



SuMi TRUST
SUMITOMO MITSUI TRUST GROUP

SuMi TRUST IR Day

February 19, 2018

Today's Agenda

1. Retail Total Solution Services Business

Tsuyoshi Saito, Officer in charge

2. Wholesale Financial Services Business

Yukihiro Kitano, Officer in charge of Wholesale Total Solution Services Business

3. Fiduciary Services Business

Masahiro Tsuchiya, Officer in charge of Fiduciary Services Business

Yoshio Hishida, Officer in charge of Asset Management Business

4. Governance

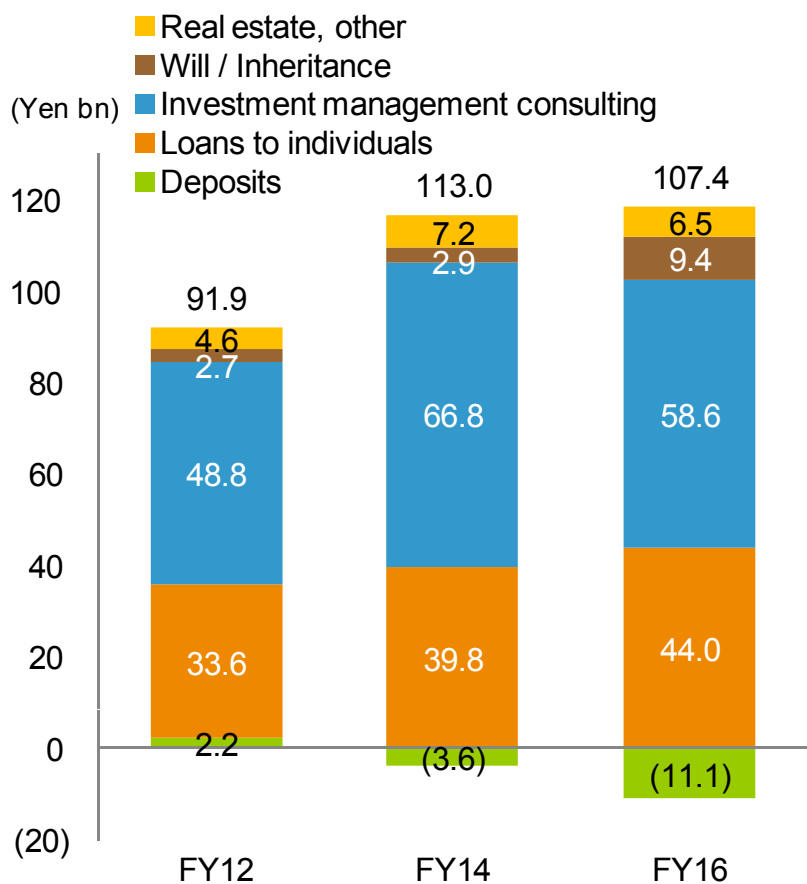
Isao Matsushita, Chairman of the Board of Directors

Retail Total Solution Services Business

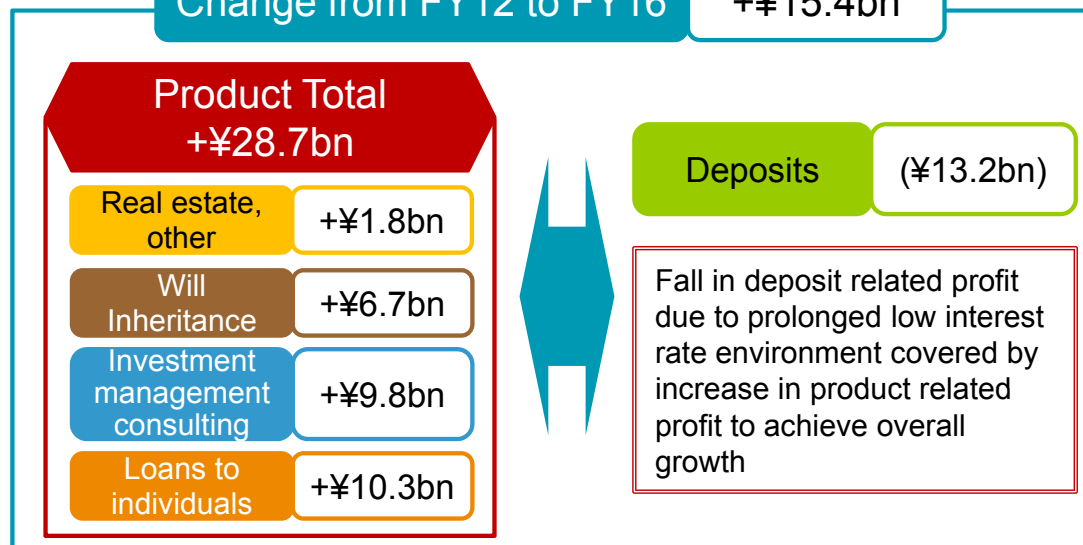
Our efforts to date (1)

- ▶ Gross business profit (before adjustments among businesses) for FY2016 was ¥107.4bn, an increase of ¥15.4bn from FY2012, the first year of subsidiary trust banks' merger
- ▶ While deposit related profit decreased substantially, profit related to other products increased by ¥28.7bn
- ▶ Both fee income ratio of Gross business profit and ratio of recurring revenue increased

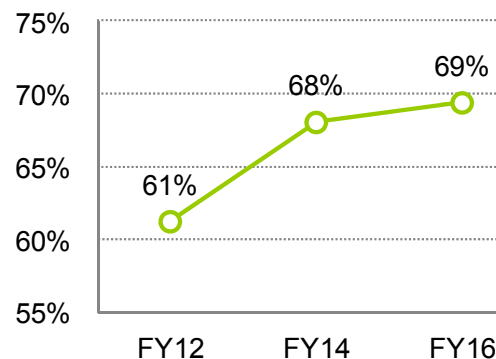
Transition of Profit (SuMi TRUST Bank)



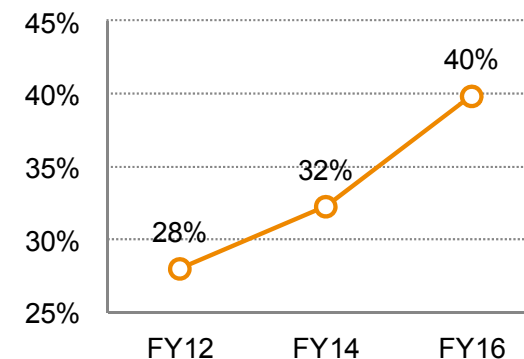
Change from FY12 to FY16 +¥15.4bn



Fee income ratio of business gross profit

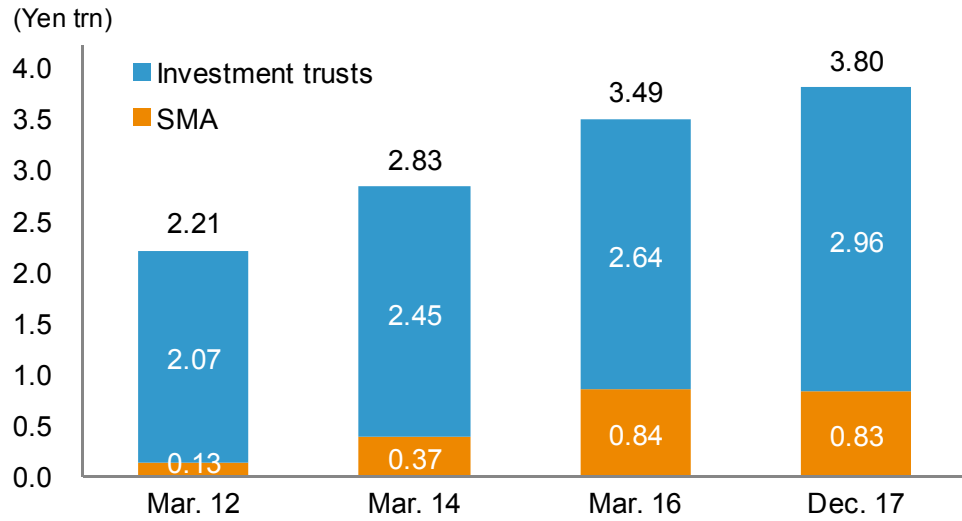


Recurring income ratio of fee income

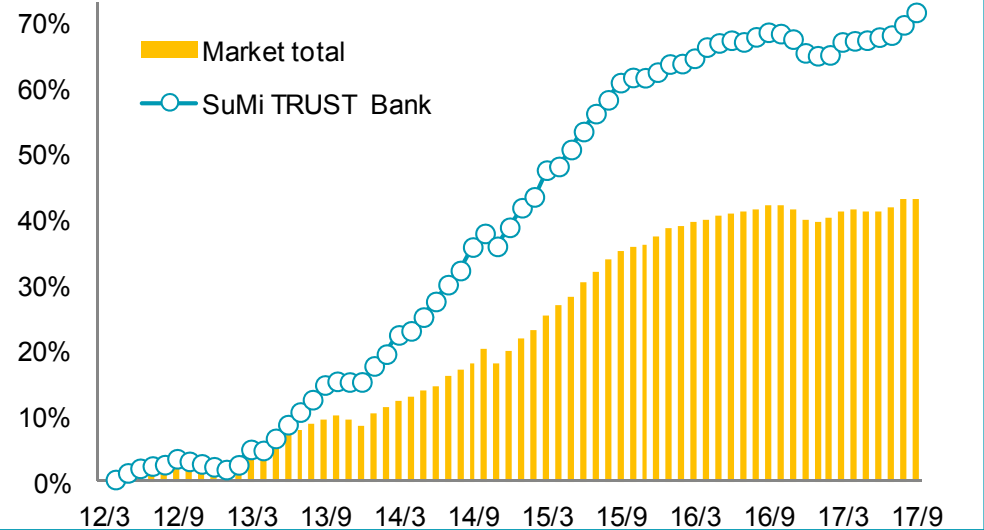


Our efforts to date (2)

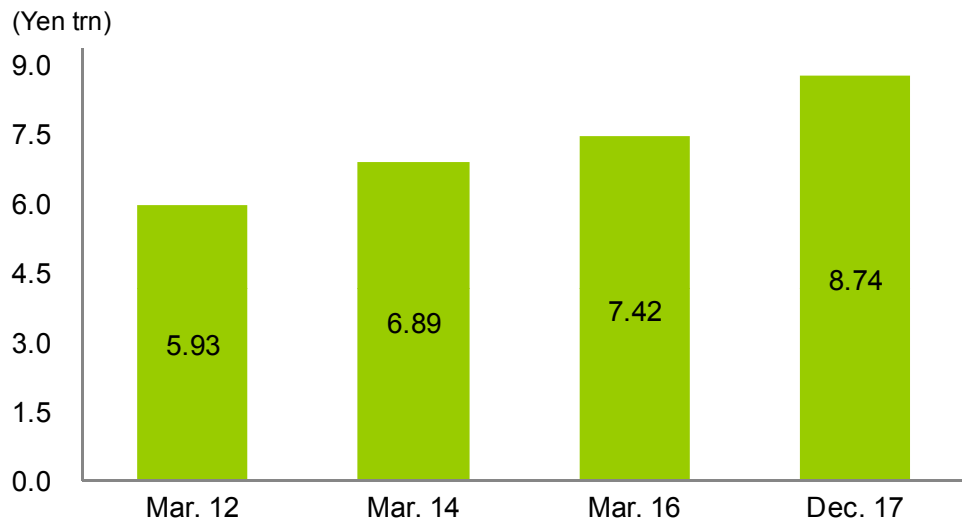
Balance of investment trusts / SMA



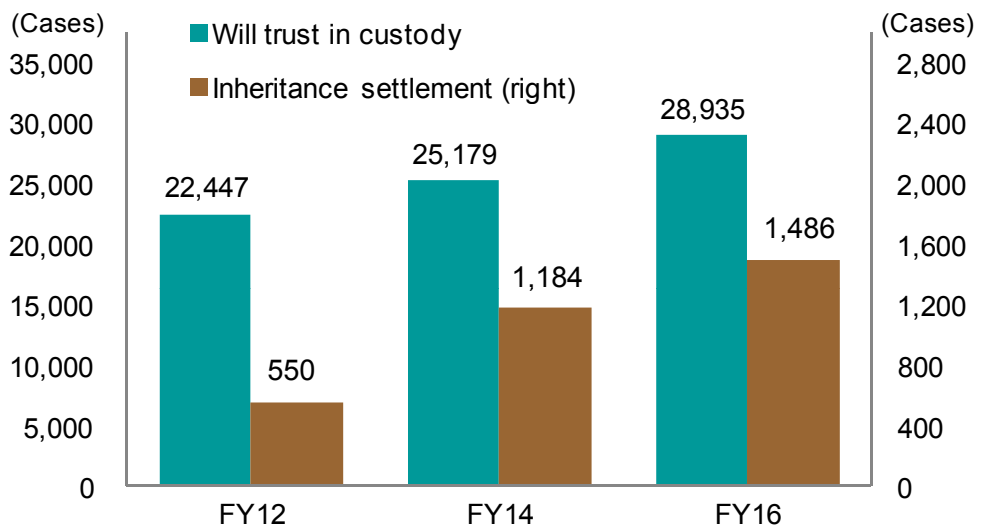
Investment trusts / SMA Net growth percentage (Cumulative)



Balance of residential mortgages



Will Trust / Inheritance cases



Business Model Transformation

- ▶ Over the medium/long term, we need to develop new profit base, taking into consideration, the deterioration of operating environment due to increased competition caused by decrease in population, decrease in fee levels [Reformation of profit structure]
- ▶ Fundamental rationalization through utilization of IT technology to enhance our competitiveness, and drastically improve productivity [Productivity enhancement]

Anticipated changes in environment over the next decade

- ✓ Prolonged negative interest rate environment, fall in fee levels of financial products
- ✓ Increase of senior population and fall in overall population over the medium term
- ✓ Trend of “From savings to asset formation” expected to accelerate
- ✓ Reform of workflow process and branches through digitalization

Our strengths

- ✓ Our strategy centered on comprehensive face-to-face consultation expected of a specialized trust bank
- ✓ High quality client base (mortgage borrowers, clients receiving retirement allowance, affluent seniors, PB clients)

Our Route to Sustainable Growth

Business model transformation of Retail total solution services business

<p>Reformation of Profit Structure</p> <p>+</p> <p>Drastic Increase in Productivity</p>	Expand profit base	To establish a stable profit base by providing new products and services to the asset formation and pre-post retirement generation clients from a long-term perspective
	Build robust client base	By strengthening our approach to the asset formation and pre/post retirement generation clients, to establish a solid interconnected client base that would lead to expansion of our seniors client base.
	Trust type next generation branch	Optimal allocation and increased added value from our branch and marketing channels to provide consultation services
	Improved efficiency through digitalization	Fundamental rationalization of our solutions-offering process, backoffice work and branch/marketing channels utilizing FinTech IT technology

Characteristics of Our Consulting Services

- ▶ Place emphasis on having a point of contact with our clients, centered on face-to-face consultation services
- ▶ To allocate specialized officers suited for specific client attributes, to establish client-oriented marketing structure
- ▶ To offer “one-stop” comprehensive consultation services utilizing various products as a single entity

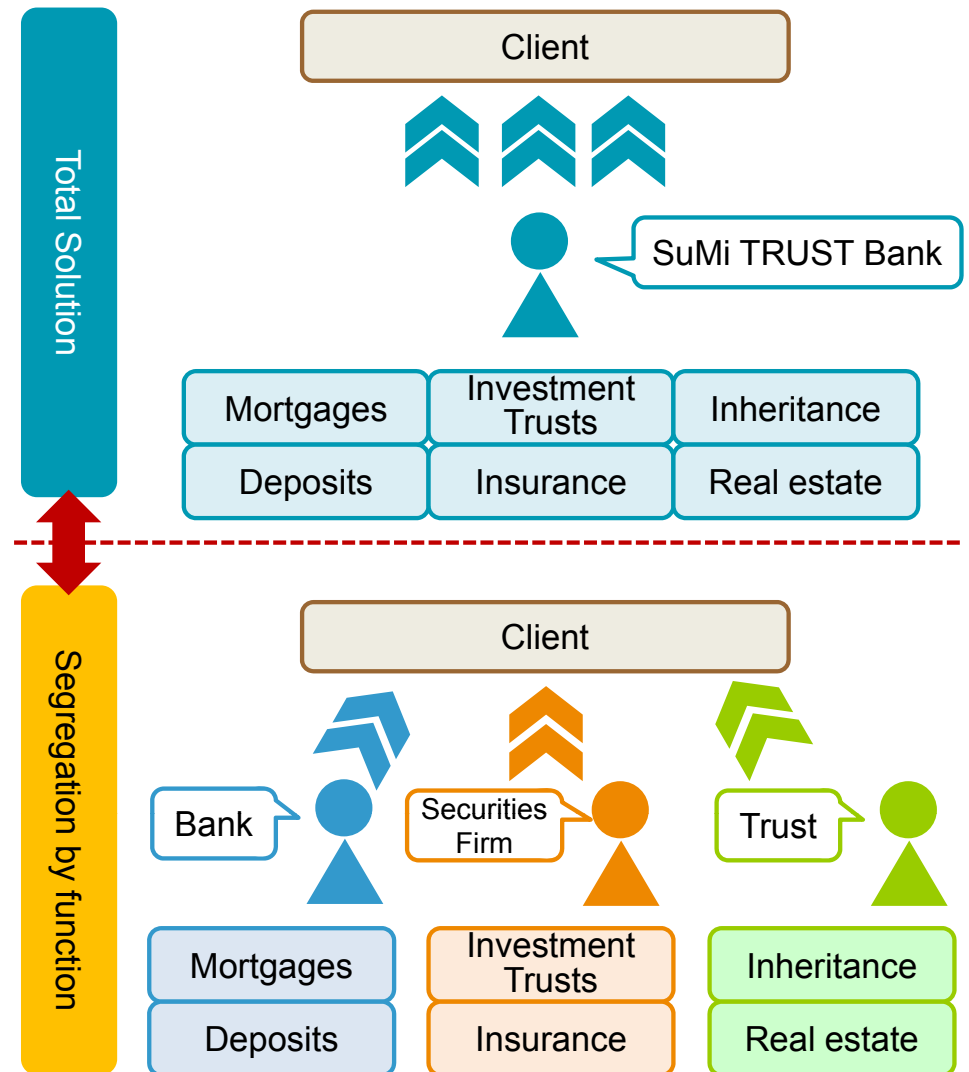
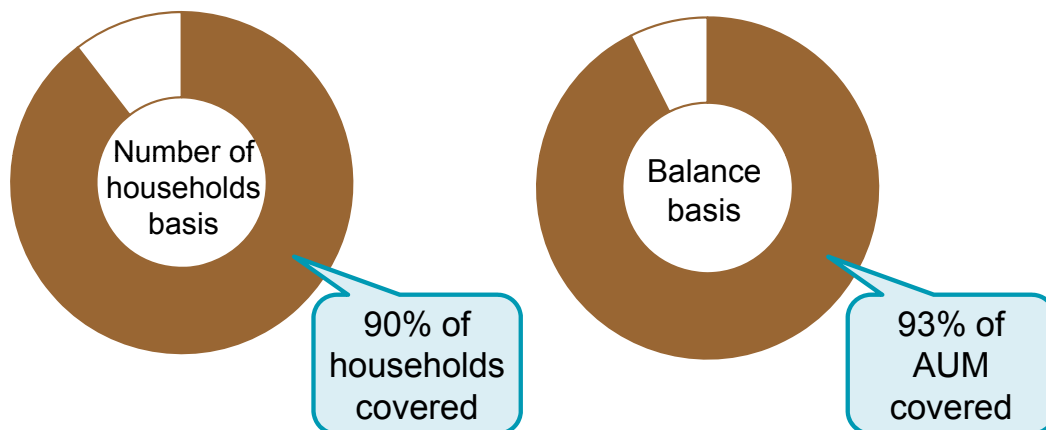
Retail Households (About 2.7 million)

Assign marketing staff commensurate with client attributes

Approx. 2,500 Marketing Staff

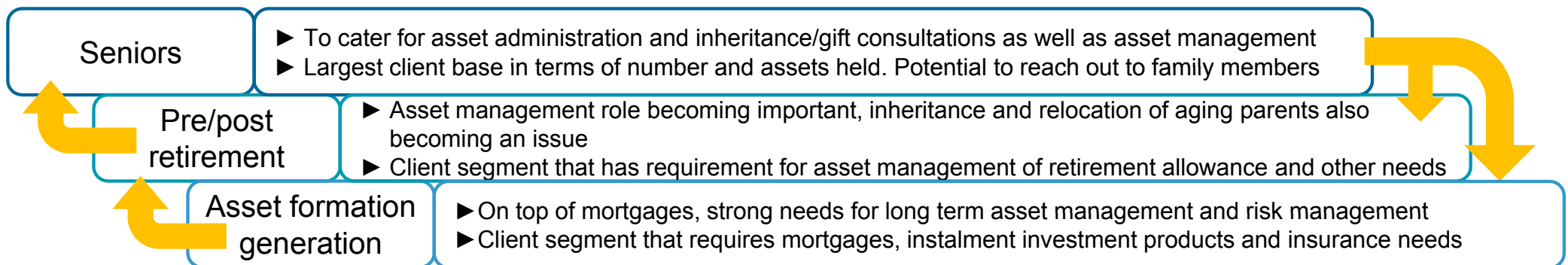
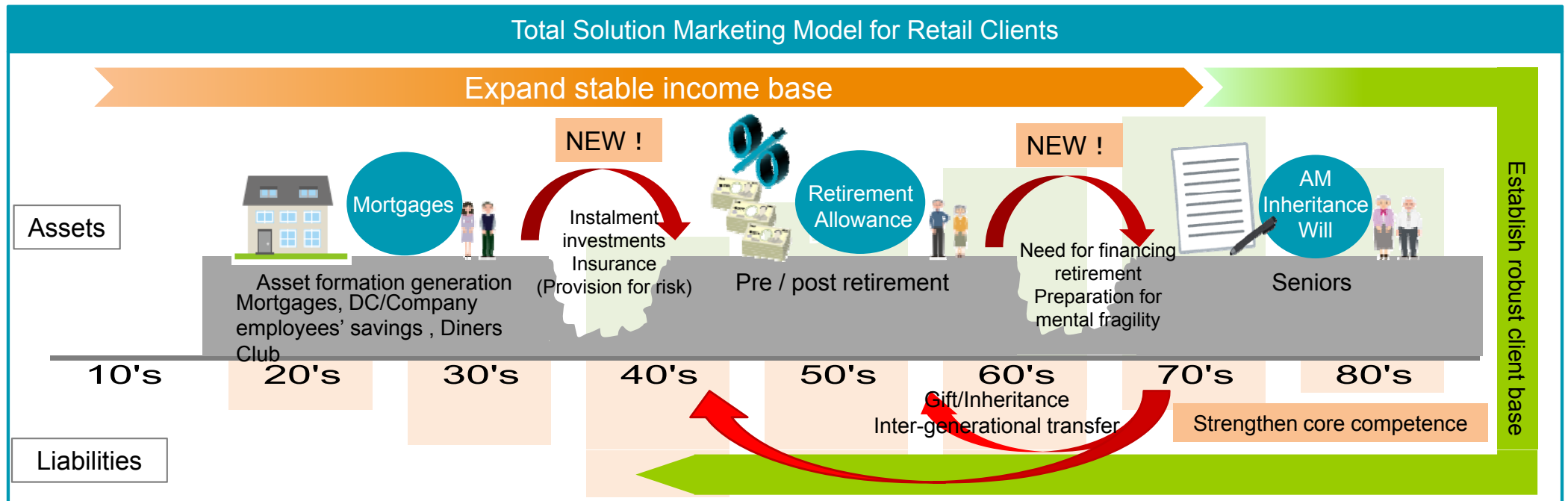
Financial Consultant	PB Officer	Client Visit	In Branch
250	50	1,400	800

Ratio of households with staff assigned (Clients with AUM over ¥10 million)



Transformation of Profit Structure (1) Total Solution Marketing Model

- ▶ Strengths in providing client solutions for pre/post retirement, seniors client segment (example: utilizing trust functions to facilitate inter-generational asset transfer)
- ▶ Utilizing our contact with the asset formation generation, to extend relationship into their pre/post retirement, senior life-stage to build a robust client base
- ▶ To become our clients' best partner that can offer total solutions suitable for each generations' asset-liability profile



Transformation of Profit Structure (2) Generational Approach: Asset Formation Generation

- ▶ To designate mortgages, DC Plans/employee savings plans, inter-generational transfers as specific client segments
- ▶ To offer face-to-face consultation services to clients who recently borrowed a mortgage to handle changes in their asset/liability
- ▶ To designate instalment investments and level premium insurance products as a main offering that could be used to build long term client relationships

Anticipated Life Event

Child birth

House purchase

Children's school

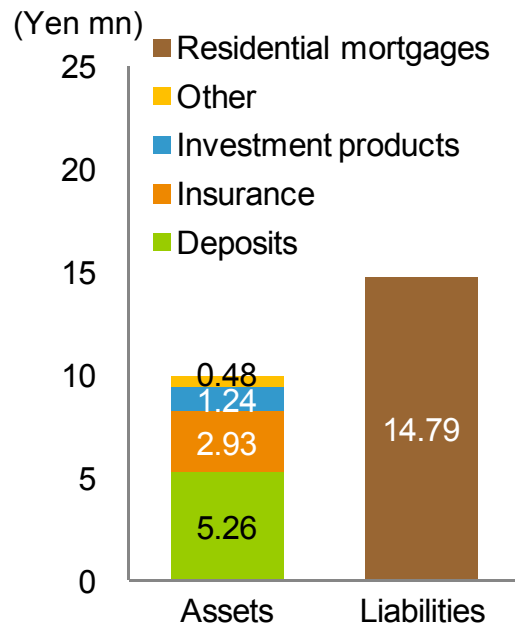
Household finances

Income increase

B/S change due to mortgage

Schooling cost

B/S Image (Average 20's - 40's)



Household financial survey (Central Council for Financial Services Information 2017)

Face-to-face consultation model to the asset formation generation

Residential mortgage clients

- ▶ About 350 thousand (acquire 35 to 40K clients p.a.)
- ▶ To establish client contact at the time of mortgage financing (before and after)
- ▶ Life planning consultant to be assigned to all branches

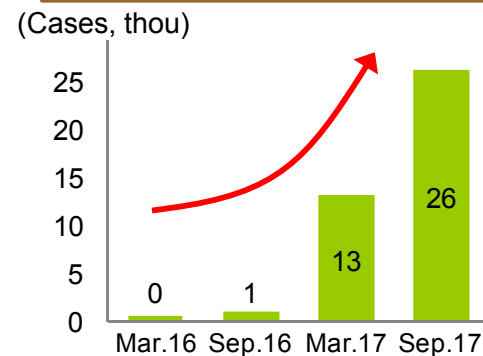
DC / Company employees' savings plan

- ▶ To expand exclusive web-page for DC plan members (around 1.3 million)
- ▶ Seminars and consultations utilizing B2B2C client contacts

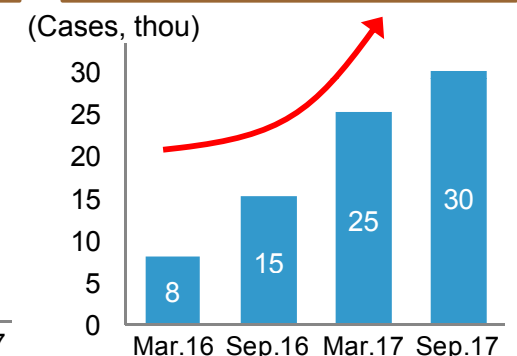
Inter-generational clients

- ▶ Family members of senior clients: around 650 thousand
- ▶ Client contact through inheritance/gift needs such as educational gift trust beneficiaries

Instalment investment accounts



Level premium insurance policy holders



- ▶ In addition to mortgages, needs for long term asset formation and risk management
- ▶ Client segment that requires mortgages, instalment investments and insurance

Transformation of Profit Structure (3) Generational Approach: Pre / Post Retirement

- ▶ In addition to asset management of retirement allowances which has been the strength of trust banks, offer consultation services to cater for needs arising from changes in asset/liability when entering retirement
- ▶ Provide post-retirement planning services by offering expanded product line-up and know-how of pensions and taxes gained through our pension management services

Anticipated Life Event

Empty nest

Retirement

Inheritance from parent

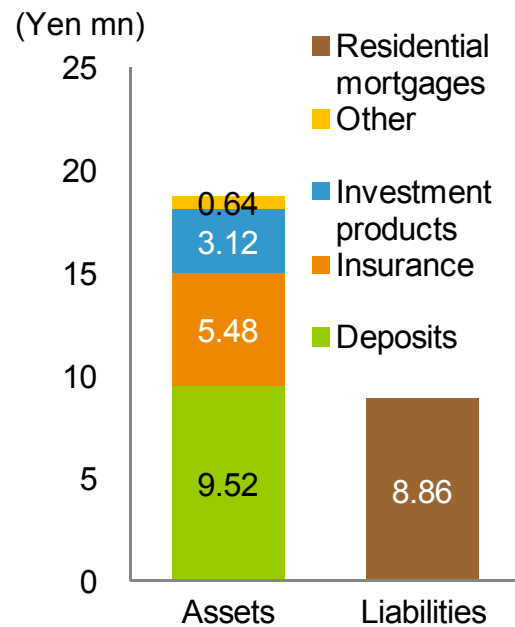
Household finances

Improved CF from mortgage repayment

Retirement allowance

Increased wealth from inheritance

B/S Image (Average 50's - 60's)



Household financial survey (Central Council for Financial Services Information 2017)

Face-to-face consultation model to the pre/post retirement generation

Expand product lineup

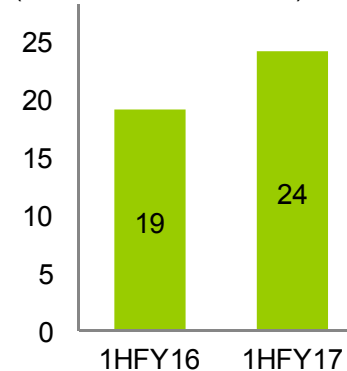
- ▶ Expand reverse-mortgage lineup
- ▶ Introduce lifetime insurance policies that could mitigate longevity risk
- ▶ Introduce instalment investment plans for retirement allowances

Utilize pension know-how

- ▶ Assign specialist staff with detailed knowledge of company-based pension plans
- ▶ To cultivate client contact through post-retirement seminars

Clients receiving retirement allowance (*)

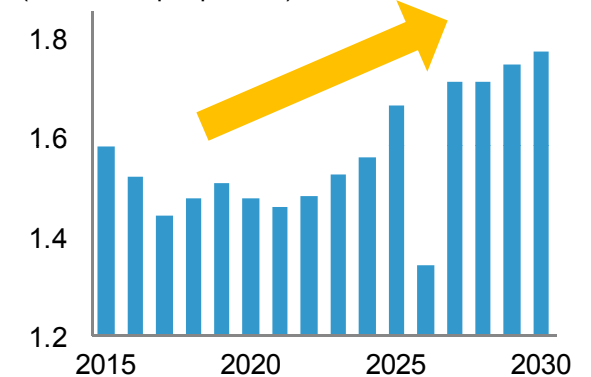
(Number of clients, thou)



(*) Clients utilizing retirement savings plan

Population trend of people at age 60

(Number of people, mn)



(Source) National Institute of Population and Social Security

- ▶ Asset management gaining importance, but inheritance and relocation of aging parents also becoming an important issue
- ▶ Client base possessing diverse needs in addition to investment of retirement allowance



Transformation of Profit Structure (4) Generational Approach: Seniors segment

- ▶ To cater for client needs that gradually shifts from asset management to asset administration/custody and inter-generational transfer
- ▶ Strengthen client support through introduction of trust products that cater to gift needs and deterioration of decision making capacity

Anticipated Life Event

Receive pensions

Failing health

Nursing care

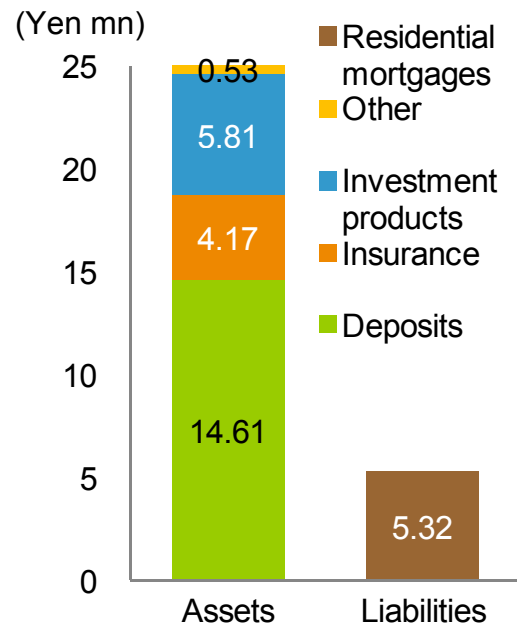
Household finances

Sole income is pensions

Run down of financial assets

Substantial asset base

B/S Image (Average 70's)



Household financial survey (Central Council for Financial Services Information 2017)

Face-to-face consultation model to the seniors generations

Asset management

- ▶ To cater for needs to defend rather than increase assets through asset management

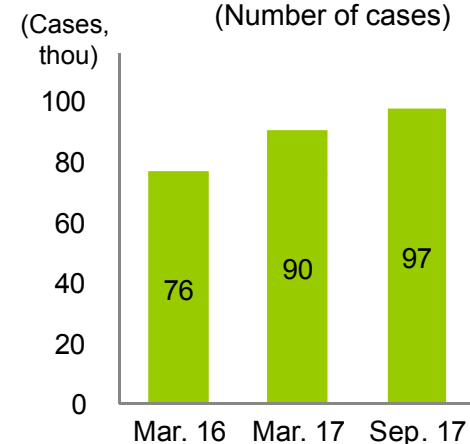
Asset administration / custody

- ▶ Defensive action towards financial crimes such as grandpa scams
- ▶ To assist client facing deterioration of decision making capacity

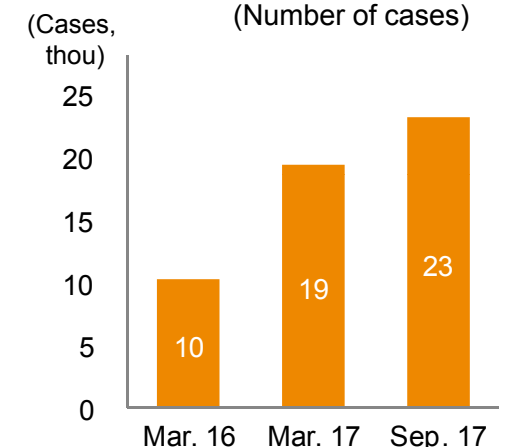
Asset transfer

- ▶ Comprehensive inheritance services through Will Trusts
- ▶ Gifts prior to inheritance, will substitution, inter-generational transfer to grandchildren

Family consideration trust



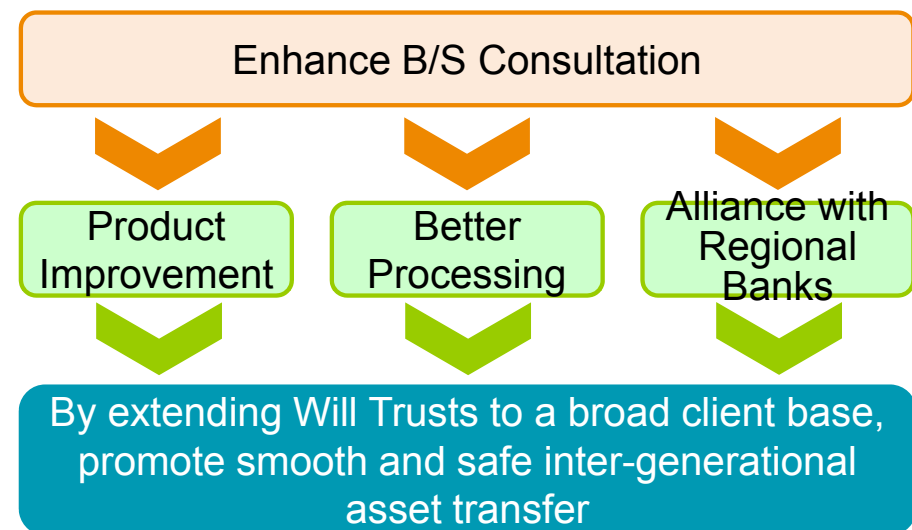
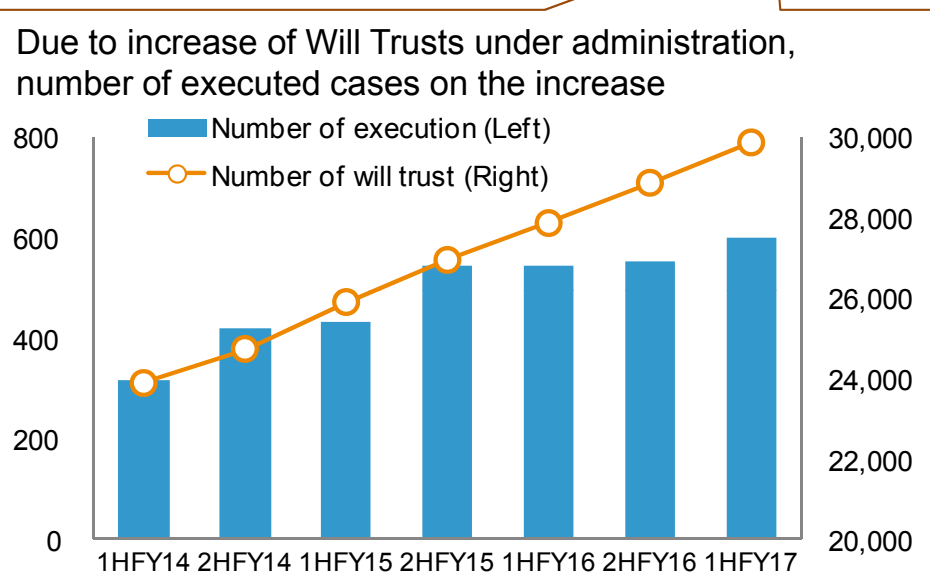
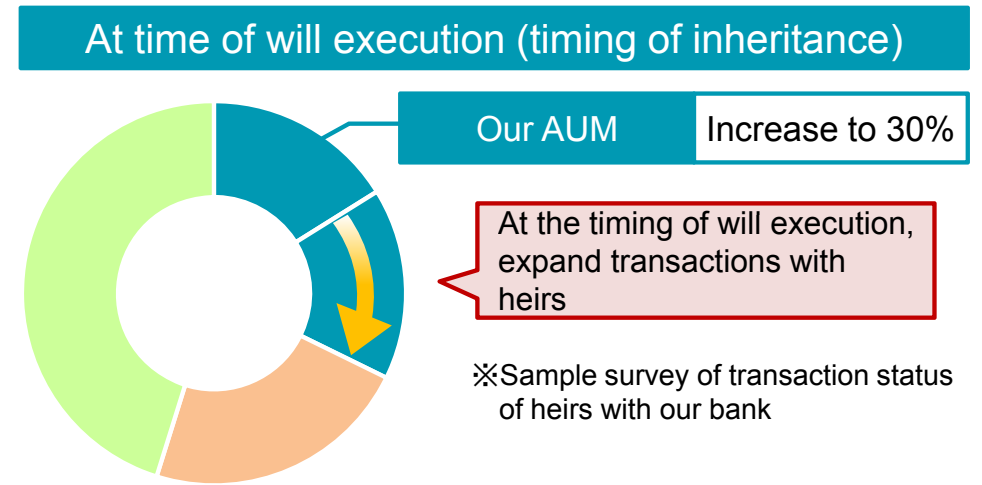
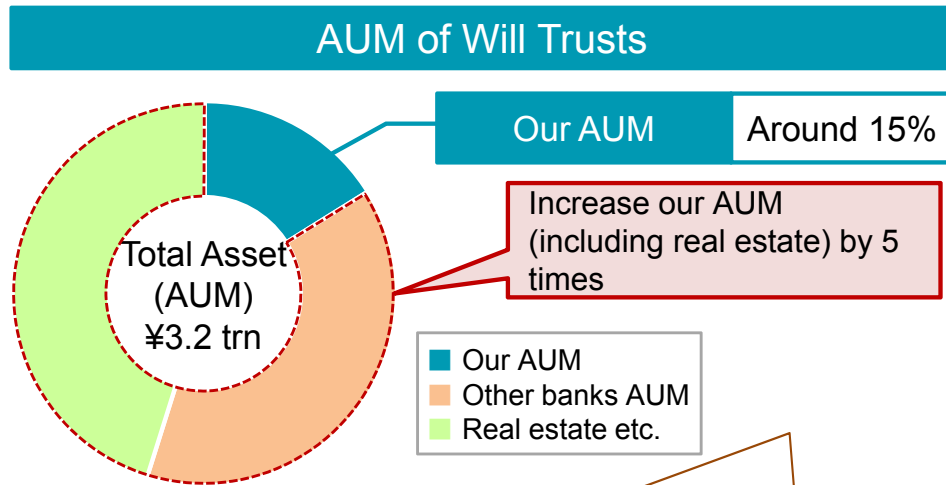
Annual gift support trust



- ▶ Interest in asset administration, inheritance/gift as well as asset management
- ▶ Client segment that has largest population and assets
- ▶ Substantial potential to capture transactions with family members

Transformation of Profit Structure (5) Topics: Inheritance Related Business

- ▶ Will Trusts create business opportunities both before and after inheritance event
- ▶ To promote inter-generational asset transfer through product improvement, better administration that meets the requirement of clients and strengthening of consultation services that can grasp potential needs of senior clients

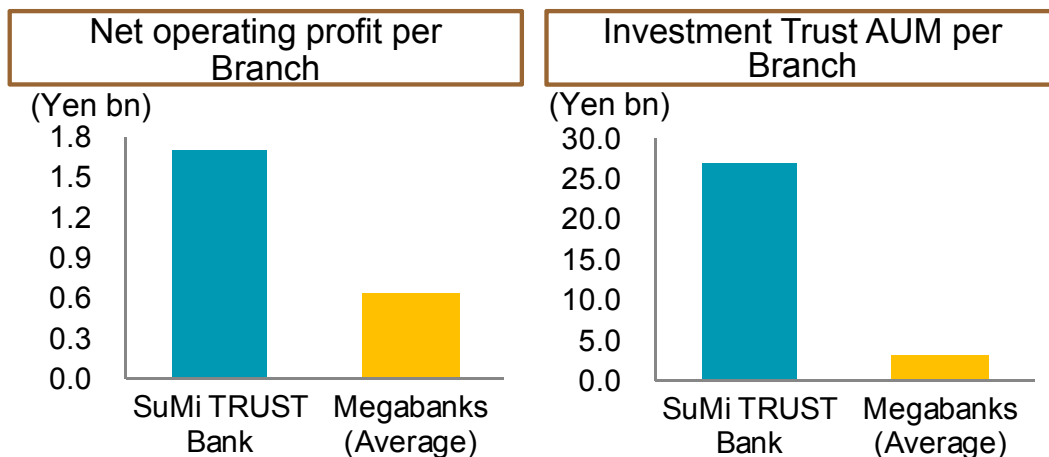
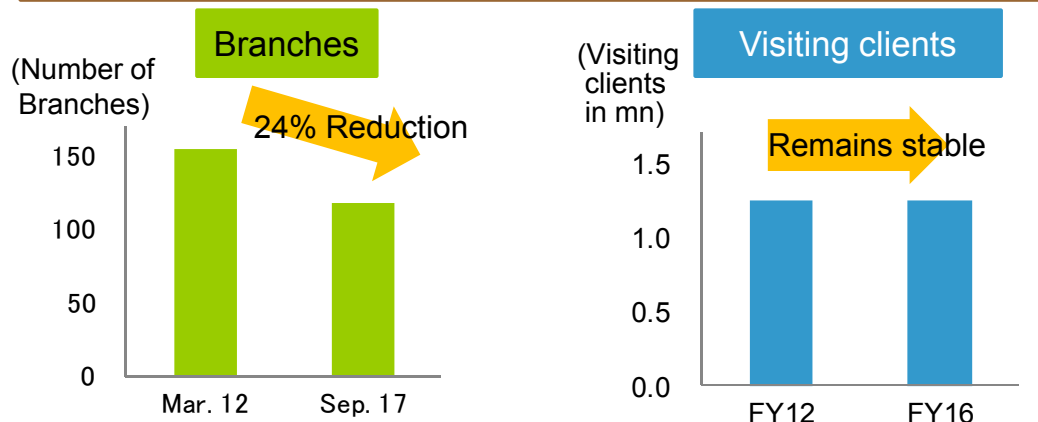


Drastic Increase in Productivity: Our Efforts to Date to Enhance Efficiency

- ▶ To define branches as “a location for marketing business,” and implement initiatives to fundamentally reduce space for backoffice functions
- ▶ To attain 70% reduction in branch backoffice work through digital transformation
- ▶ By reallocating administrative staff to marketing roles, to significantly increase face-to face consultation hours

Our Efforts to Date

- ✓ 24% reduction of branches through branch integration since merger
- ✓ 90% of branches focused on retail marketing, low-counter for consultation centric layout
- ✓ Number of client visits stable since 2012



Digital Transformation Initiatives

First stage: Introduction of hand held tablets for client visits

- ▶ Direct link with remote host bypassing branch middle and backoffices
- ▶ To reduce paper based interaction with clients, and significantly reduce knock-on paperwork in branches

Backoffice work reduction

Branch workload 10% reduction

Increase client contact

Client visits 10% increase

Second stage: To enhance functionality of client visit tablet

- ▶ To reduce branch backoffice work by 50%

Third stage: To advance digitalization further

- ▶ By utilizing new technologies target zero backoffice work at branch level (current target of 70% reduction in sight)

Topline Growth

$$= \text{Number of Contacts} + \text{Contract Ratio} \times \text{Unit Profit}$$

Drastic Increase in Productivity: Next Generation Trust Type Branch / Channel

- ▶ To define branch (branch-counter) as an important tool for providing consultation services and enhance its value
- ▶ To utilize digitalization technology to lighten branch workload and network optimization, to achieve dual goal of strengthening marketing and increased productivity

Existing Branch Network

- ▶ To concentrate on train terminal stations, with some located in suburban commuter towns.
- ▶ Each branch to be fully equipped to execute operations from start to finish

Select optimal function to lighten work menu

Main Branch

- ▶ Fully equipped branches, area HQ in mind
- ▶ To concentrate administrative work of slimmed down (limited functionality) branches



Slimmed Down Branch

- ▶ Convenient access from clients' residential areas
- ▶ Branch design emphasis on consulting
- ▶ Nimble branch opening possible



Client Visit Office

- ▶ To become a base-camp for client visiting marketing staff
- ▶ No branch counter/administrative work increases location options

Dual goal of strengthening marketing and increased productivity

Next Generation Trust Type Branch

<Concept>
Inter-generational, Client friendly,
Worthy of a trust bank, Consultation space

Core Functions

Client Visits

Branch Counter

Loan & Life Planning

Backoffice Work

Zero backoffice work

High Counter

Safe Deposit Boxes

ATM

Concept Space

Optional Functions

High Counter

Safe Deposit Boxes

ATM

Concept Space (Asset transfer / tax planning consulting)

To add necessary functions based on demand

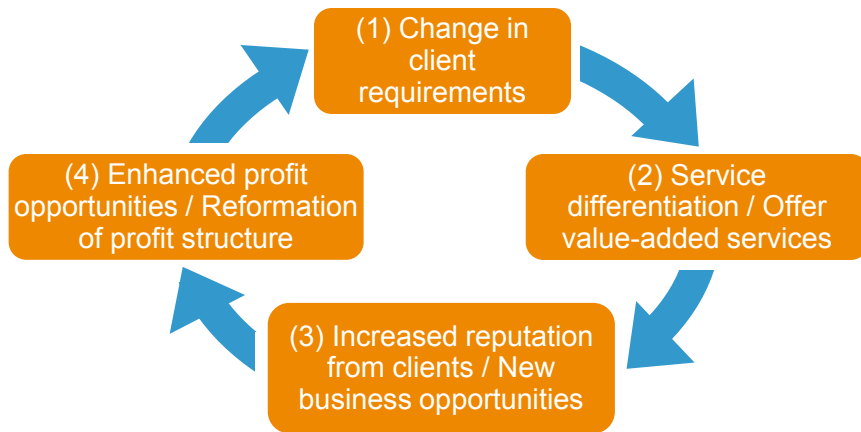
Wholesale Financial Services Business

Direction of our Wholesale Business

Aim of the business

- ▶ The needs of our corporate clients have expanded to non-financial, asset management/administration areas in complex ways
- ▶ Grasp the management requirements of our clients, enhance enterprise value by applying our wide-ranging solution capability, to establish status as best partner
- ▶ Increased transaction volume and client base to maximize profit.

To provide value added services with clients' needs as a point of entry



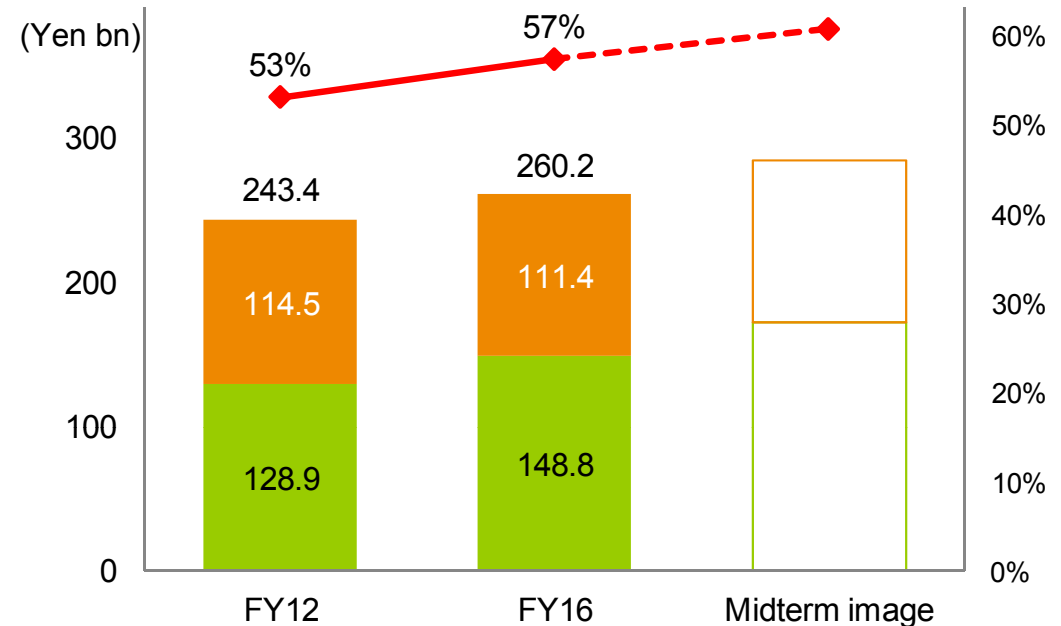
The needs of corporate clients have changed along with the change in environment

Corporates	Change in emphasis of growth strategies resulting in non-financial needs
Financial Institutions	Asset management / admin. needs increased Strengthen client solutions business
Non-profit	Asset management / administration needs increased

Due to increased needs of non-financial solutions, opportunities for trust related fee businesses boosted

Transformation of our profit structure is ongoing

- Net interest income, etc. (Wholesale business)
- Net fees and commissions (Wholesale related business *1)
- Fee income ratio of Wholesale related business gross profit *2 (right)



*1 Wholesale financial services + real estate + stock transfer agency + fiduciary services
*2 Non-consolidated, before interdivisional adjustment

To Adapt to the Changing Needs of Our Corporate Clients

- ▶ Social and environmental change has widened the needs of corporate clients to include solving non-financial management issues
- ▶ To capture the increased opportunities for offering added value through specialized trust products/services in which our bank excels

Social trends / government initiatives providing tailwind for trust related businesses

Total solution marketing model

Increase profit opportunities through total solution services

Social / Environmental Changes

Non-financial needs of corporations

Multi-angle information



Specialized product

Corporate Governance Code

- Governance structure review
- Management compensation
- Board meeting proceedings
- ROE improvement
- Real estate utilization

Management planning
General Affairs
Corporate Clients
HR
Financial

To become involved in various management issues as a one-stop entity

Relationship manager

- Stock transfer
Governance, compensation, IR/SR consulting
- Real estate
Brokerage
Property management
- Pension
DC
Instalment savings/investments
- Asset management / admin.
Various solutions

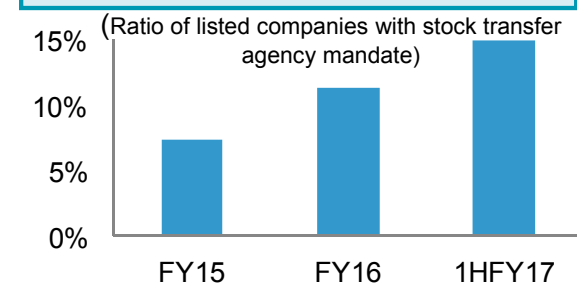
From savings to asset formation

- Employee welfare
- Investment education
- Instalment savings plan

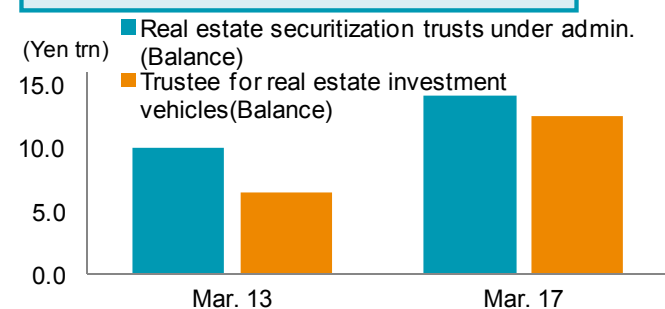
Negative interest rates

- Asset management
- Investment support

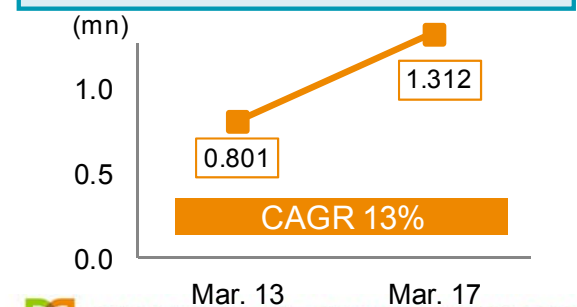
Governance related consulting



Real estate AUM, REIT AUC



DC Plan members

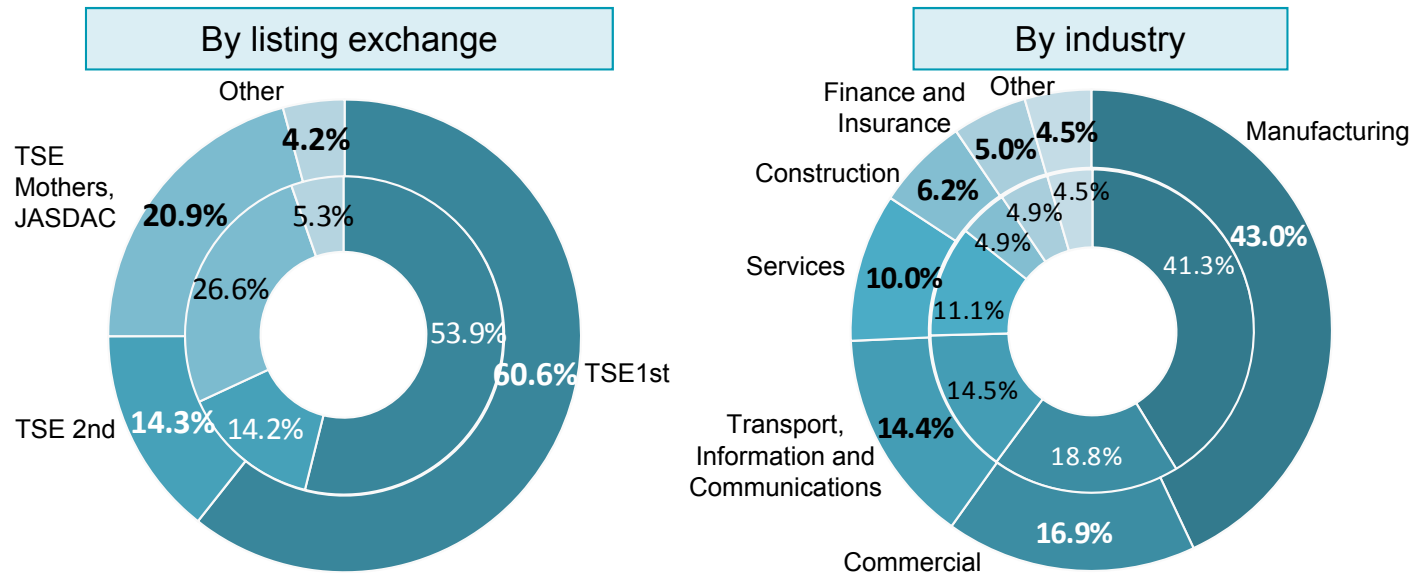


Example of value added services: Solution using client base with stock transfer agency mandates

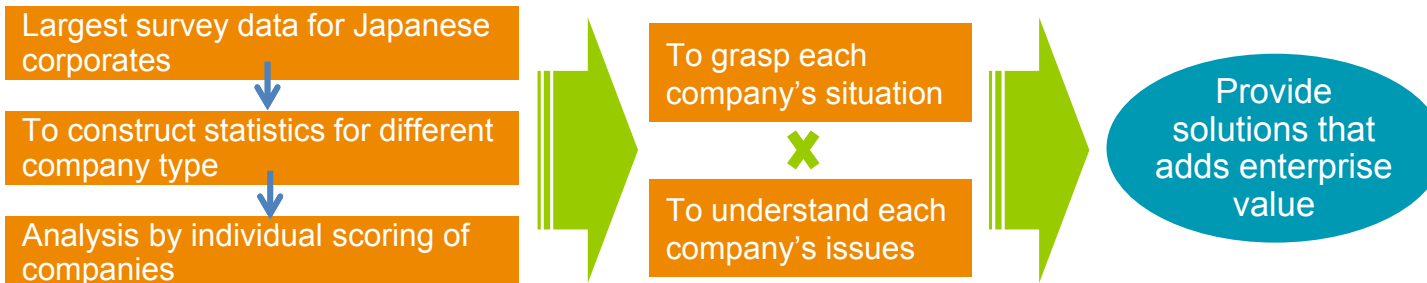
- ▶ Utilizing the information available from our client base as No. 1 position in stock transfer agency mandates, to uncover the management issues faced by the clients
- ▶ To create profit opportunities by providing high value-added solutions that leads to enhancement of clients' enterprise value

Comparison of clients responding to corporate governance survey (1074 companies) and all listed companies

【Inner circle: Clients responding to the survey, Outer Circle: All listed companies】

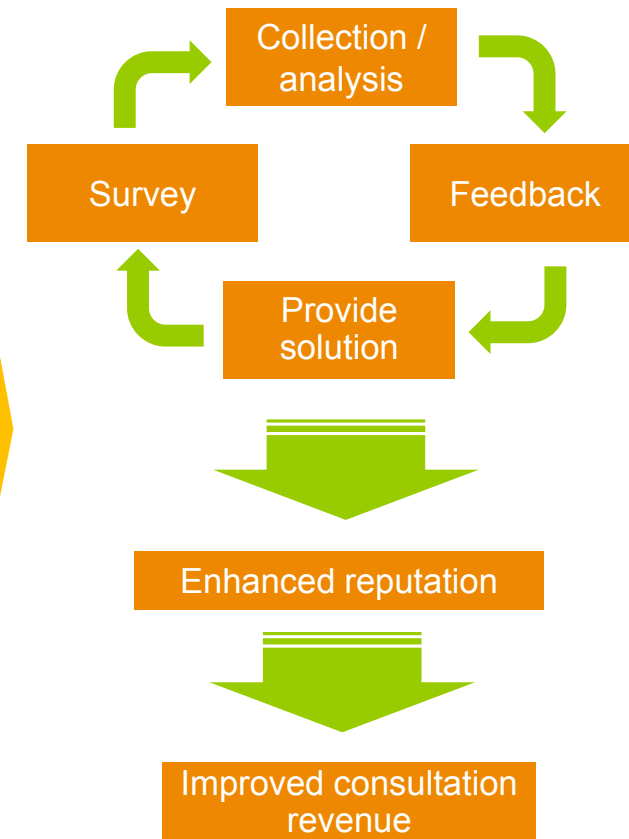


Our corporate clients; a microcosm of all listed companies as 40% are our clients



Initiatives to improve profitability

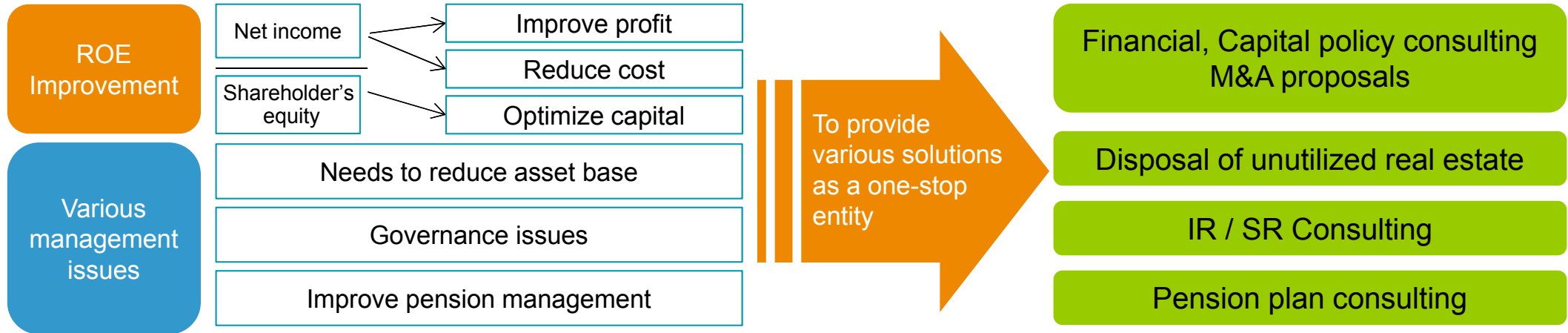
Client retention through constant feedback



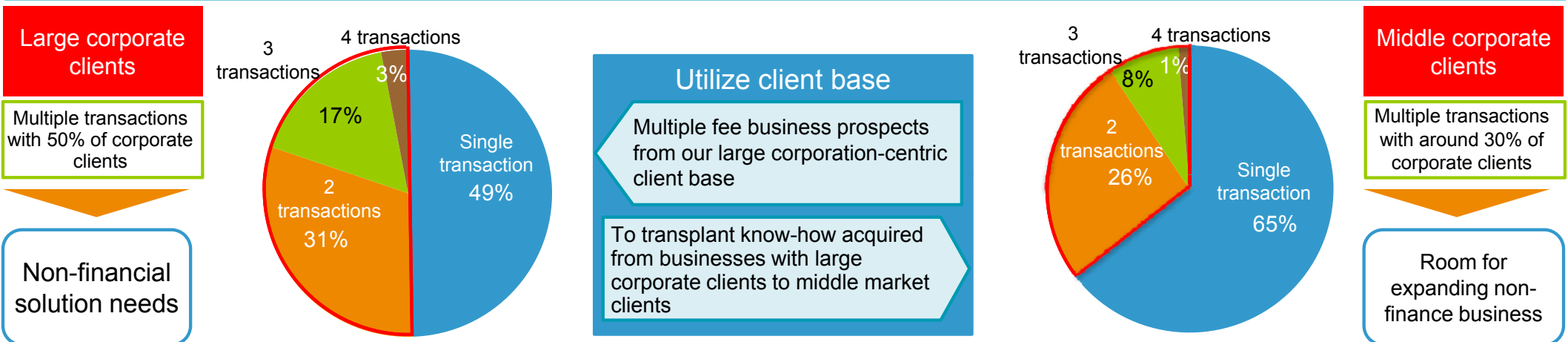
Client base to which we could efficiently expand non-financial transactions

► To solve problems for non-finance needs by offering multiple services to large corporations that are our core client base

Offer solutions utilizing trust functions in combination



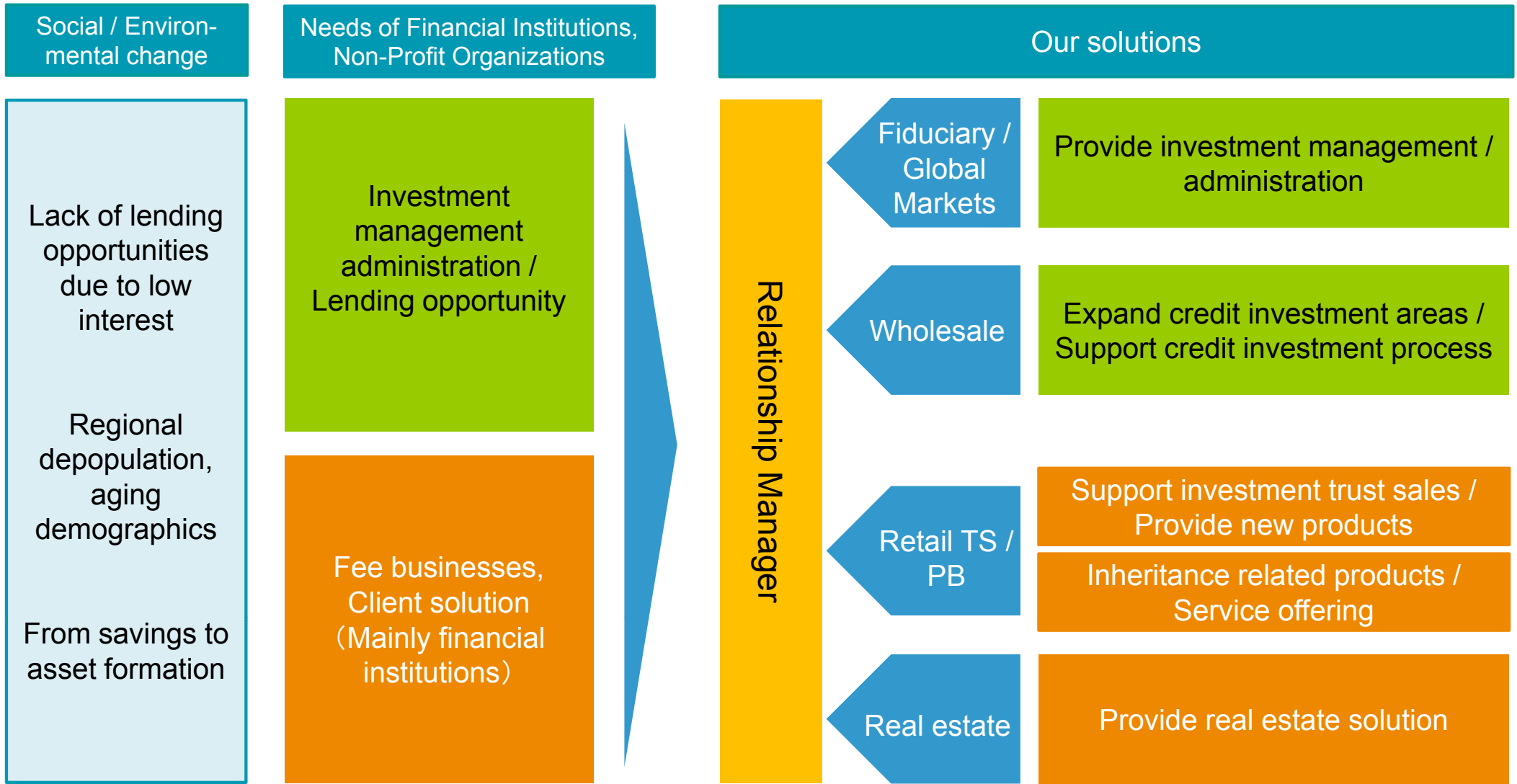
To expand non-financial transaction opportunities



* Corporate clients of domestic branches with one of the following transactions: pension, stock transfer agency, real estate, PB / employee savings plan (Large: ¥100bn, Middle: ¥10bn)

Changing Needs of Financial Institutions, Non-Profit Organizations

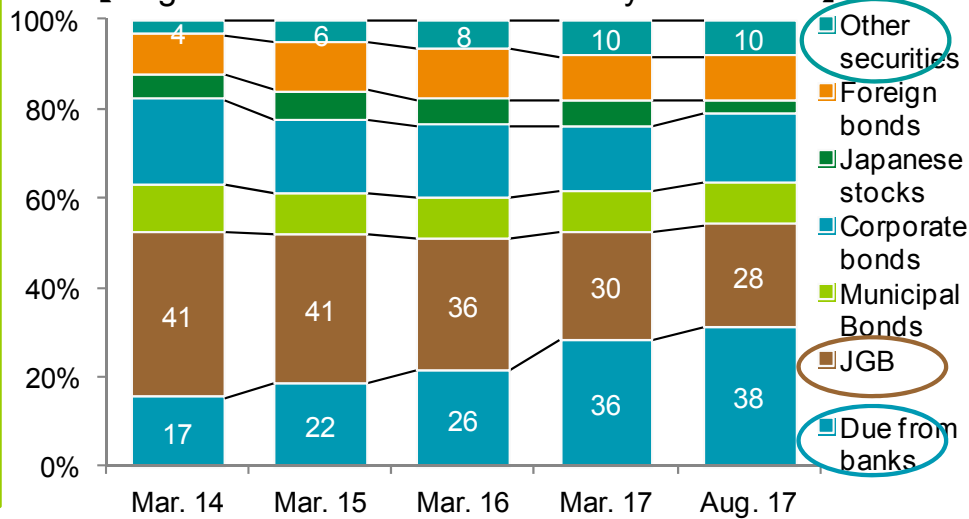
- ▶ Due to low investment returns from extremely low interest rate environment, the largest problem for financial and non-profit corporations is asset management
- ▶ Increased demand for client solutions to facilitate business model transformation in light of underperforming lending environment



Solutions for Financial Institutions / Non-Profit Organizations

Decrease of JGB holdings, increase of other securities and deposits with other institutions

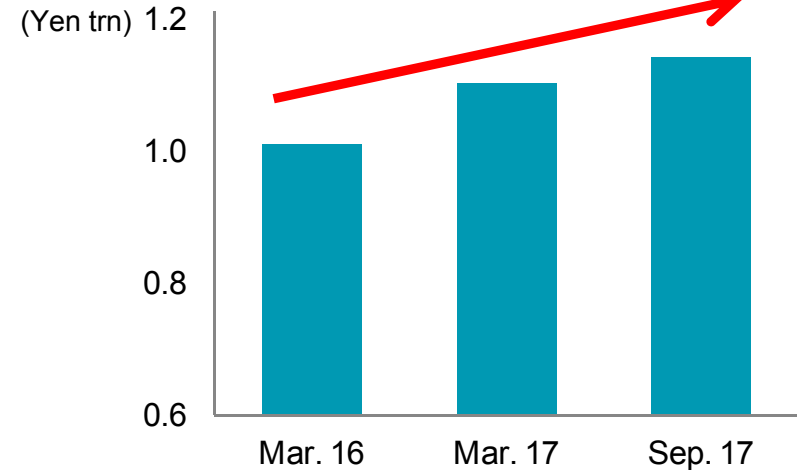
【Regional banks B/S breakdown by asset class】



Offer investment solutions

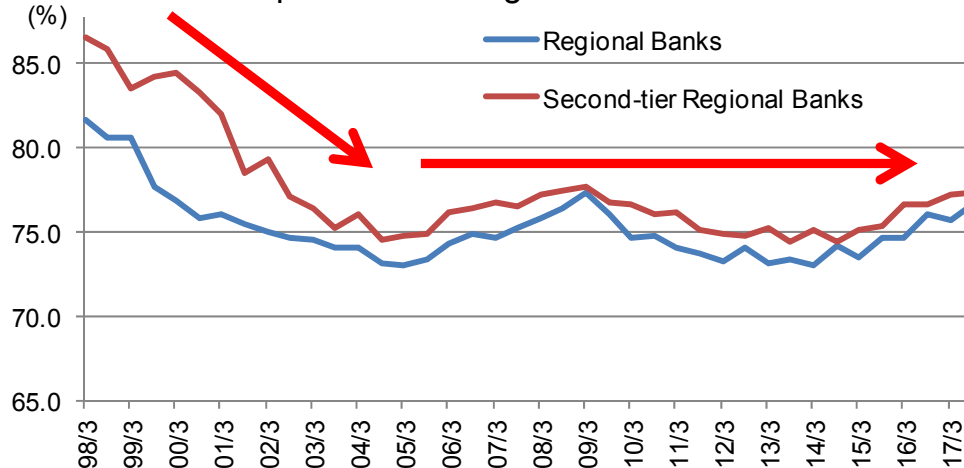
Utilizing trust functions, develop and provide products suitable for their investment needs

Balance of Joint Money Trusts etc.



Loan-to-deposit ratio remains low

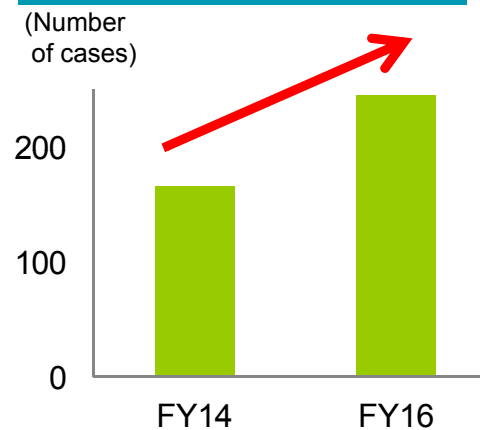
【Loan-to-deposit ratio of regional banks】



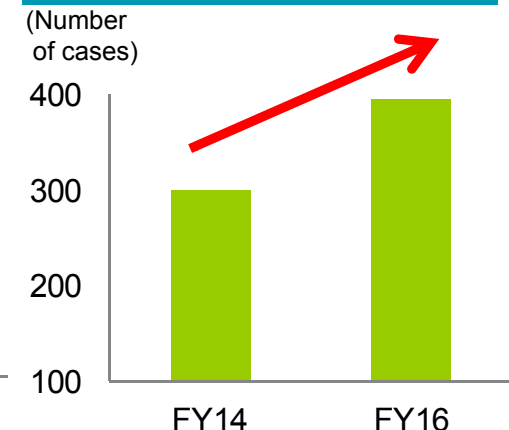
Client solution support

Support for fee business expansion, opportunities to offer our products services (build win-win relationship)

Real estate solution transactions closed



Inheritance related (agency) cases closed



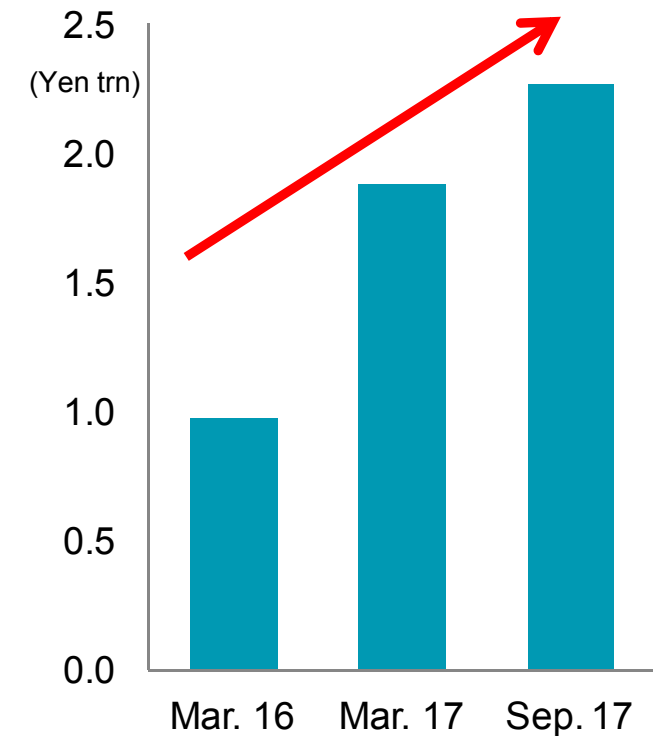
Provide investment solutions —Strengthen alternative investments

- ▶ To extend investment experience and know-how acquired through proprietary investment to outside investors
- ▶ For overseas investments, to strengthen Wholesale asset management business by forging alliances with foreign banks and equity investment into investment banks to leverage external expertise and enhance market access
- ▶ In addition to providing asset management solutions, co-work with Fiduciary services to offer administration services for investments

Strengthen investment management in alternative assets

Expand product lineup	Product	Our Strengths
	Bank loan	<ul style="list-style-type: none"> ▶ To utilize know-how accumulated by investment in underlying loan assets ▶ Ample cases of support provided to outside investors
	Aviation	
	Real estate	
Private equity	<ul style="list-style-type: none"> ▶ Selection ability acquired through more than 20 years of proprietary investment ▶ Strong relationship with top class asset managers ▶ Favorable track record 	
To expand investment areas through utilization of outside expertise		<ul style="list-style-type: none"> ▶ Alliances with US, European and Asian Banks
		<ul style="list-style-type: none"> ▶ Equity investment into Greens Ledge, an US independent investment bank
		<p>A boutique investment bank with expertise in securitized products such as CLOs (CLO arranger ranking #5 for 1H2016)</p>

AUM of alternative assets etc.



- Aim of investment: Expand global investment opportunity, market access and absorb know-how
- ▶ Facilitate credit portfolio transformation through asset class expansion
 - ▶ Investment products for Asian investors

(Reference) Status of Credit Portfolio Reformation

Aim of Strategy

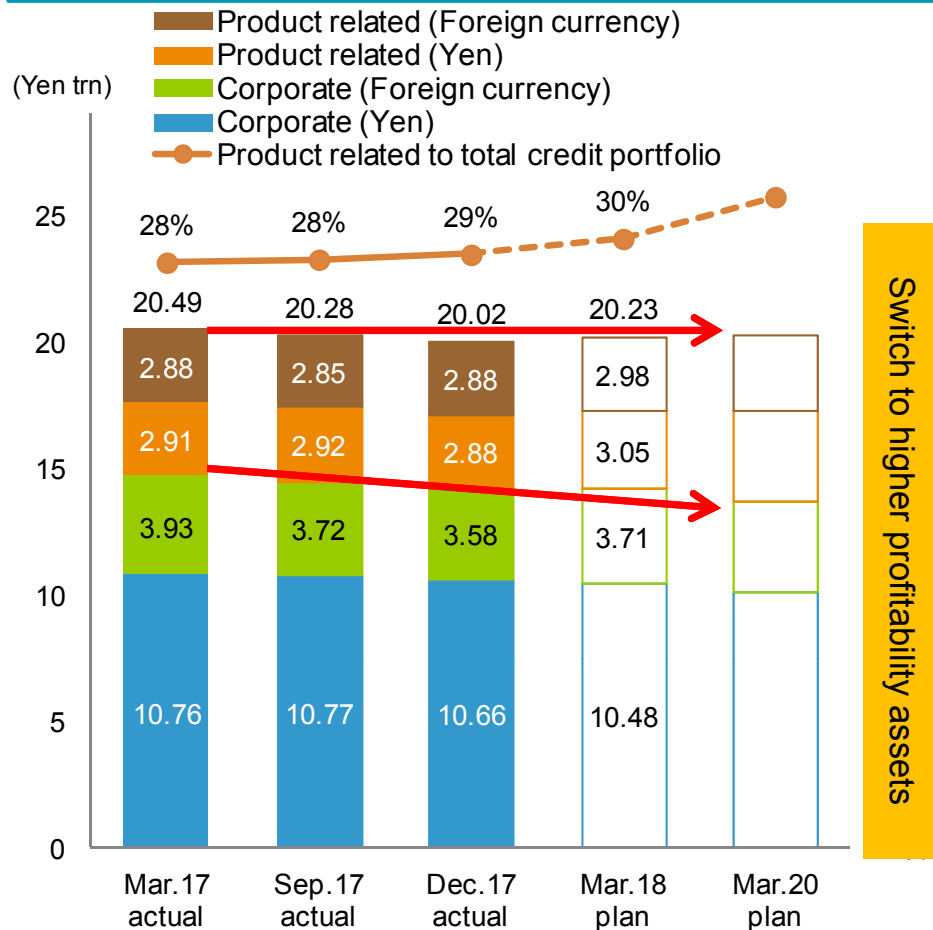
Improve Profitability of Credit Portfolio

- ▶ Maintain B/S size
- ▶ Replace with higher profitability assets

Reduce Downside Risk

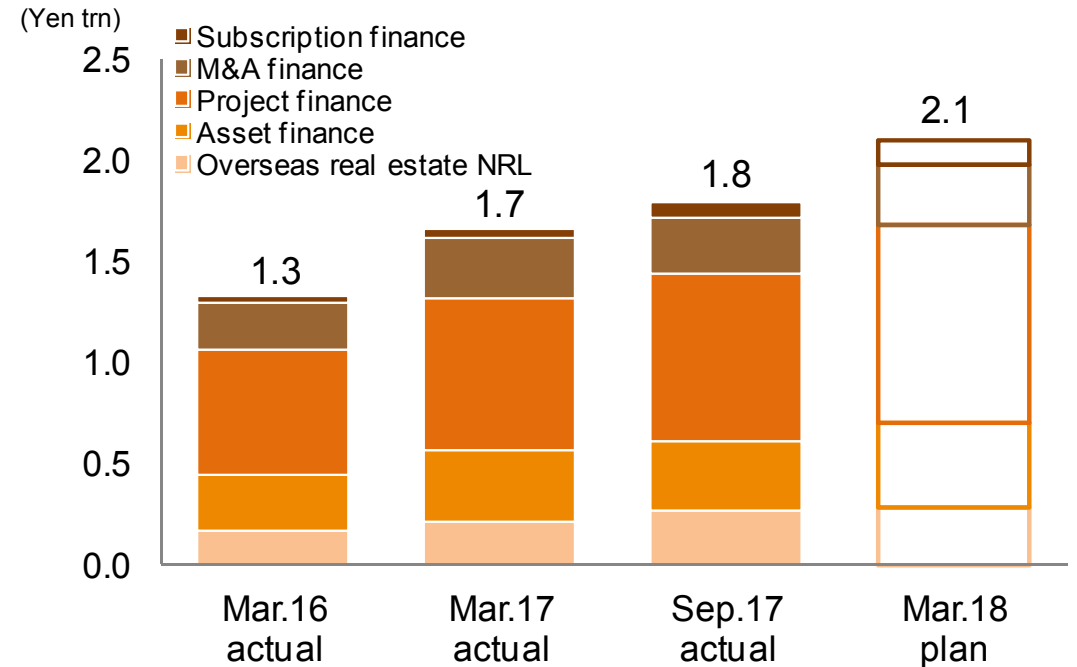
- ▶ Control foreign currency B/S
- ▶ Stringent control of concentration risk

Corporate Credit Portfolio Plan



Strengthen product related credit portfolio

Steady increase of higher profitability product related credit (Yen/foreign currency)



Overseas expansion of asset finance in familiar asset classes

Ship finance JV with French bank

JV with experienced US CLO manager

Build up higher profitability assets while cognizant of risk profile



Aim to provide joint-investment solution to corporates in mind

(*) Foreign currency balance of Mar. 20 assumes same FX rate as Mar. 17
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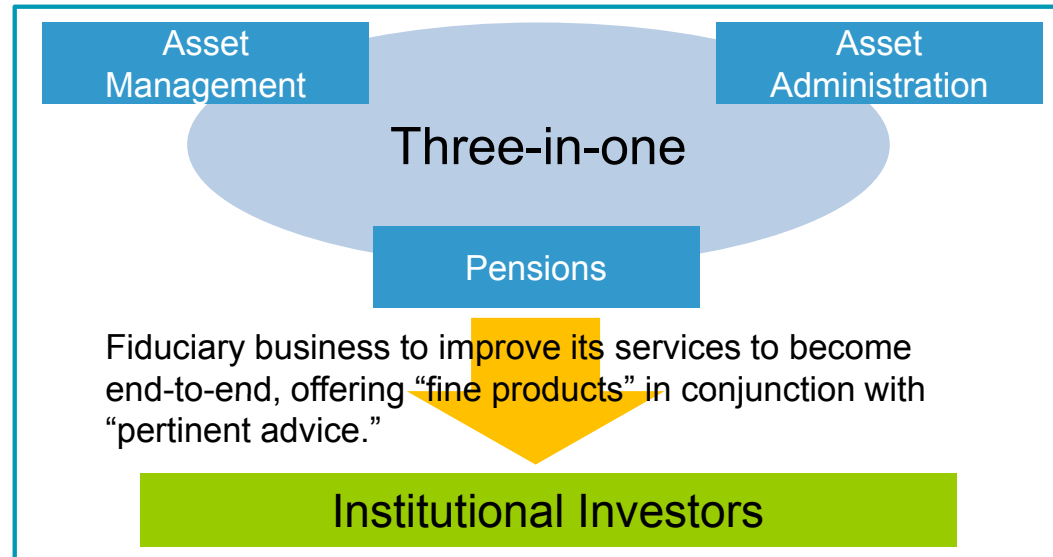
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Fiduciary Services Business

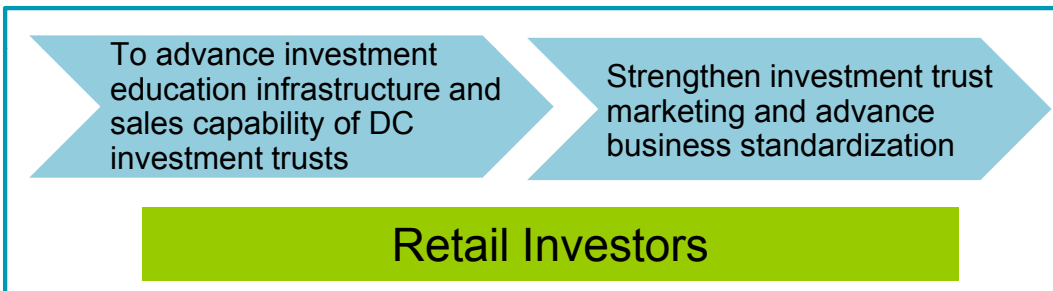
Business Model of Fiduciary Services

- ▶ In fiduciary services, to promote asset management and administration businesses utilizing the robust foundations fostered by our pension business
- ▶ Taking advantage of the surge in individual/corporate asset management/administration needs, to lead the way to enhance fee businesses utilizing the Group's strengths

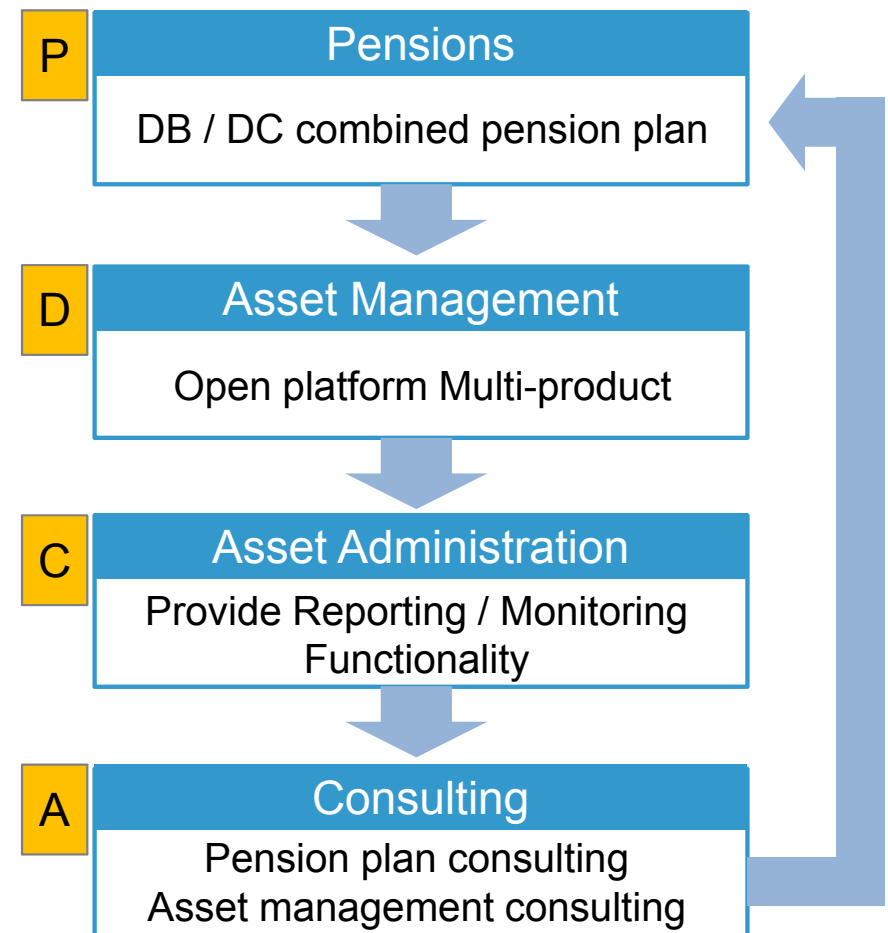
Business Model of Fiduciary Services



To offer know-how fostered through our institutional investor business to retail clients



Establish PDCA Cycle and demonstrate strength of Three-in-One

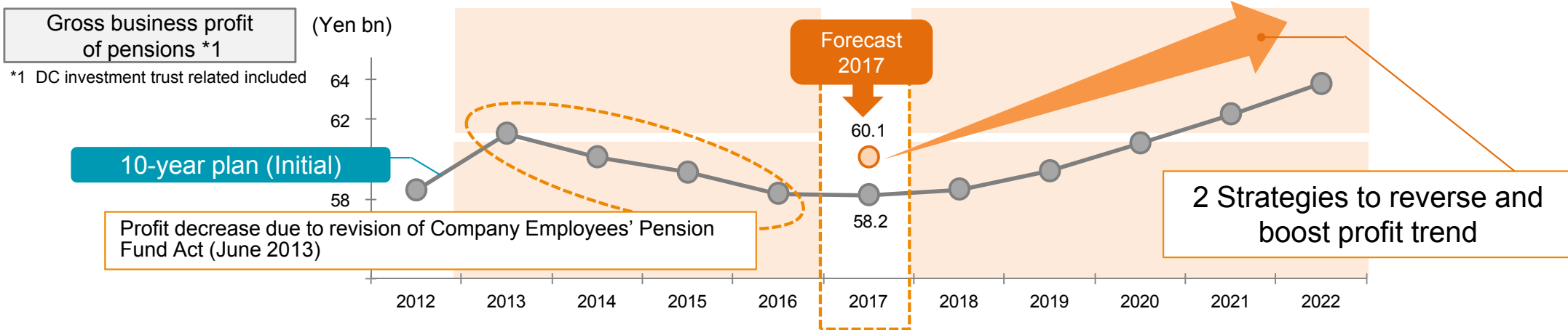


Pensions (1)

- ▶ 10-year growth plan to overcome contraction of company employees' pension plan market was formulated in 2013
- ▶ By implementing major strategies for both DC and DB pension plans, market share and profitability improving ahead of initial schedule

Growth strategy to reverse and boost profit trend

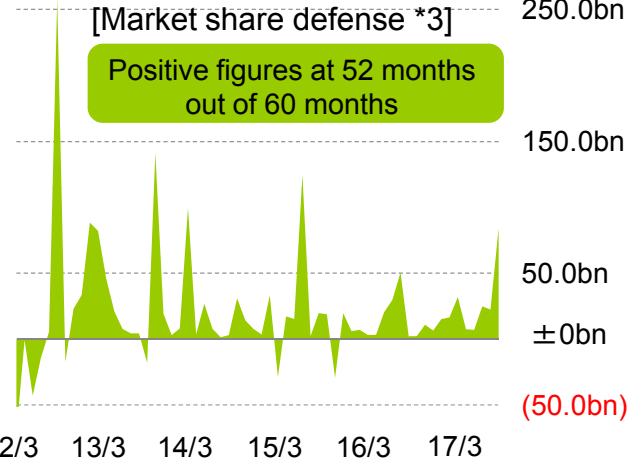
Pension Business 10-year growth plan (Formulated in 2013)



Strategy I Strengthen profit base by defending DB share

(In/outflow amount, yen)

	DB Assets *2	
	(Yen trn)	Share
Mar. 12	12.8 (No.1 in industry)	20.5%
Mar. 17	14.1 (No.1 in industry)	21.2%



Strategy II Shift to DC to further strengthen profitability

	DC Plan members *4	
	(Members, mn)	Share
Mar. 12	0.77 (No.2 in industry)	17.6%
Mar. 17	1.31 (No.1 in industry)	21.0%

	DC Inv. Trusts *5	
	(Yen bn)	Share
Mar. 12	289.9 (No.4 in industry)	13.2%
Mar. 17	884.3 (No.2 in industry)	18.2%

*4 SuMi TRUST mandated pension plan members

*5 SuMi TRUST marketed DC investment trusts

*2 Pension AUM including Company Pension Plans *3 Monthly asset switch (between SuMi TRUST Bank and other banks)
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Pensions (2)

- ▶ Client base of corporate pensions on the increase from large corporates to middle market companies
- ▶ Using our original platform, expand our coverage from DB/DC pension plans to personal financial assets

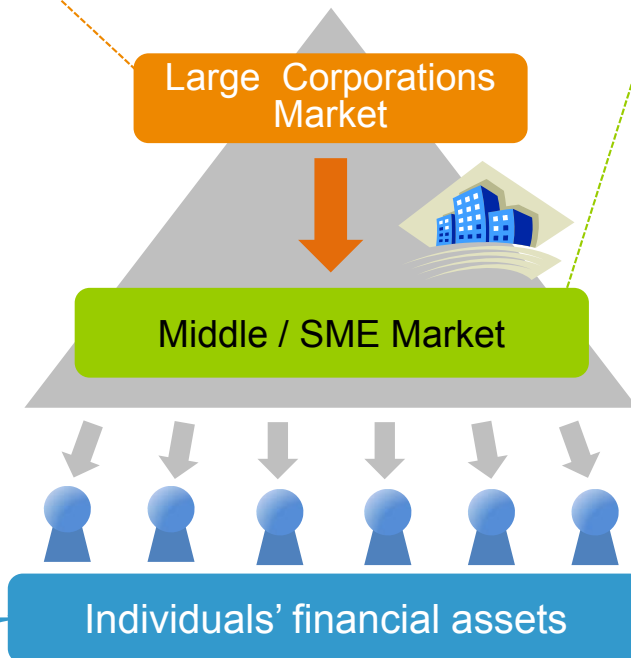
To expand profit opportunities by enhancement of the pension client platform

Investment education know-how acquired through interactions with large scale DC fund clients

- ◆ Selection rate of investment trusts have increased after educational program upgraded reflecting know-how learned from DB investments

Investment trust selection rate of DC Plan members (Mar.17)

Average of SuMi TRUST mandated *1	56%
Of which mandated after FY12	69%
Market *2	46%



Our ideal is to contribute to our clients as their “main bank for asset formation”, which creates a trend towards asset formation through investments rather than savings, not limited to DB/DC areas

*1 SuMi TRUST: SuMi TRUST Bank mandated pension plan

*2 Industry Source: “Statistics on DC pension plans”

To expand client base by gaining mandates for comprehensive pension's DC plans

- ◆ As a successor scheme to company employees' pension plans (Kosei-nenkin), offer comprehensive pension plan (DB+DC) to clients. Expand client base to middle and SME market.

		Below 300	On or above 300	Total
No. of Companies with DC Plans (SuMi TRUST mandated)	Mar.12	999	480	1,479
	Mar.17	3,378	753	4,131
		+2,379	+273	

One third of companies introducing DC plan in 2016 mandated SuMi TRUST

Encourage asset formation through DC matching scheme

- ◆ DC investment education to be offered as a life planning seminar, to promote matching investment to company DC contribution using personal funds

Selection rate of DC matching (Mar.2017)

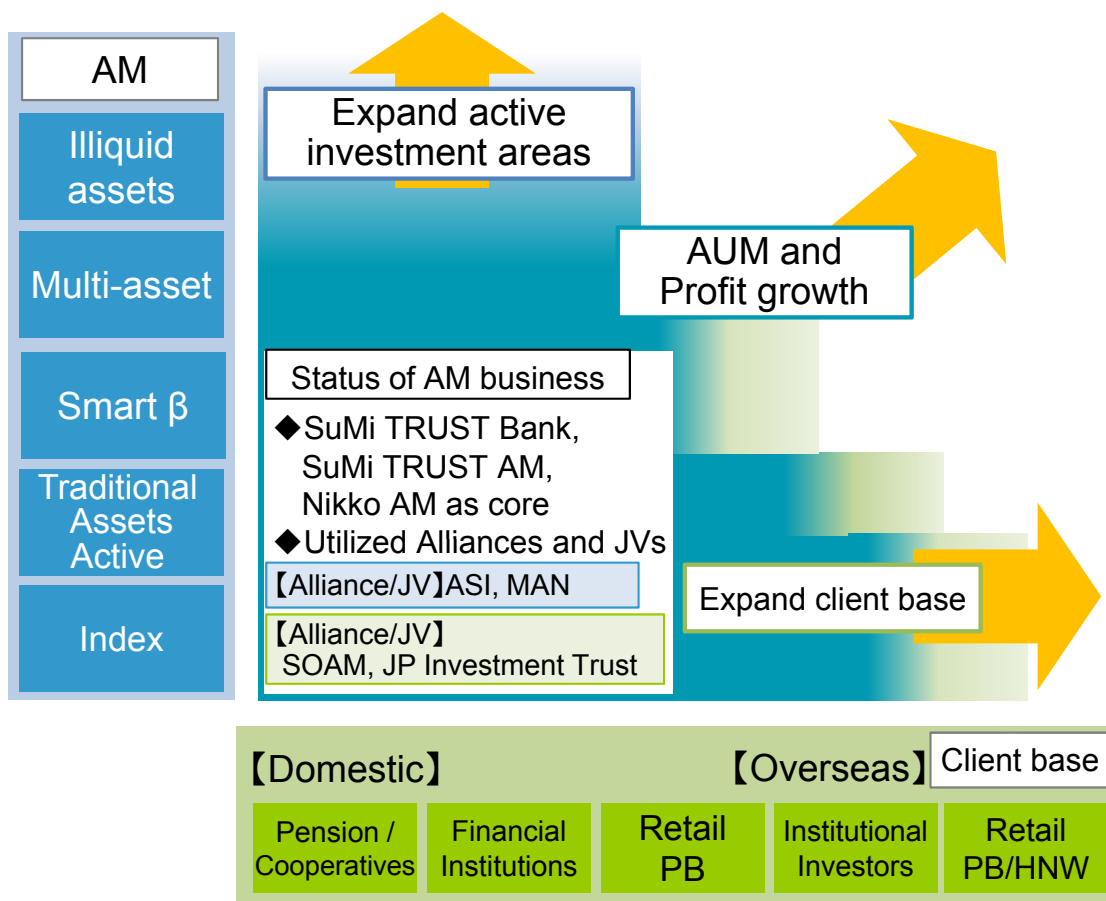
Average of SuMi TRUST mandated	39%
Of which mandated after FY12	75%
Market	27%

260 thousand plan members of SuMi TRUST mandated use matching investment plan (40% of total market)

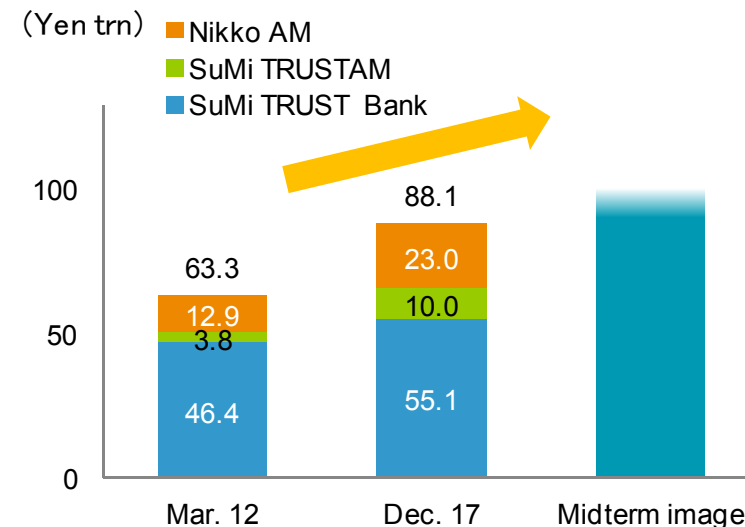
Asset Management (1)

- ▶ To become an all-weather type institution, always capable of offering attractive investment products that fulfils diverse needs of clients under rapidly changing circumstances
- ▶ To aspire to become a “multi-boutique” asset management company, that has distinctive asset management companies within the group and grows leveraging their respective strengths
- ▶ Aspire to establish investment capability and client base to become one of the global top-20 in AUM by utilizing alliances/equity investments

Growth trajectory as “Multi-boutique” asset management group *1



Growth trajectory of group AUM



Domestic Investment Trust AUM Ranking *2

		(Yen trn)	Jan. 18	Public	Private
1	Nomura		34.7	30.5	4.2
→	Sum of two AM		27.5	18.1	9.3
2	Nikko AM		17.5	14.6	2.8
3	Daiwa		17.3	16.0	1.3
4	AM-One		15.1	8.7	6.3
5	Mitsubishi UFJ Kokusai		13.8	10.6	3.2
6	SuMi TRUST AM		9.9	3.5	6.4

*1 ASI: Aberdeen Standard Investments, SOAM: Sky Ocean Asset Management

*2 Investment Trust Association Statistics

Asset Management (2)

- ▶ As a “multi-boutique” asset management group, each company within the group to grow using its unique strengths and competitive edge
- ▶ SuMi TRUST AM to strengthen its investment, marketing and business foundations by merger of its asset management functions with SuMi TRUST Bank planned in October 2018
- ▶ Nikko AM to promote its global expansion applying its distinctiveness from SuMi TRUST AM

SuMi TRUST AM / SuMi TRUST Bank

- ◆ Product development capability suitable for medium / long asset formation
- ◆ Product marketing centered on balanced funds
- ◆ Strong footing among domestic institutional investors / DC plan members

SuMi TRUST Bank

AUM: ¥55trn

Corporate pensions (DB)

Public Pensions (Discretionary)

Overseas (Investment Manager)

SuMi TRUST AM

AUM: ¥10trn

Retail (Public investment trusts)

Corporate Pensions (DC)

Corporate (Private placement)

Features

Nikko AM

- ◆ Unique product development and offering through active utilization of overseas investment managers
- ◆ Independent marketing channel unaffiliated with other firms (domestic retail)
- ◆ Global footing centered in Asia/Oceania

Nikko AM

AUM: ¥23trn

Retail (Public investment trusts)

Corporate Pensions (DC)

Public Pensions (Discretionary)

ETF

Overseas (Investment Manager)

Business Foundations *1

SuMi TRUST AM

	Fund name	Type	AUM
1	Core Wrap series *3	Balance	386.6
2	J-REIT Research	REIT	320.3
3	DC My Selection	Balance	228.9
4	Australian Bond	Bond	155.4
5	DC Japan Bond Index	Bond	102.2

Products *2

Nikko AM

	Fund name	Type	AUM
1	Global Robotics Equity	Equity	1,016.3
2	LaSalle Global REIT	REIT	712.9
3	Triple Asset Fund	Balance	356.7
4	Global Fintech Equity Fund	Equity	225.3
5	High Income Sovereign Bond	Bond	202.9

*1 AUM as of Dec. 2017

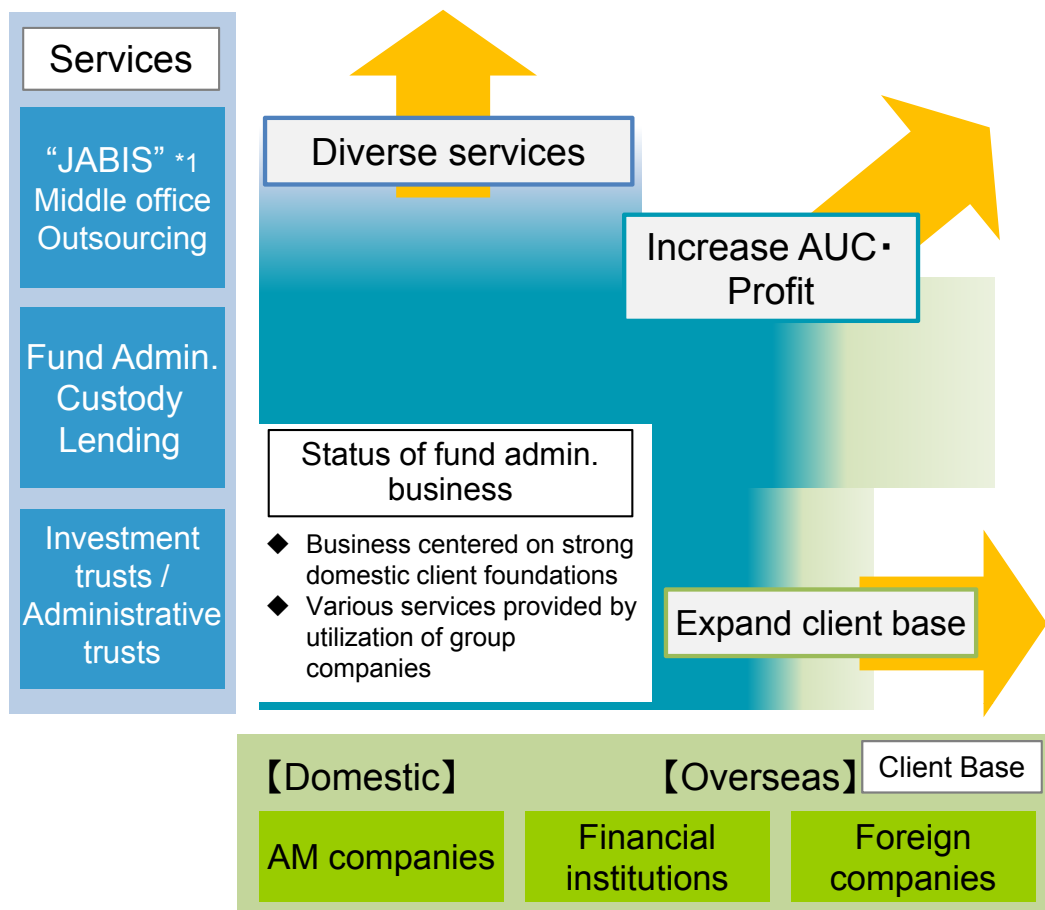
*2 Top 5 AUM Funds (as of Jan. 2018 equity type public/open-end investment trusts (excluding ETF, SMA only funds) in billions of yen

*3 “Core wrap series” is sum of Core Wrap(stable/growth/switch), Satellite Wrap(equity) and Diverse investment core strategy fund

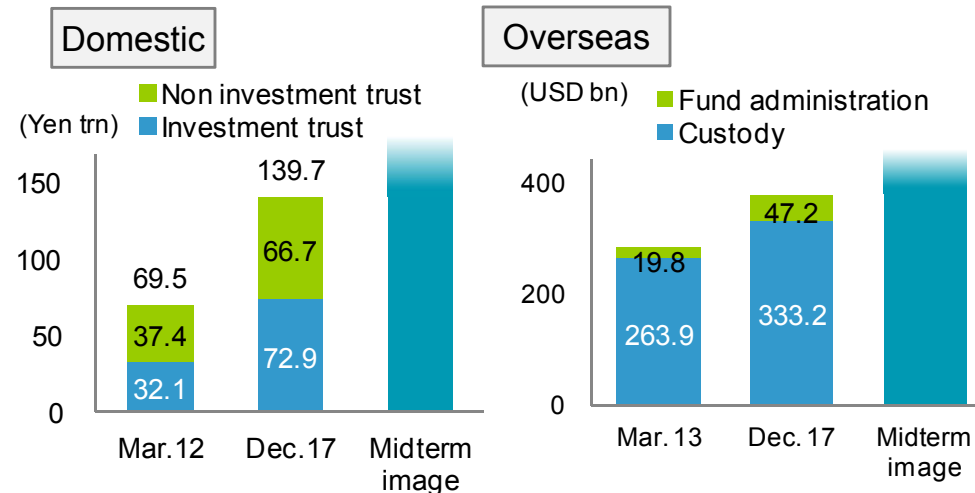
Asset Administration (1)

- ▶ Sophistication / outsourcing of asset management through group collaboration in response to diversification and increased complexity of asset management needs
- ▶ Increase AUM / profitability through expanded client base and diverse services

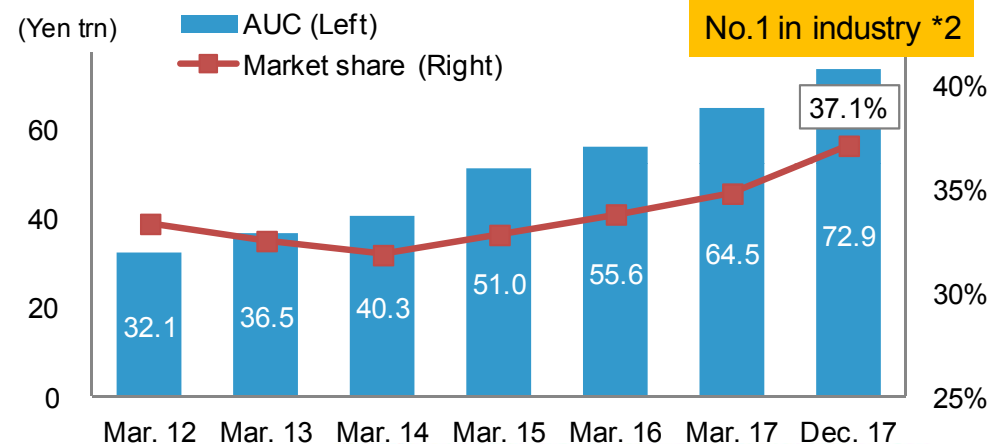
Growth trajectory by sophistication of asset administration business model



Growth trajectory of group AUC



Balance of investment trust AUC



*1 JABIS: Outsourcing service for middle/back office administration functions

*2 Our estimates from public sources

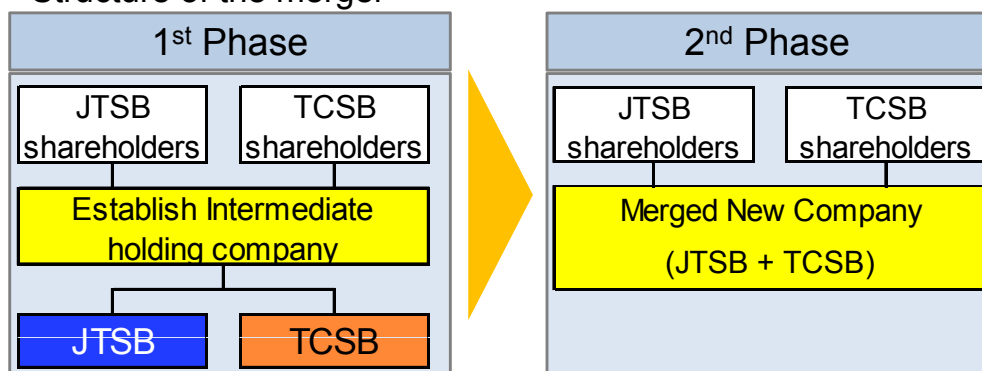
Asset Administration (2)

- ▶ To enhance competitiveness of asset management business, rationalization and service refinement utilizing economies of scale
- ▶ To contribute to further development of domestic securities clearing market and investment value-chain
- ▶ By offering unique, value-added administration services of a trust bank, support expansion of corporate asset management businesses

Plan to merge asset administration companies

- ◆ To target major shareholder agreement to merge JTSB and TCSB *1, the center-piece of asset administration business
- ◆ To rationalize and improve services utilizing economies of scale

<Structure of the merger>



<Company description> *2

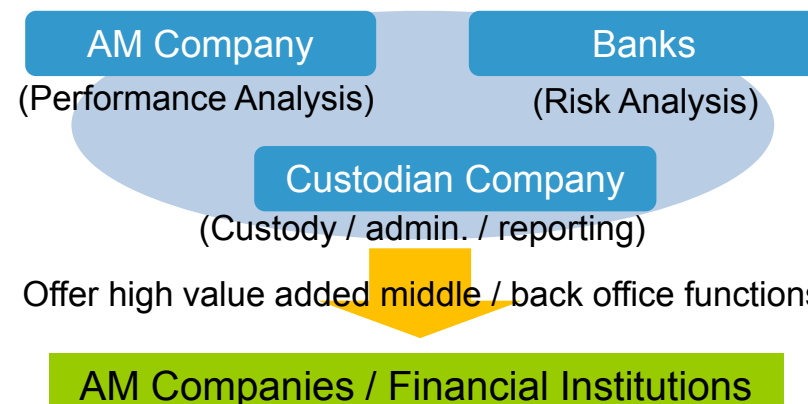
JTSB		TCSB	
¥294 trn	AUC	¥375 trn	
¥244 trn	Trust assets	¥135 trn	
¥50 trn	Trustee services	¥240 trn	
SuMi TRUST Bank 66.6%	Major shareholders	Mizuho FG 54%	
Resona 33.3%		Life insurances 46%	

*1 JTSB: Japan Trustee Services Bank, TCSB: Trust & Custody Services Bank

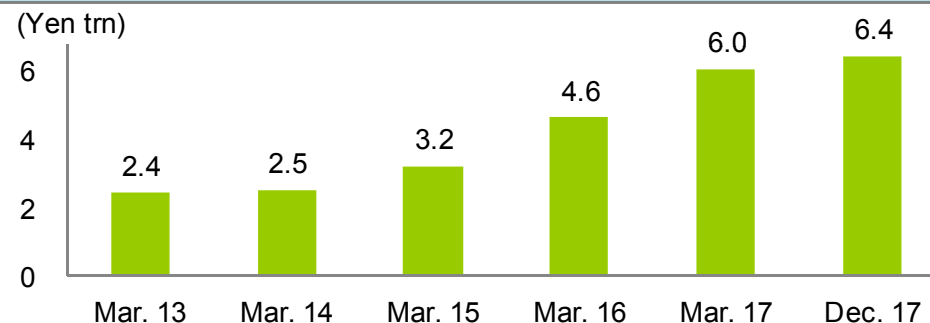
*2 As of Dec. 2016

Offer high value added fund administration services

- ◆ To offer value added services by merging know-how of asset management, banking and asset administration
- ◆ On top of offering asset administration services, support the expansion of clients' asset management business



Increase of private placement investment trusts (SuMi TRUST AM)



Governance

Isao MATSUSHITA

< Career history >

- April 1970 Joined Nippon Mining Co., Ltd. (Current JXTG Nippon Oil & Energy Corporation)
- Sep. 2002 Director, Nippon Mining Holdings, Inc. (Current JXTG Holdings, Inc.), in charge of finance
- June 2004 Director (Senior Vice President and Executive Officer), Japan Energy Corporation (Current JXTG Nippon Oil & Energy Corporation)
- June 2006 Representative Director and President, Japan Energy Corporation
- June 2012 Representative Director and President (President and Executive Officer), JX Holdings, Inc. (Current JXTG Holdings, Inc.)
- June 2015 Senior Executive Advisor, JX Holdings, Inc. (current position)
- June 2016 Director, INPEX CORPORATION (current position)
- June 2016 Director, Matsumotokiyoshi Holdings Co., Ltd. (current position)
- June 2017 Appointed as Director of Sumitomo Mitsui Trust Holdings, Inc.**

Aim of Corporate Governance Reform in 2017

“Initiatives to enhance corporate governance at SuMi TRUST Group”

To respond correctly to rapid changes in the environment surrounding finance and strengthening of domestic and international financial regulations, it is important to have both managerial ability to execute business decisions swiftly, and supervision & restraint to ensure the soundness of management in order to improve profitability and enhance corporate governance



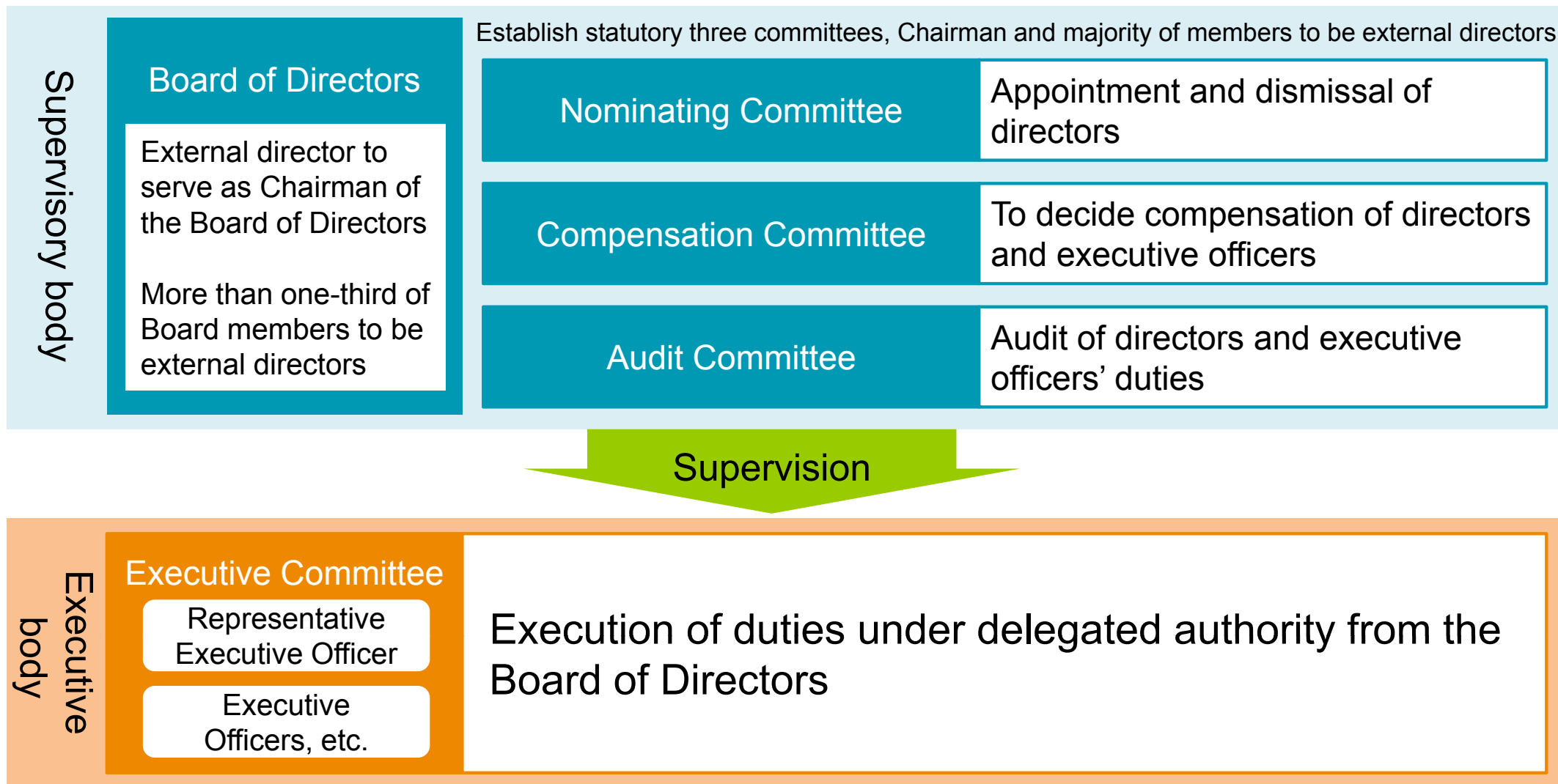
June 2017 Transition to a company with Three Committees

(A monitoring model type governance structure segregating supervision and execution)

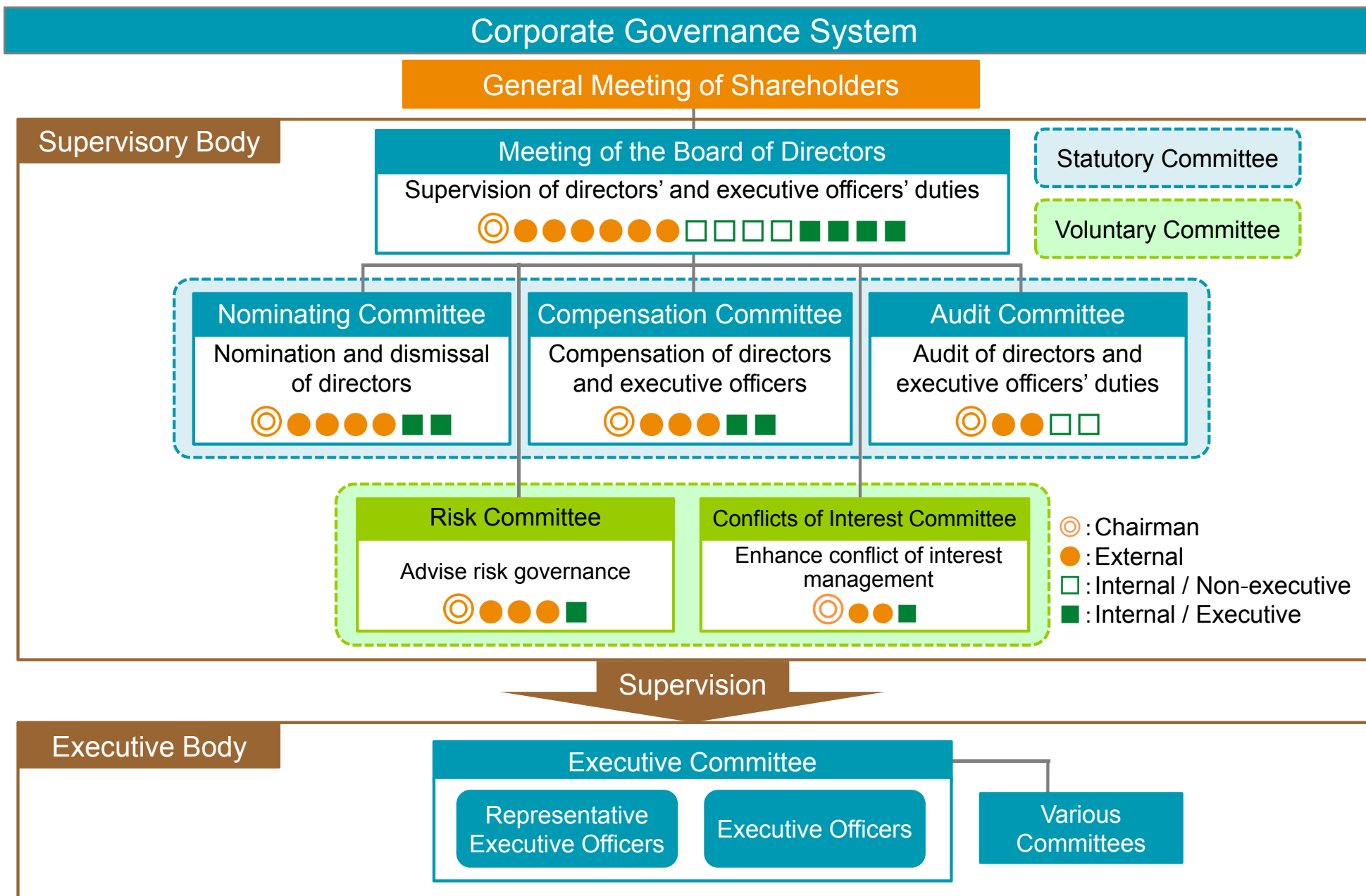
- Enhance structure in a manner conducive to our Group's business model
- External director to serve as Chairman of the Board of Directors

Transition to a Company with Three Committees

- ▶ To clearly segregate supervision and execution, the Board of Directors to focus on supervision, executive officers to promptly implement business decisions



Corporate Governance System



To strengthen governance in line with our business model

- ▶ Implement policies to strengthen governance that are necessary to realize “Best Partner” of our clients which is our business model, possessing multi-functionality as a trust bank group.

Establish Conflicts of Interest Committee
(Members: Directors and external experts)

- Verify adequacy of the Group’s conflict of interest management
- Discuss Group’s Policies on Fiduciary Duties and each companies’ action plan and policies

Establish Risk Committee
(Members: Directors and external experts)

- To discuss risk issues that should be recognized in managing the Group
- To verify risk appetite framework (a risk taking and management framework that is in line with the management plan)

Establish Stewardship Activity Advisory Committee
(SuMi TRUST Bank)
(Members: External experts and GM of Stewardship Development Dept.)

- Advisory committee to the Officer in charge of Fiduciary Services Business to strengthen independence of stewardship activities, enhance transparency and improve conflict of interest management
- To discuss matters concerning revision or abolition of Guidelines for Exercise of Voting Rights, to verify and improve decision making process for proposals that conflicts of interest may occur

Commentary in assuming the role of Chairman of the Board of Directors



<Reference: Interview excerpt from the Integrated Report 2017>

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

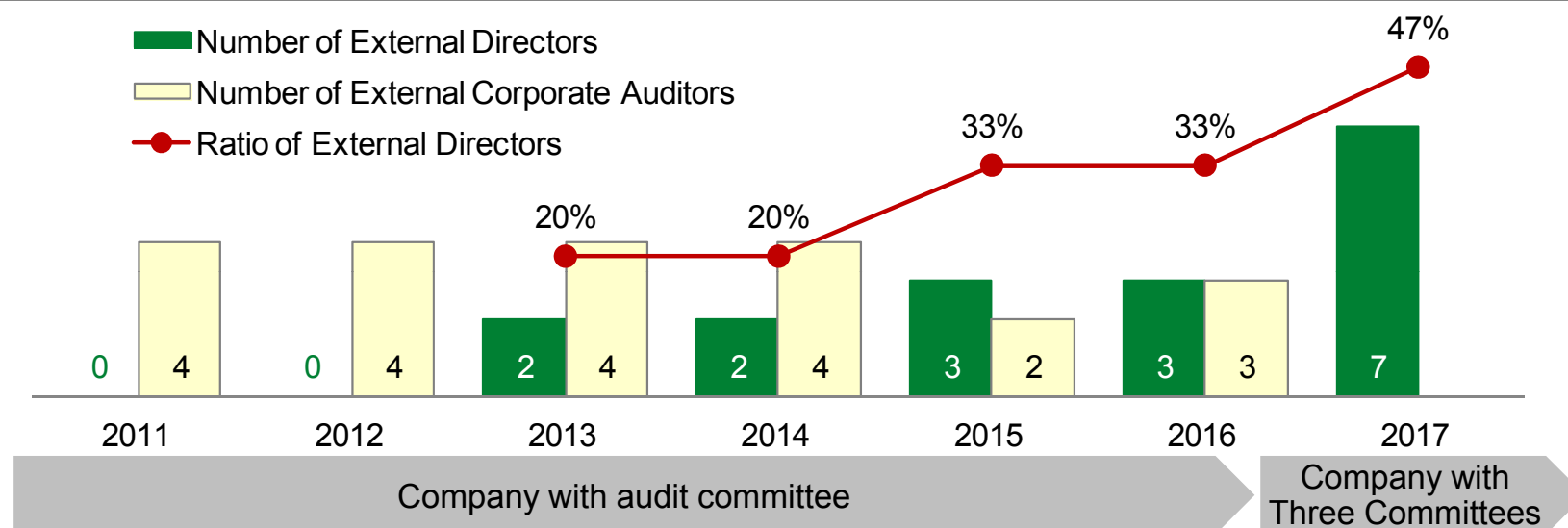
Composition of the Board of Directors

- ▶ Continuous increase of external directors since 2013
- ▶ Current ratio of external directors 47%, ratio of non-executive directors 73%

Composition of the Board of Directors



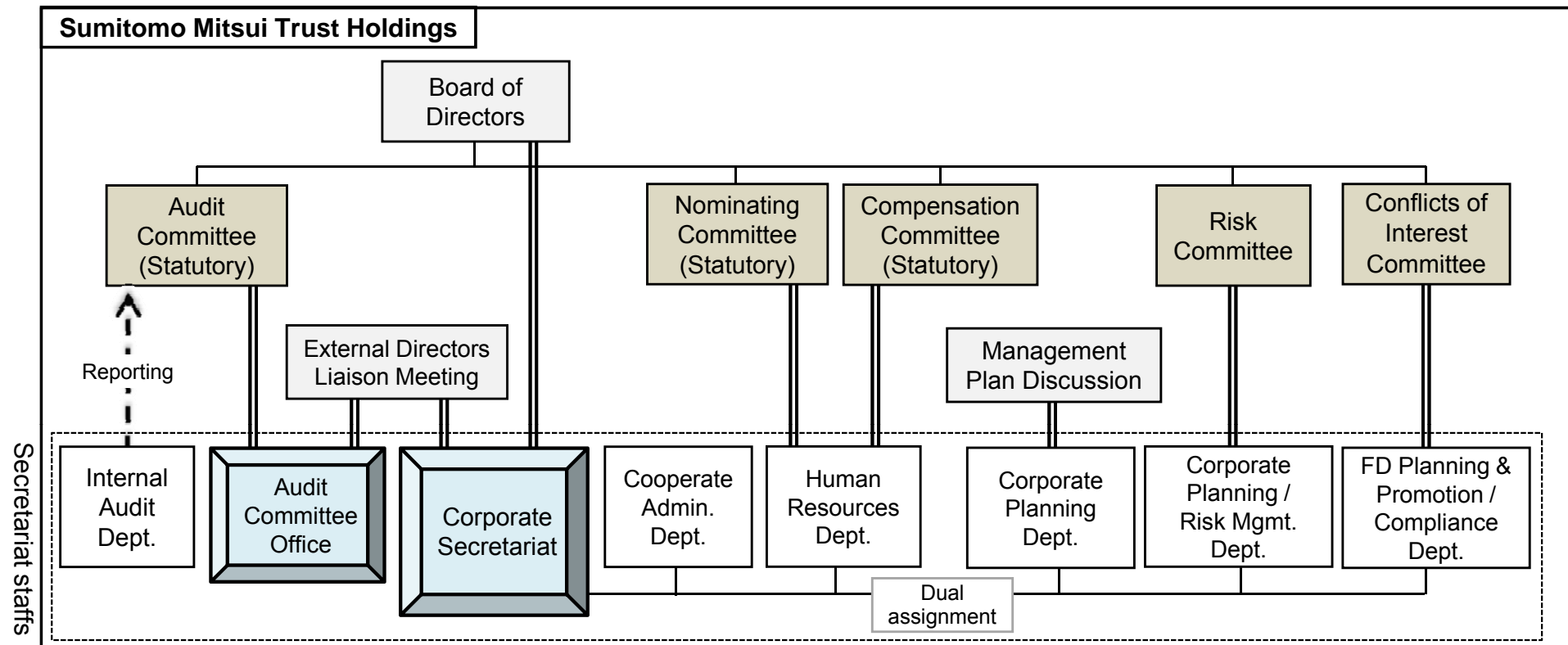
Transition of external directors



Support for Chairman of the Board of Directors

- ▶ A Chairman of the Board of Directors implements, (1) familiarization training at time of appointment, (2) Preparation of agenda for each month's meeting
- ▶ Deputy Chairman and Corporate Secretariat to the Board to offer support

- At the time of appointment, lecture about business model, business environment, management plan, and other material issues
- 3 preparation meetings for each monthly Board meeting
 - 1st : To select agenda for the meeting
 - 2nd : Hearing about the main issues regarding the selected agenda
 - 3rd : Confirmation about status of pre-discussion and planned schedule of actual proceedings
- For each preparation meeting, Deputy Chairman (Internal non-executive director and Statutory Auditor) to attend as well
- Corporate Secretariat consisting of 1 General Manager, 8 secretariat staff and 5 staff members of other committees on dual assignment



Business Lectures

- Corporate management sections and planning sections of business divisions to hold lectures for newly appointed external directors
- Previously appointed external directors may participate at their discretion

Pre-explanatory meeting of the Board Meeting agenda

- To facilitate active debate at the Board Meeting, all external directors to attend pre-meeting (External Directors Liaison Meeting) to hear and question the upcoming agenda

Communication with the executive directors

- Audit Committee to interview internal directors about the status and outstanding issues of their responsible fields, non-member directors may also participate at their discretion
- To interview heads of corporate management departments, business planning divisions, overseas branches and affiliated companies

Measures to improve deliberations

Delegation to executive officers

- All decision-making delegated to executive officers unless specific legal requirement exists (Executive officers to report to the Board on delegated matters)
⇒ Meeting of the Board of Directors able to concentrate on agenda specific to supervision

Report from executive officers

- Individual cases reported by category by executive officers in charge
⇒ Efficient proceeding of the Meeting of the Board

“Management theme” discussions to utilize knowledge and views of external directors

- Commenced forum on important management issues and themes selected as “Management themes,” to be discussed in hourly sessions in the Meeting of the Board
⇒ Possible to hold active discussions utilizing knowledge and views of external directors

Management Themes

July and August
HR development

September
Reorganization of AM
business

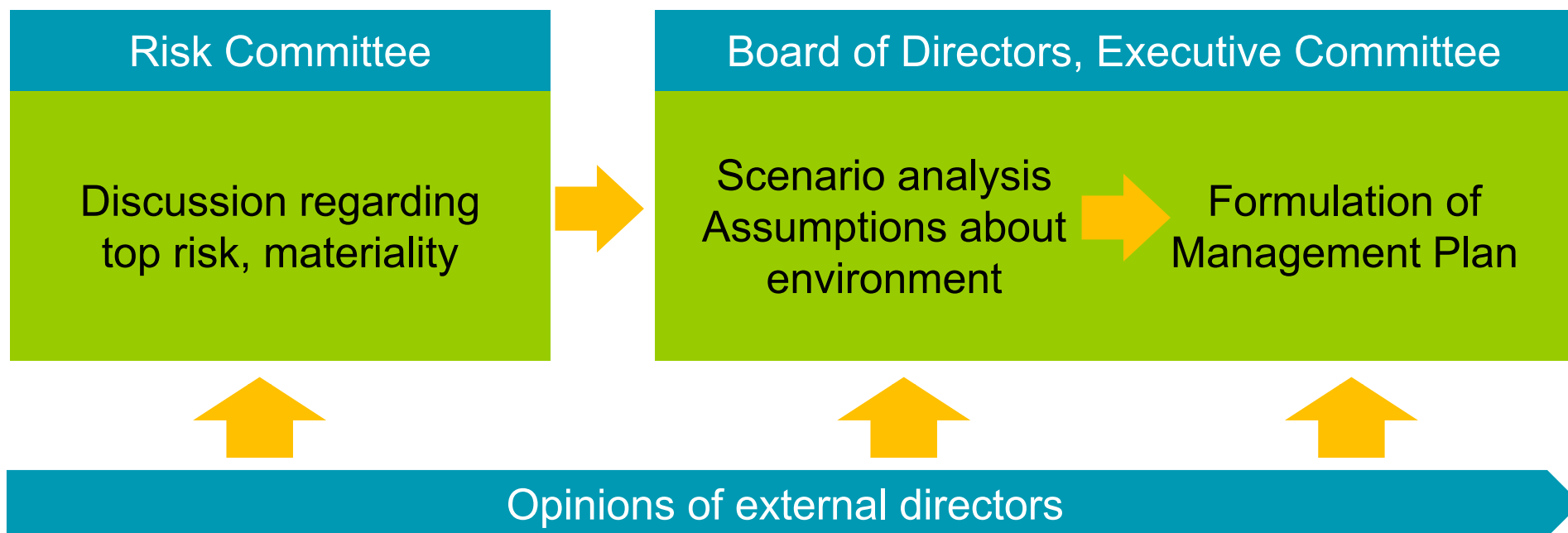
November and December
Group governance

Involvement in Formulation of the Management Plan

Early stage participation to formulation of Management Plan

In formulating a Management Plan, to reflect the opinion of external directors from an early stage

Management Plan formulation process



Examples of external directors involved in governance issues

Strengthen monitoring of management status of the trust bank

The Meeting of the Board of Directors of the holding company receives quarterly management update on the status of the overall group. In addition, supplementary reporting regarding the trust bank, the group's core operation, on a standalone basis

Introduction of External Directors' Meeting

Outside of the Meeting of the Board, a new forum exclusively for external directors to discuss and evaluate the group's governance management and issues

Communication between the Chairmen

In order to harmonize the 5 committees (Nominating, Compensation, Audit, Risk and Conflicts of Interest Committees), periodical meeting held with the Chairman of each committee (all external directors)

PDCA to assure effectiveness of the Meeting of the Board of Directors

Process to evaluate effectiveness

Date	Contents
Early Jan.	Design of evaluation issues, external lawyers to assess the suitability of the issues
End of Jan.	To explain the current year agenda's rationale and evaluation process to the Board
Jan. ~ Feb.	Conduct questionnaire to all directors
Mar. ~ Apr.	<ul style="list-style-type: none">▪ Assessment of the feedback, distillation of issues commented▪ Individual interviews based on feedback of questionnaire (Meeting between external lawyer and external director)
End of Apr.	Report to the Meeting of the Board regarding the results of the findings and discussion on next year's management issues based upon the evaluation of the issues

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