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.
Editorial Policy

The Sumitomo Mitsui Trust Group has prepared this integrated report so readers can understand the Group’s initiatives for creating shared value aimed at sustainable growth and at providing values for all our stakeholders. In this report, after spelling out the Group’s 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 model and environmental, social and governance (ESG) factors, referencing the integrated reporting framework issued by the International Integrated Reporting Council (IIRC). We also disclose information appropriately, in accordance with our disclosure policy. For more specific financial information and ESG information, please see the Financial Data Section and visit our website.

<Reporting Coverage>

Reporting Period:
From April 1, 2017 to March 31, 2018
(Partially including the information after April 1, 2018)

Scope of Reporting:
The Sumitomo Mitsui Trust Group;
including Sumitomo Mitsui Trust Holdings, Inc.,
Sumitomo Mitsui Trust Bank, Limited,
other subsidiaries and affiliated companies
28 Retail Total Solution Services Business
32 Wholesale Total Solution Services Business
35 Wholesale Asset Management Business
36 Fiduciary Services Business
40 Stock Transfer Agency Services Business
42 Real Estate Business
44 Global Markets Business
46 Sustainability Initiatives in Our Business
48 Providing Value to the Community

50 Materiality Management for Creating Shared Value
52 Corporate Governance
60 External Director Discussion
64 Board of Directors and Executive Officers of Sumitomo Mitsui Trust Holdings, Inc.
66 Risk Appetite Framework (RAF)
68 Risk Management
72 Compliance
74 Compliance with International Financial Regulations
75 Internal Auditing
76 Consideration of Environmental and Social Impact of Investment and Financing Targets
78 Client-Oriented Initiatives
84 Digitalization Strategy
86 Human Resources Strategy
92 Communication with Shareholders and Investors
93 Initiatives to Facilitate Financing

94 History of the Sumitomo Mitsui Trust Group
96 What is a Trust?
98 Financial Review
101 Corporate Information
101 Rating Information
101 Website
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.

<table>
<thead>
<tr>
<th>Region</th>
<th>Branches</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater Tokyo metropolitan area</td>
<td>70 branches</td>
</tr>
<tr>
<td>Kinki area</td>
<td>34 branches</td>
</tr>
<tr>
<td>Chubu area</td>
<td>23 branches</td>
</tr>
<tr>
<td>Hokkaido, Tohoku, Chugoku, Shikoku, and Kyushu</td>
<td>21 branches</td>
</tr>
</tbody>
</table>

*The substantial number of branches is 117 when the branches at the same business site are counted on a aggregated basis. For detail of branches, please see pages 8-11 of the Financial Data Section.

### Listed company

SuMi TRUST
SUMITOMO MITSUI TRUST HOLDINGS

The role of financial holding companies is to oversee group management.

### Main subsidiaries of Sumitomo Mitsui Trust Holdings (“SuMi TRUST Holdings”)

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Percentage of Ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>nikko am</td>
<td>91.90%</td>
</tr>
<tr>
<td>SUMITOMO MITSUI TRUST REALTY</td>
<td>84.89%</td>
</tr>
<tr>
<td>SUMITOMO MITSUI TRUST PANASONIC FINANCE</td>
<td>100%</td>
</tr>
<tr>
<td>SUMITOMO MITSUI TRUST LOAN &amp; FINANCE</td>
<td>100%</td>
</tr>
<tr>
<td>SUMITOMO MITSUI TRUST CLUB</td>
<td>100%</td>
</tr>
<tr>
<td>SUMITOMO MITSUI TRUST ASSET MANAGEMENT</td>
<td>50%</td>
</tr>
<tr>
<td>SUMITOMO MITSUI TRUST RESEARCH INSTITUTE</td>
<td>100%</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd.</td>
<td>66.66%</td>
</tr>
</tbody>
</table>

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

(as of March 31, 2018)

**Status**

<table>
<thead>
<tr>
<th>Fiduciary Services Business (Asset management and administration)</th>
<th>Assets under Management</th>
<th>¥87 trillion</th>
<th>Domestic financial institutions</th>
<th>No.1</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Assets under Custody*1</td>
<td>¥285 trillion</td>
<td>Domestic financial institutions</td>
<td>No.1</td>
</tr>
<tr>
<td></td>
<td>Balance of Corporate Pension Funds</td>
<td>¥13 trillion</td>
<td>Trust banks</td>
<td>No.1</td>
</tr>
<tr>
<td></td>
<td>Lead Manager for Corporate Pension Funds</td>
<td>1,342 funds</td>
<td>Trust banks</td>
<td>No.1</td>
</tr>
<tr>
<td></td>
<td>Entrusted Balance of Investment Trusts</td>
<td>¥73 trillion</td>
<td>Trust banks</td>
<td>No.1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Real Estate Business</th>
<th>Real estate related profit*2,3</th>
<th>¥53.8 billion</th>
<th>Trust banks</th>
<th>No.2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Entrusted Balance of Securitized Real Estate</td>
<td>¥15 trillion</td>
<td>Trust banks</td>
<td>No.1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Stock Transfer Agency Services Business</th>
<th>Number of Shareholders under Administration*2</th>
<th>25.61 million shareholders</th>
<th>Trust banks</th>
<th>No.1</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sales Volume of Investment Trusts/ Discretionary Investment*3</td>
<td>¥1.4 trillion</td>
<td>Domestic banks</td>
<td>No.1</td>
</tr>
<tr>
<td></td>
<td>Number of Will Trusts</td>
<td>30,757 cases</td>
<td>Trust banks</td>
<td>No.2</td>
</tr>
<tr>
<td></td>
<td>Balance of Loans to Individuals</td>
<td>¥9 trillion</td>
<td>Domestic banks</td>
<td>No.5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Retail Total Solution Services Business</th>
<th>Balance of Loans to Corporations</th>
<th>¥18 trillion</th>
<th>Domestic banks</th>
<th>No.4</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total Loan Balance</td>
<td>¥28 trillion</td>
<td>Domestic banks</td>
<td>No.5</td>
</tr>
</tbody>
</table>

Overseas Network

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

(as of March 31, 2018)

*1 Refers to the aggregate balance of trust assets at the SuMi TRUST Group *2 Group companies combined *3 FY2017 Result

Includes estimates based on investigations by SuMi TRUST Holdings (as of March 31, 2018)
Financial Highlights

Net Income Attributable to Owners of the Parent

200.0 (Billions of Yen)

Return on Shareholders’ Equity*

10.0 (%)

Fee Income Ratio*

1,000.0 (Billions of Yen)

Overhead Ratio*1

800.0 (Billions of Yen)

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

300.0 (Billions of Yen)

Capital Adequacy Ratio, etc.

13.74
16.31
20.0 (%)
ESG Management—Initiative basics (from an investor’s perspective)

SuMi TRUST Bank’s ESG Investment Balance

25 trillion yen

Our Group is a pioneer of ESG investment in Japan. We continue to be one of Japan’s largest ESG institutional investors, using a variety of investment methods for stocks and bonds.

The SuMi TRUST Group’s ESG Evaluation

AA

We reflect the perspectives of ESG investors in our management, through which we aim to become the No. 1 financial institution for ESG management. We have been evaluated highly for our ESG efforts, such as receiving the top rating of financial institution in Japan from an influential research institution in the field.

ESG Management—Enhanced initiatives

Sustainability in Our Business

5 major themes

We are developing businesses that resolve issues for clients. These are mainly linked to the five major themes of climate change issues, natural capital (biodiversity issues), environmentally friendly property, sustainable investment (ESG investment), and super-aging society issues.

E (Volume of Greenhouse-gas Emissions)

(27)%

SuMi TRUST Bank has significantly reduced the total greenhouse-gas emissions from facilities within the scope of the Act on the Rational Use of Energy, compared to its post-business merger emissions peak (in FY2013).

S (Ratio of Male Employees Taking Childcare Leave)

100%

Our Group supports the active participation by women, while also working to help men achieve diverse work styles and a work-life balance. All qualified male employees at SuMi TRUST Bank have taken childcare leave.

G (Ratio of External Directors)

47%

SuMi TRUST Holdings has raised its ratio of external directors to 47%. This trend has enhanced the functioning of the Board of Directors, which supervises the management from an independent and objective viewpoint.
The core competency of a company is the creation of shared value. The SuMi TRUST Group uses various types of capital (management resources) to carry out business, enhancing the Group’s corporate value by providing value to stakeholders that include clients, shareholders and other investors, employees, and communities. The value we create enhances our capital and forms the foundation for further development.

Mission, Vision and Value

Business model of financial group specialized in trust banking

Mission: Contributing to the sound development of local communities, our operating base

Vision: Providing products and services to help resolve environmental issues such as climate change and aging society issues and fostering work-life balance with hope and pride

Value: Providing workplaces where diverse human resources can display their abilities, roles and results.

Sustained growth of performance and cash flow creation

Providing Values

• Providing workplaces
• Providing a diversity of solutions suited to different life stages
• Providing best solutions
• Providing products and services
• Providing a healthy balance sheet
• Constructive dialogue
• Fair assessment and treatment in accordance with non-financial information

Featuring varied competencies and diversified business portfolio and healthy balance sheet.

Economic and Social Environment

• Rapidly aging population and heightened needs in asset inheritance
• Sluggish domestic loan/investment demand
• Prolonged negative interest rate environment
• Government-private sector cooperation in regional revitalization
• Expectation for corporate governance reform
• Heightened needs for client-oriented services

Conversion into capital

Solid management foundation supporting business model

(Governance, risk management and compliance)

Financial Capital
• Sound financial base with a secured capital position in terms of both quality and quantity
• Highly diversified business portfolio and healthy balance sheet

Human Capital
• Competent human resources
• Corporate culture focused on diversity, health and motivation
• Advanced human right management structure

Intellectual Capital
• Accumulation of significant expertise and comprehensive capabilities unique to trust bank
• Various functions amassed via collaboration within the Group
• Development capabilities of innovative trust products, etc.

Manufactured Capital
• Advanced IT platforms for each business that leverage our accumulated, specialized know-how
• Ability to respond to client needs through digitalization

Social and Relationship Capital
• Outstanding, solid client base
• Client-oriented corporate culture based on the fiduciary spirit
• Corporate brand with a proven track record of history
• Network with partners in Japan and overseas

Input

Businesses with wide-ranging significant expertise

Continuous improvement of specialized services

Joint effort to provide client-oriented proposals

Relationship manager with clients

Solutions suited to different life stages

Individual clients

Corporate clients

Bespoke solutions for management style and size of companies
Sustained growth of performance and cash flow creation

- Growth of fee business, improvement of loan/investment business profitability
- Strengthening of cost competitiveness

Providing Products and Services

- Banking + Asset Management and Administration + Real Estate
  - Will Trusts
  - Asset Inheritance Services
- Banking + Asset Management and Administration
  - Sales of Investment Trust
  - Sales of Insurance Products
- Asset Management and Administration + Real Estate
  - Real Estate Securitization
- Banking
  - Bank Deposits
  - Corporate Credit Loans
  - Loans to Individuals
  - Foreign Exchange, Derivative, M&A
- Asset Management and Administration
  - Asset Management and Administration
  - Pension Trust
  - Stock Transfer Agency Services
- Real Estate
  - Real Estate Brokerage
  - Construction Consulting
- Other
  - Leasing

Providing Values

- Clients (See pages 26-47)
  - Providing a variety of highly specialized products and services
  - Providing best solutions by grasping current and potential needs
- Shareholders and Investors (See pages 20-23)
  - 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 (See pages 86-91)
  - 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 (See pages 48-49)
  - 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

Conversion into Capital

- Financial Capital
- Human Capital
- Intellectual Capital
- Manufactured Capital
- Social and Relationship Capital

Loan/investment related business
- Fee-related business

(See pages 50-51)

(See pages 48-49)
Group Strengths (Advantages of each type of capital)

**Financial Capital**

**Adequate capital in both quality and quantity**
Considering the unique characteristics of a trust bank, which is premised on long-term transactions with clients, we have set targets for capital adequacy at a level that takes into account preparation for economic and market volatility, in addition to the regulatory required levels for maintaining soundness as one of the Domestic Systemically Important Banks (D-SIBs). Furthermore, we will pursue investment opportunities from a medium- to long-term perspective aimed at sustainable growth while managing our capital to ensure that these levels are stably maintained.

- **Common Equity Tier 1 ratio 11.33%**
- **Non-performing loan ratio 0.2%**

**Human Capital**

**Strong pool of human resources**
One of the Group’s strengths is having many personnel with significant expertise who can identify issues in their designated areas and devise their own solutions. We strive to maximize the added value provided to our clients by constantly enhancing our human capital.

**History of enhancement of human capital**
- 2012 Established SuMi TRUST University
- 2013 Formulated Human Rights Policy
- 2016 “No. 1 Financial Group for Human Resources Development” Declaration
- 2017 Launched Diversity & Inclusion Office*
- 2017 Formulated Declaration on Work Style Reform
- 2018 Formulated Group Human Resources Development Policy

* SuMi TRUST Bank launched its Diversity & Inclusion Office in 2016 ahead of the Group.

**Corporate culture emphasizing diversity, health and motivation**
The operations of a trust bank are wide-ranging, and the organization is made up of people from a variety of backgrounds. Emphasis on diversity is therefore part of the Group’s corporate culture. In order to bring such diverse human resources together and maximize performance as an organization, we focus proactively on creating a workplace environment where employees can maintain their mental and physical health and job satisfaction.

**Advanced management structure for human rights**
It goes without saying that respect for basic human rights takes priority over all other matters at companies. Consideration for people, which is the basic spirit of human rights, is also linked to client orientation. Based on this viewpoint, the Group formulated its Human Rights Policy, and is developing a leading-edge human rights management structure, including regular implementation of human rights due diligence.

**Manufactured Capital**

**Advanced IT information base in each business accumulated through use of specialized know-how**
As a trust banking group, each business has an IT platform that has accumulated expertise in its own specific area. For example, i-Ships, owned by the Retail Total Solution Services Business, has client records that include information on life events as well as details of transactions. Multi-faceted analysis of these records allows us to make timely and appropriate proposals to individual clients regarding asset management, inheritance, and real estate. The wide variety of information managed by a trust bank, together with our sales support system with advanced analytical capabilities, contribute to the creation of added value by providing products and services that are highly satisfying to clients.

**Ability to respond to client needs through digitalization**
We are conducting demonstration experiments on technologies such as specialized text analysis AI that will allow us to discover potential client needs and offer optimal solutions, and AI that performs multi-faceted analysis of the various information we have accumulated as a trust bank and predictive analysis of products and services that match client needs. By adding new information to the base of information accumulated by the Group, and using digital functions to enhance our consulting services, we aim to increase our ability to respond to the real needs of clients.

**Plan to reduce workload at branch offices by 70% in approximately five years by promoting business process reform and branch strategy**
Accumulation of comprehensive capabilities and significant expertise unique to a trust bank

The Group has the longest history in Japan as a financial institution engaged in the trust business, and is still the country’s only financial group specialized in trust banking. The ability to think about finance based on the concept of trusts is one of the Group’s intangible strengths. In addition, our highly specialized human resources with wide-ranging qualifications are the driving force that sustains that strength.

Various functions brought together through collaboration within the Group

For the Group, which has a highly diversified financial business portfolio, coordination among organizations is vital to making effective use of intellectual capital and maximizing output. From this point of view, the Group encourages specific collaborative activities by including contribution to earnings in other businesses in the evaluation of each business’s results and has established a dedicated department to promote cooperation among Group companies.

Development capabilities for innovative trust products

In order for the Group to provide total solutions unique to a trust bank, in addition to each business and Group company leveraging its own strengths and know-how, the Group focuses on promoting organization-wide initiatives that combine the expertise of the various sections. To that end, we are building a product development system that conducts medium-term, ongoing research activities on difficult-to-categorize themes in each business and Group company area (for details, please see pages 78-79).

Social and Relationship Capital

High-quality, solid client base

As Japan’s only financial group specialized in trust banking, the Group has an overwhelming client base in the trust business and boasts the highest status domestically in asset management and administration services. The total loan balance is approximately ¥28 trillion, and our corporate services client base is second only to megabanks in size. Meanwhile, looking at individual client services, seniors in the 60-and-over age range, who have significant asset management needs, account for more than two-thirds of all our clients, and our sales of investment trusts and discretionary investment management products are the highest among domestic banks. This solid, high-quality client base is a major strength of the Group (for details, please see page 5).

SuMi TRUST Bank also carries out “With You” social contribution activities rooted in local areas in order to build strong relationships of trust with the members of the community (for details, please see page 49).

Client-oriented corporate culture based on the fiduciary spirit

Trust banks have played an important social role, exemplified by the loan trusts that contributed to post-war recovery, pension trusts that help provide employees with a stable livelihood in old age, and guardianship system support trusts aimed at conserving the assets of those with dementia or other issues. This is entirely due to our assuming the heavy responsibility placed on us as trustees. This fiduciary spirit is deeply embedded in the Group’s DNA. It is no exaggeration to say that being thoroughly client-oriented and aiming at becoming our clients’ “Best Partner” is the Group’s reason for existence.

Corporate brand with a proven track record of history

The origins of Mitsui and Sumitomo date to the beginning of the Edo Period. It is not simply because we bear the name Mitsui or Sumitomo that the Group has been able to win the trust of clients and conduct its business. Both of these names have a lengthy history of dedication to society and an unbroken record of credibility going back 400 years, which have resulted in an unmatched corporate brand.

Network of domestic and international partners

Collaboration with various stakeholders is essential to the advancement of our total solution model. Taking advantage of our neutral position as an independent trust bank group, the Group will expand alliances to further broaden our client base and achieve efficient and speedy growth. We will also demonstrate leadership in the financial industry by participating in various initiatives in Japan and overseas in the field of sustainability.

Intellectual capital

Financial consultants 249
Fellows of The Institute of Actuaries of Japan 43
Real Estate Transaction Notaries 5,518
Certified FP* 5,318

*FP: Financial Planner
Top Message

Sumitomo Mitsui Trust Holdings, Inc.
Director, President

Tetsuo Ohkubo
Business circumstances

Looking back on the economic environment in the previous fiscal year, conditions were strong both in Japan and overseas as corporate profits were sustained at a high level due to a recovery in overseas economies, leading to a continued moderate recovery in the domestic economy overall.

Meanwhile, conditions in financial markets remained unstable, as major countries showed signs of moving toward an exit from monetary easing policies, including three hikes in the federal funds rate in the U.S., which caused a rise in U.S. long-term interest rates and dramatic fluctuations in the stock market.

The global financial and economic environment is also becoming increasingly unpredictable and uncertain amid the emergence of trade friction due to protectionism and heightened geopolitical risks.

Japan is also seeing rapid advances in the declining birthrate and aging population as well as digitalization, in addition to the continuing low interest rate environment, and we are aware that ours is indeed an era of major changes in social, economic and financial environments both domestically and internationally.

Looking Back on Fiscal Year 2017

We launched our midterm management plan, “Evolution of The Trust Bank”—The Second Foundation—, covering the period from fiscal year 2017 to fiscal year 2019, with the aim of realizing a business model that enables sustainable and stable growth immune to economic and market volatilities, even in this economic and financial environment.

Specifically, as Japan’s only financial group specialized in trust banking, we worked to (1) strengthen the fee business by providing a range of products and services corresponding to the stages of our clients’ lives as well as growth stages, (2) increase profitability in the loan/investment business, and (3) enhance our corporate governance and promote fiduciary duties.

Through these efforts, fee income from asset management/administration and real estate steadily increased, and income from the domestic loan-deposit business was high, surpassing the level of the previous fiscal year, despite the prolonged low interest rate environment.

As a result, both revenue and profit for fiscal year 2017 were up compared to fiscal year 2016. We achieved our targets for both consolidated net business profit and consolidated net income, and the midterm management plan got off to a smooth start in its first year.
Business Operations Going Forward

In fiscal year 2018, the second year of the midterm management plan, we will achieve our business model transformation at an early stage by speeding up our work on various measures. At the same time, we aim to reach a level of growth that cannot be matched by other financial institutions in the business fields that are the Group’s strengths, such as asset management and asset administration.

(1) Evolution of Total Solutions

We believe that the Group’s strengths lie in our ability to promptly and accurately provide total solutions that leverage our banking, trust and real estate functions to meet the increasingly diverse needs of our clients.

Total solutions are distinctive in focusing on the “client’s future vision, not just the present, and offering proposals that encompass the client’s assets and liabilities as a whole, not just in part.”

The Group will continue to seek sustainable and stable growth by further refining our ability to provide the total solutions that are our strength, and earning even greater regard and support from our clients.

Specifically, for individual clients, we will work to support asset formation and inheritance and asset succession through measures such as accurate consulting in accordance with the client’s life-stage, and enhancing our line-up of insurance, loan and real estate products, etc. to meet diverse needs.

For corporate clients, in addition to appropriately meeting funding needs, we will provide total solutions to resolve a wide range of management issues, including enhancement of corporate governance, real estate, pension schemes, and company welfare.

Furthermore, for all clients, individual or corporate, who are seeking profitable and diverse investments from a medium- to long-term viewpoint, we will make use of our group-wide functions to provide optimal investment opportunities in areas with economic potential and in growth fields.

In particular, the new asset management company scheduled to be created in October 2018 by integrating the asset management business of Sumitomo Mitsui Trust Bank, Limited and Sumitomo Mitsui Trust Asset Management Co., Ltd. aims to be a nationally recognized brand among the top 20 asset managers.

In addition, in the asset administration field, we will pursue various economies of scale and further bolster our securities management function through the management integration of SuMi TRUST Holdings’ consolidated subsidiary Japan Trustee Services Bank, Ltd. with Mizuho Financial Group’s Trust & Custody Services Bank, Ltd.
We will also accelerate alliances leveraging our trust and real estate functions and step up activities to contribute to regional revitalization, with the aim of establishing a win-win relationship with regional financial institutions.

(2) Balancing Soundness and Profitability in Our Credit Portfolio

The Group’s credit portfolio, which is composed mainly of loans to large corporations and retail mortgage loans which have relatively low credit risk, has a low non-performing loan ratio and maintains a high level of soundness.

Although profitability has been on a downward trend amid persistent low interest rates, the domestic loan-deposit margin is showing signs of bottoming out as a result of a shift to high profitability loan assets and efforts to reduce funding costs.

We will continue to provide responses that fit our clients’ funding needs, while striving for appropriate risk taking and credit portfolio management in light of the trend toward tighter financial regulations on a global level.

---

**Non-Performing Loan Ratio of Japanese Major Banks***

<table>
<thead>
<tr>
<th>Bank</th>
<th>March 31, 2012</th>
<th>March 31, 2014</th>
<th>March 31, 2016</th>
<th>March 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>SuMi TRUST Bank</td>
<td>0.9</td>
<td>0.7</td>
<td>0.5</td>
<td>0.2</td>
</tr>
<tr>
<td>Mega bank A</td>
<td>1.2</td>
<td>1.0</td>
<td>0.8</td>
<td>0.6</td>
</tr>
<tr>
<td>Mega bank B</td>
<td>0.7</td>
<td>0.5</td>
<td>0.2</td>
<td></td>
</tr>
<tr>
<td>Mega bank C</td>
<td>0.5</td>
<td>0.3</td>
<td>0.1</td>
<td></td>
</tr>
</tbody>
</table>

* Mega banks: Sum of bank subsidiaries

**Domestic Loan-Deposit Spread***

<table>
<thead>
<tr>
<th>Year</th>
<th>1H 2012</th>
<th>1H 2013</th>
<th>1H 2014</th>
<th>1H 2015</th>
<th>1H 2016</th>
<th>1H 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>SuMi TRUST Bank</td>
<td>0.71</td>
<td>0.70</td>
<td>0.55</td>
<td>0.15</td>
<td>0.59</td>
<td>0.12</td>
</tr>
</tbody>
</table>

*SuMi TRUST Bank
The Challenge of Creating New Businesses and New Services to Support Sustainable Growth

While thus steadily pursuing the evolution of our total solutions, etc., we will take on the challenge of creating new businesses and services in order to achieve sustainable growth for the Group in the future.

Specifically, we will press ahead with establishing a framework of initiatives in new fields and focus areas, and invest resources in business areas where we have a competitive advantage. At the same time, we plan to create new value by flexibly making investments for growth with the aim of discovering future earnings sources.

In addition, we will continue to develop a workplace culture rich in enterprising spirit, through an idea-gathering project that encourages employees to come up with new products and services on their own, and promoting future creation activities among the core employees who will support the Group in the future.

Promoting Cost Structure Reform and Productivity Improvement as a Source of Competitiveness

Since the bank integration in 2012, the Group has actively promoted management efficiencies, such as moving swiftly to consolidate duplicate branches, and has already reduced the number of branches by 24%.

In addition, 90% of our branches specialize in retail business, and engage in consulting marketing face-to-face with clients in a layout centered on low counters. As a result, the number of clients visiting branches has remained mostly at the same level since the bank integration.
Having numerous branches used to be the key to competitiveness in the Japanese banking industry. However, we believe that the Group’s efficient branch network focused on major urban areas and our marketing model based on “face-to-face consulting unique to a trust bank” are suited to the current business environment and changing client needs.

Further enhancement of operational efficiency will be required in order to continue providing solutions that are finely tailored to the diversifying needs of clients in future. The Group will achieve this by focusing on trends in digitalization and implementing a digitalization strategy under which we reinforced our system, such as by establishing the Digital Planning Department in November 2017, with the aim of reducing expenses in the medium- to long-term, etc.

Specifically, for sales staff for individual clients, we have introduced tablet-type portable devices that can process transactions from reception to approval and execution. In addition, we are working on efforts including demonstration experiments for AI operations at call centers for stock transfer agency services clients.

We have already reduced administrative workloads at branch offices by 10% through the introduction of these tablet-type portable devices, and aim for a further reduction of 70% through development of additional functions, etc. in the future.

In addition to these efforts to enhance management efficiency, we will improve convenience for clients by actively adopting advanced digital technologies, including reduction of administrative space in branch offices to create trust type next generation branch that provide space for clients to consult in comfort. We will also embrace the challenge of developing new products and services.

(5) Developing Human Resources to Achieve Business Model Transformation

The Group considers diverse human resources with a wide range of qualities and skills to be the most important source of its own competitiveness. Accordingly, we strive to strengthen our efforts to nurture human resources by enhancing in-house training, etc. to increase comprehensive capabilities and expertise, based on our human resources development policies on growth and career formation for the employees who will create our future.

In particular, we emphasize nurturing human resources which possess the broad perspective and experience needed to provide total solutions. Therefore, we strive to offer a human resources development program in which employees gain experience in multiple businesses during a certain period after joining the company.
We have also made efforts to expand the range of participation of diverse human resources by establishing the Diversity & Inclusion Office in October 2017. In particular, greater participation by women is one of the most important initiatives in our human resources strategy, and we will continue to systematically nurture female employees and expand their promotion to management positions.

In addition to the continued use of such human resources, we believe it is essential to achieve diverse work styles and work-life balance, and to promote both the mental and physical health of the employees who are its foundation.

To that end, based on our “Declaration on Work Style Reform” established in May 2017, we are promoting working from home and mobile work, in addition to making active efforts to ensure intervals between work shifts and to reduce overtime.

In February 2018, we were certified by the Ministry of Economy, Trade and Industry as a “Certified Health and Productivity Management Organization (White 500)” for practicing outstanding health and productivity management.

We recognize that “work style reform” and “health promotion management” improve productivity and reduce total work hours will be key issues for realizing sustainable growth for the Group going forward. We will develop a system that allows diverse human resources to fully express their abilities, and promote the active participation of each and every employee.

(6) ESG Management Initiatives

The Sustainable Development Goals (SDGs) adopted by the United Nations comprise 17 goals and 169 targets that bring together global-scale priority issues that the world should unite to address toward 2030. Drawing widespread attention, the SDGs have made sustainability issues a universal language worldwide, and have presented companies with clear risks to consider and business opportunities to pursue.

The role of “finance,” which provides funding while involving various stakeholders, is extremely important in realizing the SDGs. This thinking lies behind the rapid expansion of ESG (environmental, social and governance) investment in Japan and overseas in recent years.

The Group has therefore further stepped up its ESG efforts at the top management level, and, in terms of framework, replaced the CSR Promotion Office with a Sustainability Promotion Office, and strengthened its functions.

By strengthening our ESG investment efforts and providing total solutions through identifying client issues amid links and relation with SDGs, we aim to contribute to enhancement of long-term corporate value for our clients and to be the No. 1 ESG managed bank.
In Conclusion

We are now in an era of major changes in the environment both domestically and internationally, and the needs of our clients, both individual and corporate, in relation to asset management, administration and succession are becoming even more diverse and complex.

The Group will do its utmost to realize a business model that enables sustainable and stable growth and to become the financial group selected as “Best Partner” by our clients, by providing total solutions with greater accuracy and speed than ever in a world where change has become the norm.

We sincerely ask for your continued support for our endeavors.

July 2018

Sumitomo Mitsui Trust Holdings, Inc.
Director, President
1. Looking Back on Fiscal Year 2017 (First Year of Midterm Management Plan)

In May 2017, SuMi TRUST Holdings announced its midterm management plan, “Evolution of The Trust Bank” – The Second Foundation –, covering the three years beginning with fiscal year 2017. Under the plan, we are implementing various measures aimed at transformation to a business model that will enable us to achieve sustainable and stable growth immune to economic and market volatilities as a financial group specialized in trust banking.

Looking back on fiscal year 2017, turning first to business performance, both revenue and profit exceeded our forecasts. This was due to growth in the fee businesses, including asset management/asset administration and real estate, where the trust business has a competitive advantage, and improved profitability in the loan/investment business owing to replacement of assets and control of funding costs. On the financial front, we moved ahead

<table>
<thead>
<tr>
<th>(Billions of yen)</th>
<th>FY2016 Actual</th>
<th>Plan</th>
<th>FY2017 Actual</th>
<th>Change from FY2016</th>
<th>Against plan</th>
<th>FY2019 Midterm Plan</th>
<th>Target KPIs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Profit targets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net business profit before credit costs</td>
<td>232.3</td>
<td>260.0</td>
<td>270.5</td>
<td>+38.1</td>
<td>+10.5</td>
<td>300.0</td>
<td></td>
</tr>
<tr>
<td>Net income attributable to owners of the parent</td>
<td>121.4</td>
<td>150.0</td>
<td>153.9</td>
<td>+32.5</td>
<td>+ 3.9</td>
<td>180.0</td>
<td></td>
</tr>
<tr>
<td><strong>Profitability indicators</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fee income ratio</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overhead ratio (OHR)</td>
<td>64.5%</td>
<td>62.0%</td>
<td>61.7%</td>
<td>(3.1%)</td>
<td>(0.3%)</td>
<td>Mid 50% level</td>
<td></td>
</tr>
<tr>
<td><strong>Financial indicators</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholder ROE*2</td>
<td>6.07%</td>
<td>—</td>
<td>7.40%</td>
<td>+1.33%</td>
<td>—</td>
<td>Approx. 8%</td>
<td>8% or more</td>
</tr>
<tr>
<td>Common equity Tier 1 ratio</td>
<td>11.19%</td>
<td>—</td>
<td>11.33%</td>
<td>+0.14%</td>
<td>—</td>
<td>Approx. 10%</td>
<td>Approx. 10%</td>
</tr>
</tbody>
</table>

*1 The fee income ratio increased due to a decrease in substantial gross business profit primarily owing to deterioration in market-related profit in fiscal year 2016. The fee income ratio averaged 55.1% from fiscal year 2012 to fiscal year 2015.

*2 Return on shareholders’ equity = (Net income attributable to owners of the parent / (FY-start total shareholders’ equity + FY-end shareholders’ equity) / 2) x 100
to reduce financial risks such as stock price fluctuation risk associated with strategic shareholdings and risk from the U.S. interest rate rise. Although there remain issues, such as an increase in expenses mainly due to higher systems costs at some subsidiaries, we are seeing steady improvement across all profit targets, profitability indicators, and financial indicators toward the levels sought under the midterm management plan, and I believe that we have made favorable progress overall in the plan’s first year.

2. Outlook for Fiscal Year 2018

In the business environment for fiscal year 2018, the ultra-low interest rate environment is expected to continue in Japan, while a turnaround in Europe’s monetary easing policy is expected to follow the hike in the federal funds rate in the U.S. We therefore consider it necessary to exercise greater caution in preparation for the risk of sudden changes in financial markets. SuMi TRUST Holdings will further accelerate various initiatives under the midterm management plan, that is, we will continue to strengthen the fee businesses mainly in Japan and make efforts to control funding procurement costs in the loan/investment business. At the same time, we will seek to improve profitability in our credit operations by replacing assets, more selectively, and bearing in mind factors such as diversification of risks.

In the fee businesses, which are a focus area, last year’s joint venture in the insurance business with Cardif Assurance Vie Japan began operations in April 2018, and in October we are planning to carry out Group reorganization in the asset management business and to launch a joint venture with Mizuho Financial Group and others (management integration of Japan Trustee Services Bank and Trust & Custody Services Bank) in the asset administration business. The financial units will support and promote such strategic efforts to bolster competitiveness from a medium- to long-term perspective in each business.

We will also make investments aimed at enhancing operational efficiency and productivity and expanding client contact. In terms of expenses, we of course take a balanced approach to making investments, verifying that resources are being used effectively, and our plan is to reduce the overhead ratio through prompt achievement of investment results and improvements in productivity due to top-line expansion.

Through the above measures, we will not only do our utmost to achieve our single-year earnings targets and plan but also steadily move ahead with efforts from a medium- to long-term perspective.

3. Financial Agendas

Our top challenge with respect to finance is how to increase profitability and efficiency while maintaining financial soundness.

As a trust bank premised on long-term transactions with clients, and as one of the Domestic Systemically Important Banks (D-SIBs), we are required to maintain a high level of financial soundness. At the same time, we must increase profitability and efficiency in order to secure funds for future growth and maintain financial soundness in response to the trust placed in us by shareholders.

Since the financial crisis in 2008, regulations on financial institutions, especially capital regulations, have been tightened, and improvements in soundness have been required. Meanwhile, profitability in the loan/investment business has remained stagnant amid the continuing environment of ultra-low interest rates and fierce competition. Furthermore, the capital regulatory reforms (finalized Basel III) agreed upon by the Basel Committee on Banking Supervision at the end of 2017 have raised capital requirements for credit operations and strategic shareholdings, which are expected to put further downward pressure on the profitability of return on capital.

In the resulting environment, SuMi TRUST Holdings will shift to a business structure and financial position that bal-
ance soundness and profitability. To do that, we will aim for sustainable and stable growth based on the two strategies of further strengthening the fee businesses and improving efficiency and profitability in the loan/investment business as set out in the midterm management plan.

As for strategic shareholdings, we will steadily decrease the balance in line with our reduction plan formulated in fiscal year 2016, “Aiming to cut the ratio of strategic shareholdings to Common Equity Tier 1 capital by 50% in approximately five years.” Meanwhile, we will continue to reduce the impact on our financial base through appropriate use of hedge transactions aimed at maintaining economic value and improving capital stability.

4. Capital Policy

With regard to striking a balance between 1) adequacy and efficiency of capital and 2) investment in profit growth opportunities while 3) aiming to strengthen shareholder return in the medium term, SuMi TRUST Holdings considers each of these to be important factors in maximizing shareholder returns, and our basic capital policy is based equally on these three points.

As for capital adequacy, in addition to the regulatory required levels, we have set a target of steadily securing a Capital Equity Tier 1 (CET1) ratio of approximately 10%,
reflecting the need to ensure a certain level of capital in light of the characteristics of a trust bank group that provides long-term services. As of March 31, 2018, we have secured a CET1 ratio of 11.3%. However, we believe that it will be necessary to accumulate capital even more steadily in light of the strengthened capital regulations (finalized Basel III reforms basis) expected to be phased in from March 31, 2022.

However, the impact of moving to a finalized Basel III reforms basis is not very different from the assumptions of the current midterm management plan announced in 2017, and will not have any immediate effect on our capital policy or shareholder return policy. Therefore, we will press ahead with transformation to a business model for high profit growth and capital efficiency by steadily implementing our midterm management plan. In doing so, we will accumulate capital, while managing it with both pursuit of growth opportunities and strengthening of shareholder return in accordance with profitability taken into account.

As announced in 2017, our shareholder return policy is to return shareholders’ profits commensurate with earnings, and we will maintain a consolidated dividend payout ratio of around 30%, while considering share repurchases based on the balance between profit growth opportunities and improvement in capital efficiency. In the medium term, we shall aim to gradually raise the total payout ratio to approximately 40% to enhance shareholder returns. In the future, even after capital accumulation has reached a level that is prudently sufficient on a finalized Basel III reforms basis, we will review our growth prospects and stock valuation, and consider the appropriate capital policy/shareholder return in light of the business environment. On top of bolstering shareholder distribution commensurate with earnings, share repurchases to improve capital efficiency will be considered as well.

KPI*

<table>
<thead>
<tr>
<th></th>
<th>FY2017 Actual</th>
<th>FY2019 Midterm Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit growth</td>
<td>¥153.9 billion</td>
<td>¥180.0 billion</td>
</tr>
<tr>
<td>Capital efficiency</td>
<td>7.40%</td>
<td>Approximately 8%</td>
</tr>
<tr>
<td>Shareholder return</td>
<td>37.4%</td>
<td>Approximately 40%</td>
</tr>
</tbody>
</table>

*Profit growth: Net income attributable to owners of the parent
Capital efficiency: Shareholder ROE
Shareholder return: Total payout ratio
Initiatives Related to Sustainability

Approach to Sustainability of Sumitomo Mitsui Trust Group

Promotion of materiality management to create shared value (please see pages 50-51)
A sustainability perspective is essential in order for the Group to create shared value and achieve growth with its stakeholders. The Group emphasizes ESG (environment, social and governance) as elements that form our management base, and promote materiality management incorporating the evaluation standards of long-term investors who expect sustainability in profit growth as well.

Sustainability initiatives in our business (please see pages 46-47)
The Group seeks to build a sustainable society with its clients by leveraging the functions of a financial group specialized in trust banking to provide total solutions that address social issues faced by clients. We use the SDGs (Sustainable Development Goals) as a standard to understand (verify the appropriateness of) the social value created by the products and services we provide.

Providing value to the community (please see pages 48-49)
Providing value to the community that constitutes society is linked to maintaining a sound business foundation, and we therefore consider it to be a social license required in order to conduct business. From this point of view, the Group makes it a practice to provide value to the community in various forms while also bearing SDGs in mind.

Basic Policy on the Social Responsibility of Sumitomo Mitsui Trust Group (Sustainability Policy)

<table>
<thead>
<tr>
<th></th>
<th>Helping address social and environmental problems through business</th>
<th>By developing and marketing products and services that help address social and environmental problems, we aim to improve the Group’s performance as well.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Sincere response to clients</td>
<td>The trust we receive from clients is the basis of our corporate activities. We strive to increase protection for clients and customer satisfaction, and to ensure the safety of our products.</td>
</tr>
<tr>
<td>3</td>
<td>Establishing the trust of society</td>
<td>We strive to reinforce the foundation of corporate value creation, including corporate governance, CSR, compliance with laws and regulations, and risk management.</td>
</tr>
<tr>
<td>4</td>
<td>Initiatives on environmental problems</td>
<td>We make efforts to reduce our environmental burden with the aim of building a society that coexists with nature and a recycling society.</td>
</tr>
<tr>
<td>5</td>
<td>Respect for the individual</td>
<td>We place emphasis on the people who make up society. In addition, we create a workplace environment and conduct human resources development to allow individuals to make the most of their skills.</td>
</tr>
<tr>
<td>6</td>
<td>Participation in and contribution to local communities</td>
<td>A sound local community supports a sound client base. We participate in and contribute to community activities through “With You” activities.</td>
</tr>
</tbody>
</table>

Sustainability Promotion System of Sumitomo Mitsui Trust Group

“Sustainable development of society and improvement of corporate value through proactive sustainability efforts” is clearly stated in the Group’s Basic Policy on Corporate Governance as the role of the Board of Directors. Specific activities are based on the midterm policy and fiscal year plan decided by the Sustainability Promotion Committee held as part of the Executive Committee, and supervised by the Sustainability Promotion Office of the Corporate Planning Department. With regard to issues related to materiality, the Risk Committee and Business Risk Management Committee function as advisory bodies to the Board of Directors and Executive Committee respectively.
Main Sustainability Themes and SDGs in Our Business

The Group engages in various sustainability efforts in its business. In particular, we are striving to expand our lineup of products and services related to the five major priority themes, while also considering their relationship to SDGs.

**Main Sustainability Themes**
- Super-aging society issues
- Climate change issues
- Environmentally friendly property
- Sustainable (ESG) investment
- Natural capital (biodiversity issues)

**SDGs**
- Super-aging society issues
- Climate change issues
- Natural capital (biodiversity issues)
- Sustainable (ESG) investment
- Environmentally friendly property

**Five Major Priority Themes for Sustainability**
- Contribution to achieving goals through provision of financial products and services
- Using SDGs as a standard to understand (verify the appropriateness of) the social value we create

*(Example) Relationship between environmentally friendly property and SDGs*

The Group has coined the word “Eco-Trustution” for environmental financial businesses that offer solutions to ecological issues using our trust function, and is pursuing strategic efforts from a long-term perspective. With regard to environmentally friendly property, which is one of our five major themes, we believe that financial incentives for property owners are essential. We have therefore set a goal of creating a market mechanism that reflects environmental considerations in real estate value, and have taken steps to that end while involving stakeholders in our efforts. We have also verified the social appropriateness of all these activities by tying them to SDGs, while also exploring the significance of environmentally friendly property from various aspects, such as by linking conservation of green spaces on sites to biodiversity. This contribution to market creation is linked to accumulation of know-how and network expansion for the Group itself, and helps improve total solution capabilities in the Real Estate Business. Eco-Trustution can be classed as an effort to “pursue shared value” that connects our contribution to solving social issues to profit growth for the Group.

**Initiatives Related to Sustainability**

- Step 1: Advocated theory of environmental added value for real estate (2005)
- Step 2: Organized sustainable real estate research group with experts invited from industry, government and academia (2007)
- Step 3: Developed theory of economic value that would be starting point
- Step 5: Led development of CASBEE for Real Estate* that can be acquired easily by those involved in real estate (2013)
- Step 6: Researched and published correlation between CASBEE evaluation and building rents (2015)

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* The comprehensive assessment system for built environment efficiency (CASBEE) certification is an environmental performance evaluation system for buildings being developed and promoted in Japan under the guidance of the Ministry of Land, Infrastructure, Transport and Tourism.

**Targets for environmentally friendly property business activities**
- Promotion of environmentally friendly property business (product examples)
- Environmentally friendly construction consulting
- Consulting to support applications for “CASBEE for Real Estate” Certification
- Support for “visualization” and development policies of smart towns and smart cities
- Improving total solution capabilities in Real Estate Business

**Wide-ranging collaboration to promote activities**
- Finding necessary technologies
- Environmental elements included in CASBEE evaluation standards

**Creation and expansion of environmentally friendly property market**

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Providing Values to the Community ...................................... 48
The term “fiduciary duties” is currently garnering attention in the financial industry. Interpreted as “client-oriented business operations,” “fiduciary duties” is the fundamental concept at the root of trusts. Since the Group’s foundation in 1924, we have conducted business operations with this concept guiding our management principles. In order to put fiduciary duties into practice – that is, to seek the true benefit of clients – the most important requirements are significant expertise that our clients can rely on, and consulting that offers clients optimal options according to their individual needs.

As the core company of a financial group specialized in trust banking, SuMi TRUST Bank leverages the significant expertise and comprehensive capabilities cultivated by the Group to provide optimal total solutions with the aim of enhancing the security and satisfaction of clients, expanding its client base and achieving sustainable growth.

A close focus on client needs is of primary importance in customer-oriented practices, and the solutions needed change with the times and with shifts in the economic environment.

For example, to address the growing needs of individual clients to conduct their own asset formation, we take advantage of the advanced asset management know-how cultivated in the pension business to propose optimal portfolios, including investment trusts, fund wraps, and insurance products. In addition, in response to the advanced aging of society, we provide products and services that support the transfer of assets between generations through use of our trust function, and offer tailor-made consulting according to diverse client circumstances with respect to inheritance.

As for corporate clients, while banking business transactions remain our base, we work together with clients to confront and offer solutions to the various issues they are facing. For example, we are expanding our services in non-financial areas, such as IR/SR consulting to enhance corporate governance, providing investment education for employees to enrich corporate welfare programs, and proposing real estate uses to increase asset efficiency.

Going forward, we will strive to lead the Group in practicing client-oriented business operations in order to establish our position as our clients’ “Best Partner.” We are also committed to making a significant contribution to society through the evolution of services in line with the times.

July 2018

Sumitomo Mitsui Trust Bank, Limited
President

Masaru Hashimoto
Retail Total Solution Services Business

[Message from the Officer in charge]

The Retail Total Solution Services Business uses the significant expertise we have cultivated as a trust bank and the varied products and services we can offer as a financial group specialized in trust banking to meet the diverse needs of individual clients. Through our comprehensive consulting services that take clients’ overall assets and liabilities into account based on the needs of clients of different generations, we work closely with our clients to offer trust and comfort over the long term as their “Best Partner.”

Tsuyoshi Saito
Executive Officer, SuMi TRUST Holdings
Officer in charge of Retail Total Solution Services Business, SuMi TRUST Bank

Business Outline

The Retail Total Solution Services Business, through our high-quality comprehensive consulting, provides diverse products and services unique to a trust bank, including asset management, asset formation, inheritance and succession, and wealth management, to meet the wide-ranging needs of individual clients that vary with their life stages.

We provide support for clients’ asset formation through various loan products such as mortgage loans, and various installment-type management products such as asset formation trusts, installment-type investment trusts, and Tsumitate NISA.

We use the SuMi TRUST Group’s broad network to meet needs related to real estate, such as purchase, sale and effective use of property, and change of residence.

We provide consulting services drawing on our significant expertise and extensive products and services related to lifetime donation and inheritance to meet needs for the smooth transfer of assets to the next generation.

Main Group Companies

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>SuMi TRUST Bank</td>
<td>Core entity in the SuMi TRUST Group, provides services to meet wide-ranging needs of individual clients (bank deposits, asset management, will trusts, mortgage loans, etc.)</td>
</tr>
<tr>
<td>Sumitomo Mitsui Trust Wealth Partners</td>
<td>Provides specialized, tailor-made consulting services regarding asset inheritance and business succession to individual and corporate clients</td>
</tr>
<tr>
<td>Sumitomo Mitsui Trust Club</td>
<td>Sole issuer of Diners Club Cards in Japan. Uses its brand strengths to provide high-quality services</td>
</tr>
<tr>
<td>Sumitomo Mitsui Trust Card</td>
<td>Issues global brand credit cards, VISA and MasterCard</td>
</tr>
<tr>
<td>Sumitomo Mitsui Trust Guarantee</td>
<td>Provides guarantee services for clients with mortgage loans, consumer loans, etc. provided by SuMi TRUST Bank</td>
</tr>
<tr>
<td>SBI Sumishin Net Bank</td>
<td>Internet-only bank that provides 24-hour yen savings accounts, real-time foreign currency deposits, integration with SBI SECURITIES accounts, non-face-to-face mortgage loans and card loans, etc.</td>
</tr>
<tr>
<td>Cardif Assurance Vie Japan</td>
<td>Joint venture with BNP Paribas Cardif; provides insurance products through SuMi TRUST Bank and other Japanese financial institutions</td>
</tr>
</tbody>
</table>
In Japan, while interest rates remain extremely low because of the maintained negative interest rate policy, there is growing uncertainty regarding the future of social security due to the rapidly aging society, declining birth rate, and shrinking population. As we enter the era of “the 100-year life,” it is becoming essential for people to prepare for the future through their own efforts, leveraging approximately ¥1,900 trillion in domestic individual financial assets. There is also a growing need in Japan’s aging society for the smooth transfer and succession of assets to the next generation.

In the midst of these changes in the macro environment and social structure, the SuMi TRUST Group strives to use the significant expertise and diverse products and services unique to a financial group specialized in trust banking to provide comprehensive consulting services and accurate solutions based on the characteristics of individual clients’ assets and liabilities and their corresponding needs, which change along with different stages in their lives, with the aim of becoming our clients’ “Best Partner.”

In order to become our clients’ “Best Partner,” we provide products and services suited to their true benefit, and strive to be completely client-oriented and to further improve the specialist skills that form the foundation of our consulting services, in accordance with our “Policies regarding the Fiduciary Duties of the Sumitomo Mitsui Trust Group.”

We use our inter-generational transfer/generational linkage-based total solution marketing model to build a solid, stable revenue base in order to sustain the growth of the Retail Total Solution Services Business, by expanding transactions with not only our material client base including the pre/post retirement generation and seniors, but also the asset formation generation through mortgage loans and inter-generation asset transfer support trust products.

We are also taking on the challenge of reforming our business models in order to achieve dramatic productivity improvements, and striving to increase the amount of time for face-to-face consulting services, which are our source of competitive power, and generate further added value through implementation of digital transformation to reduce backoffice work at branches, which now come in sight of 70% reduction. We will use FinTech and AI technology to rationalize our proposal processes, streamline our branches, and optimize our network, with the aim of increasing contact with clients while reducing costs.
Key Measures

By leveraging the functions unique to a financial group specialized in trust banking, we aim to achieve sustainable growth by accurately capturing growth opportunities, including asset formation for a wide range of generations, and asset inheritance amid a mature economy.

• Initiatives to stabilize income
  Through client-oriented consulting services, we will support clients in medium- to long-term asset formation and provide valuable products. Through this, we will increase the asset under management and raise the recurring fees ratio for revenue related to investment management consulting services, with the aim of creating a stable earnings structure.

• Initiatives to expand client base
  As asset management methods and client needs become increasingly diverse, we will use our rich product lineup as a trust bank to capture a broad spectrum of transaction opportunities with clients from a wide range of generations, helping solve clients’ problems.

Financial Highlights

Trend of Net Business Profit before Credit Costs

On a non-consolidated basis*, net business profit before credit costs decreased by ¥4.5 billion year on year to ¥11.1 billion due to the temporary fall in inheritance-related business revenue despite revenues from sales of investment trusts, insurance, etc. being approximately equal to those of the previous fiscal year. On a consolidated basis*, net business profit before credit costs decreased by ¥10.1 billion year on year to ¥23.4 billion due to a decrease in revenue of Sumitomo Mitsui Trust Club.

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

Trend of Revenue related to Investment Management Consulting Services

The recurring fees ratio for revenue related to investment management consulting services rose to 52% in fiscal year 2017. We will continue to increase the asset under management and raise the recurring fees ratio through our comprehensive consulting services for clients.

Trend of Will Trusts (Number of Wills under Custody)

We responded to growing needs related to inheritance and succession through consulting services by financial consultants and other staff with significant expertise. As a result, the number of will trusts, which provide total support for will writing, storage and execution, has been increasing.

Trend of Level Premium Insurance Policies

The number of level premium insurance policies rose approximately four-fold over the two-year period from March 31, 2016 to March 31, 2018. In June 2018, we began sales of “Lifecycle Plan,” a new product developed in collaboration with Cardif Assurance Vie Japan, a joint venture insurance company established together with BNP Paribas. Through its simple and easy-to-understand product design, the product enables clients to assemble only the coverage truly necessary, thereby satisfying clients’ diverse needs.

Key Measures

Financial Highlights

Trend of Net Business Profit before Credit Costs

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Future Refinements

Trust Type Next Generation Branch

- **Trust type next generation branches and channels**
  We will open next generation branches, starting with the opening of Consultation Plaza Chofu in September 2018, to provide total solutions to clients.

<table>
<thead>
<tr>
<th>Basic specifications of next generation branches</th>
</tr>
</thead>
<tbody>
<tr>
<td>Streamlined branches (no back offices)</td>
</tr>
<tr>
<td>Spacious consultation booths (regionally-appropriate concept booths will also be installed)</td>
</tr>
<tr>
<td>Support for diverse needs of a wide range of generations (enhancement of weekend/holiday/off-hours operations, etc.)</td>
</tr>
<tr>
<td>Enhanced communication functions</td>
</tr>
</tbody>
</table>

For financial institutions as a whole, the number of clients visiting branches is falling. SuMi TRUST Bank is working to maintain the number of branch visitors and to maximize consulting opportunities by conducting business in new ways at next generation branches and integrating with non-face-to-face channels.

The Consultation Plaza Chofu will be at the forefront of introducing next generation branch elements such as streamlined design, spacious consultation booths, and remote consultation systems.

**Cardif Assurance Vie Japan**

**Collaborative product development by SuMi TRUST Bank and Cardif Assurance Vie Japan**

On April 3, 2018, SuMi TRUST Bank completed its acquisition of 20% of the shares in Cardif Assurance Vie Japan (“Cardif”) from BNP Paribas Cardif. One of Cardif’s strengths is its development of insurance products with a high level of affinity with banking financial products. Through our insurance business collaboration with Cardif, we will provide truly client-oriented financial services.

The first product of our collaboration with Cardif was “Lifecycle Plan,” which we began offering at all SuMi TRUST Bank branches on June 18, 2018. “Lifecycle Plan” is an assembly-type insurance product in which clients can choose from five types of base policies, selecting only the coverage they need. According to Cardif’s research, this is the first assembly-type life insurance* to be offered as a banking product in Japan. The product is designed to enable clients to freely add or remove coverage as necessary according to different stages in their lives.

“Lifecycle Plan” was developed in response to client complaints about insurance products that they have too many riders, making their contents confusing, and that insurance procedures are too complex. “Lifecycle Plan” offers the three features of being simple, easy, and economical, as indicated below.

1. Simple insurance, providing only the coverage that clients need (Enabling clients to prepare for the future without redundant insurance)
2. Easy to apply for and manage, using a single application form to apply for and a single insurance policy document to contract multiple types of coverage
3. The more combined coverage, the more economical premiums

SuMi TRUST Bank aims to establish an “insurance business model that is unique to trust banks” (trust bancassurance) that offers comprehensive proposals taking into consideration tax systems, social security systems, and pension systems, in order to provide clients with comfort suited to different stages in their lives.

* Product that enables clients to combine multiple base policies, apply for them through a single application form, and contract them under a single insurance policy document

The number of branch visitors was kept at the same level as five years ago.

**Consultation Plaza Chofu**

The Consultation Plaza Chofu in September 2018, to provide total solutions to clients.

**Cardif Assurance Vie Japan**

The number of branch visitors will be at the forefront of introducing next generation branch elements such as streamlined design, spacious consultation booths, and remote consultation systems.

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Wholesale Total Solution Services Business

[Message from the Officer in charge]

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 financial group specialized in trust banking can offer. Through the integration of our various functions with significant expertise including banking, asset management and administration, and real estate, we meet the needs of clients that increasingly advance and diversify into comprehensive fields including not only loan/investment transactions but also non-financial aspects and asset management and administration.

Yukihiro Kitano
Executive Officer, SuMi TRUST Holdings
Officer in charge of Wholesale Total Solution Services Business, SuMi TRUST Bank

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 functions having significant expertise 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 the Group companies, we contribute to our clients’ development in a range of fields by providing speedy, one-stop solutions that are optimally tailored to their needs and issues.

Overview of Wholesale Business

Corporate

Joint establishment of asset management company Contracted trust agency

Investment products as point of entry
Provide business resource and know-how
Build win-win relationship

Business activity partner

High added value

Real estate, company welfare, shareholder management, and other non-financial needs

Investment products
Loans

Wholesale Asset Management
Wholesale Total Solution Services

Product related businesses with wide-ranging significant expertise

Main Group Companies

<table>
<thead>
<tr>
<th>Company</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>SuMi TRUST Bank</td>
<td>General point of contact for all matters related to corporate transactions,</td>
</tr>
<tr>
<td></td>
<td>such as financing schemes, corporate consultations, and M&amp;A advisory services</td>
</tr>
<tr>
<td>Sumitomo Mitsui Trust Panasonic Finance</td>
<td>Comprehensive finance company owned by Panasonic Corporation and SuMi TRUST Bank</td>
</tr>
<tr>
<td>(Leasing business)</td>
<td></td>
</tr>
<tr>
<td>Sumitomo Mitsui Trust Loan &amp; Finance</td>
<td>Mortgage loan company wholly owned by SuMi TRUST Bank and focusing primarily on mortgage loans</td>
</tr>
<tr>
<td>(Loan business)</td>
<td></td>
</tr>
<tr>
<td>Sumitomo Mitsui Trust Bank (Thai) (Banking business)</td>
<td>Wholly owned overseas subsidiary of SuMi TRUST Bank that conducts banking services in Thailand</td>
</tr>
<tr>
<td>Zijin Trust (Trust business)</td>
<td>Trust company headquartered in Nanjing, China that is 19.9% owned by SuMi TRUST Bank</td>
</tr>
<tr>
<td>Midwest Railcar Corporation (Leasing business)</td>
<td>Joint venture of Marubeni Corporation and the SuMi TRUST Bank Group engaged in the freight railcar leasing business in North America</td>
</tr>
<tr>
<td>BIDV-SuMi TRUST LEasing Company</td>
<td>Leasing company jointly established by SuMi TRUST Bank and BIDV, which is one of Vietnam’s top four state-owned commercial banks</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The needs of corporate clients are changing, driven by advances in technological innovation, changes in the global political and economic environment, the aging society and declining birth rate, social demands for enhanced corporate governance and improvements in the working environment, and persistent low interest rates. Assessment of how these changes in needs apply to each client is the launch point from which we provide differentiated services and added value unique to a financial group specialized in trust banking. Through this, the Group seeks to improve its standing with clients, capture new business opportunities, and thereby transform its earnings structure by reinforcing revenue and increasing fee revenue.

Government initiatives such as those related to Corporate Governance Codes and work style reform are contributing to major changes in the challenges faced by our corporate clients in such corporate divisions as corporate planning, corporate administration, human resources, and finance and accounting.

In the area of governance, there are growing needs for the review and revision of executive compensation systems and governance structures including operation of the board of directors, as well as improvements to ROE. As for asset formation, there are also expanding needs for investment education and employee welfare, such as the introduction of employee savings systems. The issues faced by corporate divisions, especially non-financial management challenges that do not involve loan/investment transactions, are growing, and one of the Group’s strengths is our ability to provide one-stop support through the multiple points of contact we have with companies’ corporate divisions.

Our relationship managers serve as hubs and collaborate with each of our businesses with significant expertise, through seamless coordination and cooperation as a single entity, to offer speedy solutions that secure our position as our clients’ “Best Partner.”
Key Measures

Improvement of credit portfolio profitability
We will reform credit portfolios through the reduction of low-profitability assets centered on foreign currency-denominated corporate loans and the improvement of margins, while making selective investments in product related assets, focusing on profitability and safety (recovery rates and tenor).

Trend of Corporate Credit Portfolio

Evolution of total solutions
The challenges faced by clients have become more advanced, shifting from single-department issues to complex management issues. This is creating an even greater rise in expectations for total solutions. We will use the activity themes defined by each of our businesses with significant expertise as launch points for maximizing the added values we offer to clients while strengthening coordination between relationship managers and the individual businesses.

Financial Highlights

Trend of Net Business Profit before Credit Costs*1
Net business profit before credit costs increased by ¥10.5 billion year on year to ¥89.1 billion on a non-consolidated basis*2, and increased by ¥12.6 billion year on year to ¥116.6 billion on a consolidated basis*3, due to the improvement of margins by reducing low-profitability assets centered on foreign currencies, reduced foreign currency funding costs, and reinforcement of product related loan initiatives.

Strengthening of product related loans
As the investments and loans environment continues to be harsh amid factors including worldwide monetary easing, negative interest rates in Japanese Yen, 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. Discounting the effects of the strong yen, the balance of product related loans (including asset finance for aircraft, etc., project finance, and real estate finance) grew steadily.

Real estate-themed activities
Stock transfer agency services-themed activities
Pension-themed activities

Active investment in areas where we have expertise
Plan to market these products to clients

Real estate non-recourse loans
Project finance
Shipping finance
Trade/commodity finance

We will further reinforce collaborations between our businesses in order to provide optimal solutions for clients that span multiple activity themes.
Amid changes in the social structure such as a maturing economy and shifting demographics, "client-oriented asset management" has become an important role for financial institutions to play. The Wholesale Asset Management Business leverages the diverse asset management and administration expertise and consulting capabilities 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 help achieve optimal asset management for each of our clients.

We will fuse the Group’s diverse property administration and asset management functions, such as inheritance, succession, and real estate, with the customer bases of our clients such as regional financial institutions, building win-win relationships. To achieve this, we will strive to strengthen our various alliances with the aim of creating mutual, sustainable business growth and expanding our contributions to the community.

Financial Highlights

While the asset management needs of corporate clients became increasingly sophisticated and diversified due to the persistently low interest rate environment, we strengthened our broad lineup of asset management products that meet the individual asset management needs of clients, including asset management products in various alternative asset areas such as private equity, private investment trusts that meet the needs of institutional investors, and joint money trusts that provide stable asset management opportunities. As a result, assets under management of the Wholesale Asset Management Business grew steadily.

Trend of Private Investment Trusts/Alternative Assets AUM for Financial Institutions

<table>
<thead>
<tr>
<th>Year</th>
<th>AUM (Trillions of Yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 31, 2015</td>
<td>3</td>
</tr>
<tr>
<td>March 31, 2016</td>
<td>2</td>
</tr>
<tr>
<td>March 31, 2017</td>
<td>1</td>
</tr>
<tr>
<td>March 31, 2018</td>
<td>2.8</td>
</tr>
</tbody>
</table>

Trend of Joint Money Trusts

<table>
<thead>
<tr>
<th>Year</th>
<th>AUM (Trillions of Yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 31, 2015</td>
<td>1.5</td>
</tr>
<tr>
<td>March 31, 2016</td>
<td>1.0</td>
</tr>
<tr>
<td>March 31, 2017</td>
<td>0.5</td>
</tr>
<tr>
<td>March 31, 2018</td>
<td>1.3</td>
</tr>
</tbody>
</table>

Amid the asset management difficulties brought about by changes in the social structure and the financial environment such as a maturing economy and aging society, and the management challenges produced by these factors, the Wholesale Asset Management Business offers corporate clients total solutions unique to a financial group specialized in trust banking, encompassing both assets and liabilities. Our goal is to leverage the diverse asset management and administration know-how and consulting capabilities cultivated by the Group in areas ranging from securities to real assets in this core field to become our clients’ “Best Partner.”

Kengo Noguchi  
Executive Officer, SuMi TRUST Holdings  
Officer in charge of Wholesale Asset Management Business, SuMi TRUST Bank
Fiduciary Services Business

[Message from the Officer in charge]

In our Fiduciary Services Business, we provide the asset management and asset administration functions that are the core competencies of our trust business to clients in forms tailored to their needs. In the area of asset management business, one of our strengths is our ability to provide services that contribute to medium- to long-term asset formation, backed by our solid track record of the corporate pension business and other businesses. In the area of asset administration business, we have established a consistent reputation for our pension and investment trust asset management companies’ capabilities of meeting the diverse needs of clients. We will further refine and enhance these strengths while leading the growth of the Group’s fee business by diversifying and expanding our services and business base.

Masahiro Tsuchiya
Executive Officer, SuMi TRUST Holdings
Officer in charge of Fiduciary Services Business, SuMi TRUST Bank

| 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 and seamlessly combining our significant expertise and know-how, we provide client-oriented, high added value services ranging from design of pension systems to management and administration.

| 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.

| 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 to respond, as well as through diverse products we provide, to the wide-ranging asset management needs of clients.

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

Main Group Companies

| Company |
SuMi TRUST Bank | Trust bank that performs marketing and planning of services including: design, operation, management, and consulting of corporate pension-related systems; asset management primarily for institutional investors; and asset administration services such as investment trust mandates |
Japan Pension Operation Service | Company specializing in administration and computer systems for pension fund administration (joint venture with Mizuho Trust & Banking) |
Sumitomo Mitsui Trust Asset Management | Asset management company that leverages the comprehensive capabilities of the Group to perform investment trust management and high-quality marketing support |
Nikko Asset Management | Unique asset management company that operates globally with a focus on Asia |
Sumitomo Mitsui Trust International | Base of asset management product mandates and sales and securities borrowing and lending transactions for overseas investors |
Sky Ocean Asset Management | Asset management company established as a joint venture with the Bank of Yokohama, Bank of Kyoto, Gunma Bank, and Tokyo Kiraboshi Financial Group |
JP Asset Management | Asset management company jointly established with Japan Post Bank, Japan Post, and Nomura Holdings |
Japan Trustee Services Bank | Trust bank specializing in asset administration services (joint venture with Resona Bank) |
Sumitomo Mitsui Trust Bank (U.S.A.) | U.S. base for overseas security administration operations |
Sumitomo Mitsui Trust Bank (Luxembourg) | European base for overseas security administration operations |
Sumitomo Mitsui Trust (UK) | U.K. base for overseas security administration operations |
Sumitomo Mitsui Trust (Ireland) | Central base for foreign-domiciled fund administration operations |
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 “diversification and advancement of Japanese investment chains,” while serving as an engine of the Group’s fee business growth.

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 by the aggregation of resources and improving management of assets within the Group and pursue diversification of services in asset administration, while seeking to expand our balance of assets under management and custody, revenue, and client base.

### Strengthening of Asset Management/Asset Administration Functions

#### Pensions
- Diversification of asset management needs due to negative interest rate environment increase in pension system reform needs in the era of “the 100-year life”

#### Asset Management
- Changes in asset management environment
- Increase in asset formation needs
- Revision of Stewardship Code

#### Asset Administration
- Diversification and sophistication of asset management
- Expansion of investment trust market
- Increasing shift to lower fees

#### Environment
- Strengthen comprehensive support for pension systems, pension asset management, and company welfare programs

#### Direction
- Strengthen asset management capabilities
- Enlarge provision base for asset management services
- Enhance stewardship activities

#### Contribute to “formation of the people’s assets,” “sustainable growth of Japan’s economy and corporations,” and “diversification and advancement of Japanese investment chains”

* JABIS: Outsourcing services for middle and back office for asset management companies
We will pursue expansion of our client base, balance of assets under management, and revenue 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.

In our corporate pension business, we increased DB balance*1 and DC plan members*2 through timely proposals of plans and asset management, and also steadily grew the balance of corporate pension funds through timely response to the diverse needs of individuals and financial institutions for both asset management and asset administration. As a result, net business profit before credit costs increased by ¥9.1 billion year on year to ¥59.1 billion.

*1 Balance of DB assets entrusted to SuMi TRUST Bank
*2 Number of subscribers in SuMi TRUST Bank mandated DC pension plans

Financial Highlights

In our corporate pension business, we increased DB balance and DC plan members through timely proposals of plans and asset management, and also steadily grew the balance of corporate pension funds through timely response to the diverse needs of individuals and financial institutions for both asset management and asset administration. As a result, net business profit before credit costs increased by ¥9.1 billion year on year to ¥59.1 billion.

Pensions
The number of DC plan members increased by approximately 510,000 in four years, among the highest in the industry, due to expansion of large-scale DC pension plans entrusted to us and expansion of DC pension plans entrusted to us as successors to company employees’ pension funds (Kosei Nenkin Kikin), backed by the high regard of our clients for our investment education, online services, call centers, and other services.

Asset Management
With a balance of assets under management that has increased by approximately ¥23 trillion in five years, the SuMi TRUST Group boasts the No. 1 position in Japan. We steadily increased our balance by providing products to meet the diverse needs of a wide range of clients (pension funds, mutual aid associations, financial institutions, individuals, 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 ¥63 trillion in five years, mainly in investment trusts that form the core of asset administration services, due to our refinement of asset management methods and our diversification of the assets we manage. Our balance of overseas assets under custody increased by approximately $105.0 billion in five years due to continued enhancement of services for Japanese clients.
Strengthen asset management capabilities

In October 2018, we will split the asset management business of SuMi TRUST Bank, which possesses a great deal of know-how and offers a high level of quality for corporate clients and institutional investors, and integrate it with SuMi TRUST Asset Management, which has sought to expand its business to individual clients, with a focus on products such as DC plans, fund wraps, and index investment trusts. By concentrating management resources and investing them in growth fields, we aim to strengthen asset management capabilities while providing a rich lineup of products that meet a wide range of diversified investment needs, maximizing clients’ profits by speedily meeting their diverse needs.

March 31, 2018

<table>
<thead>
<tr>
<th>SuMi TRUST Bank</th>
<th>Sumitomo Mitsui Trust Asset Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>¥53.8 trillion</td>
<td>¥10.0 trillion</td>
</tr>
<tr>
<td>No.1 corporate pension market share in Japan</td>
<td>No.1 DC pension investment trust market share in Japan</td>
</tr>
<tr>
<td>Robust foundations in domestic market, wide coverage from traditional to alternative assets.</td>
<td>Investment trust sales to branch retail network, DC plans, and financial institutions</td>
</tr>
</tbody>
</table>

Expansion of service provision base

We will provide medium- to long-term, stable asset management services to a wide range of clients, such as regional financial institutions, by providing the Group’s asset management know-how to Sky Ocean Asset Management and JP Asset Management.

March 31, 2018

<table>
<thead>
<tr>
<th>Sky Ocean Asset Management</th>
<th>JP Asset Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>¥309 trillion</td>
<td>¥384 trillion</td>
</tr>
<tr>
<td>JTSB: joint venture with Resona Bank</td>
<td>TCSB: joint venture with Mizuho Financial Group and life insurance companies</td>
</tr>
<tr>
<td>SuMi TRUST Holdings 66.6%</td>
<td>Mizuho Financial Group 54%</td>
</tr>
<tr>
<td>Resona Bank 33.3%</td>
<td>Life insurance companies 46%</td>
</tr>
</tbody>
</table>

* As of December 31, 2017

Pursue economies of scale

In March 2018, we reached an in-principle agreement between the major shareholders of Japan Trustee Services Bank (JTSB: joint venture with Resona Bank), a prominent asset custodian services company, and Trust & Custody Services Bank (TCSB: joint venture with Mizuho Financial Group and life insurance companies), a subsidiary of Mizuho Financial Group, to merge the two companies. In October 2018, a new holding company (JTC Holdings) will be established, with JTSB and TCSB as wholly-owned subsidiaries. By 2021, the two companies and the holding company will be merged, creating an integrated company. The economies of scale will be leveraged to rationalize and enhance their service levels.

March 31, 2018

<table>
<thead>
<tr>
<th>JTSB</th>
<th>TCSB</th>
</tr>
</thead>
<tbody>
<tr>
<td>¥309 trillion</td>
<td>¥384 trillion</td>
</tr>
<tr>
<td>SuMi TRUST Holdings 66.6%</td>
<td>Mizuho Financial Group 54%</td>
</tr>
<tr>
<td>Resona Bank 33.3%</td>
<td>Life insurance companies 46%</td>
</tr>
</tbody>
</table>

* Cater to outsourcing needs

We will enhance our fiduciary business system based on advances in managed asset diversification and asset management methods while supplying asset administration services that provide even greater added value by combining the know-how the Group has developed through its asset management and banking operations.
Our Stock Transfer Agency Services Business works as a “shareholder list manager” provided for in the Companies Act and undertakes stock practices 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 stock practices/general shareholders’ meeting practices” to support clients’ handling of stock practices through our abundant practical experience and significant expertise
2) “IPO consulting services” to provide practical support for clients pursuing initial public offerings
3) “Consulting services for investors/capital strategies” to support clients’ investor strategies, capital strategies, and public relations activities (IR/SR)
4) “Consulting services for enhancing governance” to support clients’ efforts to enhance initiatives related to governance

Business Outline

Our Stock Transfer Agency Services Business works as a “shareholder list manager” provided for in the Companies Act and undertakes stock practices 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 stock practices/general shareholders’ meeting practices” to support clients’ handling of stock practices through our abundant practical experience and significant expertise
2) “IPO consulting services” to provide practical support for clients pursuing initial public offerings
3) “Consulting services for investors/capital strategies” to support clients’ investor strategies, capital strategies, and public relations activities (IR/SR)
4) “Consulting services for enhancing governance” to support clients’ efforts to enhance initiatives related to governance
Target Business Model

We seek to be our clients’ “Best Partner,” offering solutions from a cross-business perspective in response to management issues for investors/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 practices.

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 practices and support for general meetings of shareholders to include enhancement of governance, environmental, social and 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 for investors/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 regional financial institutions to support IPOs by regional companies. We have achieved the top share of entrustments from newly listed companies for two consecutive years 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.

Key Measures

Enhance solution marketing
Governance survey/executive compensation survey
In fiscal year 2017, we used our client base, the number one in Japan, to conduct our first governance and executive compensation surveys. We gathered some of the most extensive survey data in Japan, and plan to continue these efforts in fiscal year 2018.

This tremendous amount of survey data not only makes it possible to assess initiatives related to overall governance or executive compensation in listed companies, but also to identify client issues and needs by comparing the results of analyses of individual companies against average initiative conditions in other companies, narrowed down by industry, company scale, or the like. We will use this to increase our consulting revenue by providing solutions tailored to clients’ issues and needs.

Expand transaction base
We will further expand our solid client base to establish a firm position as a leading company in the stock transfer agency services market.

Promote operation efficiency improvements
We will expand the activity scope of RPA, which we introduced in fiscal year 2017, and further promote operation efficiency improvements such as deploying AI in call centers, enhancing our competitive power. Our call center AI will improve revenue by evolving to better analyze the contents of calls from individual shareholders.

Financial Highlights

Net business profit before credit costs increased by ¥0.4 billion year on year to ¥16.7 billion on a non-consolidated basis*, and increased by ¥0.3 billion year on year to ¥17.4 billion on a consolidated basis**, due to an increase in recurring fees and commissions received as a result of 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)

Trend of Net Business Profit before Credit Costs

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Billions of Yen)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-consolidated</td>
<td>20.0</td>
<td>16.7</td>
<td>17.4</td>
</tr>
<tr>
<td>Consolidated</td>
<td>10.0</td>
<td>16.7</td>
<td>17.4</td>
</tr>
</tbody>
</table>

Industry Share of Stock Transfer Agency Services Business* (March 31, 2018)

<table>
<thead>
<tr>
<th>Shareholders under Administration</th>
<th>No. 1 in industry</th>
<th>43.6%</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. 1 in management</td>
<td>41.8%</td>
<td></td>
</tr>
</tbody>
</table>

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

[Message from the Officers in charge]

Our Real Estate Business offers a full lineup of CRE (corporate real estate) strategies, brokerage for buying, selling, and leasing, development and construction consulting, and securitization trusts, etc. to meet the real estate needs of corporate and individual clients in Japan and overseas. By providing one-stop, optimized real estate solutions to the increasingly complex and diverse business issues faced by corporate clients and assisting with asset formation for individual clients, we continue to work closely with our clients as their “Best Partner.”

Business Outline

In Japan, we are continuing to produce top class results in our real estate brokerage for corporate clients, the core of our Real Estate Business. In addition to coordinating with our businesses within the Group, we also make use of our external networks with regional financial institutions and overseas financial organizations for corporations to utilize real estate assets in line with their management issues and business strategies, and for clients whose core business is real estate investment to increase real estate revenue.

In our real estate brokerage for individuals, we continue to coordinate within the Group to improve our provision of real estate information aligned with the life stages and life events of clients and to maximize asset value for our clients.

We also secure the top position in Japan in terms of both real estate securitization trusts and J-REIT business, and provide the important social infrastructure function of contributing to the growth of the real estate investment market.

Our Real Estate Business has a large number of certified personnel, such as real estate brokers, real estate appraisers, and first-class registered architects and specialists such as leading experts in the environmentally friendly property field, providing a full line of solutions.

Solution Functions

<table>
<thead>
<tr>
<th>Real estate transaction services</th>
<th>Real estate management and administration services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brokerage</td>
<td>Securitization arrangement</td>
</tr>
<tr>
<td>Buying and selling</td>
<td>Arrangement of real estate securitization and creation of collective investment schemes</td>
</tr>
<tr>
<td>Leasing</td>
<td>Asset management</td>
</tr>
<tr>
<td>Brokerage services for leasing to tenants, including offices, commercial and distribution facilities, etc.</td>
<td>Real estate fund management services</td>
</tr>
<tr>
<td>Consulting</td>
<td>Real estate securitization trusts</td>
</tr>
<tr>
<td>CRE</td>
<td>Fiduciary services for real estate trusts in real estate securitization, etc.</td>
</tr>
<tr>
<td>Secure use</td>
<td>Real estate investment companies</td>
</tr>
<tr>
<td>Consulting services related to effective use of idle and unutilized/underutilized land</td>
<td>Asset storage, general administration (accounting administration)</td>
</tr>
<tr>
<td>Construction</td>
<td>Real estate administration</td>
</tr>
<tr>
<td>Consulting services related to building construction</td>
<td>Real estate administration services using delegation of administration and administrative trusts</td>
</tr>
<tr>
<td>Environmentally friendly property</td>
<td>Other</td>
</tr>
<tr>
<td>Consulting services for environmentally friendly real estate development and building construction</td>
<td>Overseas real estate business</td>
</tr>
<tr>
<td>Consulting on intermediation of overseas real estate, market research, and overseas expansion strategies, etc.</td>
<td>Real estate market research</td>
</tr>
<tr>
<td>Real estate market research</td>
<td>Consulting on investment valuation and risk analysis regarding structured real estate finance products</td>
</tr>
</tbody>
</table>

Structure for Providing Solutions

<table>
<thead>
<tr>
<th>Corporate clients</th>
<th>Point of contact with clients/ brokerage solutions</th>
<th>Various consulting services and solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tokyo metropolitan area</td>
<td>Real Estate Business Dept. IV Wood</td>
<td>Real Estate Business Solution Dept.</td>
</tr>
<tr>
<td>Chugoku area</td>
<td>Real Estate Business Dept. Nagoya</td>
<td>Real Estate Advisory Dept.</td>
</tr>
<tr>
<td>Kinki area</td>
<td>Real Estate Business Dept. Osaka</td>
<td>Real Estate Custody Business Dept.</td>
</tr>
<tr>
<td>Other regions</td>
<td>Real Estate Business Network Promotion Dept., Real Estate Sections of Branches</td>
<td>Real Estate Trust Business Dept.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Real Estate Investment Business Dept.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sumitomo Mitsui Trust Real Estate Investment Management</td>
</tr>
<tr>
<td>Individual clients</td>
<td>Sumitomo Mitsui Trust Realty</td>
<td></td>
</tr>
<tr>
<td>Overseas clients</td>
<td>Global Real Estate Business Planning and Promotion Dept.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>SUMITOMO MITSUI TRUST RESEARCH INSTITUTE</td>
<td></td>
</tr>
</tbody>
</table>

Main Group Companies

| Sumitomo Mitsui Trust Bank | Investment and business use real estate brokerage and consulting services, primarily for corporate clients |
| Sumitomo Mitsui Trust Realty | Transaction services such as residential, investment, and business use real estate brokerage, primarily for individual clients |
| Sumitomo Mitsui Trust Research Institute | Real estate market research and consulting services, primarily for corporate clients |
**Target Business Model**

**Becoming a “Best Partner”**

By providing total solutions that repeatedly meet clients’ needs, we will establish ongoing multi-level contact with clients and become their “Best Partner.”

**Ongoing client base expansion**

We will not only coordinate with our other businesses, but also leverage our networks with regional financial institutions and overseas financial organizations to provide real estate services to new clients, expanding our client base.

**Seamless solution provision aligned with real estate management cycles**

We will identify future profit opportunities through our deep understanding of the status and issues of individual real estate properties owned by clients, and through our ongoing provision of optimal solutions aligned with medium- to long-term real estate management cycles.

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**Key Measures**

**Enhance coordination across businesses**

- Assess and analyze the position of real estate in clients’ business challenges and business strategies.
- Build multi-level contact with not only client corporate administration departments, but corporate planning, finance, and other departments as well.

**Provide total solutions**

- Comprehensively assess market real estate information and analyze in which industries and business types real estate transaction growth is expected.
- Coordinate with our other businesses to enhance total solution proposals that utilize real estate.

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**Financial Highlights**

**Trend of Net Business Profit before Credit Costs**

Net business profit before credit costs remained at the same level as in the previous fiscal year on a non-consolidated basis*, but increased by ¥0.4 billion year on year to ¥29.8 billion on a consolidated basis** primarily as the result of increased revenue from brokerage for individual clients.

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

<table>
<thead>
<tr>
<th>Year</th>
<th>(Billions of Yen)</th>
<th>(Fiscal Year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>23.1</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>29.8</td>
<td>2017</td>
</tr>
</tbody>
</table>

**Trend of Trusts under Administration for Real Estate Infrastructure Services**

The balance of assets under administration steadily grew for both real estate securitization trusts and investment companies’ asset custody and general administration entrusted to us, and we secured the top position in Japan in terms of the scale of our trusts as a result.

<table>
<thead>
<tr>
<th>Year</th>
<th>(Trillions of Yen)</th>
<th>(Fiscal Year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>13.3</td>
<td>2016</td>
</tr>
<tr>
<td>2017</td>
<td>15.3</td>
<td></td>
</tr>
</tbody>
</table>

---

**Overall Net Business Profit**

Net business profit before credit costs remained at the same level as in the previous fiscal year on a non-consolidated basis*, but increased by ¥0.4 billion year on year to ¥29.8 billion on a consolidated basis** primarily as the result of increased revenue from brokerage for individual clients.

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

[Message from the Officer in charge]

In the Global Markets Business, our experts who manage global financial market volatility draws on our domestic and overseas networks to provide optimal solutions that meet client needs for asset management and risk management regarding such matters as interest rate derivatives and foreign exchange related transactions.

Executive Officer, SuMi TRUST Holdings
Yoshinori Momose  Officer in charge of Global Markets Business, SuMi TRUST Bank

Business Outline

Our Global Markets Business includes three functions — client service functions, which undertake marketing operations and market-making operations; market functions, which handle investment operations and financial management operations; and administrative functions. We combine these functions and operations to leverage our significant expertise and comprehensive capabilities and provide services in a timely manner.

Client Service Functions
- Marketing operations: We make use of functions within the SuMi TRUST Group to offer market-based financial products and solution services suited to client needs in a timely manner at a reasonable price. We also provide market analysis services, supporting client decision-making regarding investments and risk hedging.
- 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. Through these operations, we contribute to greater market liquidity. 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 while maximizing profit.
- Financial management operations: We analyze market environments, measure the market risks the SuMi TRUST Group is exposed to and plan and execute market risk control in order to secure financial stability from a group-wide perspective.

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

<table>
<thead>
<tr>
<th>Markets</th>
<th>Market transactions</th>
<th>The SuMi TRUST Group</th>
<th>Added value</th>
<th>Clients</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans/investments</td>
<td>Access to various markets</td>
<td>Marketing operations</td>
<td>Various market-based financial products</td>
<td>Retail</td>
</tr>
<tr>
<td>Foreign exchange</td>
<td>Loans/investments and securities settlement</td>
<td>Market-making operations</td>
<td>Solution services</td>
<td>Corporate</td>
</tr>
<tr>
<td>Securities</td>
<td>Providing significant expertise</td>
<td>Investment operations</td>
<td>Financial risk management</td>
<td>Government</td>
</tr>
<tr>
<td>Derivatives</td>
<td>Market transactions</td>
<td>Financial management operations</td>
<td>Settlement services</td>
<td>Overseas</td>
</tr>
</tbody>
</table>

(* FY2017 actual)
Proposals for hedging foreign exchange risk

Foreign exchange transactions

Foreign exchange hedge transactions

Regional financial institution

Regional company

BANK

Volatility of the Group's financial position

Utilizing know-how

Marketing operations

Market-making operations

Investment operations

Financial management operations

Contribute to the management of 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. We will protect clients’ asset value by providing solutions to appropriately manage market volatility.

- The optimal solutions we offer our clients make use of all the volatility management know-how of our group of experts, including knowledge of marketing 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.

Key Measures

Expand foreign exchange and derivative transactions with financial organizations

- The advance of globalization is stimulating overseas expansion, including M&As, by Japanese companies and foreign asset management by financial organizations, producing a rising need for appropriate hedging against interest rate and foreign exchange risks.

- Our specialized market volatility management functions can be used not only by the Group's clients, but also for the enrichment of client services offered by regional financial institutions through transactions with the Group, mutually expanding business opportunities.

Promote foreign currency deposits

- In Japan, which depends on foreign countries for resources and food, the price of imports soars when the yen weakens significantly, producing inflation.

- From the perspective of protecting clients’ asset value (purchasing power), we propose to clients foreign currency deposits, which are advantageous when the yen is weak, as a tool to hedge their risks.

Financial Highlights

Trend of Net Business Profit before Credit Costs

In fiscal year 2016, net business profit before credit costs fell significantly due to the posting of realized losses on sales of U.S. treasuries, but in fiscal year 2017, net business profit before credit costs were ¥39.3 billion, primarily focused in client services such as marketing operations and market-making operations.

Trend of Value of Transactions with Financial Organizations

By maintaining a client-level perspective with respect to the various hedge needs of financial organizations including regional financial institutions, we steadily expanded our foreign exchange and derivative transactions with financial organizations.
### Five Major Priority Themes

#### Environmental and Social Challenges

<table>
<thead>
<tr>
<th>Climate change issues</th>
<th>Natural capital (biodiversity issues)</th>
<th>Environmentally friendly property</th>
<th>Sustainable investment (ESG investment)</th>
<th>Super-aging society issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Materialization of transition risks such as the exposure of corporations and financial institutions to asset value volatility caused by changes in technical innovations, policies, market trends, and reputation, etc., during the process of transitioning to a society with net zero carbon emissions</td>
<td>• Increasing resource procurement risks due to depletion and pollution of natural capital</td>
<td>• Advance of global warming due to energy consumption of buildings, one of factors accelerating global warming</td>
<td>• Insufficient supply of risk money for building a sustainable society</td>
<td>• Vulnerability of socio-economic system due to advent of super-aging society</td>
</tr>
<tr>
<td>• Materialization of physical risks such as extreme weather (typhoons, floods, droughts, etc.), rising sea levels, and shifting climate patterns</td>
<td>• Shortages or illegal trade in living resources used for food, law materials for pharmaceutical products, etc.</td>
<td>• Loss of biodiversity and other environmental destruction due to urban expansion</td>
<td>• Lack of capital market that enhances long-term enterprise value (insufficiently developed information disclosure rules)</td>
<td>• Manifestation of various problems caused by dementia</td>
</tr>
</tbody>
</table>

#### Examples of Products and Services

<table>
<thead>
<tr>
<th>Climate change issues</th>
<th>Natural capital (biodiversity issues)</th>
<th>Environmentally friendly property</th>
<th>Sustainable investment (ESG investment)</th>
<th>Super-aging society issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Renewable energy project finance</td>
<td>• Environmental rating loans with evaluation of natural capital preservation</td>
<td>• Environmentally friendly construction consulting</td>
<td>• ESG funds</td>
<td>• Products that ensure the stability of income and expenditures for senior generations</td>
</tr>
<tr>
<td>• Renewable energy funds</td>
<td>• Social contribution donation trusts and charitable trusts to make donations to ecosystem conservation activities</td>
<td>• Consulting to support applications for CASBEE for Real Estate certification</td>
<td>• Stewardship activities (engagement, ESG integration, exercise of voting rights)</td>
<td>• Real estate services that ensure residential stability</td>
</tr>
<tr>
<td>• Leasing of micro-power generation in water supply systems</td>
<td>• Biodiversity companies support fund (investment trust)</td>
<td>• Assistance for designing of “smart” towns/cities and visualization of its benefits</td>
<td>• Integrated report review services</td>
<td>• Products that accommodate the decreases in judgment abilities produced by dementia, and introduction of adult guardians</td>
</tr>
<tr>
<td>• Leasing for energy service companies (ESCOs)</td>
<td>• Addressing of natural capital issues through asset management</td>
<td>• Promoting effective use of natural capital, such as forests and prevention of natural capital devastation</td>
<td>• Integrated report preparation support services</td>
<td>• Products that ensure the stability of the lives of family members</td>
</tr>
<tr>
<td>• Addressing of climate change issues through asset management</td>
<td>• Forestry trust (in development)</td>
<td>• Promoting effective use of natural capital, such as forests and prevention of natural capital devastation</td>
<td>• Renewable energy project finance</td>
<td>• Support for secure succession of assets to the next generation</td>
</tr>
</tbody>
</table>

#### Social Value

<table>
<thead>
<tr>
<th>Climate change issues</th>
<th>Natural capital (biodiversity issues)</th>
<th>Environmentally friendly property</th>
<th>Sustainable investment (ESG investment)</th>
<th>Super-aging society issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Reduction of greenhouse gas emissions through renewable energy and energy saving projects within investment and loan scope</td>
<td>• Reduction of corporate procurement risks resulting from natural capital-related issues</td>
<td>• Spreading high energy efficiency, high resource efficiency cities and buildings</td>
<td>• Expansion of ESG investment market</td>
<td>• Creating a regional society where the elderly can live in safety and security</td>
</tr>
<tr>
<td></td>
<td>• Promotion of corporate climate change countermeasures through engagement activities</td>
<td>• Enhancing value of environmentally friendly property</td>
<td>• Increasing corporate consideration of the environment and society through stewardship activities</td>
<td>• Ensuring the safety of property administration for the elderly</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Spreading buildings that contribute to improvement of production efficiency</td>
<td>• Promoting corporate biodiversity conservation activities</td>
<td>• Secure succession of assets to the next generation</td>
</tr>
</tbody>
</table>

#### Related SDGs

<table>
<thead>
<tr>
<th>Climate change issues</th>
<th>Natural capital (biodiversity issues)</th>
<th>Environmentally friendly property</th>
<th>Sustainable investment (ESG investment)</th>
<th>Super-aging society issues</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Related to all 17 SDGs</td>
</tr>
</tbody>
</table>
We strive to create a sustainable society together with our clients by using the Group’s trust functions to provide clients with total solutions to the social problems they face. We use Sustainable Development Goals (SDGs) as standards for assessing the social value created by the products and services we offer (verifying their appropriateness).

The Group’s strengths

Solutions that leverage our functions as a trust bank group
One of the strengths of trust bank groups is that they can offer a variety of finance methods. The SuMi TRUST Group provides diverse finance methods, such as project financing, funds, leasing, and home renovation loans to support, for example, the expansion and popularization of renewable energy. We use these finance methods to propose optimized approaches that meet our clients’ needs. Information disclosure related to climate change will need to become even more sophisticated in the future. The Group issues annual reports focused on this theme.

Leadership in the financial industry
SuMi TRUST Holdings takes various opportunities to communicate the state of global advances in efforts related to this theme, such as becoming a signatory in 2012 to the Natural Capital Declaration (now the Natural Capital Finance Alliance), advocated by the United Nations Environment Programme Finance Initiative (UNEP FI), and organizing the Natural Capital Study Group (chaired by Masahiro Sato, associate professor at Tohoku University) and introducing the Finance Sector Supplement to the Natural Capital Protocol written by the National Capital Coalition, a global multi-stakeholder holder collaboration. (Shown at right: Introduction to Natural Capital, published in 2015 by the Natural Capital Study Group)

Notable Initiatives and Product Examples

Domestic renewable energy fund for institutional investors
SuMi TRUST Bank has established a trust fund for investing in solar power generation projects and the like in operation in Japan. This fund is expected to produce a stable cash flow backed by long-term, stable revenue from sales of electric power through the feed-in-tariff system. We see this as a solution that meets the asset management needs of financial institutions and pensions.

Environmental rating loans with evaluation of natural capital preservation
Efforts to address issues related to natural capital across the global supply chain are an indispensable part of management strategy in order for a company to continue its business. 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.

Consulting to support applications for CASBEE for Real Estate certification
SuMi TRUST Bank engages in consulting services to support applications for the CASBEE for Real Estate (see page 25) certification. CASBEE accredited professionals with proper qualification support the selection of real estate applying for certification while also evaluating the environmental performance of real estate and supporting the submission of applications for certification to certifying bodies.

A Japanese ESG investment pioneer
The Group has always been a pioneer, launching Japan’s first environmental fund in 1999, followed by a full-fledged pension ESG fund in 2003, becoming a signatory to the Principles for Responsible Investment (PRI) in 2006, and beginning ESG integration in 2015. Our current investment balance is over ¥25 trillion, one of the largest in Japan. Our first Stewardship Report, published in 2017, details our basic philosophy as a long-term investor in investments including ESG investments.

Use of trust functions to tackle super-aging society issues
The Group leverages the functions and skills of a trust bank group to promote high added-value solution business, ensure the safety of personal assets and assist with reliable succession of assets to future generations, and contribute to the ensuring of housing that enables people to maintain their quality of life and lifestyle stability for the elderly and their families. We strive to provide our know-how to clients, publishing Support Senior Generation Reports that summarize our expertise.

A diverse product lineup that meets dementia-related needs
The introduction of the adult guardianship system in 2000 established a system of property administration for elderly people suffering from dementia. However, the adult guardianship system does not address all situations. Financial institutions are being called on to provide consulting services with new perspectives based on current conditions from the points of view of products, services, and clients. SuMi TRUST Bank has a range of property administration services, the finest offered by any financial institution in Japan, for clients with dementia. For example, the Security Trust protects those with declining capacity for judgment against money transfer scams, and the Anshin Support Trust is designed for those worried that their property administration capacity will decline later in life to make pre-specified arrangements to pay sums covering necessary expenses.
### Basic Philosophy
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 SDGs (Sustainable Development Goals).

* See ESG/CSR Report 2017 for details.

#### Theme Specific Initiatives Value Provided Related SDGs

<table>
<thead>
<tr>
<th>Theme</th>
<th>Specific Initiatives</th>
<th>Value Provided</th>
<th>Related SDGs</th>
</tr>
</thead>
</table>
| Promotion of social contribution activities at the Group companies | • Engage in activities fostering employee participation on themes set at each Group company  
• Promote “With You” activities at all SuMi TRUST Bank branches | • Participate in social activities of regional communities, NGOs or NPOs, etc., and provide various forms of support  
• Communicate useful information for the region through seminars and displays in branch lobbies |  |
| Support for education through UWC ISAK JAPAN | • Cover all travel, stay, and school expenses, etc. for students from overseas (one each year) who participate in the UWC ISAK JAPAN summer school  
• 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 | • Excellent students who are economically disadvantaged obtain an International Baccalaureate (IB) Diploma, which qualifies them to pursue higher education at universities worldwide  
• Support for the fostering of global leaders |  |
| Promotion of activities to support senior generation | • Disseminate information and provide support underlying the foundation for living to a prosperous old age for clients, especially the elderly  
• Initiatives to improve awareness and understanding of dementia (dementia literacy) | • Provide information necessary for the elderly to maintain their quality of life (QOL)  
• Improve the abilities of the financial industry to address dementia-related problems |  |
| Promotion of ESD projects | • Develop Education for Sustainable Development (ESD) at schools across Japan on themes such as local ecosystem preservation and SDGs  
• Carry out innovative lessons using educational videos in collaboration with Green TV and SDGs TV | • Teach the importance of the environment and SDGs to children who will be leaders of next generation  
• Raise environmental awareness in the region through collaboration with various stakeholders in the implementation of projects |  |
| Activities supporting National Trusts | • Provide various forms of support for activities across Japan in cooperation with the Association of National Trusts in Japan  
• Engage in diverse initiatives such as donations for funding purchases of National Trusts landholdings, volunteering, and ESD | • Provide various forms of protection for trust land and contribute to the preservation of Japan's natural capital |  |
| Environmental management | • Formulate environmental policy and promote the Group’s environmental management  
• Formulate CSR procurement policy, and pursue sustainability particularly in relation to procurement of paper products | • Reduce the Group’s own environmental burden  
• Participate in the Consortium for Sustainable Paper Use, contributing to spreading the sustainable use of paper throughout society |  |
| Participation in partnerships related to sustainability | • Actively participate in various partnerships in Japan and overseas in which our stakeholders are collaborating | • Contribute to the creation of a sustainable society by playing a leadership role in the financial industry and participating actively in the activities of key partnerships |  |
Providing Value to the Community

“With You” Activities at SuMi TRUST Bank

SuMi TRUST Bank carries out social contribution activities rooted in local communities, known as “With You” activities, in order to build strong relationships of trust with community members. Through steady implementation, these activities are aimed at establishing a greater presence within communities, developing closer relationships with clients, and contributing to the long-term growth of its transaction base.

In order to promote these activities, the Corporate Planning Department’s Sustainability Promotion Office divides them into categories, measures their degree of difficulty and effectiveness, and introduces activity targets under a standard point system that has been introduced for use as a guideline of the targets. It has also introduced activity budget allocation and awards systems. In addition, it has created a “With You Branch Blog,” which frequently introduces “With You” activities being conducted by branch offices across Japan. The number of blog updates by each branch office is rising year by year, and the blog has become an important information communication source that deepens relationships with members of local communities.

Contributions to Enhancing the Abilities of the Financial Industry to Address Dementia-related Problems

Dementia is a prominent illness among the elderly. Dementia, such as Alzheimer’s disease, impairs brain functions, causing memory and judgment problems and interfering with peoples’ ability to function in society and their interpersonal relationships. It has been announced that the number of people with dementia is expected to exceed seven million by 2025. This will have a tremendous impact on the financial sector, which requires clients to have high-level decision-making abilities regarding complex issues. Financial institutions, which support peoples’ day-to-day lives and administer their properties, play extremely important roles. The SuMi TRUST Group not only implements efforts to address dementia-related problems on its own, but also sees it as an issue that affects the entire industry. We work with experts to carry out diverse activities that improve our abilities to address these problems.

Fact-finding survey on dementia-related problems

In March 2017, SuMi TRUST Bank, with the cooperation of the Kyoto Prefectural University of Medicine, sent questionnaires to all branch offices in Japan to investigate what kinds of dementia-related issues they faced in their day-to-day business operations. It was confirmed that every single branch office had encountered some sort of problems they faced in their day-to-day business operations. It was confirmed that every single branch office had encountered some sort of dementia-related problems, such as frequent misplacement of passbooks and requests for the issuing of new passbooks. The guidebook categorizes the problems caused by dementia financial institutions are facing, and presents multifaceted recommendations by experts such as doctors, lawyers, and certified social workers on how to handle these problems.

SuMi TRUST Bank has placed this guidebook in its branch offices throughout Japan, and uses it to improve the dementia literacy of employees in concert with Workshops on Becoming a Support for People with Dementia. As chair of the Community Support Working Group for the “Principles for Financial Action for the 21st Century*,” SuMi TRUST Bank convened two symposiums, one in 2015 and one in 2017, on the theme of the role of financial institutions in responding to dementia-related problems in regional communities. The key members of the COLTEM project participated in discussions on the actual practice of responding to dementia in their daily operations based on the content in the financial guidebook. The symposiums also included lively debate on matters such as the state of property administration using the adult guardianship system and trusts. (The full agendas are posted on the Principles for Financial Action for the 21st Century website.)

* Principles with the aim of fostering concrete action toward creating a sustainable society, signed by over 250 financial institutions from various segments of Japan’s financial industry.
Materiality (high priority issues) refers to events that have a material impact on a company’s value creation process. The SuMi TRUST Group promotes materiality management that identifies materiality issues that need to be addressed as priorities from a medium- to long-term perspective, 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 enterprise value, and in terms of the impact of the Group on society through its relationships with stakeholders. In this 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. Accordingly, materiality is a concept that overlaps with ESG (environmental, social, and governance).

One of the strengths of the Group is that we do not merely define materiality through slogans. Rather, the Sustainability Management Office of the Corporate Planning Department plays the role of an “in-house quasi-investor,” and engages in dialogue with related departments. This creates an opportunity for departments that have little direct dialogue with external institutional investors and stakeholders to become aware of issues from an investor perspective, and to examine specific measures to address these issues.
Materiality Management for Creating Shared Value

**STEP 1** Select materiality issues

We emphasize the views of ESG investors who pursue enterprise value from a long-term perspective. Based on reporting guidelines, such as GRI and SASB, we select bank materiality issues emphasized by the major ESG research companies that provide information to investors (MSCI, FTSE, SAM, etc.).

**STEP 2** Input from stakeholders

The issues identified in STEP 1 are evaluated from two perspectives: (1) the impact on enterprise value over the medium- to long-term, and (2) the impact on stakeholders (each evaluated using a five-point scale). The former is evaluated by all of our external directors, external auditors, and relevant internal departments, while the latter is evaluated by our external directors and external auditors, as well as external experts.

**STEP 3** Create a materiality map

The point scores obtained in STEP 2 are plotted on a scatter diagram (materiality map), using the two adopted perspectives as the horizontal and vertical axes. The highest materiality issues, based on the materiality map, are designated as the highest priority ESG issues. In 2015, the Group’s materiality issues were identified at the Executive Committee, and then reported to the Board of Directors. Starting from 2017, the Risk Committee, an advisory body to the Board of Directors, examines the appropriateness of the materiality issues that are identified, and reports its findings to the Board of Directors.

**STEP 4** Conduct internal engagement

From among the high materiality issues, the Sustainability Management Office engages in dialog (engagement) with relevant departments on the themes that have the strongest investor interest, and for which the Group’s initiatives still face some issues. The Sustainability Management Office reports to the Executive Committee and the Board of Directors regarding the status of the initiatives.

**STEP 5** Initiatives for increasing enterprise value over the long term

The Board of Directors discusses the Group’s future direction from a variety of perspectives, based on the findings of the Risk Committee and the report on internal engagement. This step is taken to address the “environmental and social issues over the sustainability” that should be addressed by the Board of Directors, as prescribed in Article 3-4 of the Group’s Basic Policy on Corporate Governance.

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**Internal Engagement**

- Evaluation/engagement
  - (Non-financial matters are given lower priority)

**Internal Engagement in FY2016-2017**

<table>
<thead>
<tr>
<th>Theme</th>
<th>Target Departments</th>
<th>Engagement in FY2016</th>
<th>Results from FY2016/ Engagement in FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate governance</td>
<td>Corporate Administration Department, Corporate Secretariat</td>
<td>Relayed investor interest in governance themes such as Board composition and director and executive officer compensation is extremely high, and provided information for strengthening governance systems</td>
<td>Provided evaluation results on the Group’s governance reforms received from ESG research institutions, and relayed recent items of interest among investors and the Group’s issues from the perspective of investors</td>
</tr>
<tr>
<td>Enhancing human capital, increasing enterprise value</td>
<td>Human Resources Department</td>
<td>Relayed the growing calls for disclosure on linkages between HR policies and enterprise value, given elevated investor concerns regarding human capital, and discussed countermeasures for the Group</td>
<td>After engagement, prepared a map of the linkages between HR policies and enterprise value, and disclosed the information in an integrated report, continuously discussed methods to enhance the level of disclosure of content regarding human capital</td>
</tr>
<tr>
<td>Overseas anti-bribery</td>
<td>Compliance Department</td>
<td>Relayed the status of growing investor interest in this theme, amid stricter anti-bribery regulations in the US and other nations, and discussed the need to strengthen anti-bribery initiatives</td>
<td>After engagement, commenced an investigation of anti-bribery measures, including those in Japan; conducted risk assessment, set policies, devised a prevention program, and commenced operations</td>
</tr>
<tr>
<td>Climate change</td>
<td>Wholesale Business Planning Department, Stewardship Development Department</td>
<td>Relayed the rapidly growing interest among international financial authorities, financial institutions, and institutional investors in climate change risks accompanying conclusion of the Paris Agreement, and discussed its impacts on our businesses</td>
<td>Shared awareness regarding the loan and investment risks related to fossil fuels, engaged in in-depth discussions regarding project financing for coal-fired power generators (see page 77)</td>
</tr>
<tr>
<td>Stewardship report</td>
<td>Stewardship Development Department</td>
<td></td>
<td>Discussed the need for information disclosure on stewardship activities and ESG initiatives as fiduciary responsibilities to investors; deliberated on preparation of the Stewardship Report, and published the completed report</td>
</tr>
<tr>
<td>Improvement of client satisfaction</td>
<td>Customer Satisfaction Promotion Department</td>
<td></td>
<td>Shared information such as ESG evaluation agency assessments of CS activities, global disclosure trends in the banking sector, and the direction to take when establishing KPIs</td>
</tr>
<tr>
<td>Long-term environmental goals</td>
<td>Corporate Administration Department</td>
<td></td>
<td>Held deliberations on the setting of long-term targets for the reduction of CO2 emissions stemming from the Group’s business activities</td>
</tr>
<tr>
<td>Integrated report</td>
<td>Relevant Departments</td>
<td></td>
<td>Discussed non-financial (ESG) information disclosure policies with the relevant departments (coordinated by the Sustainability Management Office)</td>
</tr>
</tbody>
</table>
As Japan’s only financial group specialized in trust banking, the SuMi TRUST Group is enhancing its corporate governance system in line with its business model. When changing into a “company with Three Committees” in June 2017, in addition to the statutory committees required by the Companies Act, SuMi TRUST Holdings established the Risk Committee and the Conflicts of Interest Committee, as advisory bodies to the Board of Directors. Furthermore, an external director serves as chairman of the Board of Directors, in order to increase the Group’s management transparency.

1. History of Enhancement of Corporate Governance

As Japan’s only financial group specialized in trust banking, the SuMi TRUST Group, which is formed around the core entities of SuMi TRUST Holdings and SuMi TRUST Bank, has worked to refine its business model, which provides unique added value, and to enhance profitability through collaboration among Group companies, by swiftly and accurately providing comprehensive solutions for clients 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, recognizing 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, took office in June 2013. Subsequently, 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, a majority of the members of each of which is comprised by external directors, as advisory bodies to the Board of Directors.

Having confirmed the effectiveness of these efforts, and in order to promote the further improvement of profitability and enhanced corporate governance in the future, 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 our measures to further strengthen its system, SuMi TRUST Holdings changed to become a “company with Three Committees” on June 29, 2017.
2. Basic Initiative Policy

In order to adhere to the principles of sound management, based on a high degree of self-discipline with the background of fiduciary spirit, and to establish strong credibility with society, SuMi TRUST Holdings commits itself to enhancing its corporate governance system in line with the following basic philosophy, with the objective of supporting sustainable growth and medium- to long-term enhancement of the enterprise value of the SuMi TRUST Group. In addition, the Board of Directors sets out and discloses the SuMi TRUST Group’s Management Principles (“Mission”), Ideal Model (“Vision”), and Codes of Conduct (“Value”) as the anchor for all of our activities, which is shared by all of the directors, officers, and employees of the SuMi TRUST Group.

SuMi TRUST Holdings is a financial holding company with subsidiaries such as SuMi TRUST Bank, Sumitomo Mitsui Trust Asset Management, Sumitomo Mitsui Trust Research Institute, and Japan Trustee Services Bank, etc. and aims to be our clients’ “Best Partner,” by providing “Total Solutions” that combine our banking business, asset management and administration business, and real estate business, based on a fiduciary spirit, and by making full use of our significant expertise and creativity. In addition, in order to fulfill our principles and meet the expectations of stakeholders, SuMi TRUST Holdings endeavors to ensure the soundness and reliability of its business model and the transparency of the management of the SuMi TRUST Group, and further enhances the SuMi TRUST Group’s corporate governance.

Basic Philosophy

- SuMi TRUST Holdings shall respect shareholder rights, and endeavor to develop an environment in which shareholders can exercise their rights appropriately and effectively, and to secure the effectively equal treatment of shareholders.
- By recognizing the importance of its social responsibilities and public mission, SuMi TRUST Holdings shall endeavor to appropriately cooperate with its stakeholders, including shareholders, clients, employees, business partners, and local communities, and to establish a corporate culture and climate in which it conducts sound business operations based on a high degree of self-discipline.
- In order to establish a basis for constructive dialogue with its stakeholders, SuMi TRUST Holdings shall separately set out its Disclosure Policy, and endeavor to appropriately disclose corporate information, including non-financial information, and ensure the transparency of its corporate management.
- As the financial holding company that assumes the corporate management function of the SuMi TRUST Group, SuMi TRUST Holdings adopted the institutional design of a “company with Three Committees,” and, by separating the execution and supervision of business, shall endeavor to ensure the Board of Directors’ role of effective supervision.
- SuMi TRUST Holdings shall engage in constructive dialogue with its stakeholders in order to contribute to sustainable growth, as well as the medium- to long-term enhancement of the enterprise value of SuMi TRUST Holdings.

3. Perspectives Regarding the Corporate Governance System

SuMi TRUST Holdings is a financial holding company with subsidiaries such as SuMi TRUST Bank, Sumitomo Mitsui Trust Asset Management, Sumitomo Mitsui Trust Research Institute, and Japan Trustee Services Bank, etc. and aims to be our clients’ “Best Partner,” by providing “Total Solutions” that combine our banking business, asset management and administration business, and real estate business, based on a fiduciary spirit, and by making full use of our significant expertise and creativity. In addition, in order to fulfill our principles and meet the expectations of stakeholders, SuMi TRUST Holdings endeavors to ensure the soundness and reliability of its business model and the transparency of the management of the SuMi TRUST Group, and further enhances the SuMi TRUST Group’s corporate governance.
4. Board of Directors

(1) Roles of the Board of Directors

The Board of Directors ensures the fairness and transparency of the SuMi TRUST Group’s corporate management as its central role, by setting out the basic management policy of the SuMi TRUST Group and supervising the overall management of the Group. Thus, with the exception of matters that are required by law to be decided by the Board of Directors, the Board of Directors, in principle, delegates decisions on the execution of business to executive officers, and supervises the execution of business by executive officers, etc. Meanwhile, the Board of Directors provides and improves an environment in which external directors may properly supervise the execution of duties by the Board of Directors and the top management, as well as any conflicts of interest that may arise between SuMi TRUST Holdings and the management team, etc. from the standpoint of stakeholders, in order to support sustainable growth and the medium- to long-term enhancement of the enterprise value of the SuMi TRUST Group. In light of the importance of environmental and social issues related to sustainability, the Board of Directors prescribes a basic policy regarding social responsibility that is to be implemented by each Group company (the “Sustainability Policy”) (see page 24). Under this Sustainability Policy, the Board of Directors enhances awareness among its officers and employees, and promotes positive efforts to resolve these issues while taking its stakeholders into consideration, with the aim of supporting the sustainable growth of society and increasing the enterprise value of the SuMi TRUST Group. Furthermore, the Board of Directors establishes policies regarding the provision of products and services suitable for the true benefit of our clients (the “Policies regarding the Fiduciary Duties of the Sumitomo Mitsui Trust Group”), acts to ensure client comfort and satisfaction by sharing our “client-orientation” policy within the SuMi TRUST Group, and promotes the practice of fiduciary duties in the SuMi TRUST Group by supervising each Group company’s commitment to its fiduciary duties.

(2) Composition of the Board of Directors

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

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

In determining candidates for directors, SuMi TRUST Holdings takes into consideration, among other factors, a balance between individuals who are capable of exerting strength in the management of specific business fields, and individuals who are suitable for corporate management. SuMi TRUST Holdings strives to secure a board that is, as a whole, sufficiently balanced and diverse in terms of knowledge, experience, and capability to properly supervise the wide range of business fields in which SuMi TRUST Holdings has dealings, as a trust bank group.

Composition of the Board of Directors

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

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

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

In addition, SuMi TRUST Holdings has established the Corporate Secretariat as an organization that assists the chairman in fulfilling his duties, and elected a full-time Audit Committee member who is a non-executive director as the deputy chairman of the Board of Directors, thereby providing various types of information, mainly regarding agendas for deliberation at the Board of Directors meetings, and offering assistance regarding matters such as the clarification of points from the perspective of management and supervision.
(4) Results of the FY2017 Evaluation of the Board of Directors

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

- **Key Evaluation Points**

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

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

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

  1. Operation that Contributes to the Demonstration of Functions as the Board of Directors of a Holding Company

     Through revision of the criteria for submitting proposals/reporting to the Board of Directors, all decisions on business execution other than matters statutorily required to be decided by the Board of Directors were, in principle, delegated to executive officers, with a view toward enhancing the status report on the execution of duties regarding important management matters by executive officers. At the same time, SuMi TRUST Holdings worked to materialize purposeful operation that contributes to the demonstration of functions as the Board of Directors of a holding company, including selecting management priority issues as “management themes” from a medium- to long-term viewpoint, and initiating free discussions without the obligation to reach conclusions (see page 59).

  2. Enhancement of an Infrastructure for the Operation of the Board of Directors Aimed at Efficient and Enhanced Deliberation

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

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

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

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

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

- **Outline of the Results of the FY2017 Evaluation of the Board of Directors and Future Measures**

  Through the FY2017 Evaluation of the Board of Directors, SuMi TRUST Holdings concluded that the Board of Directors and each committee had been operated with a sense of their own purpose, in an effort to invigorate deliberation and enhance objectivity and transparency, and that they had maintained a certain level of effectiveness.

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

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

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

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

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

(1) Nominating Committee
The Nominating Committee determines the content of proposals regarding the election and dismissal of directors to be submitted to the General Meeting of Shareholders, receives requests for consultation regarding the election and dismissal of executive officers including the President, as well as the succession plan for the management team from the Board of Directors, and deliberates and makes reports on these matters. It also receives requests for consultation regarding the election and dismissal of directors and corporate auditors from the Board of Directors of SuMi TRUST Bank, and deliberates and makes reports regarding these matters. The Nominating Committee consists of three or more directors, and a majority of the members are independent external directors. The chairperson of the Nominating Committee is selected from the pool of committee members who are independent external directors.

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

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

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

(4) Risk Committee

The Risk Committee receives requests for consultation from the Board of Directors on (i) matters concerning the business environment surrounding the SuMi TRUST Group, top risks, and materiality, and (ii) matters concerning the operation of its risk appetite framework, risk management, and monitoring of the effectiveness of the internal control system related to compliance management of the SuMi TRUST Group, and reviews and reports on their appropriateness. In principle, a majority of the members of the Risk Committee are independent external directors and experts.

The chairperson of the Risk Committee is selected from the pool of committee members who are directors with professional knowledge and expertise in the concerned field.

(5) Conflicts of Interest Committee

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

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

<table>
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<tr>
<th>External Directors</th>
<th>Nominating</th>
<th>Compensation</th>
<th>Audit</th>
<th>Risk</th>
<th>Conflicts of Interest</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>Hiroko Kawamoto</td>
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<tr>
<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>Masaru Hashimoto</td>
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<td>Yasuyuki Yagi</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 external experts.
6. Compensation System for Directors and Executive Officers

(1) Policy Regarding Decisions on the Content of Compensation
- Compensation for directors and executive officers is intended to function effectively as an incentive for the improvement of corporate performance and expansion of enterprise value.
- Rather than focusing on a single-year performance evaluation in which short-term contributions to profit are emphasized, we are building a compensation system with a balance of near-term incentives and medium-to long-term incentives, with rewards based on a comprehensive evaluation that reflects earnings contributions over the medium to long term.
- We accurately assess the roles that directors and executive officers of SuMi TRUST Holdings must perform in corporate management, as well as the results of their efforts, in order for them to adequately discharge their supervisory duties over the Group companies, and determine individual compensation based on highly transparent, fair, and objective evaluations.
- The Compensation Committee forges deeper collaborations with committees in order to build a higher accountability compensation system, and engages in deliberations with the aim of operating a fair and balanced compensation system.

(2) Overview of the Compensation System
In principle, compensation is paid via a combination of monthly compensation (fixed compensation and individual performance compensation), director/executive officer bonuses, and stock options.

<Reference> President’s Standard Compensation Table
The President’s standard compensation table specifies the composition and range of the President’s compensation, as indicated below. This table is used for reference by the Compensation Committee in determining individual compensation amounts.
1) The ratio of “fixed compensation” to “individual performance compensation + director/executive officer bonus,” which reflects, and varies depending on, individual performance and corporate performance, shall be 50:50.
2) The “individual performance compensation” range shall be between 70% and 160% of the standard amount.
3) “Director/executive officer bonus” is determined when necessary, and reflects corporate performance, such as consolidated net business profit before credit costs, consolidated net income, etc.
4) The number of stock options to be provided as compensation is determined when necessary, and reflects annual performance, etc.

7. Succession Plan

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

These plans identify important positions, define the ideals and requirements of personnel in these positions, and assist with the management and development of a pool of candidates that meet these ideals and requirements.

The status of the progress of succession plans and management personnel development plans is reported regularly to the Nominating Committee, which engages in consultations regarding the appropriateness of this status, and reports to the Board of Directors.
8. Initiatives for Enriching Agendas at Board of Directors Meetings

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

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

Implementation of FY2017 Management Themes

<table>
<thead>
<tr>
<th>Month</th>
<th>Theme</th>
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<tbody>
<tr>
<td>July 2017</td>
<td>Personnel development</td>
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<td>August</td>
<td>Personnel development</td>
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<td>September</td>
<td>Business model</td>
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<td>November</td>
<td>Group corporate governance</td>
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<td>December</td>
<td>Group corporate governance</td>
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<td>January 2018</td>
<td>ESG initiatives</td>
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9. Management Plan Formulation Process

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

10. External Directors’ Meetings

In order to further improve the effectiveness of our corporate governance, we hold external directors’ meetings, which are only attended by external directors. These directors engage in exchanges of opinions based on the operation of the Board of Directors, agendas, demonstration of functions, and results of the Evaluation of the Board of Directors. These meetings contribute to the greater objectivity and independence of the Board of Directors.

11. Dialog between External Directors and Investors

In February 2018, we held “SuMi TRUST IR Day,” at which external director Mr. Isao Matsushita, who serves as chairman of the Board of Directors, provided an explanation of our corporate governance initiatives and conducted a Q&A session with the investors in attendance.
SuMi TRUST Holdings utilizes the knowledge and experience of external directors from various fields to enhance the functioning of the Board of Directors. External directors Mr. Isao Matsushita and Ms. Hiroko Kawamoto discussed topics such as our Board of Directors, reforms for corporate governance, and promotion of diversity & inclusion.

**External Director (Chairman of the Board of Directors)**

**Isao Matsushita**

- **April 1970** Joined Nippon Mining Co., Ltd. (currently JXTG Nippon Oil & Energy Corporation)
- **Sep. 2002** Appointed Director of Nippon Mining Holdings, Inc. (currently JXTG Holdings, Inc.), in charge of finance
- **June 2004** Appointed Director (Senior Vice President and Executive Officer) of Japan Energy Corporation (currently JXTG Nippon Oil & Energy Corporation)
- **June 2006** Appointed Representative Director and President of Japan Energy Corporation (currently JXTG Nippon Oil & Energy Corporation)
- **June 2012** Appointed Representative Director and President (President and Executive Officer) of JX Holdings, Inc. (currently JXTG Holdings, Inc.)
- **June 2017** Appointed External Director of SuMi TRUST Holdings (current position)

**External Director**

**Hiroko Kawamoto**

- **July 1979** Joined All Nippon Airways Co., Ltd. (“ANA”)
- **April 2009** Appointed Senior Vice President, Inflight Services of ANA
- **April 2014** Appointed Executive Vice President of ANA
- **April 2016** Appointed Executive Vice President, Member of the Board, Member of the Women Empowerment Promotion Committee, Director for Promotion of ANA Group Diversity, Promotion Officer for the Tokyo Olympic and Paralympic Games of ANA
- **June 2016** Appointed External Director of SuMi TRUST Bank
- **April 2017** Appointed Executive Vice President and COO of ANA Strategic Research Institute Co., Ltd. (current position)
- **June 2017** Appointed External Director of SuMi TRUST Holdings (current position)

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**Areas to which Mr. Matsushita pays special attention in order to fulfill his role as chairman of the Board of Directors**

**Kawamoto** Mr. Matsushita, since you were appointed as chairman of the Board of Directors roughly one year ago, you’ve been at the forefront of the SuMi TRUST Group’s corporate governance reforms. Your leadership as chairman has fostered a neutral environment in which the members of the Board of Directors can feel free to speak their minds, and your approach has been very effective in eliciting a variety of opinions from the board members. What do you pay special attention to in running the Board of Directors?

**Matsushita** My primary focus is on serving as a facilitator, so that the Board of Directors, itself can demonstrate the functions it is called on to provide. The “corporate governance principles for banks,” defined by the Basel Committee on Banking Supervision, states that the chairman is responsible for the effective overall functioning of the Board of Directors, ensuring that board decisions are taken on a sound and well informed basis, and encouraging and promoting critical discussion. Personally, I also believe that promot-
ing discussion from a variety of perspectives based on adequate information, and ensuring the quality of board discussions are important duties for a chairman.

In order to put this into practice, it is vital that I, as chairman, deepen my own knowledge regarding a trust bank group's operations with wide ranging significant expertise, and I try to take the time to make in depth preparations for board discussions. To accomplish this, I set aside a great deal of time before each Board of Directors meeting to meet with the deputy chairman, who is a non-executive director, and the secretariat. We check each agenda item from an external perspective, organize the key points for discussion, and, when necessary, issue instructions regarding revisions to materials, all before the meetings themselves are held.

By making these preparations, I am working to draw out the opinions of the participants of the Board of Directors meeting regarding the key points of each agenda item.

A facilitator who helps the Board of Directors demonstrate its functions

Kawamoto The Board of Directors meetings have truly lively discussions. By stimulating the discussion, you have made it easy for all of the directors, both internal and external, to share their opinions. I would venture to say that the diverse comments from the participants also enhances the functioning of the Board of Directors and improves accountability. The FY2017 Evaluation of the Board of Directors included numerous comments, indicating that the objectivity and transparency of the Board of Directors is improving.

Matsushita SuMi TRUST Holdings has directors with a wealth of knowledge and experience in various fields.

In order to leverage that experience and knowledge to the utmost, as chairman I always try to promote sound discussion, including the sharing of critical opinions, while organizing the shared opinions and applying them to appropriate decision-making with the aim of improving the enterprise value of the SuMi TRUST Group.

Evaluation of corporate governance reforms

Kawamoto I believe that it’s important that the Board of Directors, which formulates management strategies and monitors the execution of important business operations, is supervised independently from the management team, so that it puts pressure on management, in a beneficial sense. At SuMi TRUST Holdings' Board of Directors meetings, both external directors and internal non-executive directors provide frequent input from a variety of perspectives, sometimes expressing critical views.

The Board of Directors is changing in very visible ways, thanks to operation-related measures such as selecting business issues with medium- to long-term perspectives, and deliberating such issues as management themes. Through these initiatives, I believe that the corporate governance of SuMi TRUST Holdings appears to be steadily improving. What is your impression?

Matsushita As it has only been roughly one year since the change to SuMi TRUST Holdings' institutional design, it might still be too early to make a comprehensive evaluation. However, I have seen improvements to corporate governance in various areas. In addition to the operational efforts of our Board of Directors, committees are also playing an important role in this regard.

In the FY2017 Evaluation of the Board of Directors, we carried out an even greater depth investigation than usual, by expanding its coverage to include not only the Board of Directors’ operational matters, but also evaluation items related to the demonstration of its supervisory functions.

In addition, the committees also carried out self-evaluation, confirming a certain degree of effectiveness of the Board of Directors and the committees, and assessing future challenges.

Based on the results of the Evaluation of the Board of Directors, we were able to discuss issues such as the deliberation perspectives of the Board of Directors, the division of roles in the committees, and cooperation between the committees. In this manner, I believe that we were able to obtain a deepened common awareness regarding the demonstration of its supervisory functions.

Kawamoto I believe that for a company with Three Committees, it is important not only for the Board of Directors to function effectively, but for the committees do so, as well. In that sense, I think it has been very valuable that the scope of the Evaluation of the Board of Directors has been extended to include the individual committees. An external director or external auditor serves as the chairperson of each committee, and more than half of the committee members are external directors and external auditors.
Accordingly, in a certain sense, this evaluation looked at how effective the external directors and external auditors were in demonstrating their functions.

The results of the Evaluation of the Board of Directors were discussed in the external directors’ meeting, in which only external directors participate, and valuable opinions were shared regarding the Board of Directors’ approach to consultations with the committees, as well as how to ensure both committee independence and cooperation between the committees. I think it’s also important to have occasions like this.

**It is important to become accustomed to the new “home” created through corporate governance reforms**

**Matsushita** The month after the Board of Directors discussed the results of the Evaluation of the Board of Directors, it discussed which themes should be addressed in greater depth in the future, taking into consideration its responsibilities as well as the SuMi TRUST Group’s business model. Through these activities, the Board of Directors has gradually come to discuss its role in greater depth — the “PLAN” step of the “PDCA” cycle. These initiatives were introduced after the institutional design change, and, I believe, represent one of the improvements to the Group’s corporate governance. Based on the series of discussions conducted through the Evaluation of the Board of Directors, the Board of Directors must be deeply involved in contributing to the sustainable growth and medium- to long-term enhancement of the enterprise value of the SuMi TRUST Group.

**Kawamoto** I agree. The SuMi TRUST Group has released its new midterm management plan, “The Second Foundation,” and is working hard to remake itself. I believe that as external directors, we are called upon to think about these issues together, and to be highly involved in meeting the targets of the midterm management plan.

**Matsushita** The banking industry still faces a harsh business environment, as can be seen, for example, in the negative interest rate environment. Accordingly, it is becoming increasingly important to engage in “offensive” governance, which is aimed at securing sustainable and stable revenue, rather than “defensive” governance.

This may be true for Japanese companies as a whole. However, the Board of Directors needs to go beyond merely putting on the brakes, and instead also ensure decision-making objectivity and rationality, creating an environment in which the management team feels confident in stepping on the accelerator.

It is important that the Board of Directors promote a sound entrepreneurial spirit by engaging in dialog with the management team, from perspectives such as whether risk taking is appropriate and in accordance with plans, and whether it is possible for decisions to be made quickly and decisively, when necessary.

I often use the analogy of a home. There are different styles of living, which are suited to different types of homes. Western styles of living are a good match for western homes, while Japanese styles of living are a good match for Japanese-style homes. It is important to develop a lifestyle that fits one’s home, and to become accustomed to living in that home.

Through its corporate governance reforms, SuMi TRUST Holdings has rebuilt its home and created new systems to match this new home. We are now making steady progress in line with these systems. I hope that after we have made more progress, we can look back on these reforms and evaluate them, and take the time to deliberately discuss where further improvements should be made.

**Initiatives to promote Diversity & inclusion**

**Matsushita** The SuMi TRUST Group has been implementing various initiatives aimed at becoming the “No. 1 financial group for human resource development.” We regard our employees’ abilities as a vital driving force for the business restructuring projects we have in progress, and the Board of Directors has also engaged in discussions on the theme of diversity & inclusion, or D&I.

Could you share your impressions of the SuMi TRUST Group’s past D&I promotion initiatives?

**Kawamoto** Before becoming an external director, the Human Resources Department and I exchanged opinions on D&I, and I
discovered that the Group saw women as an important part of the workforce. I remember pointing out that, from the standpoint of diversity, this was just a starting point, and that the true goal would be the creation of an organization in which everyone could work and thrive — not just women, but men, foreigners, persons with disabilities, senior citizens, and young people.

Less than a year later, the Group issued its Declaration on Work Style Reform, and established the Diversity & Inclusion Office. In addition, it has also recently formulated a Human Resources Development Policy. The speed of these initiatives shows that the SuMi TRUST Group is making progress with respect to D&I, through its ability to take in external opinions and to immediately put promising reforms into practice.

Matsushita President Ohkubo of SuMi TRUST Holdings has said in the past that “D&I is part of the SuMi TRUST Group’s DNA.” I also feel that it has developed a flexible corporate culture with respect to diversity through the breadth of its operations and the wide variety of human resources it employs.

The energetic work of employees with varied backgrounds makes it possible to meet diverse needs and broadens our business capabilities. Employees with different perspectives and experiences inspire each other, creating innovative concepts and creative workplaces.

Reflecting on our history, checking our growth, and moving forward into the future

Kawamoto In a certain sense, increasing diversity involves stepping out of the current comfort zone and creating an uncomfortable state. When you move from talking with similar colleagues to dealing with various opinions from diverse personnel with different perspectives, the speed and performance of decision-making may temporarily decline.

However, venturing into an uncomfortable state helps people to develop the ability to reach conclusions that everyone can accept, and to come up with new, creative ideas, contributing to the growth of both individuals and the organization as a whole.

Matsushita That’s why we don’t look at the promotion of D&I as a transient measure, but as a key theme that contributes to greater enterprise value for the entire SuMi TRUST Group. We need to settle in and implement these D&I initiatives over the medium to long term.

Kawamoto Since D&I will look different for each company that promotes it, I think that it’s important for us to avoid comparing ourselves to other companies. Rather, we should take a long-term perspective, reflecting on our history, checking our own growth, and moving forward into the future.

I think that one of the roles of external directors is to continuously ask companies what they can do to become stronger and better in the midst of the changing social environment.

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### Directors

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<tr>
<th>Director, President (Representative Executive Officer)</th>
<th>Tetsuo Ohkubo</th>
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<tr>
<td>Jiro Araumi has been in charge of the Asset Management Business Planning Department as Director, Senior Managing Executive Officer of SuMi TRUST Holdings, and also served as Officer in charge of the Fiduciary Services Business and the Asset Management Business as Director, Senior Managing Executive Officer of SuMi TRUST Bank. Therefore, he has extensive knowledge and experience regarding the corporate management and business operations of a trust bank group. SuMi TRUST Holdings expects that, based on the experience accumulated thus far, he will play a leading role in achieving the sustainable growth of the SuMi TRUST Group and the enhancement of the Group’s enterprise value, in a position of assisting the Group’s overall management. Accordingly, SuMi TRUST Holdings has selected him as a director.</td>
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<tr>
<td>Director, Senior Managing Executive Officer (Representative Executive Officer)</td>
<td>Jiro Araumi</td>
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<td>Director, Executive Officer</td>
<td>Masaru Hashimoto</td>
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<td>Masaru Hashimoto has served as an Officer in charge of corporate management departments of SuMi 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 SuMi TRUST Bank, he has been responsible for overall management since he took office as President in April 2017. SuMi TRUST Holdings expects that he will continue to play a leading role in achieving the sustainable growth of the SuMi TRUST Group and the enhancement of the Group’s enterprise value, in a position of conducting the Group’s overall management. Accordingly, SuMi TRUST Holdings has selected him as a director.</td>
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<td>Director</td>
<td>Kunitaro Kitamura</td>
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<td>Kunitaro Kitamura served as President of SuMi TRUST Holdings for 5 years from April 2012. Therefore, he has extensive knowledge and experience with regard to the overall management of a trust bank group. SuMi TRUST Holdings expects that, by using the experience accumulated thus far, he will continue to provide a contribution to the sustainable growth of the SuMi TRUST Group and the enhancement of the Group’s enterprise value. Accordingly, SuMi TRUST Holdings has selected him as a director.</td>
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<td>Director</td>
<td>Hiroshi Tsunekage</td>
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<td>Hiroshi Tsunekage has served as Chairman of SuMi TRUST Holdings since April 2011, and also served as President of SuMi TRUST Bank up to March 2017. Therefore, he has extensive knowledge and experience with regard to the overall management of a trust bank group. SuMi TRUST Holdings expects that, by using the experience accumulated thus far, he will continue to provide a contribution to the sustainable growth of the SuMi TRUST Group and the enhancement of the Group’s enterprise value. Accordingly, SuMi TRUST Holdings has selected him as a director.</td>
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<tr>
<td>Director (external)</td>
<td>Soichi Shinohara*1</td>
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<td>Soichi Shinohara has extensive knowledge and deep insight regarding domestic and foreign economics. He has provided comments and advice based on this experience 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.</td>
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Mr. Takashi Suzuki has extensive experience and knowledge in the fields of accounting, finance, affiliated company management, etc. as a former Senior Managing Director of Toyota Motor Corporation, which is a leading global company in Japan. After retiring from the office of Senior Managing Director of Toyota Motor Corporation, he has been involved in the management of companies operating finance related businesses, serving as Representative Director and President of Toyota Financial Services Corporation and Representative Director and Chairman of Aioi Nissay Dowa Insurance Co., Ltd. He has provided comments and advice based on this experience 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 a former Representative Director and Deputy President of Development Bank of Japan Inc., and has extensive knowledge regarding domestic and foreign financial and economic circumstances as President of the Japan Economic Research Institute. He has provided comments and advice based on this experience 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. Isao Matsushita has extensive experience in the general management of companies, as a former Representative Director and President of JX Holdings, Inc. (currently JXTG Holdings, Inc.), which is a representative integrated energy, resources, and material enterprise group in Japan, and has served as an external director of SuMi TRUST Holdings since June 2017. He has provided comments and advice based on this experience during his term of office as an external director of SuMi TRUST Holdings, and as the chairman of the Board of Directors, has done utmost to improve the effectiveness of the Board of Directors. In order to continue to make full use of his knowledge and insight regarding business management and corporate management, SuMi TRUST Holdings has selected him as an external director.

Mr. Shintaro Saito has extensive knowledge and experience in financial accounting as the Finance Executive Officer of Marubeni Corporation. In addition to engaging in management at an investment company, he has also acquired deep insight as a company executive. He also has global knowledge based on his wide-ranging experience in international operations and overseas work experience at a major audit firm. He has provided comments and advice based on this experience during his term of office as an external auditor and external director 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 in charge of auditing financial institutions and operating companies. In addition to experience as a certified public accountant, he has been engaged in management as a representative partner and managing director of an audit firm, and also has global knowledge based on overseas work experience. He has provided comments and advice based on this experience during his term of office as an external auditor and external director of SuMi TRUST Holdings since June 2016. In order to continue to make full use of his knowledge and insight, SuMi TRUST Holdings has selected him as an external director.

Ms. Hiroko Kawamoto served as Executive Vice President and Member of the Board of 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, and since June 2017 has been an external director of SuMi TRUST Holdings. She has provided comments and advice based on this experience during her term of office. In order to continue to make full use of her knowledge and insight, SuMi TRUST Holdings has selected her as an external director.

Executive Officers

Senior Managing Executive Officer, Executive Officer: Ahihiko Shirayama
Senior Managing Executive Officer: Yoshiaki Koshimura
Senior Managing Executive Officer: Tadao Ishimura
Senior Managing Executive Officer: Yutaka Nishida
Managing Executive Officer: Yasumi Nose
Managing Executive Officer, Executive Officer*: Atsushi Kaibara
Managing Executive Officer: Akira Yokota
Managing Executive Officer: Shigeaki Tanaka
Managing Executive Officer: Hitoshi Sato
Executive Officer, Executive Officer*: Kiyoumi Asahi
Executive Officer*: Yukihiro Kitano
Executive Officer*: Tsuyoshi Saito
Executive Officer*: Tadao Umezawa
Executive Officer*: Masahiro Tsuchiya
Executive Officer*: Kengo Noguchi
Executive Officer*: Toshiro Masui
Executive Officer*: Kazuya Oyama
Executive Officer*: Kazuhiro Koashi
Executive Officer*: Toshiaki Nakano
Executive Officer*: Yoshio Hishida

*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.

Overview
Vision
Business Strategy
Management Foundation
Corporate Information
Risk Appetite Framework (RAF)

1. Positioning of the Risk Appetite Framework

The Risk Appetite Framework (RAF) is a group-wide corporate management framework consisting of the process for determining the type and level of risk (risk to be taken as a potential source of revenue, risk to be kept at or below a certain level, or risk to be avoided as a rule) within the Group’s risk capacity, in order to achieve the management strategies formulated by management based on the Group’s social role and management policies, together with the internal control system underpinning that process.

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

2. Operation of Risk Appetite

Determining Risk Appetite

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

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

Monitoring of Risk Appetite

The Group sets risk appetite indicators to clarify risk appetite, and monitors them regularly. If the risk appetite indicators deviate from the set levels, the Group analyzes the cause for the deviation and implements countermeasures or revises the levels.

Risk Governance

Risk governance, which forms a part of corporate governance, is a framework for identifying, measuring, managing, and controlling risks, as well as ensuring appropriate risk taking, by clarifying and monitoring risk appetite and risk limits.

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

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

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

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

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

- Social role
- Risk culture
- Management policies / Management strategies
- Business characteristics / Risk characteristics / Risk governance
- Environmental assumptions / Risk awareness
- Stress tests
- Management plans, etc.

Internal control system

Risk Appetite Framework Operating System

### Supervision

#### Board of Directors
- Deciding on the RAS and basic matters related to the RAF
- Supervising execution of business based on relevant decisions

#### Audit Committee
- Auditing execution of business based on basic matters related to the RAF

#### Risk Committee
- Deliberating RAF related matters and making recommendations to the Board of Directors
- Deliberating the status of operation and execution related to the RAF

#### Conflicts of Interest Committee
- Verifying the appropriateness of the conflict of interest management framework and making recommendations to the Board of Directors

### Execution

#### Executive Committee
- Drafting the RAS and basic matters related to the RAF
- Enhancing the RAF and executing business based on the RAF

#### Business Risk Management Committee
- Monitoring the operating status of the RAF
- Enhancing the RAF and promoting execution of business based on the RAF

#### Conflict of Interest Management Enhancement Committee
- Developing and strengthening the conflict of interest management framework and checking the implementation status
Risk Management

1. Basic Policy on Risk Management

In order to ensure sound management, secure revenue through risk taking based on management strategies, and achieve sustainable growth, the Group follows a basic policy of accurately assessing risk conditions and implementing necessary risk-related measures through a series of risk management activities, including risk identification, evaluation, monitoring, control and mitigation, validation for advancement, and review, based on the Group’s management policy and basic policy on the internal control system.

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

2. The Group’s Risk Characteristics

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

The Group’s businesses consist of the Retail Total Solution (TS) Services Business, the Wholesale Total Solution (TS) Services Business, the Wholesale Asset Management (AM) Business, the Fiduciary Services Business, the Stock Transfer Agency Services Business, the Real Estate Business, and the Global Markets Business.

The Group faces various risks, including credit risk, market risk, funding liquidity risk, and operational risk, which vary depending on the business characteristics of each of the Group’s businesses. With regard to trust business risks, SuMi TRUST Bank provides management primarily in the operational risk category, particularly in terms of its duty of due care as a prudent manager, duty of loyalty, and duty to segregate property as a trustee.

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

Risk Definition

<table>
<thead>
<tr>
<th>Risk Category</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit Risk</td>
<td>Risk that the Group may incur losses due to a decrease or impairment of the value of assets (including off-balance sheet assets), for reasons such as deterioration of the financial condition of obligors. In this regard, “country risk” in particular refers to the risk that the Group may incur losses on credit provided overseas, due to the foreign exchange, political, or economic conditions in the country of obligors.</td>
</tr>
<tr>
<td>Market Risk</td>
<td>Risk that the Group may incur losses due to fluctuations in the value of assets/liabilities (including off-balance sheet assets/liabilities), or in the earnings generated from assets/liabilities, due to fluctuations in various market risk factors, such as interest rates, foreign exchange rates, stocks, commodities, and credit spreads. In this regard, “market liquidity risk” in particular refers to the risk that the Group may incur losses due to a situation in which it becomes impossible to conduct transactions in the market, or becomes obligatory to trade at prices that are significantly more disadvantageous than usual, due to market turmoil.</td>
</tr>
<tr>
<td>Funding Liquidity Risk</td>
<td>Risk that the Group may incur losses in a situation where it becomes impossible to secure necessary funds, or becomes obligatory to raise funds at interest rates significantly higher than usual.</td>
</tr>
<tr>
<td>Operational Risk</td>
<td>Risk that the Group may incur losses due to inadequate or failed business processes, the activities of executives or employees, computer systems, or due to external events.</td>
</tr>
<tr>
<td>Business Processing Risk</td>
<td>Risk that the Group may incur losses due to inappropriate business procedures arising from executives or employees neglecting to engage in proper business activities, or other incidents such as accidents or fraud.</td>
</tr>
<tr>
<td>System Risk</td>
<td>Risk that the Group may incur losses due to reasons such as computer system failures, malfunctions, and defects, as well as the risk that the Group may incur losses due to unauthorized computer usage.</td>
</tr>
<tr>
<td>Information Security Risk</td>
<td>Risk that the Group may incur losses due to the improper management or maintenance of information assets. This includes information leaks, information errors, and misuse of information, as well as an inability to use the information system.</td>
</tr>
<tr>
<td>Legal &amp; Compliance Risk</td>
<td>Risk that the Group may incur losses due to uncertainty regarding the legal aspects of transactions, or due to insufficient compliance with laws, regulations, etc.</td>
</tr>
<tr>
<td>Human Resource Risk</td>
<td>Risk that the Group may incur 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 may incur losses due to external events that impair business, such as natural disasters, crimes such as terrorism, damage to public infrastructure that prevents its functioning, and the spread of infectious diseases, or due to the inappropriate use or management of tangible assets.</td>
</tr>
<tr>
<td>Reputational Risk</td>
<td>Risk that the Group may incur losses as a result of a deterioration of the reputation of SuMi TRUST Holdings or its subsidiaries, due to reasons such as mass media reports, rumors, or speculation.</td>
</tr>
</tbody>
</table>
For the group-wide risk governance system, the Group has developed a Three Lines of Defense system consisting of risk management by individual businesses (first line of defense), risk management by the Risk Management Department and individual risk management-related departments (second line of defense), and validation by the Internal Audit Department (third line of defense).

First Line of Defense
Each Group business identifies and gains an understanding of the risk characteristics involved in carrying out its own business, based on knowledge of the services and products in that business. Each business engages in risk taking within the established range of risk appetite, and, when a risk materializes, promptly implements risk control at the on-site level.

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

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

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

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

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

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

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

Conflicts of Interest Committee

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

4. Risk Management Process

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

Risk Identification

The risks faced by the Group are comprehensively identified, while ensuring the comprehensiveness of the Group’s operations, and the risks to be managed are identified based on the scale and characteristics of the identified risks.

Risk Evaluation

The risks identified as requiring management undergo analysis, assessment, and measurement in a manner appropriate for the business scale, characteristics, and risk profiles.

When risks cannot be quantified, their impact is assessed to the greatest extent possible, and they are managed through measures such as implementing preventive measures based on the nature of the risks.

Risk Monitoring

Risk conditions are monitored with appropriate frequency, given the conditions of the Group’s internal environment (risk profiles, allocated capital usage status, etc.) and external environment (economy, markets, etc.). Recommendations, guidance, and advice are given to the Group’s businesses based on the risk conditions. Monitoring contents are reported and submitted to the Board of Directors, the Executive Committee, and other bodies regularly or as needed.

Risk predictor management for top risks, etc.

Risk appetite indicators are defined for risks resulting from internal factors, based on the features of the Group’s business model and risk characteristics, and these management indicators are monitored. Regarding risks resulting from external factors, the top risks (risks that have a high probability of occurrence and that would have a large impact on the Group) are selected, and risk predictors are monitored. Countermeasures are implemented based on the monitoring results for all types of risks.

Our top credit risks include “worsening of credit among major obligors,” our top market risks include “falling prices for strategic shareholdings, etc.,” and our top operational risks include “cyber-attacks.”

Risk Control and Mitigation

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

5. Enterprise Risk Management

(1) Enterprise Risk Management System

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

Among the risks we manage through our enterprise risk management, we combine the risk values for risks that can be quantitatively measured using a single standard, such as VaR, and compare the combined value against our corporate strength (capital position), thereby managing risks (integrated risk management).

(2) Capital Allocation Operations

For the purpose of the Group’s capital allocation operations, SuMi TRUST Holdings allocates capital to each business, including the Group companies, based on each risk category (credit risk, market risk, and operational risk) in consideration of the external environment, risk-return performance status, scenario analysis, and the results of assessments of capital adequacy levels. The capital allocation plan is subject to the approval of the Board of Directors. Capital allocation levels are determined based on the Group’s risk appetite.

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

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

6. Crisis Management

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

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

For large-scale natural disasters such as earthquakes, which are envisioned as having a significant impact, we are enhancing our response system through the preparation of backup offices and backup systems. We are also improving our system for responding to cyber attacks, which are causing damage throughout society.*

* 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 concerning cyber attacks, and coordinates with external expert organizations.

7. New Product and New Operation Examination System

When introducing a new product or new operation, it is necessary to develop various systems in order to continue offering the product or running the operation, including making an advance determination regarding the existence of any inherent risks and identifying their types, evaluating and managing such risks, and providing explanatory materials and methods to clients. To that end, we have developed a new product and new operation examination system. In the product examination process, multiple departments carry out verification from various angles, with an emphasis on introducing products and operations that will earn the trust of clients. We also conduct validation through regular monitoring after a new product or new operation has been introduced.
1. Basic Initiative Policy

The Codes of Conduct for pursuing the management principles of the Group include “strict compliance with applicable laws and regulations,” positioning compliance as one of our most important management issues.

The Compliance Rules formulated by the Board of Directors define the Group’s overall basic policy, the specific standards that directors, officers, and employees must follow, and the Group’s compliance organization structure, creating a compliance system befitting “The Trust Bank.”

2. Group Compliance Framework

Each fiscal year, the Board of Directors approves the Compliance Program, which consists of specific practice plans for implementing compliance within the Group, and every quarter the Board of Directors receives reports on the progress, achievement status, and evaluation of the Compliance Program.

SuMi TRUST Holdings has also created a compliance framework for the entire Group, providing guidance to Group companies regarding the formulation of their Compliance Programs, and delivering reports to the Board of Directors on the progress, achievement status, and evaluation of these Compliance Programs.

3. Initiatives to Foster Compliance Awareness

The Group has created a Compliance Manual containing explanations of laws and regulations that must be followed and actions to be taken in the event of the discovery of compliance infractions, and employees throughout the organization are thoroughly informed regarding its contents.

In addition, SuMi TRUST Holdings is also improving compliance education in the entire Group, through activities such as providing training materials and dispatching instructors for group training tailored to individual roles, etc., planning and implementing discussion-based study sessions, and implementing e-learning on specific themes.

Every fiscal year, we conduct an awareness survey regarding compliance, and strive to identify and address actual issues.

4. Hotline System

The Group has established a compliance hotline system through which all directors, officers, and employees can report violations directly to the Compliance Department and an external attorney’s office. This hotline system enforces the rigorous control of information and protection of privacy to ensure the protection of whistleblowers, and strictly prohibits their adverse treatment.

An accounting hotline system has also been established for the reporting of inappropriate accounting.
5. Prevention of Money Laundering

The Group has released its “Anti-Money Laundering Compliance Policy,” and made clear its resoluteness in standing up to money laundering.

We have established our global guidelines on AML*/CFT**, in order to implement a unified approach to AML measures that includes overseas bases, and the Group is working to enhance its approach toward client protection and the detection of suspicious transactions. Specifically, client management items are confirmed when handling transactions, and when coming across transactions suspected to be related to illegally obtained money or used to finance terrorism, employees immediately report to the person in charge, who notifies the relevant authorities. Moreover, SuMi TRUST Bank has adopted an AML system, which verifies whether any illicit transfers between accounts have taken place.

We require employees at relevant branches and departments to periodically receive training concerning AML, etc. In fiscal year 2017, such training was provided to all employees at the relevant branches and departments.

*1 AML: Anti-Money Laundering
*2 CFT: Combating the Financing of Terrorism

6. Initiatives to Prevent Bribery

The Group has published its “Anti-Bribery and corruption Compliance Policy,” and under the supervision of the management team, implements anti-bribery and anticorruption programs that include regular assessment of risks related to bribery and corruption, a prior approval system for client entertainment and gift-giving, central management of hiring and trainee acceptance, and making due diligence mandatory before contracts can be concluded for some contract categories.

The Group provides directors, officers and employees with regular training every year, and implements periodic monitoring and testing. Moreover, we have fostered a close-knit collaboration between our overseas bases and local legal offices, especially in countries where the risk of bribery and other forms of corruption is high, and have striven to build systems for responding swiftly and properly.

7. Response to Antisocial Forces

The Group has declared, both internally and externally, its resolute stance against antisocial forces. We have incorporated a clause to exclude organized crime from all types of transactions, in order to prevent transactions by antisocial forces. In cases in which the counterparty in a transaction is found 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 the police and other external expert organizations for the eventual cancellation of such a transaction.

From January 2018, we have connected, via the Deposit Insurance Corporation of Japan, to an organized crime group information database operated by the National Police Agency, and check the database before providing new personal loans, etc.

In fiscal year 2017, in order to strengthen awareness of, and systems for, dealing with antisocial forces, we provided directors, officers and employees with training for the prevention of transactions with antisocial forces.

8. Other Initiatives

The Group strictly manages insider information through its “Rules on Insider Information Management,” which mandate the reporting of insider information that may be obtained during the execution of working duties, and specifies the methods to be used for its management.

Furthermore, with regard to “important information” as defined in the fair disclosure rules enacted in April 2018, we have defined a rule prescribing that in specific circumstances, such important information is classified and handled as important client information under insider trading regulations.

In order to appropriately comply with revisions to laws and regulations, the Compliance Department centrally manages the information on legal and regulatory revisions collected by individual head office departments, shares such information with related departments and Group companies, instructs them regarding the proper response, and manages their response.
Compliance with International Financial Regulations

1. Compliance with Finalized Basel III Reforms

Triggered by the financial crises in 2008, the Basel Committee on Banking Supervision (BCBS) made the agreement to implement new regulations, called “Basel III”. Basel III includes the implementation of higher capital requirements, Leverage ratio (representing the non-risk-based capital adequacy ratio) and liquidity requirements (capturing funding liquidity risk). In Japan, Basel III has been implemented in phased manner from the end of March 2013.

After the implementation of Basel III, BCBS made the final agreement in December 2017 to revise the risk-weighted assets (i.e., the denominator in the calculation of the capital adequacy ratio) measurement approach to ensure appropriate risk sensitivity, simplicity and comparability of regulations. This reform aims to prevent the undervaluation of risk-weighted assets based on internal models, by constraining the use of internally-modelled approaches by banks, while introducing the new capital floor based on the standardized approaches.

Given the phased manner of the implementation of new standards scheduled from 2022, the Group expects to fully comply with the standards through the future accumulation of capital and other means. Meanwhile, as risk weights are expected to fluctuate in individual credit transactions, the Group, accordingly, intends to promote appropriate profitability and portfolio management.

Conceptual Diagram of Risk-weighted Assets Measurement Approach for Credit Risk

- Standardized Approach: Supervisory risk weight according to external credit ratings
- Foundation IRB Approach: Risk weight calculated based on banks’ own estimates of probability of default (PD)
- Advanced IRB Approach: Risk weight calculated based on banks’ own estimates of probability of default (PD) and loss given default (LGD)

2. Compliance with Other International Financial Regulations

In addition to the above capital adequacy ratio and liquidity requirements, reforms of many of the international financial regulations, including the strengthening of governance risk, market transaction restrictions, risk reduction of banks (Volcker Rule and Ring-Fencing), and the “Too Big to Fail” theory, which began in response to the financial crises, are being introduced, and the Group complies with these regulatory reforms, as necessary.

In the spirit of “Client-oriented” operations, the Group, as a trust bank entrusted with the assets of our clients, intends to focus on and comply with (1) conduct risk (improving bank’s risk culture), (2) strengthening regulatory controls over fund and asset management operators (shadow banking regulations), and (3) strengthening cybersecurity, as priority regulations going forward.

Framework for Compliance with International Financial Regulations

- Overall supervision: Corporate Planning Dept. (Global Business Management Office)
- Capital adequacy ratio/Liquidity requirements: Risk Management Dept., Financial Planning Dept.
- Extra-territorial application of laws/Conduct regulations: Compliance Dept. (Global Compliance Office)
- Support for regulations for overseas bases: Global Business Planning and Coordination Dept.*

*SuMi TRUST Bank
Internal Auditing

1. Basic Initiative Policy

The SuMi TRUST Group believes that establishing an efficient and effective internal auditing system commensurate with the size and nature of its business, the content of laws and regulations that apply to operations, and the type of risks is indispensable to achieve management targets, appropriate legal compliance, facilitating financing, client protection, and risk management.

Therefore, with the aim of ensuring the soundness of management by improving and enhancing the business execution system and the internal management system, SuMi TRUST Holdings and its main Group companies have established internal auditing units that are independent of departments involved in business execution and that adequately act as a restraint function. The internal auditing units verify the appropriateness and effectiveness of the business execution system and internal management system, provide comments and recommendations for correcting problems, and follow up on the status of improvement measures.

2. Internal Auditing Implementation System

(1) SuMi TRUST Holdings
1) Organization

In addition to establishing an Internal Audit Department independent of departments involved in business execution under the Board of Directors, SuMi TRUST Holdings has strengthened the supervisory and restraint capabilities (governance) with regard to management and business execution departments, by positioning the Internal Audit Department in a direct instruction and reporting relationship with the Audit Committee.

2) Functions and Roles

The Internal Audit Department formulates an internal audit plan, taking into account the basic policy on internal audits, which dictates the direction to be taken in the development of the SuMi TRUST Group’s internal auditing system, as well as significant group-wide risks. After receiving the consent of the Audit Committee, the plan is approved by the Board of Directors. The Internal Audit Department reports the results of the internal audit, without delay to the President and the Audit Committee, while also analyzing the internal audit results, including those for Group companies, and reporting regularly to the Board of Directors.

In addition, the Internal Audit Department, as the department supervising the Group’s internal auditing, receives consultations from each Group company regarding the audit plan, and confirms its consistency with the basic policy. The Internal Audit Department carries out internal audits in collaboration with the internal auditing unit of each Group company. The role of the Internal Audit Department also includes receiving reports of internal audit results from Group companies, assessing and verifying the internal auditing system and its implementation status at each Group company, and providing guidance as necessary.

(2) Group Companies

Internal auditing units that are independent of departments involved in business execution have also been established at the main Group companies including SuMi TRUST Bank, and conduct internal audits. Each Group company formulates an internal audit plan in line with the basic policy on internal audits set by the holding company, which is approved by the Board of Directors after consultation with the holding company.

Results of internal audits are reported, without delay to the president and to the holding company, and are also reported regularly to the Board of Directors and the holding company.
Consideration of Environmental and Social Impact of Investment and Financing Targets

1. Framework of Our Initiatives

(1) Basic Policy on Environmental and Social Considerations

The SuMi TRUST Group identifies “consideration of environmental and social impact of investment and financing targets” as one of its most important (materiality) issues from the standpoints of both the impact on the Group’s corporate value and the Group’s impact on society.

Please refer to the SuMi TRUST Holdings’ website for further details, etc. of each of the above policies.

Under the “Basic Policy on the Social Responsibility of the Sumitomo Mitsui Trust Group,” the Group provides products and services that contribute to solving environmental problems through its business. The Group has also established the “Environmental Policy” to reduce the environmental burden arising from its business activities. Furthermore, it has established the “Action Guidelines for Mitigating Climate Change” and the “Action Guidelines for Preserving Biodiversity” to promote initiatives to address the two globally important environmental issues, and has been making efforts to engage in dialogue and cooperation with various stakeholders. In terms of social issues, with the aim of respecting each individual’s human rights and diverse values and rejecting unjustifiable acts of discrimination, the Group has established the “Human Rights Policy” and gathers information regarding how the investment and financing targets negatively impact human rights. In addition, the Policy provides that the Group takes necessary countermeasures in cases where legal norms, etc. are violated.

In asset management, the SuMi TRUST Bank, as a “responsible institutional investor,” has established the “ESG guidelines.” These guidelines are based on the United Nations Global Compact, a global corporate code of conduct, and articulate the Group’s expectations of investee companies, namely to minimize the impact on the environment, adhere to international labor rights, prohibit discrimination in employment, prohibit child labor, eradicate forced labor and avoid all forms of corruption including bribery and extortion, among others.

(2) Initiatives That Consider the Environmental and Social Impacts of Investments and Loans

Signing of the Equator Principles and Initiatives

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 and conduct a comprehensive risk assessment. Since becoming a signatory in February 2016, SuMi TRUST Bank has implemented 49 projects subject to the Equator Principles as of March 2018.

Environmental and Social Considerations in Asset Management

SuMi TRUST Bank and Nikko Asset Management have become signatories to the Principles for Responsible Investment (PRI), which was established in 2006. The PRI calls on institutional investors to take into account environmental, social, and governance (ESG) factors in their investment decision-making processes.

In accordance with the ESG guidelines, SuMi TRUST Bank is involved in numerous engagements (dialogue) with investee companies regarding ESG issues. SuMi TRUST Bank carries out such engagements through its analysts and the dedicated members of the Stewardship Development Department, as well as joint engagements with domestic and overseas organizations involving specific themes, such as palm oil and forest resources.

Establishment of Policies for Specific Sectors

The Group has established policies for specific sectors that promote business activities with significant environment and social impacts and restricts loans and investments to companies and projects with negative impact.

In specific terms, SuMi TRUST Bank does not provide loans to companies that manufacture cluster bombs, regardless of whether they are located in Japan or overseas. In asset management, we prohibit active investment, actively conduct engagements to demand the suspension of manufacturing of cluster bombs in passive investment, and publicize such engagements.

The Group also intends to establish a policy for sectors that are considered to be involved in the manufacture of palm oil and the destruction of tropical rainforests during fiscal year 2018 (see page 77 for project financing for coal-fired power plants).
2. Initiatives Related to Climate Change

Risks and Business Opportunities Associated with Climate Change

<table>
<thead>
<tr>
<th>Risk Categories</th>
<th>Outline of Risk</th>
</tr>
</thead>
</table>
| Transition Risk       | • Risk that stricter regulations and technological innovations lead to value impairment of the Group’s loan assets and shares owned, etc.  
                        | • Risk that economic measures such as climate-related taxation impact the business performance of our business affiliates  
                        | • Risk that a low carbon-oriented market leads to volatility in supply-demand relationships for products and services, corporate earnings, etc. |
| Physical Risk         | • Risk that natural disasters damage the assets of the Group or investment and financing targets and put business continuity at risk  
                        | • Risk that climate change affects land use, resource procurement, the productivity of primary industries, etc. |

<table>
<thead>
<tr>
<th>Business Opportunity Categories</th>
<th>Outline of Business Opportunities</th>
</tr>
</thead>
</table>
| Opportunities in Resource Efficiency, Energy Sources, Products and Services, Markets and Resilience | • Increase in opportunities to offer financing to companies and projects that contribute to the mitigation of climate change  
                                                                                           | • Increase in profit opportunities due to social infrastructure shifts, such as the spread of renewable energy  
                                                                                           | • Increase in profit opportunities due to an enhanced social reputation as a company that contributes to climate change issues |


(1) Risk Management in Relation to Climate Change
The Company has established the Action Guidelines for Mitigating Climate Change, and fully carries out risk management in relation to climate change. We also support the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) set forth by the Financial Stability Board, and promote initiatives in line with these recommendations.

<table>
<thead>
<tr>
<th>Action Guidelines for Mitigating Climate Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Implementation of Initiatives and Support for Climate Change Mitigation, etc.</td>
</tr>
<tr>
<td>2. Provision of Products and Services</td>
</tr>
<tr>
<td>3. Cooperation with Stakeholders</td>
</tr>
<tr>
<td>4. Education and Training</td>
</tr>
<tr>
<td>5. Information Disclosure</td>
</tr>
</tbody>
</table>

(2) Dealing with Climate Change Issues in Asset Management
As a “responsible institutional investor” that embraces Japan’s Stewardship Code and a signatory to PRI, SuMi TRUST Bank conducts engagements, calling on investee companies to disclose information on climate change challenges and assess climate-related risks. In Japan, the Bank has conducted engagements with companies in the electric power, materials and machinery sectors, which are large greenhouse gas emitters, primarily to address the issue of coal-fired power generation. Overseas, the Bank, for example, voted for shareholder proposals that called on U.S.-based Exxon Mobil to disclose information related to climate change and also carried out activities urging U.S.-based Andarko Petroleum to disclose information related to climate change.

SuMi TRUST Bank is also a member of Climate Action 100+, a five-year initiative to implement joint engagement for agreement on a list of at least 100 of the world’s top greenhouse gas (GHG) emitters, through a global collaboration of institutional investors. This initiative aims to encourage GHG emitters to reduce greenhouse gas emissions through engagement, disclose climate-related financial information, and improve governance regarding climate change. By leveraging the experience and expertise acquired while serving on various PRI working groups, SuMi TRUST Bank has been playing an active role by accepting, for example, the role of lead manager not only for Japanese companies but also for overseas companies.

(3) Project Finance for Coal-fired Power Generation
Regarding the issue of climate change, which has become a major global issue, SuMi TRUST Bank has always made careful decisions regarding coal-fired power generation projects, which emit a relatively large amount of CO₂, by setting certain internal criteria on factors including power generation efficiency and environmental impact. As initiatives for realizing a low-carbon society are crucial management issues for financial institutions in the industrialized world, SuMi TRUST Bank has decided, in principle, not to engage in new projects for the construction of coal-fired power plants. However, in cases where exemptions are considered, lending decisions will be made carefully, with a comprehensive consideration of backgrounds and characteristics undertaken on a case-by-case basis, under strict standards that address the environmental impact, such as the OECD Guidelines and the energy efficiency of the specific projects.
Client-Oriented Initiatives

1. Providing Value to Clients

The SuMi TRUST Group aims to accurately understand the needs of individual and corporate clients, and to provide total solutions that offer a wide range of highly specialized products and services as the best way to address those needs. In an era of dramatic environmental change, the needs of both individual and corporate clients to build, manage, and review their assets and plan for succession are becoming increasingly complex, and their needs for trustworthy financial institutions are growing. The SuMi TRUST Group, as the only independent financial group specializing in trust banking in Japan, will leverage its comprehensive capabilities that combine trust and banking functions, as well as 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. In addition to the thorough implementation of compliance, including protection of client information, the Group vigorously and comprehensively pursues best practices, based on customer satisfaction (CS) and fiduciary duties (FD).

2. Enhancement of Customer Satisfaction

Initiatives to Link the “Voice of Customers” to Enhanced Customer Satisfaction

(1) SuMi TRUST Bank receives a large amount of feedback from clients and many requests via our branch offices throughout Japan, as well as its telephone centers and the Group’s website, along with the “Voice of Customers Questionnaires,” which are available at every branch. (2) In order to realize customer satisfaction by utilizing the hundreds of thousands of cases of feedback we receive each year, we use the “CS Voice of Customers Portal,” which is a system to analyze client feedback. We are striving to meet our clients’ needs by making client feedback “visible,” so that we can better “recognize” such needs. (3) Furthermore, regarding opinions and requests received from clients, branches and the head office cooperate to investigate and analyze the causes, and identify problems. Based on the results, we search for measures for improvement, and strive to provide better products and services.

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 an extensive lineup of unique and sophisticated products and services that are essential to providing total solutions, the SuMi TRUST Group focuses on promoting group-wide initiatives that combine the expertise of each business and Group company, rather than simply using their strengths and know-how. In this manner, the SuMi TRUST Group is creating a product development system that carries out medium-term, ongoing research activities on themes that would be difficult to categorize within the domains of individual businesses or Group companies.
Specifically, SuMi TRUST Bank has established a product development department in each business, as well as the Business Research and Development Department, and a product development off-site meeting as its product development organization. The product development departments in each business analyze the client needs that have been collected in the course of business, and engage in improvement and development, mainly of products for immediate application, including reviews of existing products and design of new products. In addition, the Business Research and Development Department, which was established as a dedicated unit primarily for the development of trust products, serves as the engine that drives product development and provides development support for each business, while carrying out 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 regarding product development, not only at a practical working level, but also based on management strategy from a medium- to long-term viewpoint.

The SuMi TRUST Group also focuses its efforts on nurturing human resources who are capable of flexible thinking that sustains product development. At SuMi TRUST Bank, product development experience is included in the new employee training curriculum, and human resource development seminars on product development are held twice each year for product development personnel with little experience. At these seminars, groups engage in exhaustive discussions on the topic of new products to satisfy target client needs that are assigned in advance, with the goal of enabling participants to acquire an understanding of breakthrough points and problem-solving methods in product development.

Technologies to Support Total Solutions

In order to provide total solutions to meet the increasingly complex and sophisticated needs of clients, Digital Transformation Departments have been established at SuMi TRUST Holdings and SuMi TRUST Bank, in order to accelerate research and demonstration experiments for IT utilization. For example, in 2017 we introduced a system that registers client transactions directly in a host computer from portable tablet devices, which allows sales staff who are responsible for visiting clients to spend more time on client-oriented consulting. (Please see page 84.)

Status of Initiatives Aimed at Becoming Our Clients’ “Best Partner” and Key Performance Indicators (KPIs)

The SuMi TRUST Group regularly makes public indicators that allow confirmation of the status of initiatives aimed at becoming our clients’ “Best Partner.” These indicators are revised periodically as we promote and enhance these activities.

### Initiatives in Connection with Financial Education and Literacy Improvement

#### Number of Seminar Sessions Held

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>(sessions)</td>
<td>2,500</td>
<td>2,000</td>
<td>1,500</td>
</tr>
</tbody>
</table>

We are making efforts to hold seminars, such as the “Life Planning Seminar on Lifestyle and Money” and the “Inheritance Strategies Seminar,” as opportunities to offer clients useful, specialized knowledge in an easy to understand manner.

### Assisting Clients with Long-term Asset Formation

#### Ratio of Dividend Distribution* to Balance of Investment Trusts

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>(%</td>
<td>10</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
</tbody>
</table>

We propose products with low dividend frequency for clients’ long-term asset formation needs. As a result, the ratio of dividend distribution to the balance of investment trusts is lower than the market average.

* Dividend distribution refers to dividends distributed by publicly offered investment trusts for which SuMi TRUST Bank is the sales company. The market average is calculated based on statistics published by The Investment Trusts Association, Japan.
Promoting/Supervising Structure of the Group

- Supervise conflict of interest management for the Group, monitor FD progress
- Discuss important cases
- Guide the improvement of relevant departments
- Promote FD within the organization
- Enhance conflict of interest management
- Consult with external experts, implement within the company

3. Initiatives Related to Fiduciary Duties (FD)

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 always striven to be completely client-oriented, with the trust fiduciary spirit ingrained in our DNA, in September 2016, 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”). 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 established an extensive organizational structure from the management level to the working level, and continuously strives to enhance its initiatives in this area.

Improvement of Value of Investee Companies

We are enhancing our engagement activities (“purposeful dialogue” with investee companies, conducted to encourage improvement of corporate value and the sustainable growth of the investee company), both in terms of quality and quantity.

Group-wide Development of Asset Management and Asset Administration Business

Due to the maintenance and improvement of the solidity and swiftness of our asset administration services, as well as the increasing sophistication of our social infrastructure, including administration and systems, Group assets under custody is on an upward trend, both domestically and overseas.

Group Assets under Custody

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Domestic (left)</th>
<th>Overseas (right)</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 31, 2015</td>
<td>200 (Trillions of Yen)</td>
<td>300.0 (Billions of Dollars)</td>
</tr>
<tr>
<td>March 31, 2016</td>
<td>150 (Trillions of Yen)</td>
<td>200.0 (Billions of Dollars)</td>
</tr>
<tr>
<td>March 31, 2017</td>
<td>100 (Trillions of Yen)</td>
<td>100.0 (Billions of Dollars)</td>
</tr>
<tr>
<td>March 31, 2018</td>
<td>0 (Trillions of Yen)</td>
<td>0 (Billions of Dollars)</td>
</tr>
</tbody>
</table>

Ratio of Market Capitalization of Companies where Engagement is Implemented Compared to TOPIX Base Market Capitalization

<table>
<thead>
<tr>
<th>Year</th>
<th>Market Capitalization</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>0%</td>
</tr>
<tr>
<td>2015</td>
<td>20%</td>
</tr>
<tr>
<td>2016</td>
<td>40%</td>
</tr>
<tr>
<td>2017</td>
<td>60%</td>
</tr>
<tr>
<td>2018</td>
<td>80%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Market Capitalization</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 31, 2015</td>
<td>0 (Trillions of Yen)</td>
</tr>
<tr>
<td>March 31, 2016</td>
<td>20 (Trillions of Yen)</td>
</tr>
<tr>
<td>March 31, 2017</td>
<td>40 (Trillions of Yen)</td>
</tr>
<tr>
<td>March 31, 2018</td>
<td>60 (Trillions of Yen)</td>
</tr>
</tbody>
</table>

Promoting/Supervising Structure of the Group

- Supervise conflict of interest management for the Group, monitor FD progress
- Discuss important cases
- Guide the improvement of relevant departments
- Promote FD within the organization
- Enhance conflict of interest management
- Consult with external experts, implement within the company
Conflict of Interest Management Framework

Along with the various products and services provided by the Group, in order to protect the interests of our clients from undue harm, the Group carries out business operations based on the appropriate management of transactions that have possible conflicts of interest, in accordance with our Management Policy Concerning Conflicts of Interest. To accurately carry out conflict of interest management at the group-wide level, we have established a system in which the Compliance Department, which is the department that controls conflict of interest management independently of sales divisions, regularly verifies the effectiveness of conflict of interest management across the Group, under the conflict of interest management officer. The results are reported to the Conflicts of Interest Management Enhancement Committee, the Executive Committee, and the Board of Directors, and improvement and direction are carried out continuously, as needed. In addition, in an effort to enhance the effectiveness of the Group’s conflict of interest management framework, the Board of Directors consults the Conflicts of Interest Committee, the majority of which consists of external experts, and receives verification of the appropriateness of the conflict of interest management framework.

Furthermore, SuMi TRUST Bank has established the “Stewardship Activities Advisory Committee” (hereinafter, referred to as the “Advisory Committee”) regarding stewardship activities, the majority of which consists of external experts. The Advisory Committee is a body established to make recommendations for various activities, under Japan’s Stewardship Code. The Advisory Committee makes recommendations regarding the establishment, revision, or abolition of the guidelines for the exercise of voting rights, decisions regarding whether to support a proposal not stipulated in these guidelines, the appropriateness of interpretations of these guidelines for individual proposals, and verification and improvement of the decision-making process on the exercise of voting rights on proposals in connection with which conflicts of interest may occur. The Officer in charge of Fiduciary Services Business, who is independent from the executive authority of 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 the necessary corrective and remedial measures. In terms of our exercise of voting rights, the Advisory Committee discloses the numerical standards, etc. of the guidelines in order to enhance the visibility of our judgment. The Advisory Committee also discloses whether we voted for or against 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 the involved processes, and to enhance the visibility of both exercise judgment and results, we are raising the transparency of our exercise of voting rights.

We will establish a similar framework after the split of the asset management function for integration with Sumitomo Mitsui Trust Asset Management (scheduled for October 2018).

Conflicts of Interest Committee Members
Chairperson: Hideki Kanda
External Director,
SuMi TRUST Bank
Professor,
Law School at Gakushuin University
Emeritus Professor,
University of Tokyo
Member: Takeshi Suzuki
External Director,
SuMi TRUST Holdings
Member: Akiko Hosokawa
Partner, Baker & McKenzie
Member: Yutaka Nishida
Senior Managing Executive Officer,
SuMi TRUST Holdings

* For the roles and responsibilities of each management structure and the main departments, please refer to page 80; for the specific role of the Conflicts of Interest Committee, please refer to pages 56-57.

Basic Initiative Policy

Amidst a growing number of financial products with ever more complex mechanisms and unique characteristics, there is a pressing need for financial institutions to properly and fully explain product mechanisms and risks to clients, and to gain their understanding. It is also increasingly important for financial institutions to appropriately respond to complaints and requests from clients, and properly manage client information. Given these conditions, the Group regards client protection as one of its most important management issues. To respond to the expectations and trust that clients place in the Group, SuMi TRUST Holdings has established a basic policy in its Client Protection Management Rules, to enable each Group company to enhance client protection and convenience. In addition, checking and promotion systems have also been developed, to which the Group complies, carrying out business activities in a
Client Information Management

The Group has established the Sumitomo Mitsui Trust Group Privacy Policy as a policy to securely protect the personal information of its clients. Furthermore, the Group manages client information appropriately, and when using client information jointly within the Group, each company complies with laws on personal information protection, guidelines on personal information protection in the financial industry, and other related laws and regulations, so as to ensure the appropriate use of such information.

At SuMi TRUST Bank, the IT & Business Process Planning Department oversees client information management as a whole, based on information security risk management rules with the aim of properly maintaining and managing the Group’s information assets. The department regularly evaluates the status and effectiveness of client information management execution, and provides regular status reports to the Board of Directors, etc. At branch offices and head office departments, in addition to assigning general managers the responsibility of managing and administering information, SuMi TRUST Bank requires all employees to submit a written affirmation of their duty of confidentiality, so that they clearly recognize the duty they have to keep important information, including personal data they come across while working, confidential.
Digitalization Strategy

As digitalization progresses at a rapid pace, the SuMi TRUST Group regards digital reform initiatives as one of our most important management strategies. We continually strive to improve client convenience and productivity and to develop a total solution model that is unique to a trust bank, using the latest digital technologies.

Developing a Total Solution Model

Our group companies have a wide range of business domains, and develop highly specialized businesses targeting a broad client base. Each business domain holds “Deep Data”: a variety of data accumulated by leveraging the highly specialized know-how unique to the trust bank group. Deep Data accumulates data such as client attributes, assets, transactions, and events in each business domain, as well as external data such as economic conditions, representing information that is both quantitatively and qualitatively unique to the trust bank group.

We analyze this information and convert it into a form that provides high added value for our clients, and utilize digital technologies such as artificial intelligence (AI), blockchain, IoT, and the cloud to determine the ideal timing to make proposals.

Our goal is to use digital technologies to offer information with high added value to our clients, and to offer total solutions that are unique to the trust bank group, and go beyond our business domains. Our digitalization strategy serves as foundation for building a unique model for adding value, as a financial group specialized in trust banking.

•  Evolution of total solutions through use of digital technologies

Pursuing Reform and Innovation in Client Services Using Technology

In 2015, we launched the FinTech project teams. The activities of these teams have since included verification experiments aimed at using new technologies such as the blockchain and AI, as well as joint research with external partners.

In November 2017, we created the Digital Transformation Department at SuMi TRUST Holdings and SuMi TRUST Bank. This department is accelerating digital innovation, and is engaged in studies, research, and verification experiments regarding the use of technologies to further the development of a total solution model, in particular.

• Use of AI in the asset management field
  We use AI to build investment strategies, including utilizing text mining to develop AI solutions that automatically calculate sentiment scores for large volumes of analyst reports, collect information more efficiently, and make investment decisions on individual stocks.

• Using digital technologies to offer a higher level of consulting
  We use AI specialized for text analysis to discover hidden client needs, and perform verification experiments to enable optimal consulting activities based on those needs.

  We perform a multifaceted analysis of a variety of information that we have accumulated using predictive analysis, and perform verification experiments to propose products and services to more effectively meet client needs.

Improving Client Convenience

Introduction and continued development of host DB linked client visit tablet

We have introduced an IT system for marketing assistance. Sales representatives for individual clients carry tablet devices during client visits, and are able to use this system to complete procedures for time deposits, investment trusts, and other transactions on the spot. We plan to expand the range of applicability of this system to support more types of transactions, including insurance products and discretionary investment products.
Introducing this new system has enabled us to spend more time on client-focused consulting, as it reduces burdens on clients from filling out forms, while at the same time greatly reducing our administrative workload.

In the future, we will improve client convenience and enhance our consulting by advancing the use of technology and digitalization in both over-the-counter transactions and internet banking using mobile devices.

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**Initiatives to Improve Productivity**

**Full-scale introduction of RPA and AI, and promotion of digitalization**

- Using Robotic Process Automation (RPA)
  
  We are aiming to save 500,000 person-hours of labor over the next three years by using RPA to automate operations that have previously been performed by humans.

  We aim to further enhance client service by replacing data entry and other backoffice tasks with RPA, mainly at the head office, improving both operational efficiency and quality, and allowing a shift of personnel from the head office to branch offices.

- Introducing AI for call-center operations
  
  Our goal is to improve client service by making call-center operations more efficient and sophisticated, by using voice-recognition technology to automatically convert client telephone inquiries into text, and using text-mining technology to summarize such text.

**Initiatives at SBI Sumishin Net Bank, Ltd.**

Since its founding in September 2007, SBI Sumishin Net Bank, Ltd. has worked to achieve “the most user-friendly internet banking, offering attractive products and services 24 hours a day, 365 days a year.” In the FinTech business domain as well, it is actively using AI, APIs, and other leading-edge technologies to develop products and services that help improve client convenience, led by its FinTech Business Planning Department and Big Data Department.

- Example uses of AI
  
  We have introduced a hybrid chat service on a trial basis. This service handles client inquiries seamlessly, switching between an AI chatbot and human responses. The AI chatbot provides 24/365 automated responses, while humans provide more detailed custom responses during business hours.

  We have also introduced leading-edge methods that use AI to review mortgage loans. This improves the accuracy of reviews, and makes operations more efficient and less labor-intensive.

  In addition, we have introduced an AI-based monitoring system to detect fraudulent wire transfers, expanding the applications of AI to fields that help improve client security and comfort.

- Example uses of APIs
  
  We offer a wide range of asset management services to clients, performing API integrations with operating companies that offer automated savings services and Robo advisor (automated asset management service).

  We help streamline wire transfer procedures and the capture of client balances and bank statements, through API integration with cloud accounting software and other services.
The SuMi TRUST Group is engaged in initiatives to enhance its human capital—one of the sources of value creation—and increase the total added value provided to our clients. Specifically, we aim to raise the level of our pool of human resources that can devise comprehensive solutions using the two wheels of “bolstering human resources” and “maintaining workplace environments,” based on the principle of diversity & inclusion, and in accordance with our Basic Policy for Personnel Affairs Management.

Status of the Group of Personnel that Provides Comprehensive Solutions

<table>
<thead>
<tr>
<th>Financial Consultants</th>
<th>Fellows (“SEI-KAIIN”)</th>
<th>Registered Real Estate Transaction Agents</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 31, 2018: 249</td>
<td>March 31, 2018: 43</td>
<td>March 31, 2018: 5,518</td>
</tr>
</tbody>
</table>

Bolster Human Resources

Number of hours of training held

- FY2016: 4,599 hours
- FY2017: 6,033 hours

Number of applicants for voluntary training

- FY2016: 854
- FY2017: 886

Status of positions of female employees (March 31, 2017)

- Executives: 2
- Level of general manager: 16
- Level of section manager: 245

Maintaining Workplace Environments

Supporting work-life balance

- Male employees taking childcare leave: FY2016: 305

Number of users of the internal job posting system

- FY2016: 378
- FY2017: 445
1. Diversity & Inclusion

The SuMi TRUST Group holds the concept of Diversity & Inclusion, in the sense of “utilizing the diversity and creativity of its employees in management,” as its management principles (“Mission”). We also hold fully utilizing individuals’ diversity and creativity as value added to the organization as our Basic Policy for Personnel Affairs Management. The business model of a trust bank is to offer added value to clients by leveraging the diversity of the organization. While we have always believed in respecting diversity as an organization, we consider it to be vital to enhance the organization’s diversity, and to renew our understanding that our employees are the SuMi TRUST Group’s strength.

In October 2017, SuMi TRUST Holdings followed SuMi TRUST Bank in establishing a Diversity & Inclusion Office within the Human Resources Department, in order to share the principles and goals of diversity & inclusion with the Group as a whole.

(1) Employing diverse human resources

To practice our management principles (“Mission”) and Basic Policy for Personnel Affairs Management, it is first essential to hire diverse human resources. SuMi TRUST Bank is building a base for diverse employees to exercise leadership. More than half of SuMi TRUST Bank’s new recruits are women. In addition, we actively hire newly graduated foreign exchange students and local graduates overseas. As of March 31, 2018, our disabled person employment ratio was 2.09% for the Group as a whole, including in client relations roles such as lobby attendants. Hiring, retention, and increasing diversity remain our challenges, moving forward.

The SuMi TRUST Group’s Human Rights Policy clearly prohibits discrimination against LGBT individuals. Nikko Asset Management has created an internal LGBT Working Group, which carries out education activities aimed at fostering an understanding of LGBT. In addition, in October 2017, SuMi TRUST Bank received a Gold medal, the highest rating available, in the “Pride Index,” which evaluates initiatives regarding LGBT. The Pride Index is operated by the organization work with Pride (wwP), which supports the promotion and establishment of LGBT-related diversity management.

In fiscal year 2017, 100% of eligible male employees at SuMi TRUST Bank took childcare holidays.


(2) Promoting active participation by women

With regard to promoting women, SuMi TRUST Bank is securing a large number of women at the level of assistant manager, and is steadily promoting women to the levels of section manager and general manager, and enhancing management skills by means such as job rotation and training. We will accelerate promotions into management in order to achieve our KPIs.

In terms of expanding the roles of women, we are accelerating the promotion of female employees as financial consultants*, the majority of whom are male employees. In addition, in order to create further opportunities for women to thrive, in fiscal year 2018, we created a new trust consultant position that undertakes duties equivalent to those of a financial consultant, and two of the three employees in the first round are female employees.

* Expert staff who exemplify trust banking, using strong expertise and a wealth of experience to accurately manage client assets, and propose meticulous plans for management and succession

Number of Female Employees in Management Positions at SuMi TRUST Bank

<table>
<thead>
<tr>
<th></th>
<th>March 31, 2016</th>
<th>September 30, 2016</th>
<th>March 31, 2017</th>
<th>September 30, 2017</th>
<th>March 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Director</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Level of executive officer</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Level of general manager</td>
<td>10</td>
<td>12</td>
<td>14</td>
<td>14</td>
<td>16</td>
</tr>
<tr>
<td>Level of section manager</td>
<td>192</td>
<td>224</td>
<td>232</td>
<td>229</td>
<td>245</td>
</tr>
<tr>
<td>Level of assistant manager</td>
<td>1,080</td>
<td>1,022</td>
<td>1,069</td>
<td>1,061</td>
<td>1,108</td>
</tr>
</tbody>
</table>

* Numbers in parentheses are ratio of women

* As of March 31, 2018, there is one female external director at SuMi TRUST Holdings
2. Bolstering Human Resource

The SuMi TRUST Group Human Resources Development Policy

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

Talent .............. Talent (individuality) can blossom
Respect ........... Respect each individual
Uniqueness ......... Develop true professionals
Support ........ Make mutual teaching and support our motto
Try .................. Praise small, daily challenges

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

We have been advancing measures to be the “No. 1 financial group for human resource development” with the aim of “bolstering human resources,” which is one of the two wheels for raising the level of our group of personnel that provides comprehensive solutions. Today, however, as digitization and other advances are changing business models at an ever-accelerating pace, we need to share concrete guidelines within the group and accelerate their promotion.

It was for this reason that, in April 2018, we created our “Human Resources Development Policy” as the shared human resource development slogan within the SuMi TRUST Group. Through this policy, we will strive to build a diverse group of personnel that shares a passion for “TRUST,” and maximize the creation of shared value through the realization of “The Trust Bank.”

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

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

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

(2) Enhancing Training and Other Off-JT*

The SuMi TRUST Group has established the SuMiTRUST University, which offers group training with the objective of improving employees’ operational skills and management abilities, and many opportunities for self-development to encourage employees to continue improving their skills. The Company’s President is the president of SuMiTRUST University, while the executive in charge of Human Resources Development and an outside expert serve as the university’s vice presidents. The university is a group-wide program that also receives advice regarding its management from Hitotsubashi University graduate school.

* Off-the-job training: Uses workshops, training, and other methods to teach knowledge and other skills that cannot be learned through OJT.

(3) Enhancing Leadership

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

Purpose of Personnel Evaluation System

- To maximize our performance as an organization by aligning the vectors of the Company and individual employees in the same direction
- 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
- 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

In order to fairly evaluate and treat diverse human resources, it is necessary for all employees to share and practice the goals of the evaluation system, and in practice, objectivity is essential. For this reason, roughly every three years, SuMi TRUST Bank sends members of the Human Resources Department to each branch and department to interview employees. Additionally, as a means of obtaining a multifaceted view of our personnel, we have introduced an anonymous survey for subordinates and others to rate the day-to-day management actions of line managers in the branch management ranks (general managers, deputy general managers, section managers, etc.). Further, we also promote management action reform and encourage the cultivation of a climate of bi-directional dialogue.

3. Upholding Positive Workplace Environments

"Maintaining workplace environments" is the second of our two wheels of measures for raising the level of the Group’s pool of human resources. To this end, in May 2017, the Group launched the “Work Style Reform Headquarters,” headed by the presidents of SuMi TRUST Holdings and SuMi TRUST Bank, and established the “Declaration on Work Style Reform” as a top commitment.

At SuMi TRUST Bank, initiatives based on this declaration have generally raised ratings related to human resource strategy in the employee awareness survey conducted each year.

(1) Optimizing Work Styles

With the aim of “achieving diverse work styles and work-life balance,” 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.

We have also set a target of reducing backoffice work by 70% over a period of roughly five years, by advancing business process reforms and promoting branch strategies. The workforce created through these efforts will be used to enhance client support and improve service by shifting resources to areas as face-to-face sales and IT operations.
(2) Health Management

For “supporting health improvement through measures such as boosting health awareness and appropriately managing work hours,” we have active initiatives in place that are aimed at promoting the physical and mental health of all Group employees, including managing minimum interval between work-days, streamlining operations, reducing working overtime, and prohibiting smoking in all buildings. In recognition of these initiatives, the SuMi TRUST Group was certified by the Ministry of Economy, Trade and Industry (METI) as a “Certified Health and Productivity Management Organization (White 500)” in February 2018 for practicing outstanding health and productivity management.

With regard to physical health, SuMi TRUST Bank provides health examinations every year and makes reexaminations mandatory. The Human Resources Department and others provide individualized follow-up to ensure that everyone who requires treatment at a healthcare institution receives the necessary treatment.

With regard to mental health, SuMi TRUST Bank provides care by line management, and also carries out stress checks once a year. Group results are provided to the employees’ union, and we discuss “improvement in workplace environments” and strive towards such improvement.

(3) A Culture That Fosters Motivation and Job Satisfaction

We work to build a climate that supports challenges and learning and activates bi-directional dialogue toward “providing opportunities for all employees to grow while participating actively with motivation.” The SuMi TRUST Group has always encouraged activities that create opportunities for learning, such as seminars and learning circles formed by groups across branches and departments, and has regularly held lectures by outside instructors. SuMi TRUST Bank encourages employees to independently and voluntarily shape their own careers, by creating a system for changing from a career course limited to specific regions to one enabling nationwide transfers, and an internal job-posting system that enables employees to take on new challenges by transferring into their desired jobs and businesses.

In fiscal year 2018, we began promoting activities for employees to shape their own futures towards creation of new businesses and operations, in order to create new solutions by turning positive ambitions of the Group employees into new products and innovations, which has helped improve employee motivation. Additionally, in May 2018, we created the “Employee Integrated Report,” in order to enhance employee understanding of the SuMi TRUST Group, and to encourage employees to think about their own careers.

In order to spread and maintain this culture, it is essential to have good bi-directional dialogue between executives and employees, as well as among employees. SuMi TRUST Bank uses occasions when employees gather, such as staff training by rank, as opportunities for discussion and questions about management policies, leadership, and other topics by the president and other executives.

For communication among employees, we create and execute measures that reflect diverse views through active dialog with the employees’ union, and have created “The Trust Bank” discussions with the goal of fostering awareness in line with the fiduciary spirit and improving teamwork at the workplace. We create a workplace where employees are highly motivated through free discussion among employees, regardless of their position or team, on specific issues. As of March 31, 2018, 59% of all SuMi TRUST Bank employees are members of the employees’ union.

Specific Initiatives

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

(1) Human Rights Management

Basic Philosophy
The SuMi TRUST Group's human rights management is based on the “Guiding Principles for Business and Human Rights,” which was adopted by the United Nations Human Rights Council in June 2011. We have established the Human Rights Policy along with the Basic Policy on the Social Responsibility of Sumitomo Mitsui Trust Group (Sustainability Policy) (see page 24) to respect the human rights of all stakeholders.

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

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

(2) Protecting Various Human Rights

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

Prevention of Sexual Harassment and Power Harassment
Actions such as sexual harassment and power harassment are prohibited at the SuMi TRUST Group. In the event harassment does occur, advice is sought and complaints are registered via the Harassment Prevention Committee representative in each branch and department, or directly by the Personnel Consultation Desk 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).

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

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 and addresses measures for improvement.
- Conducts annual investigations into the status of addressing human rights through use of the Human Rights Due Diligence Self-check List.
- Based on discussions by the liaison committee, the Corporate Planning Department formulates objectives and plans for the development and reinforcement of the framework of initiatives, and the Human Resources Department and Human Rights Education Committee engage in the formulation and implementation of various training programs and education activities concerning human rights issues at all Group companies and branches.

SuMi TRUST Bank is a member of the following organizations, with the goals of continuously collecting information and acquiring knowledge on human rights, and reflecting this in the enlightenment and education of all of our employees, including those in Group companies.
- Global Compact Network Japan
- The Industrial Federation for Human Rights, Tokyo
- Buraku Liberation and Human Rights Research Institute
- Korean Residents Minority Human-rights Research Center of Japan
- Higashi Nihon Buraku Freedom Institute
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”).

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

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

Activities for Institutional Investors
Investor meetings on financial results aimed mainly at analysts and institutional investors are held twice a year, for the full-year and interim results. We also conduct briefings on our management strategy and financial position, etc. by participating in conferences organized by securities companies and by holding one-on-one investor meetings in Japan and overseas. In February 2018, we held SuMi TRUST IR Day, where the officers in charge of our businesses described the features and strengths of the Group’s main businesses, as well as our strategic direction. In addition, Mr. Isao Matsushita, an external director and chairman of the Board of Directors, gave a presentation describing our governance.

IR Activities Carried Out in FY2017

<table>
<thead>
<tr>
<th>Event</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investor meetings on financial results for analysts and institutional investors</td>
<td>2 times</td>
</tr>
<tr>
<td>Overseas IR events</td>
<td>8 times</td>
</tr>
<tr>
<td>One-on-one meetings with institutional investors in Japan and overseas</td>
<td>Number of companies: 411 (including 205 overseas investors)</td>
</tr>
<tr>
<td>Information meetings for individual investors</td>
<td>Number of participants: 498</td>
</tr>
</tbody>
</table>

3. General Meeting of Shareholders

In addition to promptly sending out the convocation notice for the General Meeting of Shareholders held in June of each year, we post the notice on stock exchange websites and our own website one week before it is sent out. We are also striving to improve the voting environment by making it possible to exercise voting rights online or by cell phone (including smartphones), and by participating in a platform for the exercise of voting rights. Furthermore, we post an English 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.
Initiatives to Facilitate Financing

• Dealing with Facilitation of Financing

The SuMi TRUST Group considers the facilitation of financing to small and medium-sized enterprises (SMEs) and individuals seeking mortgage loans as one of its most important social missions. SuMi TRUST Bank took steps to further enhance its financial intermediary function and established a basic policy on the facilitation of financing. This was to ensure prompt and appropriate responses to requests from SMEs and mortgage loan clients for various consultations, restructuring of loan repayment conditions, etc.

The bank facilitates financing operations through a system at branch offices to provide prompt and appropriate responses to clients’ consultations about, or requests for, the restructuring of loan repayment conditions and other matters and a system at the head office to fully grasp the branch office support activities. The bank also responds to clients’ requests for consultation and complaints through a dedicated telephone number as well as at branch offices.

The Act concerning Temporary Measures to Facilitate Financing for SMEs, etc. 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,” and discloses the utilization status of the guidelines on our website. The bank has reorganized its system for receiving inquiries related to the “Guidelines on Arrangement for Victims of Natural Disaster,” which was adopted in April 2016, and appropriately responds to client’s requests for consultation.

• Status of Initiatives to Improve SME Business Operations and to Revitalize Regions

(1) Policy on Management Support Measures for SMEs

SuMi TRUST Bank assists SMEs with efforts to improve and revitalize their business operations by considering their conditions and providing business consultations, management guidance and support for formulating business reconstruction strategies, and other support services.

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. In Indonesia through “DBSI – SuMi TRUST Japanese Business Services” established within PT Bank DBS Indonesia, a local subsidiary of DBS Bank Ltd. which is a major bank based in Singapore, and in Vietnam through Bank for Investment and Development of Vietnam (hereinafter “BIDV”) which SuMi TRUST Bank has a partnership with and a leasing joint venture company with BIDV (BIDV-SuMi TRUST Leasing Company, Ltd.), we are enhancing our financial services geared toward Japanese companies expanding into each country.

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 financial consultants 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 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.”

(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.

Examples of Specific Initiatives

• Introduced prospective buyers of idle real estate (buildings for rent and other properties) of clients and brokered the sale of such assets. Contributed to reducing interest-bearing debt of the clients.

• Carried out sales mediation services (real estate surveys) for clients to other clients, and contributed to increasing their sales.
Corporate Information
History of the Sumitomo Mitsui Trust Group

1924
Established The Mitsui Trust Company, Limited

1952
Enforcement of the Loan Trust Act

1962
Established The Chuo Trust & Banking Co., Ltd.

1966
Started handling employees’ pension fund trust

2000
Merged to become The Chuo Mitsui Trust and Banking Company, Limited

1972
Started handling asset formation trusts

2009
Acquired Nikko Asset Management Co., Ltd.

1975
Started handling special donation trusts

2011
Established Sumitomo Mitsui Trust Holdings, Inc. (“SuMi TRUST Holdings”) (with images)

1977
Started handling charitable trusts

2000
Established Japan Trustee Services Bank, Ltd.

1984
Started handling land trusts

2009
Established Sumitomo Mitsui Trust Bank, Limited (“SuMi TRUST Bank”)

1986
Established Sumitomo Mitsui Trust Asset Management Co., Ltd.

2012
• Established Sumitomo Mitsui Trust Holdings, Inc. (“SuMi TRUST Holdings”)

History of Finance and Trusts

1923
Enforcement of the Trust Act and the Trust Business Act

1952
Enforcement of the Loan Trust Act

1966
Started handling employees’ pension fund trust

1972
Started handling asset formation trusts

1975
Started handling special donation trusts

1977
Started handling charitable trusts

1984
Started handling land trusts

2008
The collapse of Lehman Brothers

2004
Enforcement of the revised Trust Business Act

2010
The European debt crisis

2007
Enforcement of the revised Trust Act and the Trust Business Act

2011
The Great East Japan Earthquake

2012
Started handling designated donation trusts
Started handling legal guardianship system support trusts
2013
SuMi TRUST Bank
• Started handling the Tuition Fund Endowment Trust (also referred to as “Thinking of Our Grandchildren”)

2014
SuMi TRUST Bank
• Complete integration of systems

2015
SuMi TRUST Bank
• Started handling the Marriage and Child-rearing Support Trust (also referred to as “A Link between Generations”)
• Started handling Security Trust
• Launched the operations of Sumitomo Mitsui Trust Bank (Thai) Public Company Limited
• Acquired Citi Cards Japan, Inc. changed its name to Sumitomo Mitsui Trust Club Co., Ltd.

2016
• Developed the Policies regarding the Fiduciary Duties of the Sumitomo Mitsui Trust Group

2017
• Shifted to a company with Three Committees

2018 (scheduled)
October
• Integrate the asset management function of SuMi TRUST Bank and Sumitomo Mitsui Trust Asset Management
• Establish JTC Holdings, Ltd., a wholly owning parent company of Japan Trustee Services Bank, Ltd. and Trust & Custody Services Bank, Ltd.

Towards “The Trust Bank”
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.

![Diagram of trust mechanism]

- Trust agreement, will
- Defining the purpose of the trust, transferring property
- Administration
- Distribution of income from trust assets
- Monitoring, supervision rights

- Trustee
- Beneficiaries

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

| Property administration function | The right to administer the property is granted to the trustee. *(At the same time, the trustee is subject to various duties)* |
| Bankruptcy isolation function | Trust assets are not affected by bankruptcy of the settlor or trustee. |
| Conversion functions | 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. • Conversion in quality (the property can be converted to beneficiary rights (securitization)) • Conversion in number (small amounts of money can be gathered into a large amount and managed together) • Conversion in time (property can be donated in fixed amounts at fixed intervals even after one’s death) • Conversion of skill (management can be delegated to a specialist) |
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.

Main Trust Products, etc.

- Examples of products

Guardianship System Support Trust
The Guardianship System Support Trust is a trust designed to protect the assets of the ward and contribute to the stability of his or her living into the future. The money placed in trust is paid out as a specified sum paid regularly to the ward, under a special provision established in accordance with a written instruction of the family court. A request for releasing lump sum payments of money entrusted will not be accepted, except in cases where such request is made based on a written instruction of the family court.

Submission of an application form, etc.
Money entrusted

Designated money trust with special provision attached
Money disbursed according to written instructions of family court

Discretionary Guardianship System Support Trust
Discretionary guardianship system support trust is a trust designed to support the discretionary guardian system by managing property of the system’s users in trust. After the discretionary guardian contract has taken effect, the supervisor of the discretionary guardian undertakes procedures for releasing funds from money trusts. As a result, the system works to safely and reliably protect the system’s users. In addition, the system’s users can regularly release funds necessary for everyday living expenses and other purposes. The discretionary guardianship system support trust reduces the burden of property management born by the discretionary guardian.

* Besides the above, we also provide various financial services, including provision of a special bank account in the name of the trustee, for private trusts designed to manage property among relatives.
Financial Review

Terms with an asterisk are explained in “Glossary” on page 99.

In the consolidated financial results for fiscal year 2017, net business profit before credit costs increased by ¥38.1 billion year on year to ¥270.5 billion, due to an increase in gross business profit, resulting mainly from non-recurrence of the previous fiscal year’s fall in market-related profit in SuMi TRUST Bank. Net income attributable to owners of the parent increased by ¥32.5 billion from the previous fiscal year to ¥153.9 billion.

Both net business profit before credit costs and net income attributable to owners of the parent achieved the full-year plan and progressed smoothly (the plan achievement rate: 104% for net business profit before credit costs and 103% for net income attributable to owners of the parent).

• Overview of the Financial Results in FY2017

<Consolidated> SuMi TRUST Holdings (Consolidated)

<table>
<thead>
<tr>
<th></th>
<th>FY2017 (A)</th>
<th>FY2016 (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>270.5</td>
<td>232.3</td>
<td>38.1</td>
<td>16.4%</td>
</tr>
<tr>
<td>Ordinary Profit</td>
<td>232.6</td>
<td>196.3</td>
<td>36.2</td>
<td>18.5%</td>
</tr>
<tr>
<td>Net Income Attributable to Owners of the Parent</td>
<td>153.9</td>
<td>121.4</td>
<td>32.5</td>
<td>26.8%</td>
</tr>
<tr>
<td>Total Credit Costs*</td>
<td>2.9</td>
<td>(28.5)</td>
<td>31.5</td>
<td>—</td>
</tr>
<tr>
<td>Return on Equity</td>
<td>7.40%</td>
<td>6.07%</td>
<td>1.33%</td>
<td>—</td>
</tr>
<tr>
<td>Net Income per Common Shares (EPS) (Yen)*</td>
<td>403.92</td>
<td>317.24</td>
<td>86.68</td>
<td>27.3%</td>
</tr>
<tr>
<td>Net Assets per Common Shares (BPS) (Yen)*</td>
<td>6,897.36</td>
<td>6,437.58</td>
<td>459.78</td>
<td>7.1%</td>
</tr>
</tbody>
</table>

* 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, 2016, the start of fiscal year 2016.

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

<table>
<thead>
<tr>
<th></th>
<th>FY2017 (A)</th>
<th>FY2016 (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>189.7</td>
<td>150.5</td>
<td>39.2</td>
<td>26.0%</td>
</tr>
<tr>
<td>Net Interest Income and Related Profit*</td>
<td>176.5</td>
<td>216.7</td>
<td>(40.1)</td>
<td>(18.5%)</td>
</tr>
<tr>
<td>Net Fees and Commissions and Related Profit*</td>
<td>190.2</td>
<td>196.9</td>
<td>(6.6)</td>
<td>(3.4%)</td>
</tr>
<tr>
<td>Net Trading Profit</td>
<td>10.4</td>
<td>17.0</td>
<td>(6.6)</td>
<td>(38.8%)</td>
</tr>
<tr>
<td>Net Other Operating Profit</td>
<td>49.5</td>
<td>(47.3)</td>
<td>96.9</td>
<td>—</td>
</tr>
<tr>
<td>General and Administrative Expenses</td>
<td>(237.0)</td>
<td>(232.7)</td>
<td>(4.3)</td>
<td>1.8%</td>
</tr>
<tr>
<td>Net Non-recurring Profit, etc.</td>
<td>(16.7)</td>
<td>(33.2)</td>
<td>16.4</td>
<td>(49.5%)</td>
</tr>
<tr>
<td>Ordinary Profit</td>
<td>172.9</td>
<td>117.3</td>
<td>55.6</td>
<td>47.4%</td>
</tr>
<tr>
<td>Extraordinary Profit</td>
<td>(8.3)</td>
<td>(5.9)</td>
<td>(2.3)</td>
<td>38.9%</td>
</tr>
<tr>
<td>Net Income</td>
<td>117.9</td>
<td>77.6</td>
<td>40.3</td>
<td>51.9%</td>
</tr>
<tr>
<td>Total Credit Costs*</td>
<td>7.0</td>
<td>(24.9)</td>
<td>31.9</td>
<td>—</td>
</tr>
</tbody>
</table>

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

<Dividends>

<table>
<thead>
<tr>
<th></th>
<th>FY2017 (A)</th>
<th>FY2016 (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>
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(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 (DPS) above was calculated on the assumption the aforementioned share consolidation was carried out on April 1, 2016, the start of fiscal year 2016.
Status of Profit and Loss

• Net Business Profit before Credit Costs*

Net business profit before credit costs increased by ¥38.1 billion from the previous fiscal year to ¥270.5 billion, primarily due to a non-recurrence of the fall in market-related income in fiscal year 2016 in SuMi TRUST Bank.

• Net Fees and Commissions and Related Profit*

While real estate brokerage fees and revenue from asset management and administration grew steadily from the previous fiscal year, net fees and commissions and related profit decreased by ¥2.8 billion year on year to ¥405.4 billion, due to a non-recurrence of an inheritance-related temporary factor in the previous fiscal year.

• Net Interest Income and Related Profit*

Although domestic loan-deposit income improved, net interest income and related profit fell by ¥38.6 billion year on year to ¥208.2 billion, due to a non-recurrence of profit from unwinding of asset swaps (hedge accounting), which was a temporary factor in fiscal year 2016.

• Net Income Attributable to Owners of the Parent

Net income attributable to owners of the parent increased by ¥32.5 billion year on year to ¥153.9 billion, mainly due to the increase in net business profit before credit costs, indicating the steady progress of the midterm management plan, exceeding the planned target of ¥150.0 billion in its first year.

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 amounted to ¥28.2 trillion, unchanged from the end of the previous fiscal year, due to a steady increase in loans to individuals in Japan, despite a decrease in loans overseas. Deposits, etc.,* increased by ¥1.5 trillion from the end of the previous fiscal year to ¥34.4 trillion, as the decrease in time deposits was more than offset by the increase in liquid deposits and trust principal.

* 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 Common Equity Tier 1 capital ratio increased by 0.29 percentage points from the end of the previous fiscal year to 11.33%, despite an increase in risk-weighted assets, due to accumulation of net income. As a result, the Common Equity Tier 1 capital ratio, the Tier 1 capital ratio, and the total capital ratio remained well above regulatory required levels.

* Basel II:
Basel II is a new capital regulatory standard that was announced by the Basel Committee on Banking Supervision in December 2010. Basel II, 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 II 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 total balance of problem assets based on the Financial Reconstruction Act decreased by ¥14.5 billion from the end of the previous fiscal year to ¥56.7 billion, despite an increase in loans in bankrupt and practically bankrupt, due to a decrease in doubtful loans and substandard loans. As a result, the ratio to total loan balance was at 0.2%, unchanged from the end of the previous fiscal year. As for the ratio of problem assets covered by collateral and the allowance for loan losses, the coverage ratio came to 92% for doubtful loans and 97% for substandard loans, indicating that a sufficient level was secured.

Glossary

Problem Assets Based on the Financial Reconstruction Act
Assets for which disclosure is required by the Financial Reconstruction Act, and which are classified as follows. These are generally used in referring to “non-performing loans.”

Bankrupt and Practically Bankrupt
Assets to debtors who are legally bankrupt (due to bankruptcy, corporate reorganization or rehabilitation proceedings, etc.), or virtually bankrupt.

Doubtful
Assets to debtors who are not legally bankrupt, but whose financial conditions and business results have deteriorated, with a high likelihood that the lender will not be able to collect the principal or receive interest in accordance with the contract.

Substandard
Assets more than three months past due and assets whose terms have been modified to support debtors through such means as interest reductions or exemptions.

Capital Adequacy Ratio, etc.
Basel II* defines the composition of capital in three steps: Common Equity Tier 1 capital, Tier 1 capital and total capital. The ratios obtained by dividing them by risk-weighted assets refer to Common Equity Tier 1 ratio, Tier 1 ratio and total capital ratio, respectively.

Common Equity Tier 1 Capital
Common Equity Tier 1 capital is composed of core capital, consisting primarily of the capital stock, capital surplus and retained earnings.

Tier 1 Capital
Tier 1 capital is composed of Common Equity Tier 1 plus Additional Tier 1 capital, which includes preferred shares, etc.

Total Capital
Total capital is the total amount of capital, composed of Tier 1 capital and Tier 2 capital, which includes debt capital such as subordinated debt and subordinated loans.
Corporate Information (as of March 31, 2018)

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, 2018)

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* Viability Rating

Website

Please go to our website for specifics on our Group.

About The Sumitomo Mitsui Trust Group

IR Library

Sustainability in The Sumitomo Mitsui Trust Group

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