For example, we established SuMiTRUST University in 2012 as a group-wide program, with SuMi TRUST Bank’s President serving as its president and SuMi TRUST Bank’s executive in charge of Human Resources Development and an outside expert as the university’s vice presidents. The SuMiTRUST University also receives advice regarding its management from Hitotsubashi University graduate school.

*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) Global Initiative

SuMi TRUST Bank offers training every year to national staff working at its overseas branches and overseas subsidiaries and affiliates. Training is focused on deepening employee understanding of our operations and the bank. To strengthen networks among participants and business lines, the training includes a management strategy briefing with an accompanying discussion as well as classes on Japanese business culture and history, overviews relating to our various operations, and corruption risks such as bribery.

(3) Fostering Next-Generation Leaders

In cooperation with Hitotsubashi University’s Graduate Programs, SuMi TRUST Bank offers “GL” training for General and Global Leaders (for deputy general managers, associate general managers, and equivalent) and “SL” training for Strategic Leaders (managers, operational chiefs, and equivalent) to develop next-generation executive candidates. 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.

(4) Diversity & Inclusion

SuMi TRUST Bank established the Diversity & Inclusion Office in October 2016 in order to firmly implant in our organizational DNA the principles of enhancing the company’s added value creation from a workplace where diverse employees can be themselves and have dreams, pride, and a sense of satisfaction when working, and providing comfort and satisfaction to our clients and making a contribution to society.

The Diversity & Inclusion Office is implementing activities under its set themes of promoting the active participation of women, disabled persons, and global human resources, enhancing the work-life balance support system, and encouraging greater understanding of human rights and LGBT issues.

These activities are carried out with KPIs set for specific initiatives.

1) Female employees in management positions at section manager level and above: 300 or more
2) Male employees taking childcare leave: 100%
3) Disabled person employment ratio: 2.0% or higher
2. Upholding Positive Workplace Environments

(1) Appropriate Work Management
SuMi TRUST Holdings supports the ILO Declaration on the Fundamental Principles and Rights at Work as a signatory to the UN Global Compact. In this way, we are conducting a broad range of initiatives to improve the workplace environment.

Specific Initiatives
- Set a ceiling on overtime for all employees, including managers
- Invest in infrastructure for efficient operations
- Develop good management practices that improve business productivity; reflect business productivity in employee performance evaluations
- Establish rules for taking intervals between work shifts
- Implement “business processes to enable employees to finish work at 4 p.m.” at branch offices on a trial basis
- Initiatives to shift to paperless meetings

(2) Optimizing Work Styles
SuMi TRUST Holdings actively establishes a workplace environment where employees can work while feeling at ease and still maintain a good balance between work and their personal lives. With regard to childbirth and childcare, SuMi TRUST Bank offers childcare leave that can also be taken by fathers, in addition to a system of shorter working hours and the freedom to choose to refrain from working overtime or at night. These measures have allowed us to create an environment where parents can raise their children with peace of mind. Moreover, for employees with family members who require nursing care, we offer a system of nursing care days-off and nursing care leave, and a shortened workday system.

(3) Employee Health
In an effort to help our employees manage and improve their health, SuMi TRUST Bank has appointed an industrial doctor and a hygiene supervisor (hygiene promoters) at each of its business locations to provide detailed health management guidance. Moreover, we provide health examinations every year and assistance to employees and their families to enable them to receive comprehensive physical examinations at facilities through our health insurance association.

Moreover, we offer mental health counseling at clinics within the company in addition to conducting stress checks once a year for all employees. Our health insurance association also provides free health advice to employees by telephone. In addition, we have activities such as training for managers to raise employees’ awareness of the importance of health management.

(4) Preventing Labor Affairs Problems
From the perspective of promoting appropriate labor affairs management, SuMi TRUST Bank has established, within the Human Resources Department, the Personnel Consultation Desk, at which employees can receive consultation without going through the regular reporting line when problems related to personnel and labor affairs management, such as unfair and unjust labor affairs management practices and workplace harassment, occur. Furthermore, the Company and the union have concluded a labor agreement and are conscientiously complying with it in order to ensure sound development of the Company and enhance the status of union members.

Dialogue with employees is also emphasized at SuMi TRUST Bank. Under the labor agreement, SuMi TRUST Bank and the employees’ union periodically hold management consultation meetings, which are attended by the President and other senior managers as well as union representatives, and branch and department consultation meetings, which are attended by representatives of the labor and management sides at individual branches and departments, to discuss working conditions for union members and how to maintain the working environment.

- Number of employees taking childcare leave (as of March 31, 2017)
  325
- Number of employees taking nursing care leave (as of March 31, 2017)
  69
- Number of consultations concerning labor practices, etc. (FY2016)
  78
3. Stimulating Communication

(1) Cultivating a Climate of Learning
SuMi TRUST Bank encourages activities such as seminars to voluntarily and continuously study optional themes, and learning circles formed by groups across branches and departments to share and pass on knowledge, know-how and experiences.

Seminars and learning circles
[Seminars] Voluntarily and continuously study optional themes
[Learning circles] Form groups across branches and departments to share and pass on knowledge, knowhow and experiences

SuMiTRUST 50 lessons
Directors, officers and external experts give open-style lectures. Trainees learn about businesses, work philosophy and experiences and use lessons from the lectures for self-development.

(2) “The Trust Bank” Discussion
SuMi TRUST Bank has established venues in each head office department and sales department where employees, regardless of their position or team, can discuss specific issues, their causes, and measures for improvement. Through measures such as fostering awareness in line with the fiduciary spirit and improving teamwork, we aim to cultivate a corporate culture based on free discussion among employees, and create a workplace where employees are highly motivated.

(3) Employee Awareness Surveys
SuMi TRUST Bank conducts an “attitude survey” of all employees in order to objectively identify employees’ perception of the dissemination of measures taken by the company, the personnel system and its operation, the workplace environment, and engagement.

By implementing clear measures and systems for improvement in response to employee comments expressed in the results of the survey and on individual items, we seek to be a company that is open and responsive.

4. Fair Evaluations and Treatment

Employees to be evaluated (as of March 31, 2017)
9,783 employees in career formation courses

SuMi TRUST Bank’s personnel evaluation system enables individual employees to participate in the evaluation process. At the beginning of each business term, employees consult with their supervisors and determine specific business execution tasks. After the end of the term, supervisors meet face-to-face with employees and review their attainment level versus issues identified and the process they went through to deliver results, provide them with assessments they find convincing, and afford them capability evaluations across the process they followed to achieve results.

SuMi TRUST Bank has also established a bonus system reflecting business performance. From the perspective of encouraging individual employees to fully exercise their capabilities, we have introduced a system to appropriately reflect the business performance of the entire Group and individuals’ performances and achievements in the bonus amount with a view to realizing “incentives for building up earnings for the entire Group as well as for contributing to business units, branches and departments” and “fair and highly transparent system management through clarification of the process of reflecting business performance.”

Purpose of Personnel Evaluation System
1. To maximize our performance as an organization by aligning the vectors of the Company and individual employees in the same direction
2. To ensure goal setting and issue identification, daily communication, and face-to-face meetings to review performance, etc. lead to changes in behavior and capacity development
3. To fairly evaluate the various achievements of employees and the diverse capabilities they have demonstrated to ensure they are assigned to appropriate jobs and treated justly
5. Initiatives Concerning Human Rights

(1) Human Rights Management

**Basic Philosophy**

SuMi TRUST Holdings’ 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.

**Human Rights Management System Based on the Guiding Principles for Business and Human Rights**

<table>
<thead>
<tr>
<th>Commitment</th>
<th>Establishment of the Human Rights Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implementation of human rights due diligence*1</td>
<td>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.</td>
</tr>
<tr>
<td>Access to redress</td>
<td>The Personnel Consultation Desk in the Human Resources Department serves as a contact point.</td>
</tr>
</tbody>
</table>

*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 checklist 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**

- Engages in investigating the status in addressing human rights at all Group companies including overseas entities, derives tasks to be addressed, and discusses measures for improvement.
- Conducts annual investigations into the status of addressing human rights by using the Human Rights Due Diligence Self-check List.

1) Corporate Planning Department

This department formulates objectives and plans for the development and reinforcement of the framework of initiatives.

2) Human Resources Department and Human Rights Education Committee

These organizations engage in the planning of measures including human rights education training. The Human Rights Education Committee, chaired by the officer in charge of the Human Resources Department, plays a central role in implementing various training programs and education activities concerning human rights issues.

(2) Education Concerning Respect of Human Rights

The Human Rights Education Committee dispatches a “Human Rights Awareness Tool” by e-mail to all employees on a monthly basis, which cites outstanding examples that illustrate respect for human rights. The Committee also organizes workplace-based human rights education training for about one hour per year for each employee on average at all branches, departments, and affiliates across the Group.

(3) Protecting Various Human Rights

**Initiatives to Address Dowa and Foreign Residents Issues**

SuMi TRUST Holdings 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 SuMi TRUST Holdings. 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 within the Human Resources Department. Stringent corrective measures or punishment are implemented against the perpetrators.

**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). In October 2016, we published an LGBT consultation response manual.

**Investments and Loans Related to Cluster Bombs**

SuMi TRUST Holdings refuses to provide loans for the purpose of financing production of cluster bombs, which are recognized as a weapon raising strong humanitarian concerns. We prohibit active investment in principle, and conduct engagement activities in passive investment.
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, 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.

2. 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

Large-scale 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.

IR Activities Carried Out in FY2016

<table>
<thead>
<tr>
<th>Activity</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investor meetings on financial results</td>
<td>2 times</td>
</tr>
<tr>
<td>for analysts and institutional investors</td>
<td></td>
</tr>
<tr>
<td>Overseas IR events</td>
<td>9 times</td>
</tr>
<tr>
<td>One-on-one meetings with institutional</td>
<td>Number of companies: 526 (including 234 overseas investors)</td>
</tr>
<tr>
<td>investors in Japan and overseas</td>
<td></td>
</tr>
<tr>
<td>Information meetings for individual</td>
<td>Number of participants: 754</td>
</tr>
<tr>
<td>investors</td>
<td></td>
</tr>
</tbody>
</table>

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

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, 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.
1. Initiatives to Link “Voice of Customers” to Enhanced Customer Satisfaction

SuMi TRUST Bank receives a lot of feedback from clients and many requests via branch offices throughout Japan as well as its telephone centers and the Group’s website, along with the “Voice of Customers Questionnaires” available at every branch, and uses this feedback to realize practice client-oriented business operations.

1) Collecting Client Feedback

SuMi TRUST Bank receives a lot of feedback from clients and many requests via branch offices throughout Japan through diverse channels such as telephone centers and the Group’s website as well as the “Voice of Customers Questionnaires” available at every branch. In fiscal year 2016, we appreciated upwards of 310,000 opinions and requests received through these channels.

In addition, we survey our clients’ assessment of satisfaction with SuMi TRUST Bank by conducting “Client Questionnaires” for about 1.6 million clients who have consummated contracts for time deposits, investment trusts, etc. with us, with the aim of further promoting client-oriented activities and improving customer satisfaction.

We also respond swiftly and sincerely to suggestions and complaints from clients, aiming to resolve them with the understanding and consent of clients to the greatest degree possible while also working to assess and analyze the causes of such suggestions and complaints and making efforts to improve operations.

In fiscal year 2016, there were 11,273 complaints.

With regards to complaints, etc., there is a reporting system that collects and manages this information, and management receive periodic reports about the content of complaints.

2) Analyzing Client Feedback

In order to realize customer satisfaction by utilizing hundreds of thousands cases of feedback we receive each year, we use the “CS Voice of Customers Portal,” a system to analyze client feedback. We are striving to meet clients’ needs by making client feedback “visible” so that we can better “recognize” client needs.

3) Considering and Implementing Improvement Measures

Regarding opinions and requests received from clients, branches and the head office cooperate in investigating and analyzing the causes and identifying problems. Based on the results, we look for improvement measures and strive to provide better products and services.

3) Considering and Implementing Improvement Measures

Regarding opinions and requests received from clients, branches and the head office cooperate in investigating and analyzing the causes and identifying problems. Based on the results, we look for improvement measures and strive to provide better products and services.
2. To Create a Client-Oriented Corporate Culture

(1) To Establish a Culture that Emphasizes Fiduciary Duties
SuMi TRUST Bank is conducting “The Trust Bank discussion” at every branch and department. This initiative aims mainly at fostering a corporate culture, improving operations at branches and departments, and expanding insights through discussions about daily problems and other issues among employees at branches and departments, regardless of their positions.

We set “Practicing Fiduciary Duties” as the theme of the discussion for fiscal year 2017, and made participation mandatory for all employees.

We have also made it mandatory for employees to take e-learning courses to deepen their understanding of fiduciary duties while studying specific cases. The aim of the training is to acquire practical knowledge, including learning in detail about conflict of interest management. We plan to hold a series of study groups, etc. in each business adapted to practical business matters in each area.

(2) Efforts to Enhance Customer Satisfaction Mindfulness
SuMi TRUST Bank provides solid education and training to employees to encourage each and every one to practice a client-first approach to service on a daily basis.

- Establishment of CS Committees
  To promote customer satisfaction (CS) improvement activities, “CS Committees” are established in all branches, and they actively conduct various CS improvement activities that match the characteristics of each branch.

- Holding Lectures on Customer Satisfaction
  We are striving to further enhance our service and business manners through initiatives such as holding lectures where employees can study high levels of service and business manners for clients regardless of industry. Professionals from other businesses such as travel agencies and airlines are invited as lecturers on topics that employees feel to be challenges with regard to enhancing customer satisfaction.

- Service Helper
  We have assigned employees who have the “service helper” certification to all branches (as of April 2016) so that clients can use our services with peace of mind. The “service helper” certification demonstrates that one is committed to client hospitality and has learned the correct helping skills to allow the elderly and disabled to participate in society with confidence.

- Client Service Role Playing
  Role playing is implemented, with employees acting as clients, and employees evaluate each other’s performance. In addition, the role playing is recorded on video so that employees can check their own performance. Through such efforts, employees improve their client service skills, business manners, and conversation skills.

- Taking Various Training Courses
  We seek to improve our services so that all clients can comfortably use them. To that end, we encourage employees at branches nationwide to take courses such as a program that provides the simulated experience of physical constraints faced by elderly people, and courses for serving clients who are in wheelchairs or use sign language.

- Training for New Employees
  New employees learn general business manners such as how to greet others and how to hand out business cards, as well as necessary business knowledge and basic behavior. This training aims to make employees think about service from the client’s point of view and give them a sense of awareness so that they can provide service that will satisfy clients.

- Participating in Workshops on Becoming a Supporter for People with Dementia
  In light of the current situation in which the number of clients who suffer from dementia is increasing as the population ages, we are encouraging employees at branches nationwide to participate in the Workshop on Becoming a Supporter for People with Dementia. The role of “Dementia Supporters” is to provide assistance enabling those with dementia and their families to continue living comfortably in the region they call home.
Providing Values to the Community

Basic Philosophy
A company’s ultimate purpose in creating value is to contribute to building a sound and sustainable society. Because providing value to the community that constitutes society helps maintain a sound business foundation, we believe this is a license required in order to conduct business. From this point of view, the SuMi TRUST Group practices providing value to the community in various forms, while also taking into consideration the perspective of the UN’s SDGs (Sustainable Development Goals) (See page 29).

<table>
<thead>
<tr>
<th>Specific Initiatives</th>
<th>Value Provided</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Promotion of social contribution activities at Group companies</strong></td>
<td>• Engage in activities fostering employee participation on themes set at each Group company&lt;br&gt;• Systematically promote “With You” activities at all SuMi TRUST Bank branches (See page 85)</td>
</tr>
<tr>
<td><strong>Support for education through ISAK</strong></td>
<td>• Cover all travel, stay, and school expenses, etc. for students from overseas (one each year) who participate in the International School of Asia, Karuizawa (ISAK) summer school&lt;br&gt;• Provide support in particular for students from the Shanti Bhavan school attended by children who are the most disadvantaged under the Hindu-based system of hereditary social stratification</td>
</tr>
<tr>
<td><strong>Promotion of activities to support senior generation</strong></td>
<td>• Disseminate information and provide support underlying the foundation for living to a prosperous old age for clients, especially the elderly (See page 85)</td>
</tr>
<tr>
<td><strong>Promotion of ESD projects</strong></td>
<td>• Develop Education for Sustainable Development (ESD) at schools across Japan on themes such as preserving local ecosystems&lt;br&gt;• Carry out innovative lessons using educational videos in collaboration with Green TV</td>
</tr>
<tr>
<td><strong>Activities supporting National Trusts</strong></td>
<td>• Provide various forms of support for activities across Japan in cooperation with the Association of National Trusts in Japan&lt;br&gt;• Engage in diverse initiatives such as donations for funding purchases of National Trusts landholdings, volunteering, and ESD</td>
</tr>
<tr>
<td><strong>Environmental management</strong></td>
<td>• Formulate environmental policy and promote the Group’s environmental management&lt;br&gt;• Formulate CSR procurement policy, and pursue sustainability particularly in relation to procurement of paper products</td>
</tr>
<tr>
<td><strong>Participation in partnerships related to sustainability</strong></td>
<td>• Actively participate in various partnerships in Japan and overseas in which our stakeholders are collaborating (See page 85)</td>
</tr>
</tbody>
</table>
Japan is one of the first nations in the world to face the challenges of a super-aging society. Senior generations in Japan are being asked to embrace new ways of living that enable them to enjoy a long, vibrant life while continuing to live in the regions they call home and stay connected with society after retirement. The SuMi TRUST Group sees addressing the problems of an aging society as a source of business opportunities, and is actively pursuing a range of initiatives as follows:

1. Providing problem-solving functions through the rich variety of businesses unique to a trust bank
2. Taking examinations to improve literacy regarding gerontology
3. Organizing Silver College seminars as a way to provide information to clients

Promoting “With You” Activities at Branches

At SuMi TRUST Bank, each of the branches builds strong relationships of trust with community members by actively providing value to communities through social contribution activities rooted in local communities, which are known as “With You” activities. In order to promote effective “With You” activities, we encourage initiatives by dividing activities into categories and assigning points according to their degree of difficulty and effectiveness, and establish guidelines for total points. We aim to have these activities take hold as an effective marketing approach (See page 15).

Promoting Support for Senior Generation

Japan is one of the first nations in the world to face the challenges of a super-aging society. Senior generations in Japan are being asked to embrace new ways of living that enable them to enjoy a long, vibrant life while continuing to live in the regions they call home and stay connected with society after retirement. The SuMi TRUST Group sees addressing the problems of an aging society as a source of business opportunities, and is actively pursuing a range of initiatives as follows:

- Providing problem-solving functions through the rich variety of businesses unique to a trust bank
- Taking examinations to improve literacy regarding gerontology
- Organizing Silver College seminars as a way to provide information to clients

Participating Actively in Partnerships

UNEP FI is an international network that encourages financial institutions to take action in consideration of sustainability. The Group has actively promoted UNEP FI activities ever since it became the first Japanese trust bank to sign on to the network in 2003. In addition, working with signatory institutions overseas, we have taken a leading role in the UNEP FI Property Working Group in promoting sustainable real estate on a global basis.

We have demonstrated leadership among the Japanese industry in activities such as preserving natural capital and biodiversity, and becoming a signatory in 2008 to the Business and Biodiversity Initiative “Biodiversity in Good Company,” which was led by the German government, and in 2012 to the Natural Capital Finance Alliance (formerly the Natural Capital Declaration), advocated by the United Nations Environment Programme Finance Initiative (UNEP FI).

Being a pioneer of responsible investment in Japan, the Group has been a driver of the Japanese market as a leading member of the Japan Sustainable Investment Forum (JSIF). The Group became a signatory to the Principles for Responsible Investment (PRI) when they were established in 2006 and, as one of Japan’s representative asset management companies, has been a leader in promoting the widespread adoption of ESG in Japan while cooperating with signatory institutions overseas.

The Group has played a central role in the Principles for Financial Action for the 21st Century. These principles aim at concrete action toward creating a sustainable society jointly taken by Japan’s major financial institutions. Currently, as a member of the steering committee and chair of the regional support working group, we are taking the lead on a range of initiatives.

Led by the Kyoto Prefectural University of Medicine, COLTEM is a project for “a development center of social technologies integrating law, engineering and medicine that seamlessly support community life for the elderly from the period of sound health to the onset of dementia.” SuMi TRUST Bank belongs to the financial satellite team under this project, and is helping to improve the financial industry’s ability to address these issues through efforts such as playing a leading role in creating a support guide for financial institutions to address the issue of people with dementia.
History of the Sumitomo Mitsui Trust Group

1920s
Establishment of trust system
The word shintaku, meaning “trust,” first appeared in Japanese law in 1900. Later, the Russo-Japanese War and other events prompted the establishment of the Secured Debenture Trust Act, which in turn gave rise to a flurry of “trust” companies whose main business was not trusts. The government then enacted the Trust Act and the Trust Business Act in 1922 to clearly define the division of businesses and to eliminate operations that lacked financial strength, thereby establishing the trust system.

1940s
Difficult post-war period
The existence of trust companies was threatened in the post-war period, when it became impossible to gather long-term funds due to inflation and a general lack of interest in saving money. Trust companies were dealt an even greater blow by the complete revision of the Securities and Exchange Act in 1948, which meant they could no longer engage in the securities underwriting operations that had been an important part of their business. In these circumstances, in the same year, trust companies were allowed to concurrently engage in banking operations. Trust companies thus became trust banks, and secured a vital source of income enabling them to overcome the difficulties of the period.

1950s to 1960s
Becoming a supporter of rapid economic growth
A supply of stable, long-term funding came to be required for economic recovery after the war, particularly for key industries such as electricity and steel. In 1952, the Loan Trust Act was established, and trust banks began offering loan trusts. The loan trust business achieved rapid growth as an ideal savings method, offering “profit, safety, and convenience.” That growth led to the development of a variety of trust products aimed at using trust functions for the good of society.
1970s to 1980s

Advances in liberalization and internationalization of finance

The first oil crisis in 1973 signaled the end of Japan’s rapid economic growth. While corporate demand for bank loans declined considerably, sluggish tax revenue and an increase in fiscal spending led the government to issue a large number of national bonds, which were underwritten primarily by financial institutions. This was a key factor in clearing the way for the liberalization of finance. Around the same time, the rapid advance of internationalization resulting from overseas expansion by Japanese companies and legal revisions provided a further push toward financial liberalization. In the late 1980s, the Japanese economy entered a phase of expansion known as the “bubble economy.” The trend toward liberalization and internationalization in the financial industry grew even stronger, and brought new earning opportunities.

1990s to Current

Financial reorganization and enhancement of service

The bubble economy came to a close in 1991, and the Japanese economy entered a long period of stagnation. As the financial environment underwent dramatic changes, including the injection of public funds into financial institutions, the structure of the financial system came under examination, and in 1992 the Financial System Reform Act was established. As a result, cross-participation between various financial businesses became possible through subsidiaries in different business areas. The economy continued to pick up from 2002 until the latter half of 2007, but the global financial crisis triggered by the sub-prime loan problem and the collapse of Lehman Brothers led to deterioration in the Japanese economy as well. Amid repeated turmoil in financial markets in the following years, including the Greek debt crisis, countries around the world came out with large-scale fiscal and monetary policies such as the introduction of negative interest rates, which resulted in a gradual shift toward economic recovery.

In the financial industry, the Trust Act and the Trust Business Act underwent drastic revisions in 2004 and 2006, the first since their enactment. The revisions included expanding the range of assets that could be entrusted and increasing the number of entities responsible for trust business. As a result, the field of trust business widened, spurring greater competition.

The prolonged environment of ultra-low interest rates such as negative interest rates has also put pressure on financial institutions to reform their traditional business models.
What is a Trust?

1. Basic Trust Mechanism

Under the trust system, settlors, who are holders of money, real estate or other property, enact trust activities, such as trust agreements and wills, to transfer their property (trust property) to a trustee who the settlors can rely on. The trustee then administers the trust property for the beneficiaries in accordance with aims defined by the settlors.

The law imposes various duties on trustees to live up to the trust placed in them.

The following are typical duties of trustees.

- **Duty of due care of a prudent manager**
  The trustee must exercise the 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 trust assets separately from its own property (property owned by the trustee itself) and from property belonging to other trust assets.

- **Duty of fairness**
  For trusts with multiple beneficiaries, the trustee must carry out their duties fairly for the beneficiaries.

2. Purpose and Functions of Trusts

Purpose of a Trust

The purpose of a trust is the goal that the settlor intends to achieve by establishing the trust, and which serves as a guideline for the actions of the trustee.

Main Functions of a Trust

<table>
<thead>
<tr>
<th>Function Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property administration function</td>
<td>The right to administer the property is granted to the trustee. (At the same time, the trustee is subject to various duties.)</td>
</tr>
<tr>
<td>Bankruptcy isolation function</td>
<td>Trust assets are not affected by bankruptcy of the settlor or trustee.</td>
</tr>
<tr>
<td>Conversion functions</td>
<td>When property is entrusted, it is converted into rights known as trust beneficiary rights, and can be converted in line with the purpose of the trust:</td>
</tr>
<tr>
<td></td>
<td>• Conversion in quality (the property can be converted to beneficiary rights (securitization))</td>
</tr>
<tr>
<td></td>
<td>• Conversion in number (small amounts of money can be gathered into a large amount and managed together)</td>
</tr>
<tr>
<td></td>
<td>• Conversion in time (property can be donated in fixed amounts at fixed intervals even after one's death)</td>
</tr>
<tr>
<td></td>
<td>• Conversion of skill (management can be delegated to a specialist)</td>
</tr>
</tbody>
</table>
3. Range of Trust Bank Operations

A trust bank is a bank that engages in both banking business and trust business. Trust banks are banks under the Banking Act that are granted permission based on the Act on Engagement in Trust Business Activities by Financial Institutions* to also conduct trust business.

* Act on Engagement in Trust Business Activities by Financial Institutions, Article 1, Paragraph 1 (excerpt)
A bank or any other financial institution may, notwithstanding the provisions of other Acts, engage in trust business activities as defined in Article 2, paragraph (1) of the Trust Business Act and the following business activities with the authorization of the Prime Minister:

- Real estate-related business (brokerage, appraisal, etc.)
- Stock transfer agency business (administration of shareholder registry, etc.)
- Inheritance-related business (execution of wills, estate settlement, etc.)
- Other operations

<table>
<thead>
<tr>
<th>Banking business</th>
<th>Trust business (narrow definition)</th>
<th>Concurrent business</th>
</tr>
</thead>
<tbody>
<tr>
<td>+ Deposit business</td>
<td>+ Pension trust business</td>
<td>+ Real estate-related business (brokerage, appraisal, etc.)</td>
</tr>
<tr>
<td>+ Lending business</td>
<td>+ Securities trust business (entrustment of investment trusts, etc.)</td>
<td>+ Stock transfer agency business (administration of shareholder registry, etc.)</td>
</tr>
<tr>
<td>+ Foreign exchange business</td>
<td>+ Asset securitization business (monetary claim, real estate, etc.)</td>
<td>+ Inheritance-related business (execution of wills, estate settlement, etc.)</td>
</tr>
<tr>
<td>+ Associated businesses (Trading in securities, derivatives trading, etc.)</td>
<td>+ Other operations</td>
<td>+ Other operations</td>
</tr>
</tbody>
</table>

| Ordinary banking operations | Operations related to underwriting of trusts | Provision of various services for administration, etc. of assets |

Main Trust Products, etc.

- Investment trusts
- Pension trusts
- Money trusts

- Will trusts, estate settlement
- Family Consideration Trust
- Tuition Fund Endowment Trust
- Marriage and Child-rearing Support Trust
- Securitization trusts (monetary claim, real estate)

- Charitable trusts
- Designated donation trusts
- Special donation trusts
- Guardianship system support trusts

Examples of products

**Family Consideration Trust (Lump Sum)**

- Client (settlor and beneficiary)
  - Apply for Family Consideration Trust (Lump Sum)
  - Money entrusted
  - Designate recipient of assets in trust

- Family member (recipient of assets in trust)
  - At SuMi TRUST Bank Head Office, apply for payment from Family Consideration Trust (Lump Sum)
  - Advice regarding payment method
  - Payment of assets in trust

**Tuition Fund Endowment Trust (also referred to as “Thinking of Our Grandchildren”)**

- [Person making endowment] Great-grandparents, grandparents, parents, etc. (settlor)
  - Deposit into Tuition Fund Endowment Trust

- SuMi TRUST Bank (trustee)
  - Submit request for payment of trust assets
  - Submit receipt from educational institution, etc.
  - Payment of assets in trust
  - Report on assets in trust

- [Recipient of endowment] Children, grandchildren, great-grandchildren, etc. (beneficiary)
  - [Receipt, etc.]
  - Payment

Edulational institutions, etc., including schools, cram schools, etc.
In the consolidated financial results for fiscal year 2016, net business profit before credit costs decreased by ¥85.9 billion year on year to ¥232.3 billion, mainly due to a decrease in market-related income at SuMi TRUST Bank, despite an increase in net fees and commissions and related profit due to an increase in real estate brokerage fees and the contribution of Sumitomo Mitsui Trust Club.

Regarding our year-end dividend on common shares, we paid ¥65 per common share. The annual dividend for the fiscal year, including the interim dividend* we paid in December 2016, was ¥130 per common share, effectively the same amount as the previous fiscal year.

* Assuming the share consolidation carried out on October 1, 2016 had been conducted at the beginning of FY2016, the dividend would be equivalent to ¥65 per common share.

### Overview of the Financial Results in FY2016

#### <Consolidated> SuMi TRUST Holdings (Consolidated)

<table>
<thead>
<tr>
<th></th>
<th>FY2016 (A)</th>
<th>FY2015 (B)</th>
<th>Change (A)–(B)</th>
<th>Rate of change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Business Profit before Credit Costs*</td>
<td>232.3</td>
<td>318.3</td>
<td>(85.9)</td>
<td>(27.0%)</td>
</tr>
<tr>
<td>Ordinary Profit</td>
<td>196.3</td>
<td>278.0</td>
<td>(81.6)</td>
<td>(29.4%)</td>
</tr>
<tr>
<td>Net Income Attributable to Owners of the Parent</td>
<td>121.4</td>
<td>166.9</td>
<td>(45.4)</td>
<td>(27.2%)</td>
</tr>
<tr>
<td>Total Credit Costs*</td>
<td>(28.5)</td>
<td>(25.9)</td>
<td>(2.5)</td>
<td>(10.0%)</td>
</tr>
</tbody>
</table>

Return on Equity       6.07%       8.72%       (2.65%)       —
Net Income per Common Shares (EPS) (Yen)* 317.24 433.30  (116.06)  (26.8%)
Net Assets per Common Shares (BPS) (Yen)* 6,437.58 6,181.19  256.39  4.1%

* SuMi-TRUST Holdings implemented a share consolidation as of October 1, 2016 where one share was exchanged for each ten shares of common stock owned. The above EPS and BPS figures were calculated on the assumption the aforementioned share consolidation was carried out on April 1, 2015, the start of fiscal year 2015.

#### <Non-consolidated> SuMi TRUST Bank (Non-consolidated)

<table>
<thead>
<tr>
<th></th>
<th>FY2016 (A)</th>
<th>FY2015 (B)</th>
<th>Change (A)–(B)</th>
<th>Rate of change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Business Profit before Credit Costs*</td>
<td>150.5</td>
<td>249.1</td>
<td>(98.6)</td>
<td>(39.6%)</td>
</tr>
<tr>
<td>Net Interest Income and Related Profit*</td>
<td>216.7</td>
<td>223.9</td>
<td>(7.2)</td>
<td>(3.2%)</td>
</tr>
<tr>
<td>Net Fees and Commissions and Related Profit*</td>
<td>196.9</td>
<td>199.9</td>
<td>(2.9)</td>
<td>(1.5%)</td>
</tr>
<tr>
<td>Net Trading Profit</td>
<td>17.0</td>
<td>15.5</td>
<td>1.5</td>
<td>9.7%</td>
</tr>
<tr>
<td>Net Other Operating Profit</td>
<td>(47.3)</td>
<td>45.9</td>
<td>(93.2)</td>
<td>(203.2%)</td>
</tr>
<tr>
<td>General and Administrative Expenses</td>
<td>(232.7)</td>
<td>(236.1)</td>
<td>3.3</td>
<td>1.4%</td>
</tr>
<tr>
<td>Net Non-recurring Profit, etc.</td>
<td>(33.2)</td>
<td>(30.3)</td>
<td>(2.9)</td>
<td>(9.7%)</td>
</tr>
<tr>
<td>Ordinary Profit</td>
<td>117.3</td>
<td>218.8</td>
<td>(101.5)</td>
<td>(46.4%)</td>
</tr>
<tr>
<td>Extraordinary Profit</td>
<td>(5.9)</td>
<td>(3.6)</td>
<td>(2.3)</td>
<td>(62.6%)</td>
</tr>
<tr>
<td>Net Income</td>
<td>77.6</td>
<td>143.1</td>
<td>(65.4)</td>
<td>(45.7%)</td>
</tr>
<tr>
<td>Total Credit Costs*</td>
<td>(24.9)</td>
<td>(14.1)</td>
<td>(10.7)</td>
<td>(76.2%)</td>
</tr>
</tbody>
</table>

(Note) Amounts less than ¥100 million are rounded down.

#### <Dividends>

<table>
<thead>
<tr>
<th></th>
<th>FY2016 (A)</th>
<th>FY2015 (B)</th>
<th>Change (A)–(B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividend per Share on Common Share (Yen)</td>
<td>130.00</td>
<td>130.00</td>
<td>—</td>
</tr>
</tbody>
</table>

(Note) SuMi-TRUST Holdings implemented a share consolidation as of October 1, 2016 where one share was exchanged for each ten shares of common stock owned. The dividend per share (EPS) above was calculated on the assumption the aforementioned share consolidation was carried out on April 1, 2015, the start of fiscal year 2015.
Status of Profit and Loss

• Net Business Profit before Credit Costs*

<table>
<thead>
<tr>
<th></th>
<th>Non-consolidated</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>245.7</td>
<td>232.3</td>
</tr>
<tr>
<td>2015</td>
<td>249.1</td>
<td>232.3</td>
</tr>
<tr>
<td>2016</td>
<td>1,505.5</td>
<td>232.3</td>
</tr>
</tbody>
</table>

Net business profit before credit costs decreased mainly due to a decrease in market-related income.

Net business profit before credit costs decreased by ¥98.6 billion year on year to ¥150.5 billion on a non-consolidated basis, and by ¥85.9 billion year on year to ¥232.3 billion on a consolidated basis, mainly due to a decrease in market-related income at SuMi TRUST Bank, despite an increase in contribution to profit from the Group subsidiaries mainly those in the financial business.

• Net Interest Income and Related Profit*

<table>
<thead>
<tr>
<th></th>
<th>Non-consolidated</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>233.4</td>
<td>216.7</td>
</tr>
<tr>
<td>2015</td>
<td>251.8</td>
<td>232.5</td>
</tr>
<tr>
<td>2016</td>
<td>223.9</td>
<td>232.5</td>
</tr>
</tbody>
</table>

Net interest income and related profit decreased mainly due to a decrease in foreign currency-related income.

Although both the domestic and overseas loan balances increased, the domestic loan-deposit income decreased as a result of low interest rates environment, and increased foreign currency funding costs. As a result, net interest income and related profit fell by ¥7.2 billion year on year to ¥216.7 billion on a non-consolidated basis, and by ¥10.2 billion year on year to ¥232.5 billion on a consolidated basis.

• Net Fees and Commissions and Related Profit*

<table>
<thead>
<tr>
<th></th>
<th>Non-consolidated</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>355.8</td>
<td>130.5</td>
</tr>
<tr>
<td>2015</td>
<td>369.4</td>
<td>159.6</td>
</tr>
<tr>
<td>2016</td>
<td>398.6</td>
<td>166.9</td>
</tr>
</tbody>
</table>

Net fees and commissions and related profit increased on a consolidated basis mainly due to the impact of making Sumitomo Mitsui Trust Club a consolidated subsidiary.

Net fees and commissions and related profit decreased by ¥2.9 billion year on year to ¥196.9 billion on a non-consolidated basis mainly due to a decrease in investment trust and insurance sales and the dissolution of employee pension funds, despite an increase in real estate brokerage fees. On a consolidated basis, net fees and commissions and related profit increased by ¥29.1 billion year on year to ¥398.6 billion, owing to the contribution of Sumitomo Mitsui Trust Club, which became a consolidated subsidiary in the previous fiscal year.

• Net Income Attributable to Owners of the Parent

<table>
<thead>
<tr>
<th></th>
<th>Non-consolidated</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>130.5</td>
<td>77.6</td>
</tr>
<tr>
<td>2015</td>
<td>159.6</td>
<td>121.4</td>
</tr>
<tr>
<td>2016</td>
<td>166.9</td>
<td>121.4</td>
</tr>
</tbody>
</table>

Net income attributable to owners of the parent decreased both on a consolidated and non-consolidated basis.

Net income attributable to owners of the parent decreased by ¥65.4 billion year on year to ¥77.6 billion on a non-consolidated basis, and by ¥45.4 billion year on year to ¥121.4 billion on a consolidated basis, mainly due to a decrease in net business profit before credit costs.

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

- Loans and Deposits (Non-consolidated)

Loans and bills discounted increased, but deposits decreased.

Loans and bills discounted increased by ¥1.1 trillion from the end of the previous fiscal year to ¥28.2 trillion, due to a steady increase in loans to individuals in Japan, despite a decrease in loans overseas. Deposits, etc.* decreased by ¥0.5 trillion from the end of the previous fiscal year to ¥32.9 trillion, mainly due to a decrease in the trust principal of corporate clients, which had surged temporarily at the end of the previous fiscal year due to the introduction of the negative interest rate policy.

* 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)

The capital adequacy ratio, etc. remained well above regulatory required levels.

Although net income was accumulated, risk-weighted assets increased. As a result, the Common Equity Tier 1 capital ratio decreased by 0.32 percentage points from the end of the previous fiscal year to 11.04%, and total capital ratio decreased by 0.33 percentage points from the end of the previous fiscal year to 16.42%. Nevertheless, both were well above the regulatory required levels of 6.00% and 9.50%, 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)

The ratio to total balance remained low at 0.2%.

The total balance of problem assets based on the Financial Reconstruction Act decreased by ¥18.9 billion from the end of the previous fiscal year to ¥71.2 billion, mainly due to the decrease in doubtful loans, and the ratio to total balance decreased to 0.2%. As for the ratio of problem assets covered by collateral and the allowance for loan losses, the coverage ratio came to 88% for doubtful loans* and 90% for substandard loans*, indicating that a sufficient level was secured.

Terms with an asterisk are explained in “Glossary” below.
Corporate Information (as of March 31, 2017)

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) - (6) as its key functions:
(1) Formulating group management strategy
(2) Monitoring administration of business activities
(3) Allocation of management resources
(4) Supervising risk management
(5) Supervising compliance management
(6) 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, 2017)

<table>
<thead>
<tr>
<th></th>
<th>Long-term</th>
<th>Short-term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sumitomo Mitsui Trust Holdings</td>
<td>JCR AA-</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>R&amp;I A</td>
<td>—</td>
</tr>
<tr>
<td>Sumitomo Mitsui Trust Bank</td>
<td>S&amp;P A</td>
<td>A-1</td>
</tr>
<tr>
<td></td>
<td>Moody’s A1</td>
<td>P-1</td>
</tr>
<tr>
<td></td>
<td>Fitch A-</td>
<td>F1</td>
</tr>
<tr>
<td></td>
<td>JCR AA-</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>R&amp;I A+</td>
<td>a-1</td>
</tr>
</tbody>
</table>

Website

Please go to our website for specifics on our Group.

About The Sumitomo Mitsui Trust Group

IR Library

CSR in The Sumitomo Mitsui Trust Group

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Facsimile: +81 (3) 3286-4654
e-mail: ir@smth.jp