

SuMi TRUST
SUMITOMO MITSUI TRUST HOLDINGS

INTEGRATED REPORT

—ANNUAL REPORT—
Year ended March 31, 2019

2019



SUMITOMO MITSUI TRUST HOLDINGS

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.

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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 our environmental, social and governance (ESG) initiatives and 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 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, the ESG Report and visit our website.

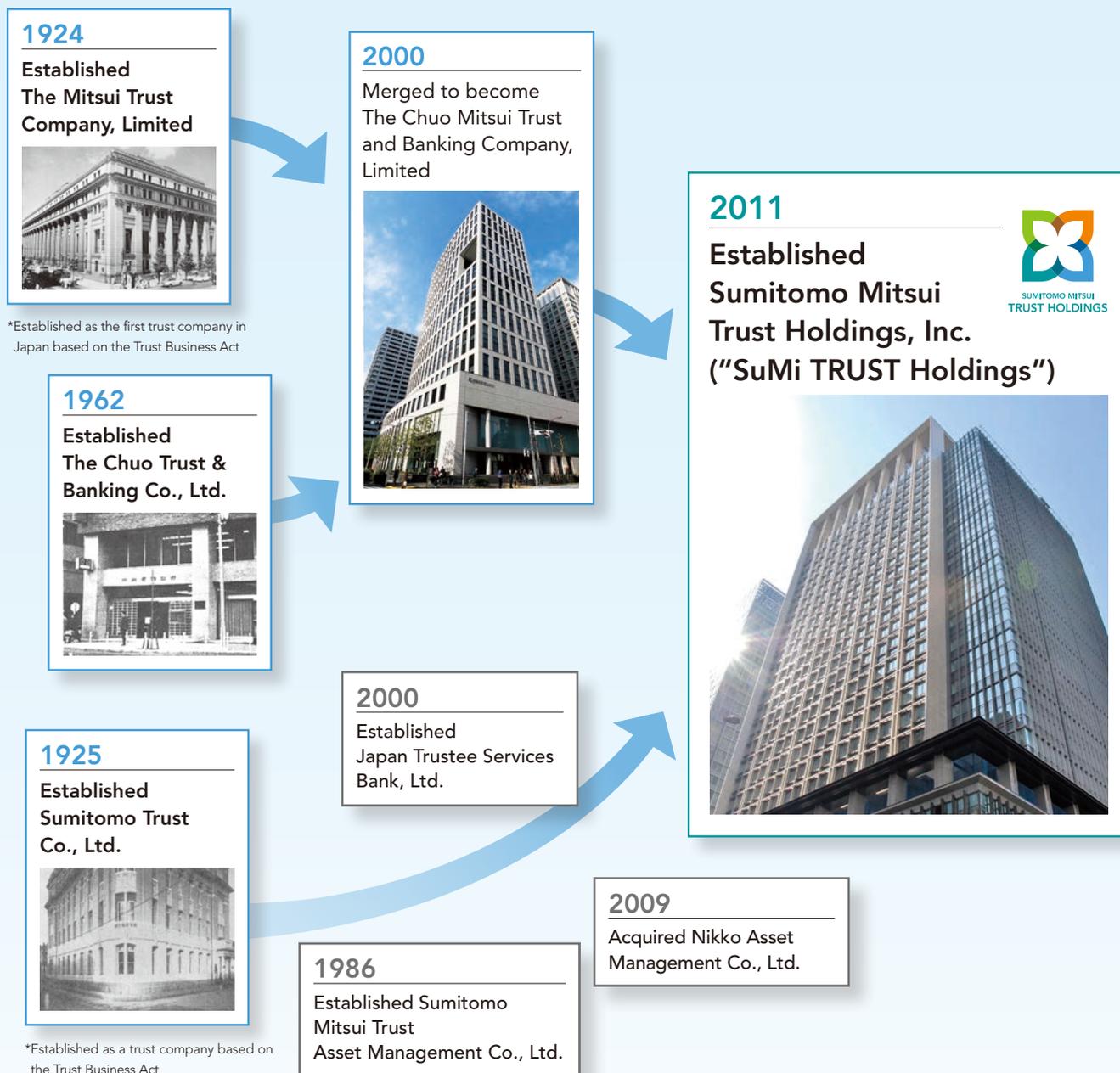
<Reporting Coverage>

Reporting Period: From April 1, 2018 to March 31, 2019 (Partially including the information after April 1, 2019)

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

Overview

History of the Sumitomo Mitsui Trust Group



History of Finance and Trusts	1923	Enforcement of the Trust Act and the Trust Business Act	2008	The collapse of Lehman Brothers	2010	The European debt crisis	2011	The Great East Japan Earthquake
	1952	Enforcement of the Loan Trust Act	2004	Enforcement of the revised Trust Business Act			2012	Started handling designated donation trusts
	1966	Started handling employees' pension fund trust	2007	Enforcement of the revised Trust Act and the Trust Business Act				Started handling legal guardianship system support trusts
	1972	Started handling asset formation trusts						
	1975	Started handling special donation trusts						
	1977	Started handling charitable trusts						
	1984	Started handling land trusts						

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.

2015

SuMi TRUST Bank

- 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.

2014

SuMi TRUST Bank

- Completed integration of systems

2018

- Integrated the asset management function of SuMi TRUST Bank and Sumitomo Mitsui Trust Asset Management
- Established JTC Holdings, Ltd., a wholly owning parent company of Japan Trustee Services Bank, Ltd. and Trust & Custody Services Bank, Ltd.

2017

- Shifted to a company with Three Committees

2016

- Developed the Policies regarding the Fiduciary Duties of the Sumitomo Mitsui Trust Group

2012

Established Sumitomo Mitsui Trust Bank, Limited ("SuMi TRUST Bank")



2013

Started handling the Tuition Fund Endowment Trust

2014

The government launched NISA

2015

Started handling the Marriage and Child-rearing Support Trust

2016

The Bank of Japan introduced the negative interest rate policy

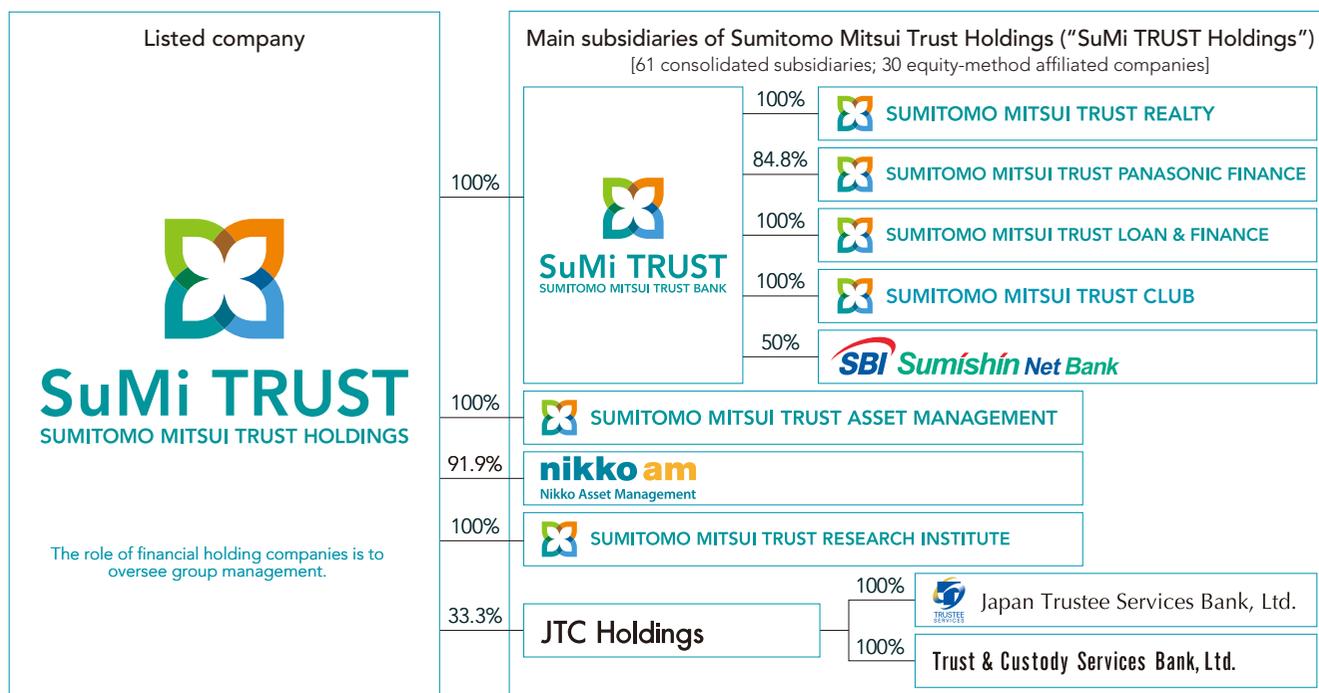
2017

Inauguration of the Trump administration in the U.S.

Group Information

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.

(as of July 1, 2019)

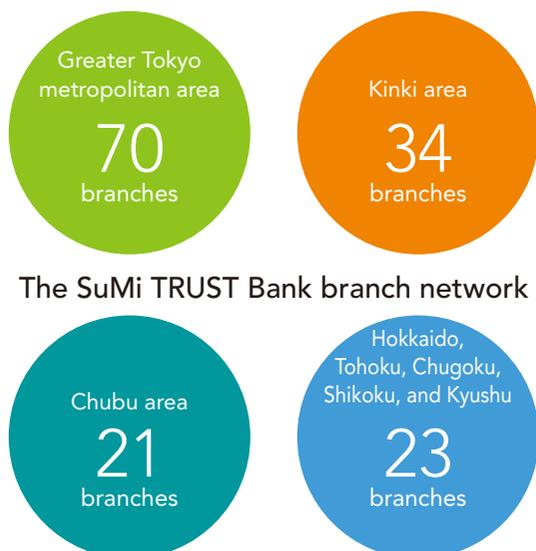


Ratio of ownership with voting rights is shown, including indirect ownership via subsidiaries.

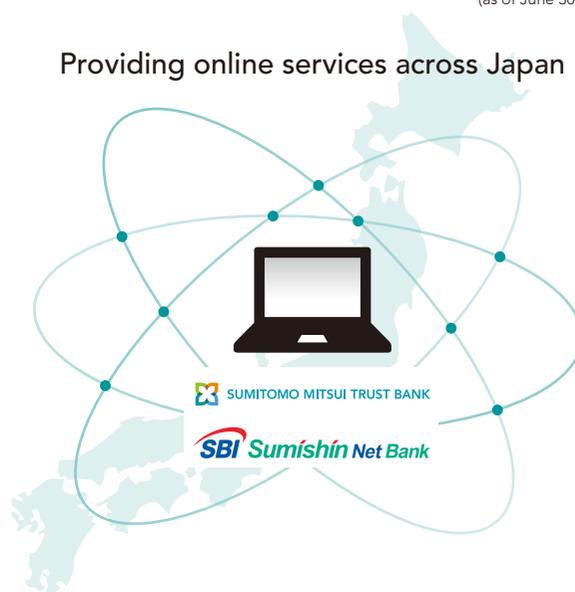
Domestic Network

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

(as of June 30, 2019)



Providing online services across Japan



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

Status

The SuMi TRUST Group is 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, 2019)

Trust (Fee) Business	Assets under Management* ¹	¥93 trillion	Domestic financial institutions	No. 1
	Assets under Custody* ²	¥211 trillion	Domestic financial institutions	No. 1
	Balance of Corporate Pension Funds	¥12 trillion	Trust banks	No. 1
	Lead Manager for Corporate Pension Funds	1,322 funds	Trust banks	No. 1
	Entrusted Balance of Investment Trusts	¥75 trillion	Trust banks	No. 1
	Number of Shareholders under Administration* ¹	26.70 million shareholders	Trust banks	No. 1
	Real estate related profit* ^{1,3}	¥54.3 billion	Trust banks	No. 2
	Entrusted Balance of Securitized Real Estate	¥16 trillion	Trust banks	No. 1
	Sales Volume of Investment Trusts/ Discretionary Investment* ³	¥0.9 trillion	Domestic banks	No. 1
	Number of Will Trusts	32,000 cases	Trust banks	No. 2
Banking Business	Balance of Loans to Individuals	¥9 trillion	Domestic banks	No. 4
	Balance of Loans to Corporations	¥19 trillion	Domestic banks	No. 5
	Total Loan Balance	¥28 trillion	Domestic banks	No. 5

Includes estimates based on investigations by SuMi TRUST Holdings (as of March 31, 2019)

*1 Group companies combined (Items other than those with *1 are SuMi TRUST Bank)

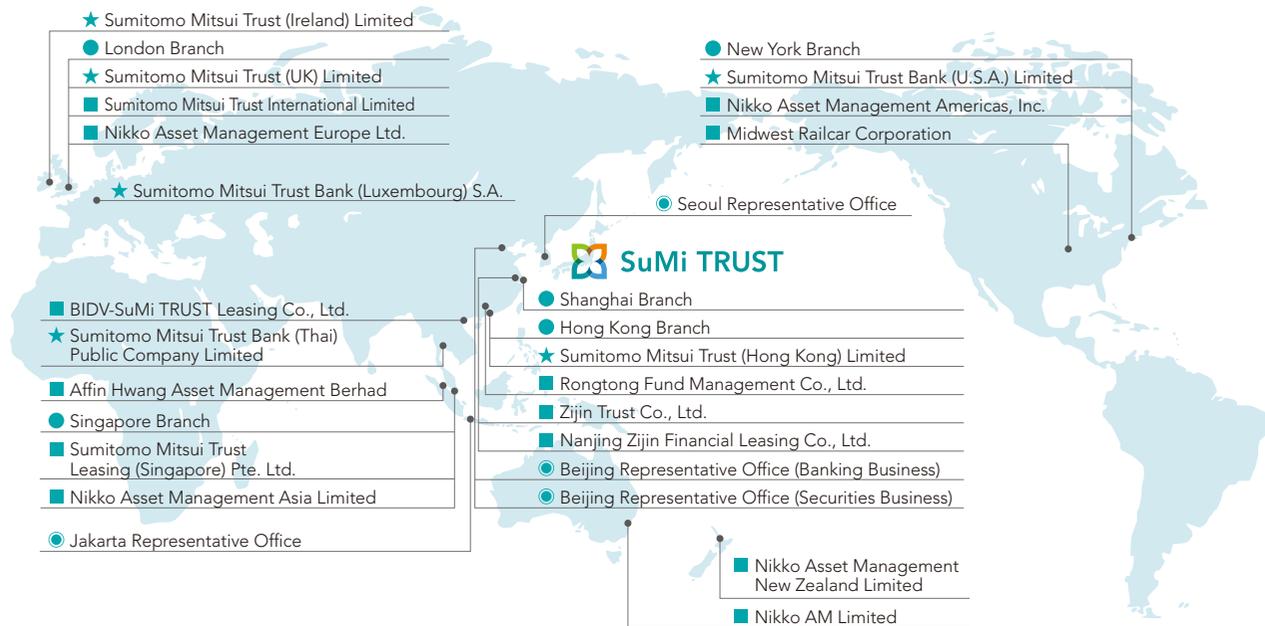
*2 Trust asset balance. Trust banks specializing in asset administration services are excluded because their trust assets include many re-trusted parts.

*3 FY2018 Result

Overseas Network

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

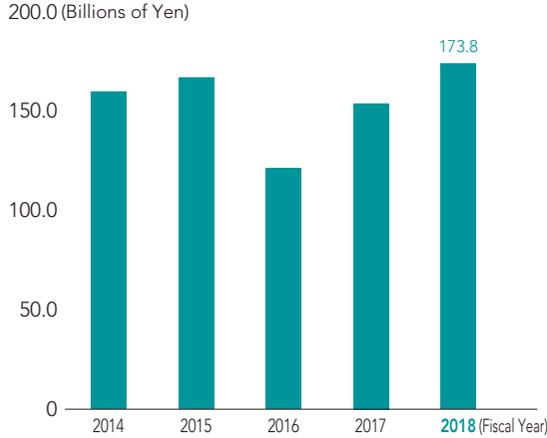
(as of June 30, 2019)



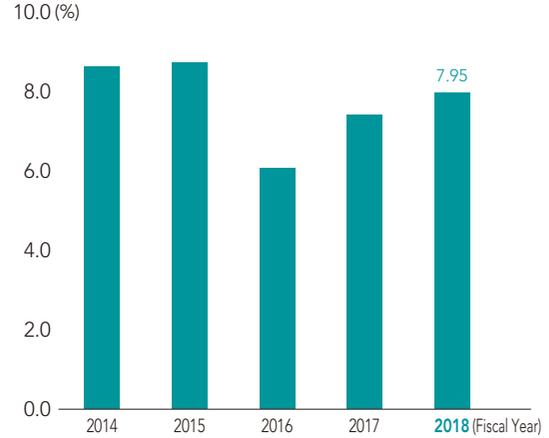
● Overseas Branches (SuMi Trust Bank) ● Overseas Representative Offices (SuMi Trust Bank) ★ Subsidiaries ■ Key Affiliates

Financial Highlights

Net Income Attributable to Owners of the Parent

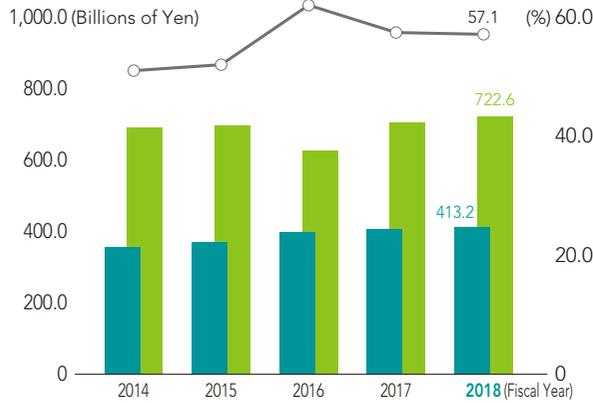


Return on Shareholders' Equity*



* Page 20 for calculation method

Fee Income Ratio*



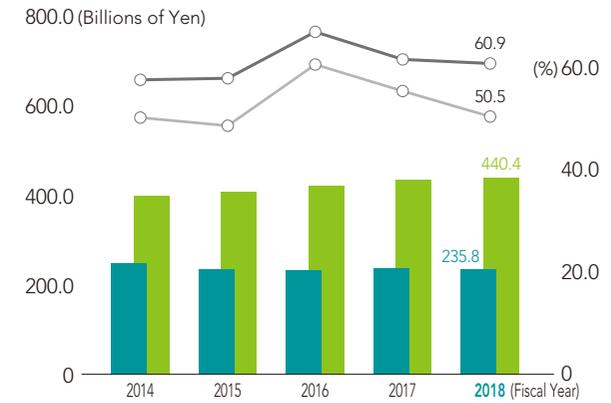
⇒ Fee income ratio (right)

■ Net fees and commissions and related profit (left)

■ Substantial consolidated gross business profit (left)

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

Overhead Ratio*1



⇒ Overhead ratio (non-consolidated)(right) ⇒ Overhead ratio (right)

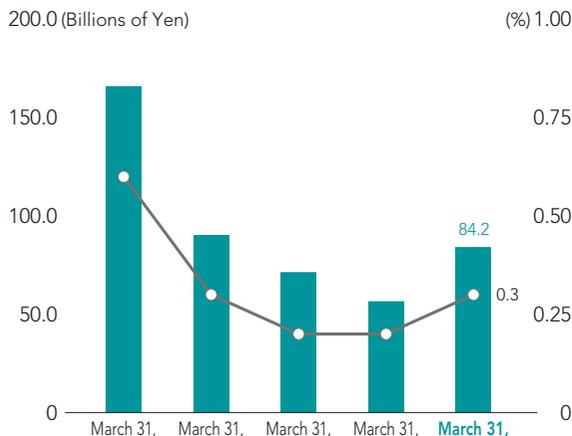
■ General and administrative expenses (non-consolidated)*2 (left)

■ Substantial general and administrative expenses (left)

*1 General and administrative expenses divided by substantial consolidated gross business profit

*2 SuMi TRUST Bank (non-consolidated)

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

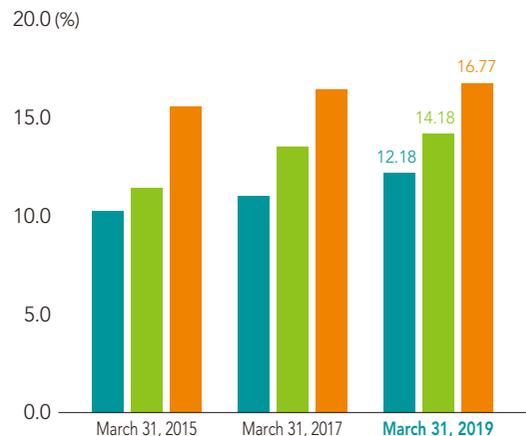


■ NPL (left) ⇒ NPL ratio (right)

*1 Problem assets based on the Financial Reconstruction Act

*2 SuMi TRUST Bank (non-consolidated)

Capital Adequacy Ratio, etc.



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

■ Total capital ratio

Non-financial Highlights

ESG Management—External Evaluation

The SuMi TRUST Group's ESG Evaluation

(2018 MSCI rating)

AA

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

Status of PRI assessment of SuMiTAM

(September 30, 2018)

A⁺

Sumitomo Mitsui Trust Asset Management (SuMiTAM) signed the PRI (Principles for Responsible Investment) in May 2006, and has made efforts in accordance with these principles. SuMiTAM has won the highest rating, "A+," in a comprehensive annual assessment for four years running.

ESG Management—Enhanced Initiatives

Sustainability in Our Business

5+2+1

In addition to further business development of five major themes including climate change, we established two business models as total solution services for corporations in FY2018. We also implemented green procurement for the first time through the issuance of green bonds. (See page 40 for details.)

S (Number of personnel who passed the Gerontology Test)

(June 30, 2019)

293

SuMi TRUST Bank has obliged all branch managers to obtain the "Gerontology Test" certification since 2014. They can use this certification to provide services and consulting to senior clients.

E (Volume of Greenhouse-gas Emissions)

(FY2018)

(34)%

SuMi TRUST Bank has significantly reduced total greenhouse-gas emissions from facilities within the scope of the Building Energy Efficiency Act, from their peak level following management integration (in FY2013).

G (Functional enhancement of the Board of Directors)

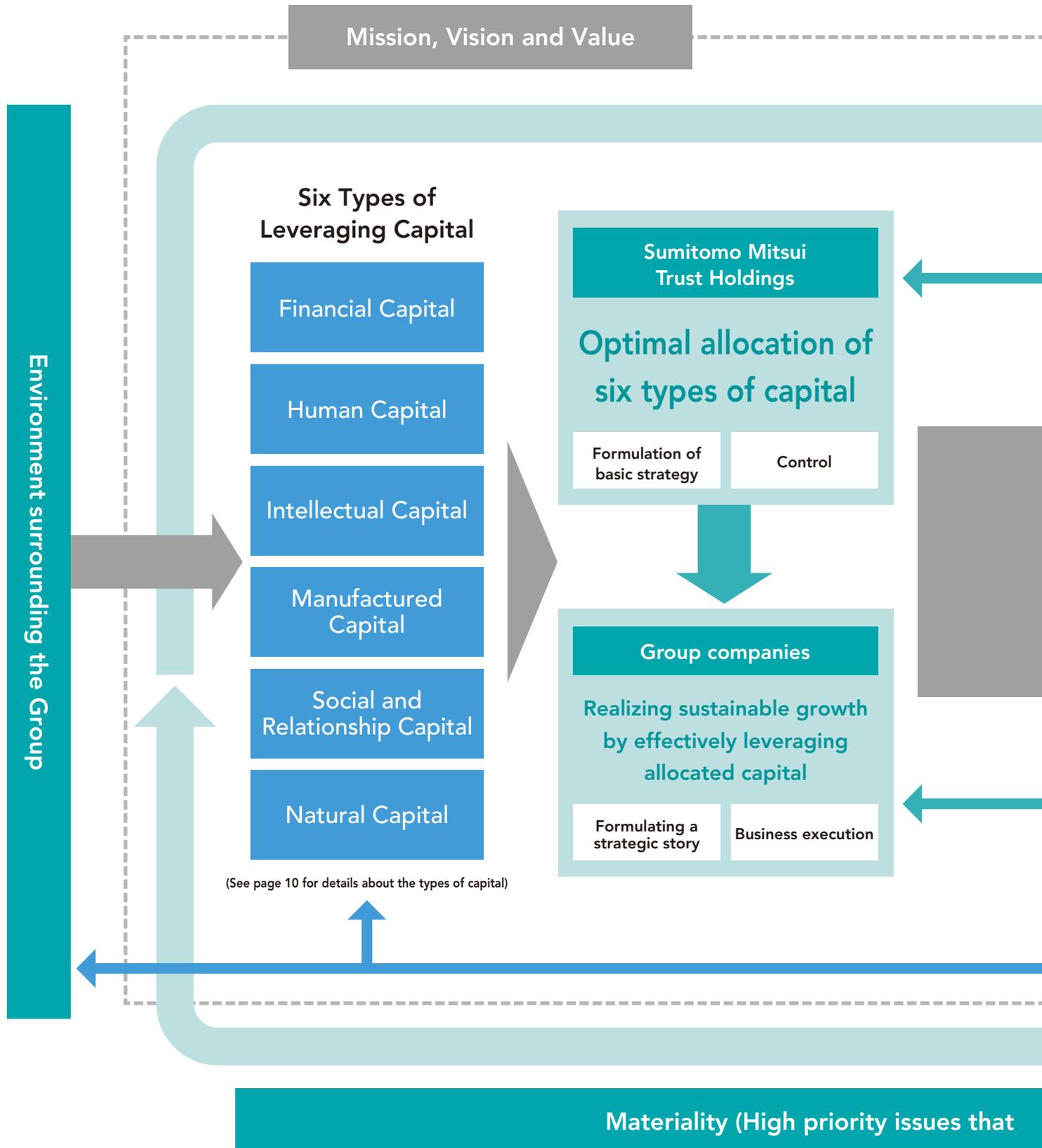
(March 31, 2019)

1+5

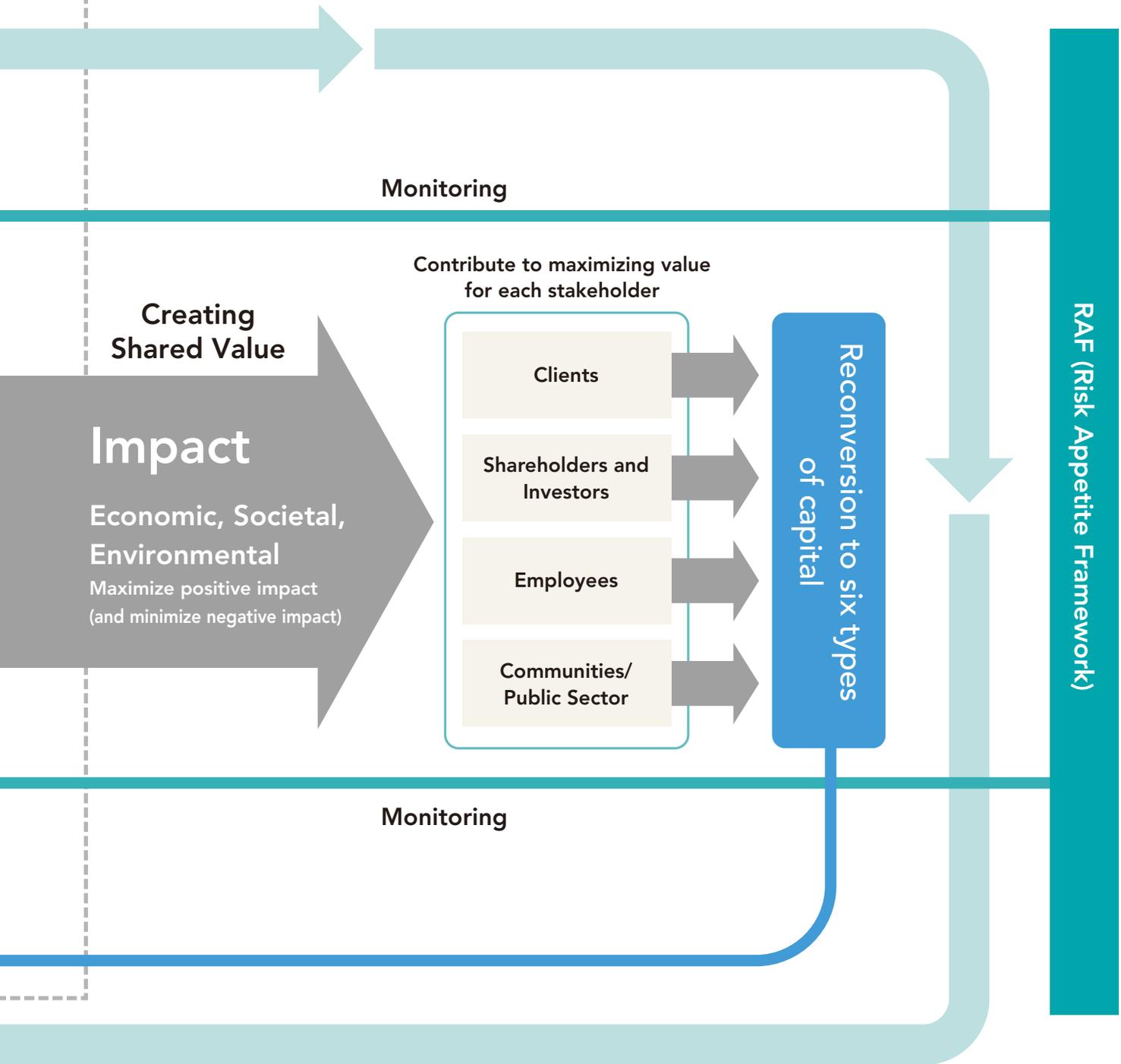
The external director serves as chairman of the Board of Directors. In addition, external directors and external experts serve as chairpersons of the five committees (Nominating Committee, Compensation Committee, Audit Committee, Risk Committee and Conflicts of Interest Committee). (See page 28 for details.)

Vision

Value Creation Process



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, and maximizes value provided to our clients, shareholders, investors, employees, communities, and other stakeholders from an impact perspective. At the same time, the Group enhances its corporate value. The value we create enhances our capital and forms the foundation for further development. In the value creation process, the Risk Appetite Framework (RAF) serves the function of monitoring whether or not the capital is being allocated and leveraged optimally by checking various indicators. (See pages 68 and 69 for details about RAF.)



have impact on value creation process)

Group Strengths (Advantages of capital)

Financial Capital

- Adequate capital in both quality and quantity (March 31, 2019)

CET1 ratio*1 **12.18%** Pro-forma figure on Finalized Basel III reform basis is at 9% level

- Total assets **¥68 trillion (fifth among Japanese banks)**

- High quality loan portfolio
- Non-performing loan ratio*2 **0.3%** (March 31, 2019)

- Appropriate preparation for risk Strategic shareholding (market price) hedge ratio*2 (March 31, 2019) **80%**

- Fee income ratio*1 (FY2018) **57%**

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

Intellectual Capital

- Ability to develop products that grasp the needs of society by using the high level of expertise unique to a financial group specialized in trust banking

- (Past)
- Loan trust: Contribute to postwar recovery
 - Pension trust: Supporting the lifestyles of corporate employees after retirement
- (Present)
- 100-Year Life Solution Trust (100-Year Passport): Preparing peace of mind, safety and joy of life in the "era of 100-year life"
 - Positive Impact Finance

- Accumulating extensive knowledge of inheritance and asset succession

- Number of will trusts held (March 31, 2019) **32,000 wills**
- Number of wills executed (Total for five years until March 31, 2019) **5,200 wills**

- Creative ability
- Number of applications for "activities for employees to shape their own futures," recruiting ideas from employees to create new businesses **213 applications (from 468 people)**

- Various functions amassed via collaboration within the Group

Social and Relationship Capital

- High quality client base (March 31, 2019)

- Assets under management **¥93trillion***1 (1st among Domestic Financial Institutions)
- Assets under custody **¥211 trillion***2 (1st among Domestic Financial Institutions)
- Total loan balance **¥28trillion***3 (5th among Domestic Banks)

- Number of shareholders under administration **26.7 million shareholders***1 (No.1 in trust banks)
- Number of listed companies under management*1 **Approximately 40% of listed companies** (No.1 in trust banks)

*1 Group companies combined

*2 Trust asset balance. Trust banks specializing in asset administration services are excluded because their trust assets include many re-trusted parts.

*3 SuMi TRUST Bank non-consolidated

- Years in business

95 years The first trust company in Japan (Established in 1924)

- Corporate brand

A corporate brand backed by Mitsui and Sumitomo's combined **400-year** history of contributions to society and relationships of trust with their clients

Human Capital

- Number of consolidated employees **21,498** (March 31, 2019)

- Pool of human resources with high level of expertise (SuMi TRUST Bank, March 31, 2019)

- Registered real estate transaction agents **5,638**
- Fellows of the Institute of Actuaries of Japan **44**
- Employees who have passed 3rd-grade FP exam or higher **7,788**
- Certified securities analysts **832**
- Financial consultants **264**

- Diversity & Inclusion (SuMi TRUST Bank)

- Appointment of female employees to management positions (March 31, 2019)
- Section manager level or higher increased **1.4 times in three years**
- Nearly **one in three** female employees are in management positions (assistant manager level or higher)

- Enhance human capital via health promotion and improved productivity

- Platinum Kurumin Certification: Support for employees balancing work and childcare (SuMi TRUST Bank)
- Certified Health and Productivity Management Organization (White 500): Practicing good health and productivity management (SuMi TRUST Holdings)

Manufactured Capital

- Optimally placed base network (SuMi TRUST Bank, June 30, 2019)

- Branches in Japan **117***
- Overseas bases **15**

*The substantial number of branches consolidating branches at the same business site

- Providing high added value and promoting efficiency through trust type next-generation branches
- Expanding to all branches by FY2022

- SBI Sumishin Net Bank

- Broad client base and leading IT business base
- Loan balance **¥3.6trillion** (March 31, 2019)
- Deposit balance **¥4.8trillion** (March 31, 2019)

- IT system-related expenses* (FY2018)

- Upfront investment to reduce and streamline future expenses **¥41.0billion**

*SuMi TRUST Bank non-consolidated

Natural Capital

- Social common capital shared by all persons and organizations, and compositions forming the basis for the existence of the Group itself and its stakeholders
- The air, water, land, minerals, forests, biodiversity, and eco-system health (Definition of natural capital according to the International Integrated Reporting Framework)

- Accumulation of knowledge in the Group (example efforts)

- Developed a policy for dealing with biodiversity issues **2008 (First time by domestic bank)**
- Signed the UNEP FI Natural Capital Declaration **2012 (First time by domestic financial institution)**
- Start of environmental rating loans with natural capital evaluation **2013 (World's first loan product of its type, according to the Group's research)**

Creating Shared Value and its Positive Impact

The Group creates shared value together with stakeholders by maximizing positive impact (minimizing negative impact) from economic, societal, and environmental perspectives, which are three aspects of the SDGs (Sustainable Development Goals).*

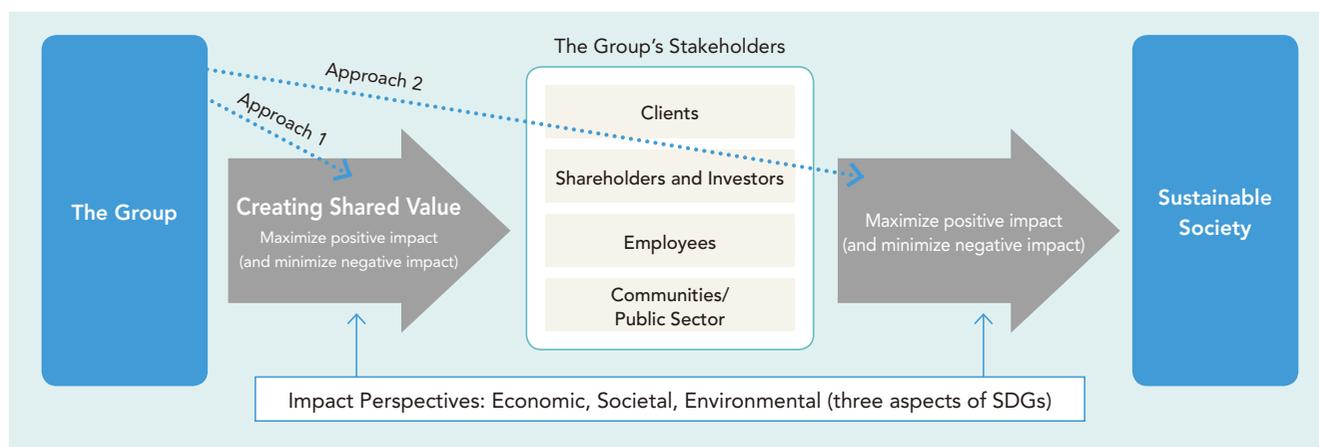
*17 global-scale priority issues to be addressed by the entire world by 2030, which were adopted by the United Nations Sustainable Development Summit in September 2015

Approach 1: Maximizing direct positive impact on stakeholders

The Group aims to maximize positive impact (minimize negative impact) on stakeholders from economic, societal, and environmental perspectives via investments and loans, dialogue with investors, human resources measures, and social activities.

Approach 2: Supporting stakeholders as the starting point for maximizing positive impact

The Group supports stakeholders maximizing positive impact (minimizing negative impact) on a sustainable society from economic, societal, and environmental perspectives via investments and loans, dialogue with investors, human resources measures, and social activities.



	Examples of the impact of Approach 1	Examples of the impact of Approach 2
Clients	<ul style="list-style-type: none"> • Providing best solutions by grasping current and potential needs • Providing a variety of highly specialized products and services 	<ul style="list-style-type: none"> • Promoting business that contributes to solving environmental and societal problems • Contributing to local economies, such as by creating employment • Not just reducing our own greenhouse gas emissions and waste, but working on reductions along supply chains as well
Shareholders and Investors	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Pursuing new investment opportunities that contribute to achieving SDGs • Fulfilling fiduciary responsibilities as a responsible investor, including consideration of ESG
Employees	<ul style="list-style-type: none"> • Providing workplaces where diverse human resources can display their abilities to achieve the Group's business model with hope and pride • Fair assessment and treatment in accordance with abilities, roles and results 	<ul style="list-style-type: none"> • Practicing diverse work styles and work-life balance • Participating in social activities via volunteering • Preventing acts that lead to infringement of human rights, such as harassment
Communities/Public Sector	<ul style="list-style-type: none"> • Contributing to the sound development of local communities, our operating base • Reflecting the opinions of civil society on financial transactions • Using public promotion frameworks of ESG and SDGs 	<ul style="list-style-type: none"> • Efforts on environmental and social issues conducted by NPOs and NGOs • Constructing an SDG promotion platform with the public sector

Top Message



We aspire to provide highly value-added services unique to a financial group specialized in trust banking to meet the changing needs of society. Through this endeavor, we shall contribute to the creation of a sustainable society while maintaining stable growth trajectory.

Sumitomo Mitsui Trust Holdings, Inc.
Director, President

Tetsuo Ohkubo

Social role of a financial group specialized in trust banking in a changing society

Society is currently undergoing significant changes in terms of both structure and values.

In Japan, a declining birthrate and aging population continue to advance. We are realizing that the era of the “100-year life” is now fully upon us.

For individuals, it has become necessary to make a life plan based on the assumption of longevity for both themselves and their family members. In order to ensure safety and peace of mind in life, the younger generation must engage in systematic asset formation for the future. The senior generation must consider how to increase, protect and pass on their assets to the next generation. As healthy life expectancies extend and lifestyles of each generation diversify, there is rising interest in how to lead a rich life going forward.

As for corporations, the major challenges are how to deal with the growing burden of corporate pensions and health insurance and how to secure human resources amid a declining working-age population and advancing longevity. Corporations must also address ESG management, a three-pronged approach that takes into account environmental, social and governance factors, and which is taking on more and more importance both in Japan and overseas. These ESG initiatives are not only essential for the sustainable growth of corporations, but are increasingly vital as part of our social responsibility to the next generation to realize overall economic development and rich lifestyles for individuals. ESG issues have also captured the attention of stakeholders.

By leveraging our accumulated know-how as a financial group specialized in trust banking, we provide a wide range of solutions to address various client needs generated by changes in social structure and values such as the advent of the “100-year life” and the growing importance of ESG management.

For example, to meet the needs of individual clients, we are strengthening our lineup of products that realize a secure and prosperous life for as many people as possible. These include insurance products that combine different protection features according to stages of clients’ lives, package products that respond to concerns about dementia and other problems of aging, Silver College seminars that help seniors enjoy a prosperous old age, and inheritance-related products.

For corporate clients as well, we strive to offer a wide range of solutions in response to increasingly complex management challenges, such as revisions of pension systems, enhancement of company welfare programs, corporate governance, IR/SR consulting, and environmentally friendly construction consulting. We are also working to expand our options for realizing a sustainable society, including the world’s first Positive Impact Finance with unspecified use of funds. This involves comprehensive evaluations and analysis of activities that have a positive impact on the environment and society and loans to support these activities.

Amid the accelerated pace of digitalization and other major changes in financial institutions’ environment and expectations, it is becoming increasingly important for the institutions to accurately understand the needs of clients and society and to create added value that leverages our areas of specialization.

At this turning point in our era, society is experiencing a rapid and unprecedented transformation. I believe we are called upon to play a role in resolving various social challenges as a financial group specialized in trust banking that has diverse functions and advanced expertise, as well as consulting capabilities, while pursuing further reforms ourselves.

Initiatives to Transform Business Model Progress Evaluation of Midterm Management Plan

The current midterm management plan began in April 2017. During this period, the Group is implementing measures aimed at shifting to an earnings structure resilient to business fluctuations and market volatility by transforming to a business model that accurately responds to diversifying client needs in a changing society.

Specifically, we worked to bolster and diversify the fee business, a specialty of ours. We also enhanced the profitability of the loan/investment related business and improved the OHR (overhead ratio). As a result, both fee related income and effective interest related earnings*¹ increased, and consolidated OHR improved in fiscal year 2018 compared to fiscal year 2017. The quality of earnings also improved, including an increase in stable recurring fees. Shareholder ROE reached 7.95%, approaching the 8% targeted in our midterm management plan.

Performance has been strong on the business front. However, growth has been slow in some areas, such as investment in financial products by individual clients, which has not expanded as expected. Furthermore, in order to steadily address the changes mentioned above, we believe that our major management issues are: enhancing our future creation capabilities, developing new solutions, making upfront investments in computer systems that support that development, and striving to control total expenses by improving overall group productivity.

Business Operations Going Forward

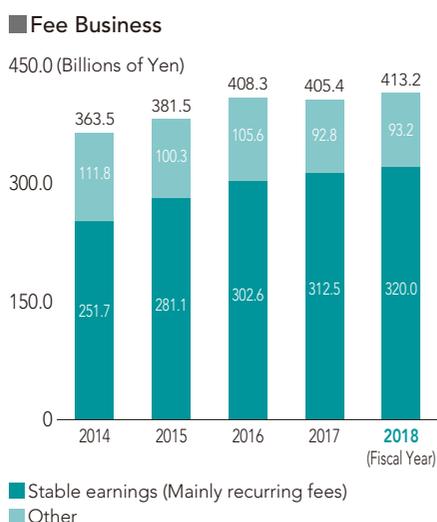
Fiscal year 2019 marks the final year of our midterm management plan. We endeavor to achieve steady results based on our efforts of the past two years by putting the finishing touches on reforms such as strengthening stable recurring fees, which form the foundation for sustainable growth, and further improving balance sheet profitability.

We will resolutely take on challenges in new growth fields that capture major social developments.

(1) Strengthening Profitability to Support Stable Growth

We are working to steadily expand our client base and balance of assets under management and to build a stable revenue base, while enhancing the quality of consulting marketing and building up recognition and trust from both individual and corporate clients.

For individual clients, in addition to making medium- to long-term asset formation proposals, we are promoting cross-generation transactions in



*1 Effective interest related earnings including profit attributable to deployment of surplus foreign currency funds included in net other operating profit.



inheritance- and succession-related businesses where needs are growing. We will reinforce our consulting services for all assets and liabilities, including equity, real estate and financial assets.

For corporate clients, we will provide high value added services such as support for pension system reforms associated with extending the retirement age, investment education for employees, and consulting on enhancement of corporate governance and support for ESG management.

In the loan/investment related business, we will continue our efforts to improve balance sheet profitability by striving to reduce funding costs, and shifting our loan portfolio to high-profit areas where we have strengths. In the meantime, we will respond appropriately to our clients' funding needs.

In the asset management business, we will contribute to medium- to long-term asset formation by providing competitive asset management products to meet the diverse management needs of individual and corporate clients, mainly through Sumitomo Mitsui Trust Asset Management Co., Ltd. and Nikko Asset Management Co., Ltd.

We will also pursue alliances with regional financial institutions and take advantage of our expert functions to provide high-quality services to a wide range of individual and corporate clients.

(2) Cultivating Growth Areas

We will take on the challenge of expanding our services and diversifying our earnings structure by cultivating growth areas based on accurately understanding client needs generated by social changes and creating new solutions to address them.

For example, we strengthened our insurance consulting functions in May 2019 with the establishment of Sumitomo Mitsui Trust Life Partners Co., Ltd. In June 2019, we launched sales of the 100-Year Life Solution Trust (100-Year Passport),

a trust product that includes features such as asset administration for when a person starts to show symptoms of dementia and a function for passing assets on to the next generation. In this way, we will make maximum use of diverse functions of the Group to address various concerns and needs arising from the advent of the “100-year life era” by developing products and services that offer clients security, safety and richness of life.

In addition, as announced in June 2019, we entered into a capital and business alliance in the wealth management business with the UBS Group, a global leading company in the area of asset management services for wealthy individuals. By leveraging the strengths of both groups, we seek to offer “Total Wealth Management” comprehensive financial services that provide optimal solutions for clients, not limited to products alone.

Furthermore, we are pursuing measures to address the rapidly advancing digitalization of society. We are taking advantage of digital technology in new areas such as enhanced marketing using AI and verification experiments regarding the use of blockchain in the real estate business.

Other than these, we held a contest for ideas from Group employees for creating new future-oriented businesses in fiscal year 2018. We selected four of the over 200 proposals submitted and are now commercializing them. We will continue these initiatives and intend to further revitalize the corporate culture of an “enterprising spirit” cultivated by the Group.

(3) Cost Structure Reform and Investment in Growth for the Future

As noted above, we consider ongoing efforts to enhance group-wide efficiency to be a major management issue. We will therefore implement well-balanced measures from fiscal year 2019 onward.

First, we will press ahead with improvements in operational efficiency using digital technologies such as RPA*2, while reducing headquarters staff by 10%

*2.Robotic Process Automation



during fiscal year 2019 and shifting these employees to highly profitable front-line marketing.

We are making steady progress in reducing administrative workloads at branches, a task we have been working on since fiscal year 2017. We expect a 40% reduction during fiscal year 2019 and are planning a reduction of 70% by fiscal year 2021. Our policy is to demonstrate the added value unique to a trust bank while reducing the amount of space used in branches and improving efficiency. To do so, we will enhance convenience for clients and provide more space for contact with them through the introduction of new multifunction devices, while at the same time shifting to “trust type next-generation branches” that reduce operation space.

Meanwhile, we will begin making necessary upfront investments in computer systems that are the foundation supporting high-quality products and services from the perspective of improving medium- to long-term profitability, while focusing on efforts to improve cost efficiency.

(4) Practicing Appropriate Risk Control

Looking over the current economic environment, political and geopolitical risks are on the rise overseas, including growing trade friction between the U.S. and China and the delayed BREXIT negotiations. Concerns are growing in Japan as well with regard to an economic slowdown mainly due to economic volatility overseas.

We are reinforcing our risk preparations as downside-risk management has taken on even greater importance amid uncertainty in the economic and financial environment both in Japan and overseas.

For example, in addition to controlling the risk of fluctuations in the yen and U.S. interest rates, we had hedged approximately 80% of the market capitalization of strategic shareholdings held by the Group as of March 31, 2019. We will continue working to strengthen our financial base by preparing for the risk of fluctuations in the market price of shares while systematically reducing our strategic shareholdings.

With respect to credit risk, we will redouble our efforts focused on risk predictor management and risk management while responding steadily to the funding needs of clients.

Initiatives to Enhance Management Infrastructure

In order to swiftly and steadily carry out the initiatives I have mentioned thus far, we will enhance our corporate governance system and further strengthen human resources that underlie total solutions. As a Group that emphasizes trust, we will promote compliance with strict international regulations and strive to build a framework to handle our expanding global business.

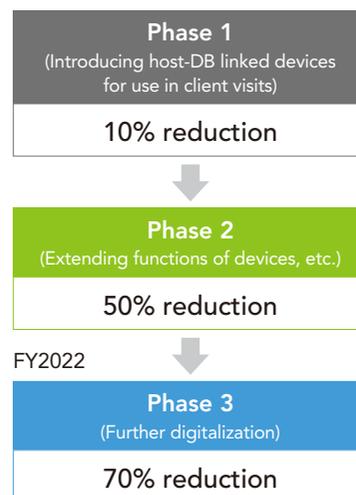
Initiatives to Enhance Governance

In the interests of enhancing medium- to long-term corporate value, SuMi TRUST Bank and Nikko Asset Management, the Group’s primary subsidiaries, each transitioned to a Company with Audit and Supervisory Committee in June 2019,

■ Reduction of branch backoffice work

- Reduce branch backoffice work by 70% in the five years since fiscal year 2017
- Create the workforce equivalent of approximately 1,600 employees

<Reduction Plan>



Expect to achieve 40% reduction during FY2019

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■ New Diversity Management Selection 100 project



■ Certified Health and Productivity Management Organization (White 500)



following the similar transition of Sumitomo Mitsui Trust Asset Management in October 2018. With this change, we aim for greater management flexibility and to enhance our audit and supervisory functions. In addition, SuMi TRUST Holdings made Nikko Asset Management a directly owned subsidiary in July 2019, to build a highly transparent asset management business system.

Developing Human Resources and Expanding Areas for Active Participation

The Group has always considered human resources to be the greatest source of our competitiveness, and it has worked to expand areas in which diverse human resources can play active roles. In recognition of these efforts, SuMi TRUST Bank won a place in the New Diversity Management Selection 100 for the first time.

We also view work style reforms and health promotion management that enhance production while reducing total working hours as high priority issues for achieving sustainable growth for the Group. Specific efforts include working from home and mobile work, as well as smoking bans at all locations. These activities have been highly regarded. The Group was selected as a “Certified Health and Productivity Management Organization (White 500)” for the second consecutive year.

We continue to view human resources as the source of the Group’s sustainable development and will focus our efforts on both developing diverse personnel and expanding areas in which they can play active roles. Specifically, we will boost the expertise, comprehensive capabilities and creative power of employees through enhanced in-house training. In the meantime, we will provide opportunities for growth and active participation among the mid-career and young segments, as well as proactively promote female employees. We are also implementing measures such as extending the retirement age so that senior employees with abundant experience can participate actively with purpose and motivation.

Enhancing Shareholder Return

The Group intends to make solid returns to shareholders from the results of our business activities. In May 2017, we set our shareholder return policy of maintaining a consolidated dividend payout ratio of around 30%, while gradually raising the total payout ratio to approximately 40% in the medium term by carrying out share repurchases.

For fiscal year 2019, we announced a dividend (forecast) of ¥150 per share of common stock, an increase of ¥10 compared to the previous fiscal year, as well as a repurchase of shares in May 2019. Through these efforts, we expect the total payout ratio to be around 40% of net income attributable to owners of the parent (full-year forecast) for fiscal year 2019, achieving the targeted level of “approximately 40% in the medium term” ahead of schedule.

We will continue to meet the expectations of shareholders by making a substantial return to shareholders, while aiming to raise ROE in the medium term in line with sustainable and stable growth befitting a financial group specialized in trust banking.

In Conclusion

We recognize even more expectations for diverse functions, advanced expertise and high-quality consulting cultivated by the Group, as client issues become increasingly diverse and complex amid significant changes in the structure and values of society.

We are proud and confident to be a financial group specialized in trust banking. We will strive to earn even greater trust and support as the best partner to resolve all our clients' concerns in a new era and a new environment. At the same time, we will help realize a sustainable society by providing Group services to a wide range of clients by making full use of various networks.

We ourselves will strive for constant transformation and create an even stronger portfolio of varied and unique functions and businesses, including real estate, asset management and asset administration, in addition to banking operations. We will thus establish a business model that is clearly distinct from the conventional commercial banking model centered on financial intermediary services, in order to realize sustainable and stable growth.

Going forward, all directors, officers and employees of the Group, myself included, will do our utmost to live up to the expectations and trust of stakeholders, who range from clients to society and beyond.

We appreciate your continued understanding and cooperation.

July 2019

Sumitomo Mitsui Trust Holdings, Inc.
Director, President



Message from Head of Finance



Sumitomo Mitsui Trust Holdings
Managing Executive Officer
Head of Finance

Hitoshi Sato

1. Looking Back on Fiscal Year 2018 (Second Year of Midterm Management Plan)

Looking back on fiscal year 2018, the second year of the current midterm management plan, turning first to business performance, we achieved profit growth in line with the plan for both net business profit before credit costs and net income attributable to owners of the parent. This was due to steady growth in the fee businesses, including asset management, real estate and the stock transfer agency services business, in addition to improved profitability in

the loan/investment related business owing to replacement of assets and control of funding costs. Both revenue and profit increased even after implementing further efforts to enhance financial soundness, including realization of U.S. treasury related unrealized loss and impairment of goodwill at subsidiaries. As a result, return on shareholders' equity was 7.95%, nearing the level of 8% set as a medium-term target under the midterm management plan.

		(Billions of yen)	FY2017 Actual	Plan	FY2018 Actual	Change from FY2017	Against plan	FY2019 Plan	Target KPIs
Profit targets	Net business profit before credit costs		270.5	280.0	282.2	+11.6	+2.2	290.0	
	Net income attributable to owners of the parent		153.9	175.0	173.8	+19.9	(1.1)	180.0	
Profitability indicators	Fee income ratio		57.4%		57.1%	(0.3%)	—	—	Approx. 60%
	Overhead ratio (OHR)		61.7%	61.1%	60.9%	(0.8%)	(0.2%)	60.8%	Mid 50% level
Financial indicators	Shareholder ROE*		7.40%	—	7.95%	+0.55%	—	Approx. 8%	8% or more
	Common equity Tier 1 ratio		11.33%	—	12.18%	+0.85%	—	—	Approx. 10%

* Return on shareholders' equity = [Net income attributable to owners of the parent / (FY-start total shareholders' equity + FY-end shareholders' equity) / 2] × 100

Looking at each business separately, results fell short of the plan for investment management consulting, etc. amid an uncertain market environment, and there are areas where our efforts to strengthen the client base should be accelerated. If we look carefully, we can see that we need to step up our credit risk management, given the increase

in new credit costs arising in the second half compared to the first due to worsening of credit of some borrowers. However, considering credit risk as well as market risk overall, including share prices and interest rates, I believe our efforts to appropriately control downside risks are progressing steadily.

2. Outlook for Fiscal Year 2019

In the business environment for fiscal year 2019, there are growing concerns about an economic downturn mainly stemming from overseas factors such as U.S.-China trade friction and its increasing impact, as well as geopolitical risks in Europe and the Middle East. We need to continue to prepare ourselves for downside risks, including rapid changes in financial markets. In fiscal year 2019, while the pillars of our strategy remain unchanged, including strengthening the fee business and improving the profitability of the credit portfolio as set out in the midterm management plan, we will work even more aggressively to further accelerate and enhance various measures.

We will also further bolster efforts to improve cost efficiency group-wide. At the same time, we will make IT-related upfront investments designed to produce cost reduction effects and enhance our client service capabilities in the future, based on diversified, selective

investments. We will work to keep consolidated OHR at a low level by controlling total expenses and steadily growing the top-line through constant efforts to reduce general expenses.

With regard to performance in fiscal year 2019, we are planning gradual increases in both revenue and profit, with net business profit before credit costs of ¥290.0 billion and net income attributable to owners of the parent of ¥180.0 billion, and expecting return on shareholders' equity (ROE) in the range of 8%. Although we are planning for ¥10.0 billion less in net business profit before credit costs compared to the midterm management plan primarily due to an expected increase in total expenses owing to upfront investments in systems to reduce future costs, net income attributable to owners of the parent is in line with the midterm management plan level, reflecting profit secured through ongoing sales of strategic shareholdings.

3. Financial Agendas

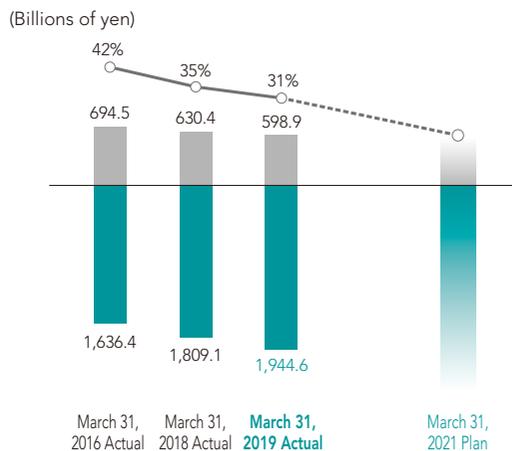
I think that our biggest financial challenge is how to achieve high levels of financial soundness along with high profitability and capital efficiency.

International capital regulatory reforms agreed upon by the Basel Committee on Banking Supervision (finalized Basel III) at the end of 2017 will raise capital requirements for credit portfolios and strategic shareholdings. As one of the Domestic Systemically Important Banks (D-SIBs), and a trust banking group premised on long-term transactions with clients, I believe we need to strengthen our financial base even more by increasing capital and improving asset

profitability. At the same time, we will strive to further solidify our goal of shareholder ROE of 8% or more by steadily expanding the fee business and stepping up efforts to improve cost efficiency, while also working to reach our long-term target of 10% as early as possible. With the Group's transaction base with its corporate and individual clients, and a sustainable growth model centered on various fee businesses, I think it is fully possible to achieve both financial soundness and capital efficiency.

As for strategic shareholdings, while we have hedged economic risk corresponding to approximately 80% of market capitalization of such shareholdings as of March 31, 2019, we will strive to continuously reduce the balance of strategic shareholdings from the standpoint of capital efficiency. In accordance 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," we decreased the ratio from 42% to 31% over the past three years. With the understanding of our business partners, we aim to achieve our target of a 50% reduction over the remaining two years.

Ratio of strategic shareholdings to Common Equity Tier 1 capital*



- Common Equity Tier 1 capital (excluding valuation differences on available-for-sale securities)
- Stocks (Acquisition cost of stocks on a consolidated basis)
- Ratio of strategic shareholdings to Common Equity Tier 1 capital
- * Stocks (acquisition cost of stocks on a consolidated basis) ÷ Common Equity Tier 1 capital (excluding valuation differences on available-for-sale securities)



4. Capital and Shareholder Return Policy

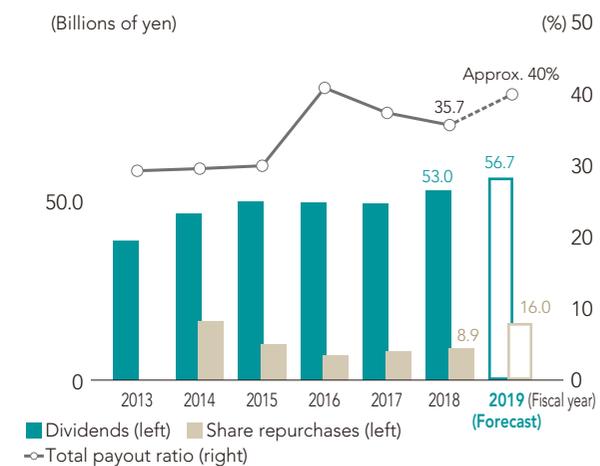
Our basic policy on capital and shareholder returns is 1) to set a goal of achieving both higher levels of adequacy and efficiency of capital, and to engage in capital management that strikes the best balance between 2) investment in profit growth opportunities and 3) strengthening shareholder returns in the medium term.

As for capital adequacy, we have set a target of steadily securing a Common Equity Tier 1 (CET1) ratio of approximately 10%. As of March 31, 2019, we have secured a CET1 ratio of 12.1%, exceeding our target. However, we believe that it will be necessary to accumulate further capital at this stage, given that our pro-forma CET1 ratio based on Finalized Basel III reform basis, which is expected to be phased in from March 31, 2022, would be 9% level.

However, considering the steady progress of the mid-term management plan mentioned earlier, and our expectations with regard to goal 1), we set a policy for fiscal year 2019 to achieve ahead of time a 40% total payout ratio, which is a medium-term target under the midterm

management plan. We plan a dividend per share of ¥150, which is an increase of ¥10 per share for the second consecutive year, and will increase the amount of share repurchases compared to the previous fiscal year to a maximum of ¥16.0 billion.

Shareholder return



5. In Conclusion

As stated in the Top Message, as Japan's only financial group specialized in trust banking, I believe we can demonstrate an outstanding presence in the financial sector in terms of our financial profile, including capital adequacy and efficiency, by establishing a more robust business model that is distinct from the commercial bank model.

We are also committed to further increasing management transparency by strengthening our efforts to engage in dialogue with various stakeholders, including disclosure of financial as well as non-financial information such as

corporate governance and ESG initiatives, and by engaging in so-called shareholder relations (SR) activities.

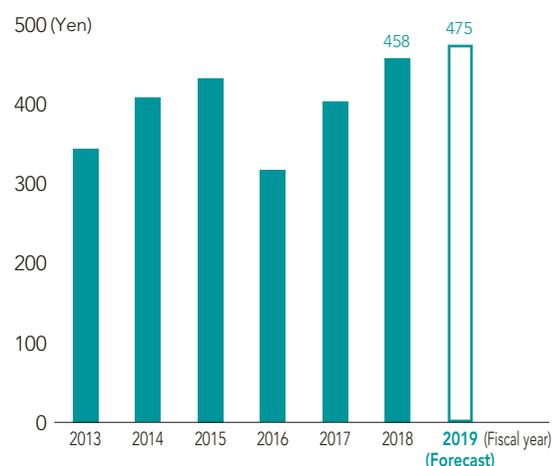
Through these efforts, we will actively contribute to the Group's value creation process from the standpoint of finance.

KPI*

	FY2018 Actual	FY2019 Plan
Profit growth	¥173.8 billion	¥180.0 billion
Capital efficiency	7.95%	Approximately 8%
Shareholder return	35.7%	Approximately 40%

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

Earnings per share (EPS)



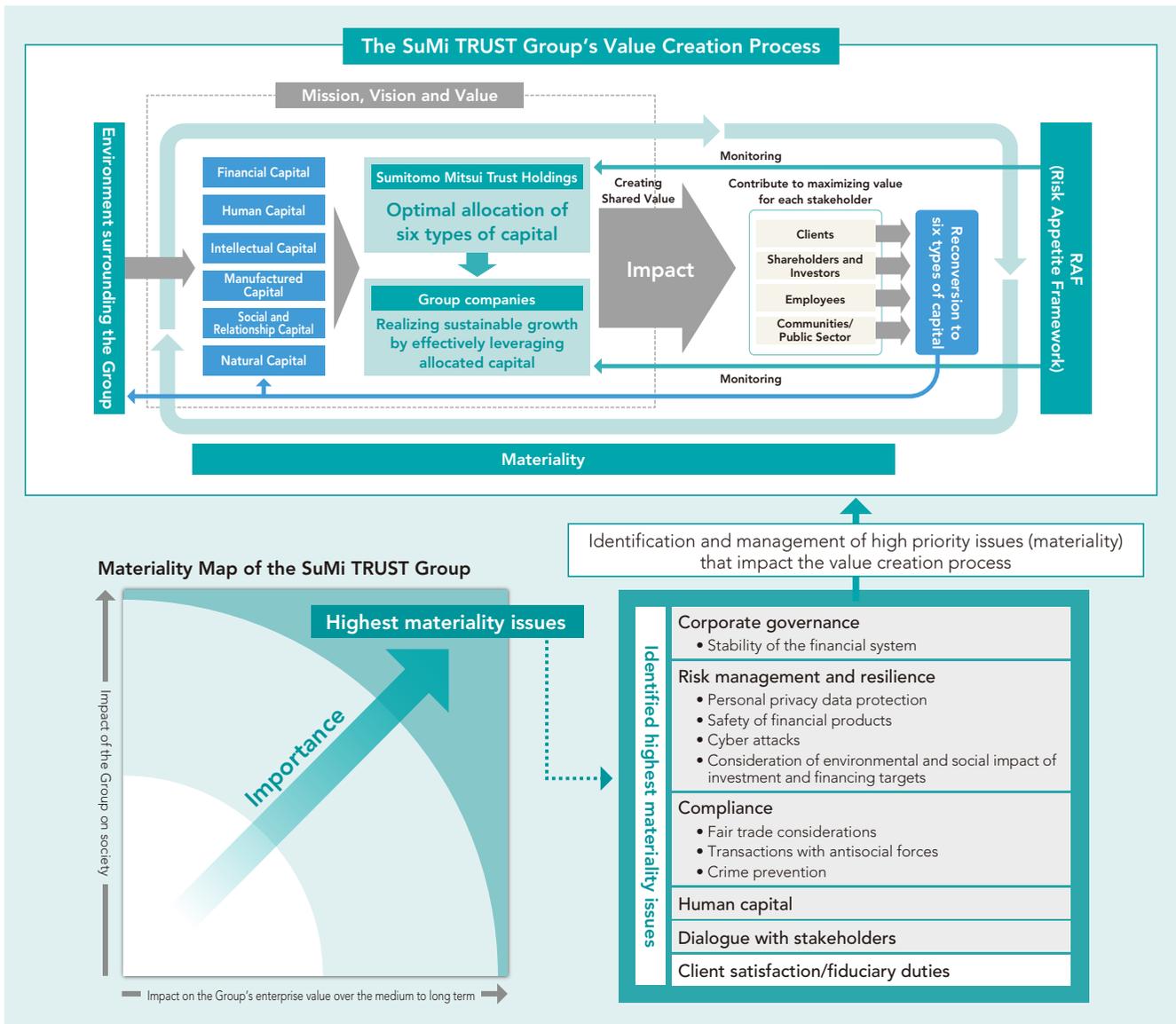
ESG Initiatives

Materiality Management

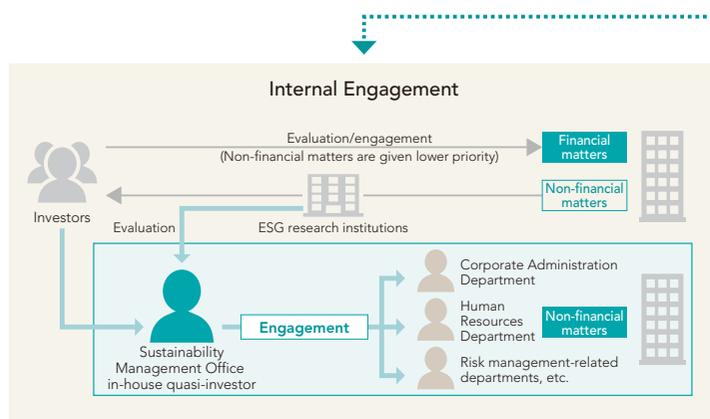
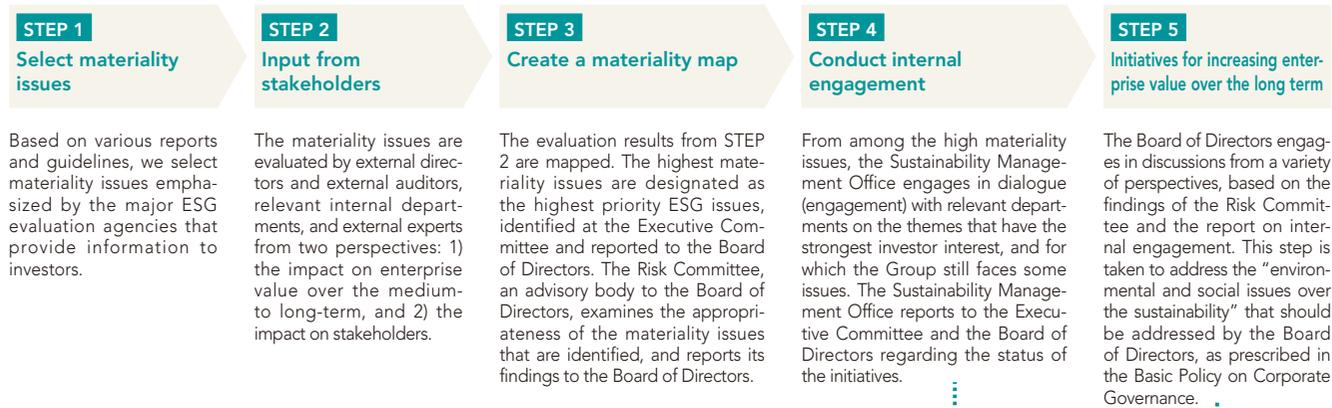
Materiality (high priority issues) refers to events that have a material impact on a company’s value creation process. The SuMi TRUST Group promotes materiality management that identifies materiality issues that need to be addressed as priorities from a medium- to long-term perspective, and dealt with 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, such as 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 Identification and Practice



Main Discussions Regarding ESG initiatives at the Board of Directors Meeting Held in February 2019

- Further contributions to the resolution of domestic and foreign issues through ESG measures in business fields in which the Group has strengths
- Enhancement of communications in order to further foster understanding of ESG measures, both inside and outside the Group
- Enhancement of internal engagement aimed at increasing the value provided to stakeholders
- Leadership in implementing the principles for responsible banking
- Visualization of contributions to SDGs and SDG results achieved through Positive Impact Finance

Internal Engagement in FY2017-2018

Theme	Target Departments	Engagement in FY2017	Results from FY2017/ Engagement in FY2018
Corporate governance	Corporate Administration Department, Corporate Secretariat	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	Provided evaluation results on the Group received from ESG research institutions, and relayed the Group's issues from the perspective of investors. Expanded the disclosure of information such as the President's standard compensation table
Enhancing human capital, increasing enterprise value	Human Resources Department	After the previous fiscal year's engagement, prepared a map of the linkages between HR measures and enterprise value, and disclosed the information in an integrated report/ESG report; continuously discussed methods to enhance the level of disclosure of content regarding human capital	Further improved the map of linkages and expanded disclosure of quantitative data. In particular, expanded content disclosed on website regarding diversity & inclusion promotion measures and their results
Climate change	Wholesale Business Planning Department*1	Shared awareness regarding the loan and investment risks related to fossil fuels of particular interest to investors; engaged in in-depth discussions regarding project financing for coal-fired power generators	As a general rule, it was decided not to engage in project financing for the coal-fired power generator business in Japan and overseas. This was reported in the integrated report
Dementia-related problems	Related departments*1	The expertise accrued through collaborations with COLTEM*2 was used to organize information regarding the impact of dementia-related problems on Retail Total Solution Services Business. This information was provided to related departments	Measures on dementia literacy improvement and community coordination were implemented at branch offices. In related internal departments, external experts were invited as workshop lecturers. Information regarding problems was shared through these workshops. A foundation was established for group-wide coordination
Value creation process	All business supervision departments*1	—	Integrated reports were used to explain the importance of the value creation process to investors. All businesses were instructed to begin considering their own value creation processes
SDGs	All business supervision departments*1	—	The global tide of focusing on SDGs was explained. All businesses were instructed to formulate business strategies linked to SDGs
Sustainable investment	SuMiTAM Actively Managed Fund Department Fixed Income Investment Unit, etc.	—	Global trends in fixed income investment, such as ESG integration and impact investment, which have been growing in recent years, and their background were explained. Opinions were shared regarding this topic

*1 SuMi TRUST Bank

*2 "A development center of social technologies integrating law, engineering and medicine that seamlessly support community life for the elderly from the period of sound health to the onset of dementia." The project is carried out through collaboration between industry, government, and academia.

Corporate Governance



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

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

1. History of Enhancement of Corporate Governance

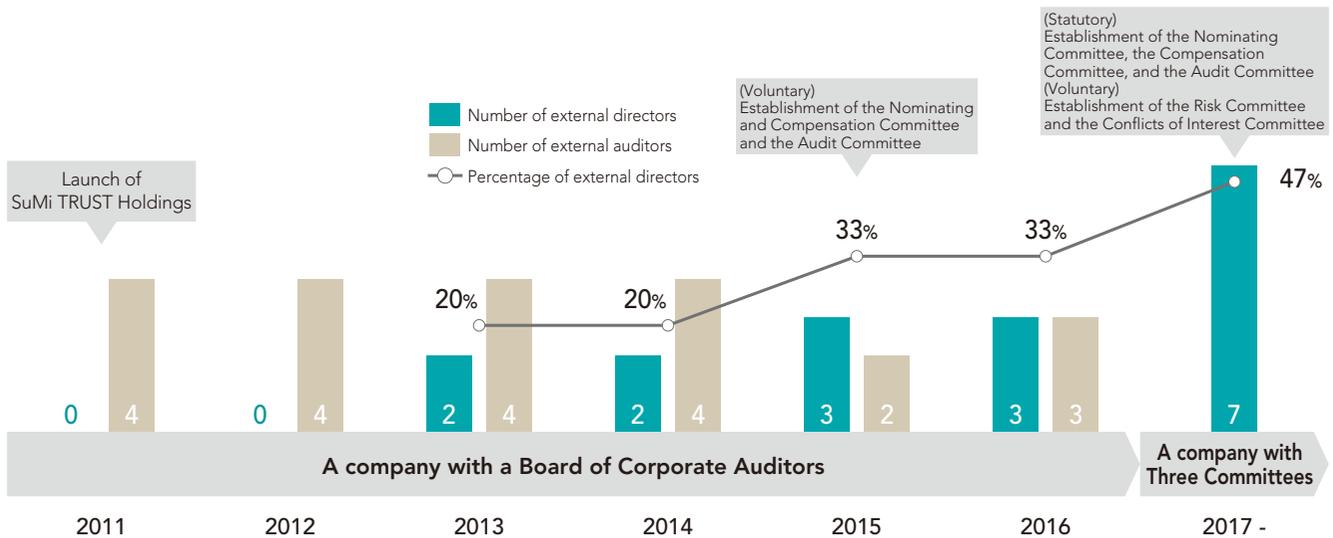
As Japan's only financial group specialized in trust banking, the SuMi TRUST Group has worked to refine its business model, which provides unique added value, and to enhance profitability through collaboration among Group companies, by swiftly and accurately providing total solutions for clients through 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.



Overview

Vision

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.

ESG Initiatives

Business Strategy

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, Nikko Asset Management, JTC Holdings, and Sumitomo Mitsui Trust Research Institute, 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.



Management Foundation

Corporate Information

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”). 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

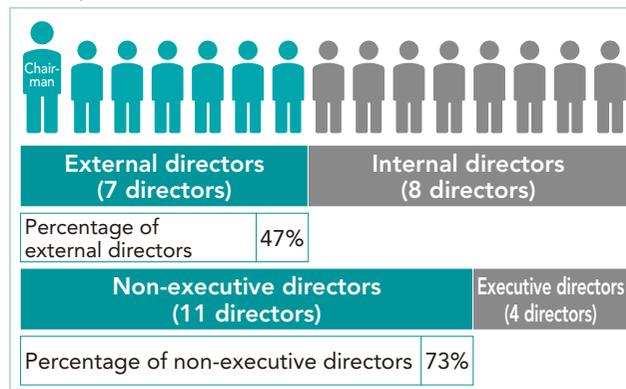
The Board of Directors of SuMi TRUST Holdings is comprised of no more than 20 directors, which is the number of directors prescribed in the Articles of Incorporation, and includes the number of directors that is necessary and appropriate to provide an effective supervisory system required of a financial 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
- 16 Board of Directors’ meetings were held during the period of July 1, 2018 to June 30, 2019. Attendance of all Board members was 100% for all 16 meetings.

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

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

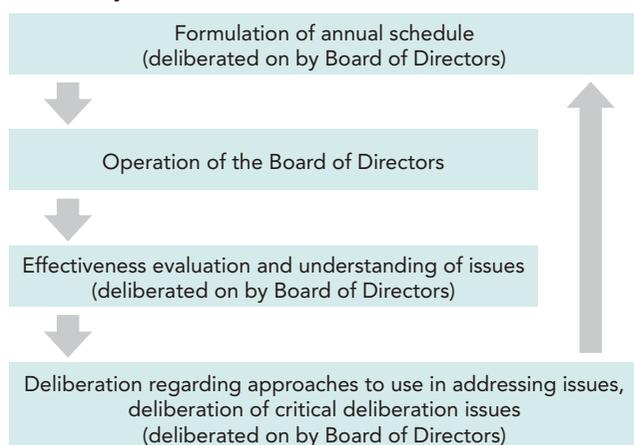
In addition, SuMi TRUST Holdings has established the Corporate Secretariat as an organization that assists the chairman in fulfilling his duties, thereby providing information for use in the selection of agendas for Board of Directors meetings, and offering assistance regarding matters such as the clarification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



(4) Results of the FY2018 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 FY2018 Evaluation of the Board of Directors are as indicated below.

■ PDCA Cycle



○ FY2018 Key Evaluation Points of the Board of Directors

- (1) Implementation of multifaceted evaluations, including a self-evaluation by the Board of Directors and each committee's self-evaluation, as well as the Board of Directors' evaluation of each committee and executive officers' evaluations of the Board of Directors
- (2) Implementation of third-party evaluations through questionnaires and interviews with directors by external experts
- (3) Confirmation of some degree of effectiveness through self-evaluations based on third-party evaluations; recognition of future issues
- (4) Exchanges of opinions at the external directors' meeting regarding the results of the evaluation of the Board of Directors

■ FY2018 Implementation Schedule for the Evaluation of the Board of Directors

Month and Year	Evaluation Process
January-February 2019	Conducted questionnaires on directors, executive officers, and members of each committee (including external committee members other than directors. Same hereinafter)
February-March	External experts conducted interviews with directors
April	The board of directors deliberated the results of the evaluation of the board of directors Exchanges of opinions by external directors at the External Directors Meeting
May	Areas of greater focus for future deliberations were discussed by the board of directors
June	Additional matters for consultation for each committee were prepared An annual deliberation schedule for the board of directors was prepared

○ Measures to Address FY2017 Challenges

Based on the efforts for tackling challenges in fiscal year 2017, described below, the FY2018 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 2017.

- (1) Refinement of the infrastructure for operation of the Board of Directors to contribute to efficient and enhanced deliberation
 - With regard to the topics to be deliberated on in greater depth by the Board of Directors, an annual deliberation schedule was formulated, and the topics were discussed by the Board of Directors. Appropriate deliberation opportunities were provided to the Board of Directors and committees.
 - Board of Directors materials were improved with an eye toward monitoring by the Board of Directors.
- (2) Further demonstration of supervisory functions over management matters important for promotion of the midterm management plan
 - From a supervisory perspective, management priority issues and medium- to long-term themes were selected as "management themes" and deliberated on in-depth by the Board of Directors.
 - Progress in the deliberation of risk appetite framework ideals, based on the trust bank group business model, was confirmed.
- (3) Enhancement of coordination between the Board of Directors and each committee with a view toward ensuring the further demonstration of their functions
 - Through deliberations by the Board of Directors, processes were introduced for clarifying the advisory issues of each committee for fiscal year 2018.

○ Results of the FY2018 Evaluation of the Board of Directors and Future Measures

Through the FY2018 Evaluation of the Board of Directors, SuMi TRUST Holdings concluded that the Board of Directors and each committee had been operated with a sense of their own purpose, in an effort to invigorate deliberation and enhance objectivity and transparency, and that they had maintained a certain level of effectiveness.

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

- (1) Enrichment of discussions of medium- to long-term management challenges and strategies, including formulation of the next midterm management plan
- (2) Enhancement of monitoring aimed at improvement of group governance
- (3) Enhancement of framework that supports the operation of the Board of Directors

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.

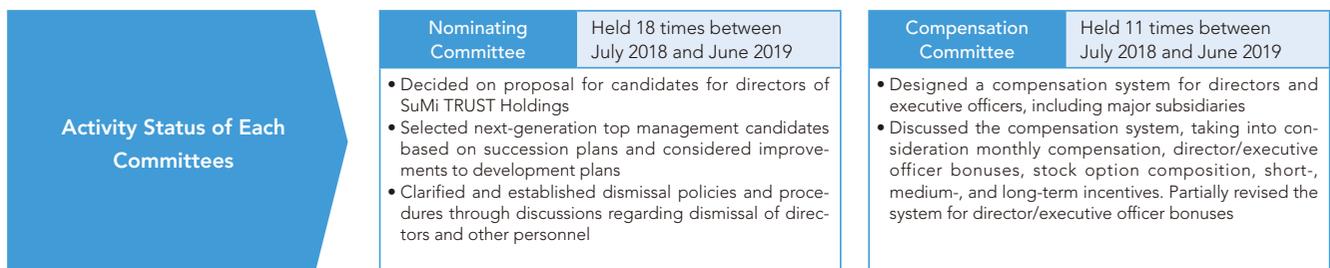
(1) Nominating Committee

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 from

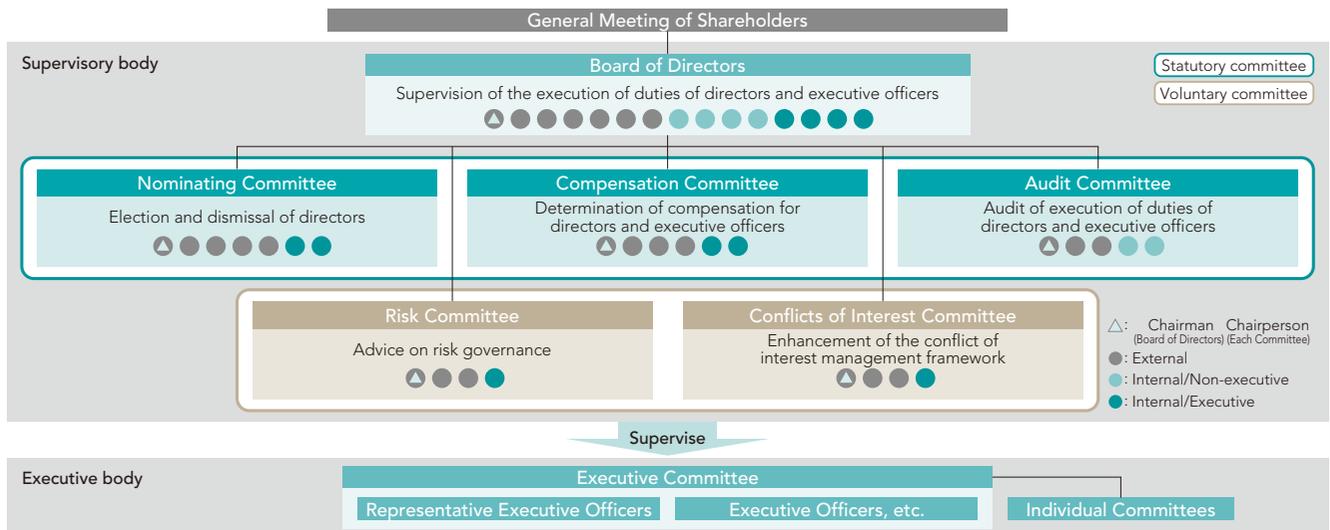
the Board of Directors of SuMi TRUST Bank and Sumitomo Mitsui Trust Asset Management, and deliberates and makes reports regarding these matters. The Nominating Committee consists of three or more directors, and a majority of the members are independent external directors. The chairperson of the Nominating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

(2) Compensation Committee

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



■ Corporate Governance System



(3) Audit Committee

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

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

(4) Risk Committee

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

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

(5) Conflicts of Interest Committee

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

Audit Committee	Held 16 times between July 2018 and June 2019	Risk Committee	Held 8 times between July 2018 and June 2019	Conflicts of Interest Committee	Held 5 times between July 2018 and June 2019
<ul style="list-style-type: none"> Carried out organization auditing (auditing using the internal control system). Performed organized, efficient auditing through appropriate collaboration between executive officers, directors, the Internal Audit Department, a financial auditor, etc. Reported important auditing matters, including audit instructions from the Board of Directors, to the Board of Directors each quarter 		<ul style="list-style-type: none"> Carried out discussions on topics such as the risk appetite framework, based on the Group's business model Evaluated external environment assumptions on which the management plan is based, and the Group's recognition of top risk conditions Evaluated and provided instruction regarding restructuring and liquidation procedure plans formulated as D-SIBs 		<ul style="list-style-type: none"> Established a stewardship subcommittee and enhanced supervision based on the integration of investment management functions of a trust bank Deliberated on scandals involving other companies at meetings of the Board of Directors, etc. Enhanced executive management, such as reflecting these scandals in company-wide training aimed at fostering a risk culture and considering improvements to performance evaluation management 	

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

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

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

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.
- Neither internal nor external committee members participate in decisions regarding their own compensation.

(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.

FY2018 Compensation ratio*1	Approx. 40%	Approx. 30%	Approx. 15%	Approx. 15%
Compensation type	Fixed compensation portion of monthly compensation	Individual performance compensation portion of monthly compensation*2	Company performance-linked bonus	Stock-compensation-type stock options
Payment standard	<ul style="list-style-type: none"> • Paid based on position, etc. 	<ul style="list-style-type: none"> • Evaluation for previous fiscal year • Medium- to long-term performance contributions • Medium- to long-term activity status • Qualitative assessment of capabilities, etc. 	<ul style="list-style-type: none"> • Consolidated net business profit before credit costs • Consolidated net income 	<ul style="list-style-type: none"> • Single fiscal year performance • Stock price • Other management environment, etc.

*1 For the President (also applies to table's content)

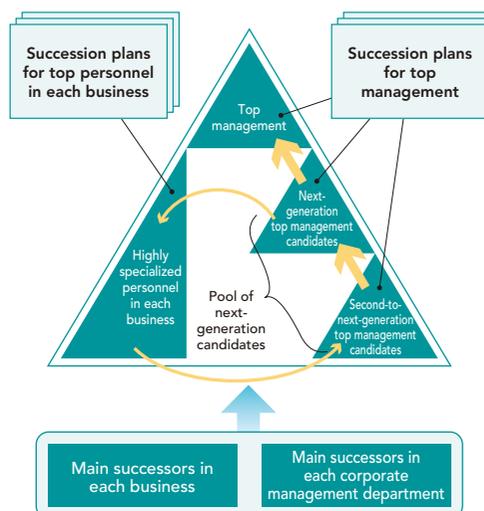
*2 Ranging between 70% and 160% of the standard amount

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 major subsidiaries, SuMi TRUST Bank and Sumitomo Mitsui Trust Asset Management. We have also created management personnel development plans for the personnel that will be responsible for the management of each business and corporate management.

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

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



8. Changes to the Institutional Design of Group Companies

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

Furthermore, Nikko Asset Management has changed from being a directly owned subsidiary of SuMi TRUST Bank to being a directly owned subsidiary of SuMi TRUST Holdings. In doing so, it aims to further promote the Group's asset management business while enhancing corporate governance, such as efficient and appropriate management of conflicts of interest within the Group.

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

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

9. Management Themes 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 thoroughly play this role, the Board of Directors of SuMi TRUST Holdings selects management themes, consisting of legal and regulatory requirements, priority management issues, and medium- to long-term themes, and discusses these themes in the Board of Directors meetings.

In addition to directors of SuMi TRUST Holdings, external directors of SuMi TRUST Bank also participate as observers in discussions regarding these management themes. Discussions are conducted freely, without any obligation to reach conclusions. The perspectives and expertise of external directors are leveraged in

order to enrich the agendas at Board of Directors meetings.

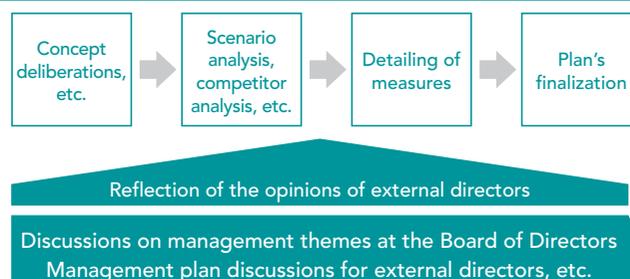
■ Implementation of Management Themes

August 2018	Client evaluation
September	Personnel globalization
November	Study of cases of governance deficiencies in other companies
December	Utilization of trust functions to address social and economic issues
April 2019	(Results of the evaluation of the Board of Directors)
May	Next midterm management plan (Themes for enriching future meeting agendas)

* Items in parentheses were implemented as part of the Board of Directors evaluation process

10. Early Stage Participation in the Midterm Management Plan Formulation Process

Fiscal year 2019 is the final year of the current midterm management plan. Full-fledged discussions were carried out with the aim of formulating the next midterm management plan, to begin in fiscal year 2020. In formulating the plan, management themes were discussed at the Board of Directors from the early stages of deliberation regarding its concepts. In addition, management plan discussions were carried out by external directors outside of Board of Directors meetings. These discussions leveraged the expertise of external directors.



11. External Directors' Meetings

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

These external directors engage in discussions that are active

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

Dialogue between External Director and Investors

Below is an overview of the Q&A session held during “SuMi TRUST IR Day,” a briefing session for institutional investors, in December 2018.



External Director
Chairperson of Audit Committee

Shinichi Saito

Question

What does the Group see as its group management challenges?

With regard to group management, we believe it is essential to consider the vulnerabilities of the systems used by each company and to take a group-wide approach, including examining what kinds of compliance or operational incidents have occurred. Furthermore, we discuss the viability of each Group company's capitalization and any financial discipline issues.

The SuMi TRUST Group engages in major integration of asset management and administration businesses, so not only is group management important for us, but revenue contributions are also rising for Group companies other than SuMi TRUST Bank, our core company. Given this, we see group management as the launching point of our management priority issues.

Question

How has asset profitability management changed since the shift to a “company with Three Committees” in June 2017?

Key to asset profitability management is the quality of assets. We engage in various discussions from perspectives of profitability, risks, and returns. Specifically, for our Audit Committee members, issues such as strategic shareholdings, credit, and impairment loss risks and goodwill in business investments are extremely important. They focus on these

issues in their discussions.

Improving profitability is an important discussion point, as are ROA and how to utilize RAF (risk appetite framework) to strategically allocate capital. We clarify top risks and jump risks, including foreign currency liquidity, and are conducting more comprehensive reviews than ever of asset quality issues and, at the same time, business-related latent risks. We also focus on the issue of asset efficiency while discussing, for example, how to improve per-business ROE. I think these are all major changes.

Question

What kinds of discussions have taken place about the nomination and terms of external directors?

Nomination and terms are deliberated on by the Nominating Committee. The committee has started considering whether it would be best to change external directors after they have been in office for a certain duration.

With regard to nomination standards, external directors' roles and contributions are important points, but we believe that the largest issue may be diversity. We have an unusual nature, as we are a financial institution, so it is important that we not only consider internal logic, but also take into consideration outside perspectives and use them to enhance our management.

Question

The committees exist in order to check the management structure and management team. Please tell us how the committees themselves are checked.

Before each committee, a Board of Directors evaluation is conducted, and then individual committee evaluations are conducted. There are also regular opportunities for each committee to report on their duty execution status to the Board of Directors.

Currently, the Audit Committee's evaluation is a self-evaluation. However, discussions are currently underway regarding evaluations by other directors or, if necessary, executives.

Question

Have there been any changes to the Company's relationships with supervisory agencies as a result of the transition to a "company with Three Committees"? Are there any opportunities for external directors to directly communicate with supervisory agencies?

I myself was a corporate auditor when the Company was a "company with a Board of Corporate Auditors," and an Audit Committee member after the Company became a "company with Three Committees" in 2017. As a corporate auditor, I had multiple opportunities to engage in discussions with supervisory agencies. I believe the agencies needed to recognize the importance of external directors and external auditors in financial institutions, while at the same time requiring financial institutions to have a deep understanding of financial administration. In a reflection after the financial crisis, I think there was the recognition of a need for closer communication and mutual understanding between regulatory agencies and financial institutions.

I have not noticed any particular changes since becoming a "company with Three Committees." Communication has increased, but this is a change that has been brought on by the changing times, and is not something unique to SuMi TRUST Holdings.

**Q**uestion

What are your opinions on the Board of Directors' discussions and the implementation status of governance functions in emergency situations?

As far as how the Audit Committee should respond in an emergency situation, the committee's response is key if we are exposed to risks when a crisis occurs. I believe that initial response is particularly important.

The first thing to do is to identify the facts. This is followed by confirming the extent of damages caused by the incident and considering how to respond and what reoccurrence measures to implement. It is often impossible to completely avoid crises, so instead the problem lies in preventing such crises from becoming long-term latent issues. I believe that the Three Lines of Defense and the functions of the Board of Directors and Audit Committee are the most important.

The question is therefore how to handle actual risk management and communications, and I believe that for the Audit Committee, what is important is the committee's structure. Having a structure that ensures neutrality and objectivity in the event of a crisis is of particular importance.

Question

The activities of Audit Committee members seem extremely extensive. Do you think such a burden is appropriate for external directors?

The activities of Audit Committee members (compared to corporate auditors when the Company was a "company with a Board of Corporate Auditors") have, indeed, increased, and I sometimes come to the Company twice a week. In addition to activities of the Audit Committee, there are preparatory briefings, etc. for the Board of Directors.

SuMi TRUST Holdings, in particular, is only in its second year as a "company with Three Committees," so it is important to share information, understand operations, and have a deep understanding of what kind of person is doing what kind of work.

Governance does not function properly just by creating a system. The personnel side is also important. In particular, for coordination between the first, second, and third lines, we get a feel through communications with various executive officers and internal control units. This is a responsibility, not a burden. Such activities are essential for executing the duties of the Audit Committee and its chairperson.

Our Board of Directors and Executive Officers*1 *2

(As of July 1, 2019)

Directors (internal)

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

Executive Officers

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

Atsushi Kaibara

Managing Executive Officer

Kazuya Oyama

Executive Officer*2

Yukihiko Kitano

Executive Officer*2

(Wholesale Total Solution Services Business)*3

Masahiro Tsuchiya

Executive Officer*2

Akira Yokota

Managing Executive Officer

Hitoshi Sato

Executive Officer, Executive Officer*2

Kiyomitsu Asahi

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

Tsuyoshi Saito

Executive Officer*2
(Fiduciary Services Business)*3

Toru Takakura

Executive Officer*2

Toshio Masui

Managing Executive Officer

Futoshi Itani

Executive Officer

Junya Ueda

Executive Officer*2

Yasumi Nose

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

Kengo Noguchi

Executive Officer*2

Yoshio Hishida

Directors (external)

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

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

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

Executive Officer*2
(Real Estate Business)*3

Shigeki Tanaka

Executive Officer*2

Toshiaki Nakano

Executive Officer*2

Masaya Noda

Executive Officer*2

Yasuyuki Suzuki

Executive Officer*2

Kazuteru Wakao

Executive Officer*2
(Global Markets Business)*3

Yoshinori Momose

Executive Officer*2

Takuji Marui

Executive Officer*2

Atsushi Matsumoto

Executive Officer*2

Shinichi Nonomura

Executive Officer*2

Nobuaki Yamaguchi

Executive Officer*2

Satoshi Kitai

Executive Officer*2

Nobuhisa Takahashi

Executive Officer*2

Manatomo Yoneyama

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

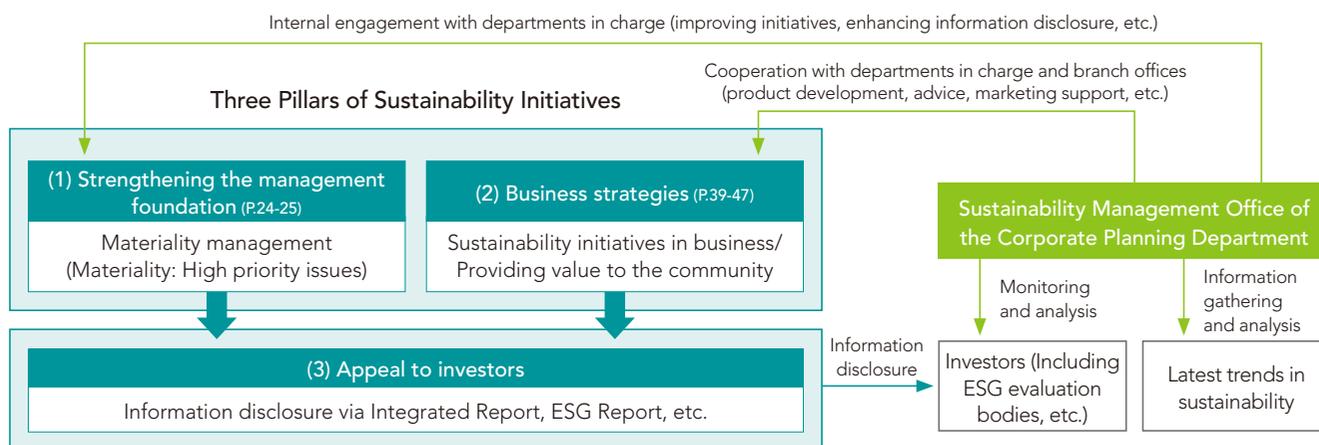
Initiatives Related to Sustainability

The Group views the three pillars of its sustainability initiatives to be “materiality management,” as the strengthening of its management foundation, “sustainability initiatives in our business/providing value to the community,” as business strategies, and the “appeal to investors” of these two activities.

1. Three Pillars of Sustainability Initiatives (Role of Sustainability Management Office)

The Sustainability Management Office of the Corporate Planning Department conducts a detailed analysis of feedback from investors and ESG evaluation bodies, and contributes to the enhancement of initiatives through dialogue (internal engagement; for details, please see page 25) with the departments in charge regarding any issues that are raised.

In addition, the office also gathers and analyzes information regarding the latest trends in sustainability, and, in collaboration with the departments in charge and branch offices in each business, plays a leading role in business strategies, including product and service development, and provides advice and support for activities.

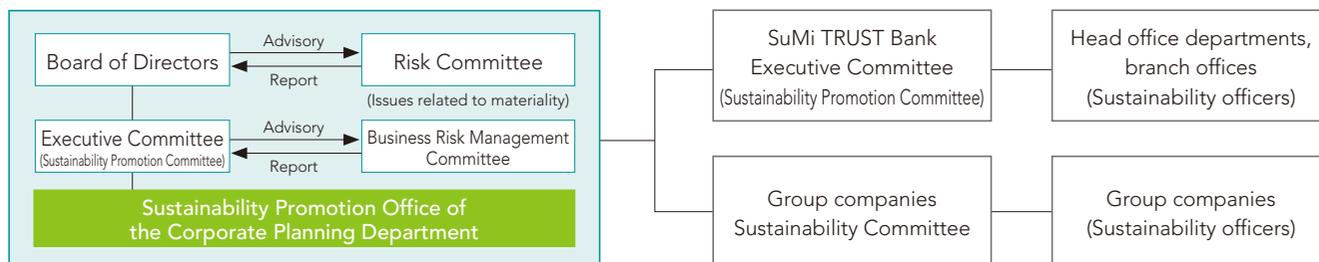


2. Sustainability Promotion System of Sumitomo Mitsui Trust Group

“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.

SuMi TRUST Holdings



3. Business Strategies (Overview)

(1) Sustainability Initiatives in Business (Please see pages 40-45)

Leveraging the functions of a financial group specialized in trust banking, the Group provides total solutions that address the social issues faced by our clients. We are developing a variety of business models that will help maximize the positive impact (and minimize the negative impact) of the Group on its clients, and of the clients themselves on a sustainable society, from the perspective of the three dimensions of the Sustainable Development Goals (SDGs), namely, the economy, society, and the environment.

We believe that by providing such client-oriented services, we will maximize the value of clients themselves over the long term, while enhancing the Group's position as our clients' "best partner."

From this perspective, since January 1, 2019, the Group has participated in the Positive Impact Initiative led by the United Nations Environment Programme Finance Initiative (UNEP FI). Our policy is to continue to play



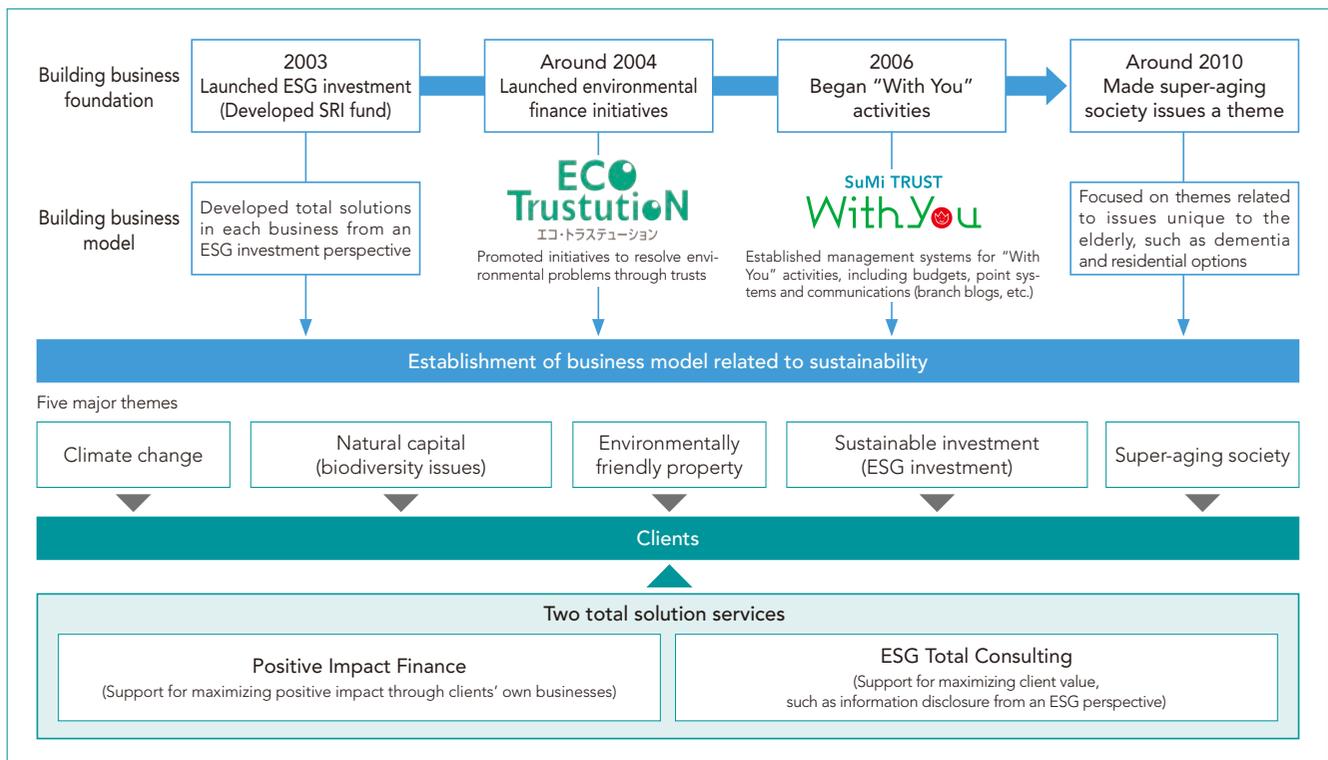
a leading part on a global level, in order to establish new roles for finance.

Furthermore, there have been increasing calls recently for financial institutions to consider the environment and society in their investment and loan operations, primarily from the viewpoint of controlling negative impact. The Group is proactively implementing measures in this regard as well, such as by becoming a signatory of the Equator Principles, and taking actions with respect to climate change.

(2) Providing Value to the Community (Please see pages 46-47)

Providing value to the community, which is a component of society, is linked to maintaining a sound business foundation, and we therefore consider it to be a social license that is necessary to conduct business. From this point of view, the Group practices providing value to the community in various forms through its "With You" activities (please see page 46), while also bearing in mind the SDGs.

Background of initiatives to establish business model



4. Business Strategies (Detail)

(1) Sustainability Initiatives in Business

The Group has positioned climate change and other issues as the five major themes of business sustainability, and is developing Positive Impact Finance and ESG Total Consulting as total solutions for our clients. In addition, in September 2018, based on this track record, we engaged in green funding procurement for the first time by issuing green bonds.

Five Major Themes

Climate Change Issues

See Climate Change Report 2018/2019

Basic Strategy for Realizing SDGs (points)

- Providing solutions for building a society with net zero carbon emissions using our finance, trust, and real estate functions (renewable energy and energy-saving finance, development of asset management products, environmental performance assessment of buildings, etc.)
- Promoting stewardship activities related to climate change as a responsible institutional investor etc.



Renewable Energy Finance

SuMi TRUST Bank supports the promotion of wind power and solar power generation through project finance and fund management. The total power generation capacity of the projects in which SuMi TRUST Bank has been involved is 14,149 MW, while the amount of power generated annually is 38,749 GWh, which is equivalent to an overall annual CO₂ emissions reduction effect of 17,230 thousand t-CO₂. In addition, Sumitomo Mitsui Trust Panasonic Finance provides support mainly for mega-solar projects, and has helped to implement 30 mega-solar projects, with a total power generation capacity of 52 MW.

Renewable Energy Fund and Asset Management Products for Investors

SuMi TRUST Bank has established and operates a renewable energy fund that specializes in investing in large-scale renewable energy power generation projects.

As of March 2019, SuMi TRUST Bank has invested in large-scale solar power generation projects in 27 locations and wind power generation projects in 2 locations (total power generation capacity of 440 MW). Of the total project cost of ¥187.3 billion, SuMi TRUST Bank fund invested a total of ¥23.5 billion. These projects generate 545 GWh per year, which is equivalent to an annual CO₂ emissions reduction of 280 thousand t-CO₂.

* In calculating CO₂ emission reduction amounts, a different emission coefficient was used for each power producer, based on project location.

Micro-power Generation in Water Supply Systems

Sumitomo Mitsui Trust Panasonic Finance promotes the use of natural energy and regional measures to combat global warming by proposing the introduction of micro-power generation systems at water supply facilities nationwide. As of March 2019, the high-efficiency power generation systems used in this scheme have been, or are scheduled to be installed at 16 facilities nationwide, with a total power generation capacity of 427 kW.

Renewable energy fund scheme



- We contribute by providing equity-like funding for the spread of renewable energy projects.

Contributions to CO₂ Reduction via Renewable Energy Finance

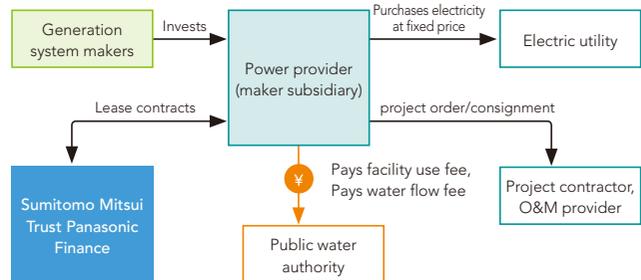
Category of power generation	Number of projects	Potential capacity (MW)	Annual output (GWh/year)	CO ₂ reduction effect (10,000t-CO ₂ /year)
Solar	102	4,226	6,791	321
Wind	29	2,845	8,103	339
Offshore wind	14	6,726	21,703	1,014
Other	8	417	2,153	53
Total	153	14,214	38,749	1,727

Target of calculation: Total of SuMi TRUST Bank's project finance and renewable energy fund (as of March 31, 2019)

Capacity calculations: Numerical values of potential generation capacity, gigawatt hours of output per year, and CO₂ reduction effect covers all projects in each category.

Subtotals may not add up to totals due to rounding.

Business Scheme of Micro-power Generation in Water Supply System



[Features of the Leasing System (Benefits for Local Governments)]

- Projects established with no initial investment budget
- Maintenance and management of power generation systems carried out by power producers
- Stable leasing income, and tax income from fixed assets

Natural Capital (Biodiversity Issues)

See Natural Capital Report 2018/2019

Basic Strategy for Realizing SDGs (points)

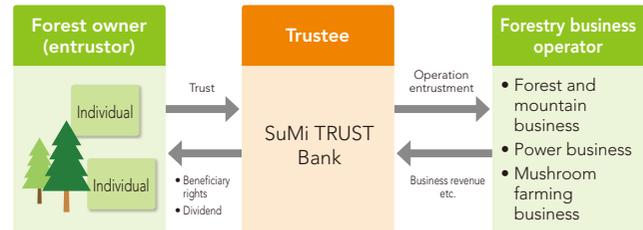
- Identification of natural capital risks that would have a major impact on overseas procurement and business or project continuity; working on investment and loan processes from an ESG perspective
- Expanding sales of environmental rating loans with the evaluation of natural capital preservation, development of forestry trusts, and promotion of related businesses etc.



Forestry Trusts—Sustainable Use of Japan’s Natural Capital

Approximately two-thirds of Japan’s land consists of forests. Although these forest resources, which consist mainly of artificial forests developed after the Second World War, are now ready for full-scale use, in reality, many have been left untended. SuMi TRUST Bank has started developing a forestry trust scheme that will consolidate and enhance the efficiency of forestry operations by accepting entrustment of forests in which operations are not being conducted due to the owners being elderly or living far away, or for other reasons, and entrusting forestry operations to a forestry entity. In February 2018, SuMi TRUST Bank was entrusted with a basic services survey for the introduction of forestry trusts by Nishiwakura village in Okayama Prefecture.

Overview of the forestry trust scheme



Environmental Rating Loans with Evaluation of Natural Capital Preservation

The sustainable use of natural capital as resources is vital for a company to continue its business. There is a growing awareness that natural capital-related procurement risk management across the global supply chain is an indispensable part of management strategy.

In April 2013, SuMi TRUST Bank launched its 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 the Bank’s efforts have been cited in Japanese government environmental white papers and European Commission reports as an example of leading-edge practice.

Environmentally Friendly Property

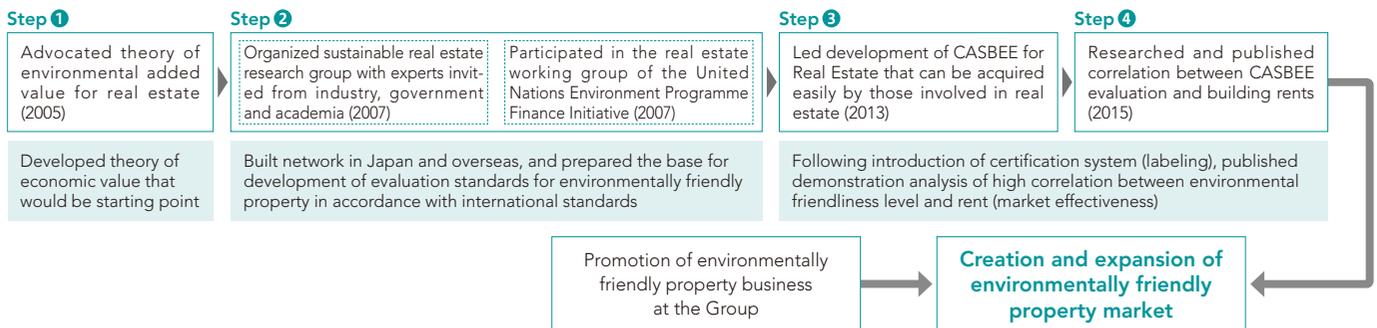
See Environmentally Friendly Property Report 2018/2019

Basic Strategy for Realizing SDGs (points)

- Support for acquiring environmental performance certification, such as CASBEE for Real Estate and CASBEE for Urban Development, etc.
- Support for realizing environmentally friendly property through construction consulting and assistance with subsidy selection
- Creating businesses linked to the promotion of environmentally friendly property, including green finance and environmentally friendly property funds etc.



Initiatives of creating environmentally friendly property market



Consulting for Application Support for CASBEE Certification CASBEE for Real Estate

SuMi TRUST Bank engages in consulting services to support applications for CASBEE for Real Estate Certification. In addition to supporting the selection of real estate applying for certification, CASBEE for Real Estate accredited professionals with proper qualifications evaluate the environmental performance of real estate, and support the submission of applications for certification to certifying bodies. In addition to CASBEE for Real Estate evaluations, these professionals also identify issues for improving environmental performance and offer advice on efforts for improvement.

CASBEE for Urban Development

CASBEE for Urban Development is an environmental performance evaluation for the urban development of wide areas of residential or commercial land. SuMi TRUST Bank carries out evaluations of environmental performance based on CASBEE for Urban Development, and offers support including advice regarding procedures for applying for certification and on the CASBEE screening process. In July 2018, “LIST GARDEN nococo-town,” a large eco-town in Totsuka, Yokohama City, became the first-ever recipient of the highest certification rank (“S”) for CASBEE for Urban Development, with support from SuMi TRUST Bank.

Sustainable Investment (ESG Investment)

See Stewardship Report 2018/2019

Basic Strategy for Realizing SDGs (points)

- Promotion of ESG investment strategies and engagement activities, based on an SDG perspective at Sumitomo Mitsui Trust Asset Management and Nikko Asset Management etc.

FY2019 ESG Activity Themes at Sumitomo Mitsui Trust Asset Management

Themes	Specific activities	Relevant SDGs
Climate change	<ul style="list-style-type: none"> Independent engagement with the major greenhouse gas-emitting industries (cement, paper & pulp, electricity, petroleum, etc.) Full-fledged initiatives for the global climate change initiative Climate Action 100+ (engagement with Japanese and other Asian companies) 	
Water resources and marine pollution	<ul style="list-style-type: none"> Addressing ocean plastic pollution (engagement with chemicals, food, and retail industries, etc.) Requesting greater awareness of water resource risks and improved measures (engagement with beverages, food, and apparel industries, etc.) 	
Supporting governance reforms	<ul style="list-style-type: none"> Supporting higher levels of independence on company boards and the promotion of diversity, such as higher ratios of female directors Sustainable improvements in "earnings power" and appropriate capital allocation (balance between growth investments and surplus cash returns) 	
Promoting ESG information disclosure	<ul style="list-style-type: none"> Encouraging companies to disclose information reflecting the attainment of SDGs (contributions to solving ESG issues and earnings contributions) Strengthening involvement in the TCFD information disclosure rules (collaboration with relevant government agencies) 	

Super-aging Society Issues

See ESG Report 2018/2019, pages 35-45

Basic Strategy for Realizing SDGs (points)

- Support for productive aging* by providing a range of information on financial services, residential options, etc.
- Improving employee knowledge regarding dementia, promoting collaboration among employees, enhancing property administration services etc.



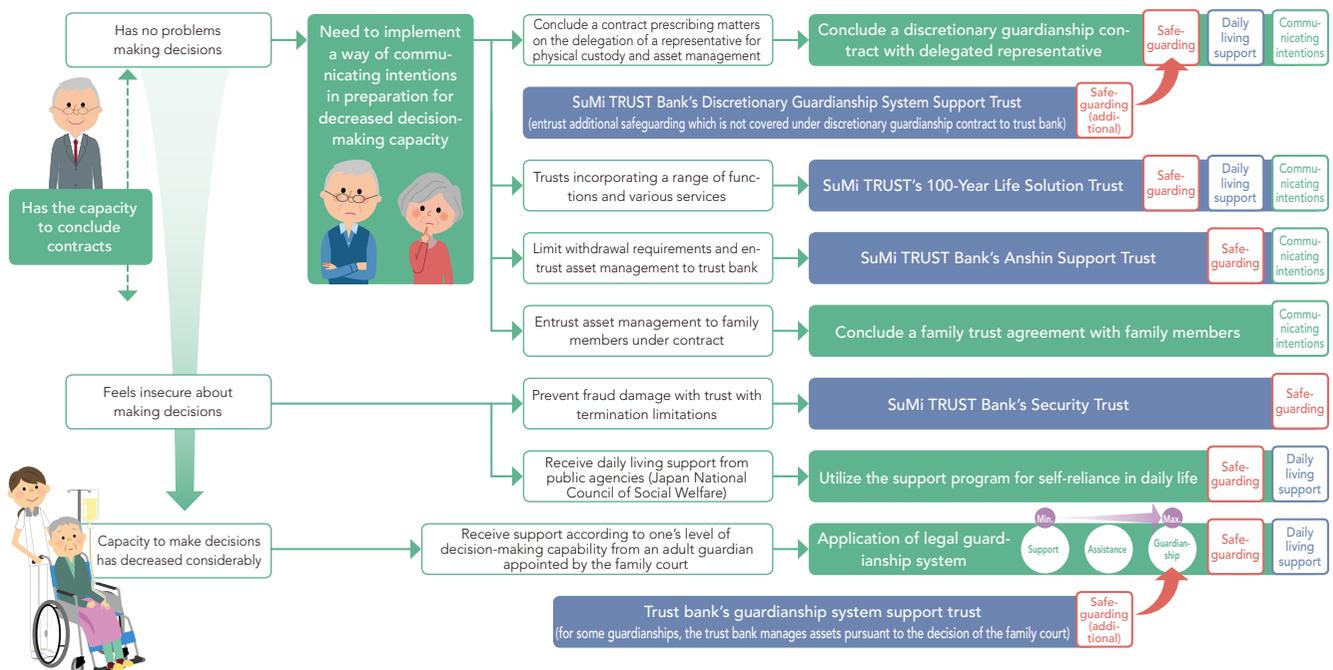
*Way of life participating actively in society, even during old age

Property Administration Product Lineup that Meets Dementia-Related Needs

See "Considering the Problems of Dementia" A Digest Report for Seniors (Japanese only)

A lack of judgement capacity due to dementia or other causes makes it difficult to administer savings and deposits, and to carry out various contracts for oneself. The first priority, in terms of property administration is to put measures in place to safeguard finances, for example, against money transfer scams. The second essential element involves the provision of daily living support to help with money management

in everyday life. It is also important to communicate one's intentions in a personal contract with regard to what one would like to have done, in the event that it becomes difficult to communicate one's wishes due to dementia. SuMi TRUST Bank develops a variety of trust product and explains their use, along with public support services.



Two total solution services

Positive Impact Finance

Positive Impact Finance involves a comprehensive analysis and evaluation of the positive and negative impacts of corporate activities on the economy, society, and the environment, and provides financing (investing) to support these activities on an ongoing basis. Positive Impact Finance is carried out in line with procedures based on the Principles for Positive Impact Finance and guidelines for their implementation established by the United Nations Environment Programme Finance Initiative (UNEP FI). The most distinctive feature of this type of finance is that it discloses the degree to which a company has contributed to achieving the SDGs, using the evaluation indicators of that company to indicate the degree of contribution, in a clear and concrete manner. The Group participated in UNEP FI's Positive Impact Initiative in January 2019, and plays an active role in the development of tools for evaluation and analysis, while holding repeated discussions with participating members from overseas, in order to establish new roles and global standards for finance that contribute to achieving the SDGs.



Introducing initiatives of the Group at the UNEP FI Regional Roundtable for Asia Pacific (June 2019, Shanghai)

World's First "Positive Impact Finance with Unspecified Use of Funds"

In March 2019, SuMi TRUST Bank concluded a Positive Impact Finance loan agreement with FUJI OIL HOLDINGS INC. ("Fuji Oil Group"), based on the "loan with unspecified use of funds" model established by UNEP-

FI. The loan is the first of its kind worldwide. SuMi TRUST Bank considers that the Fuji Oil Group contributes to the SDGs by controlling its negative impact, and pursuing positive impacts in all business fields and areas.

ESG Total Consulting

Amid dramatic changes in the environment, companies are under pressure to make major changes in their stance toward capital markets, including a growing international discussion in pursuit of sustainability, rapid expansion of the ESG market, and cultivation of space for sound dialogue with investors due to the introduction of the Stewardship Code.

SuMi TRUST Bank leverages the knowledge of its analysts and other employees who have been involved in asset management operations for many years, as well as its own know-how regarding sustainability services and the creation of integrated reports/ESG reports, to make various custom-tailored ESG proposals to clients who are issuing reports.

■ Consulting Examples

Integrated Report Review Services

We review clients' integrated reports, etc. based on our knowledge as investors and as a report producer, and help improve future editions.

Support Services for Integrated Report Preparation

We provide support for preparation of integrated reports, based on our knowledge as investors and as a report producer. We offer a wide range of services, from support for the enhancement of activities, such as analyzing the status of initiatives from an ESG investor

perspective, to suggesting improvements, formulating the value creation process, and supporting identification of materiality. Based on the provided support, we also propose content and conduct reviews during the preparation process.

Survey of ESG Trends Among Major Shareholders

We conduct surveys of trends in ESG efforts by major shareholders, and analyze the impact on the company issuing the report, while supporting the development of a foundation for sound dialogue.

Green Funding Procurement

Issuance of Green Bonds

SuMi TRUST Bank issued its first green bonds on September 25, 2018, on overseas markets. Use of these bonds is limited to funding projects that contribute to environmental improvement, such as renewable energy projects including solar and wind power generation, acquisition and construction of environmentally friendly property, and addressing climate changes. The bonds were issued and managed based on the Green Bond Framework of the SuMi TRUST Bank, in line with the ICMA's Green Bond Principles (2018) and the Ministry of the Environment's Green Bond Guidelines (2017). The opinion of a third-party certification body (Sustainalytics) was also obtained with regard to this framework.

We have also been held in high regard for our ESG efforts by ESG investors, the number of which has increased significantly in recent years, and our green bonds have sold steadily.

■ Overview of Green Bond Issuance

Issuer	Sumitomo Mitsui Trust Bank, Limited
Currency	Euro
Yield	3-month Euribor rate + 0.25%
Pricing date	September 18, 2018
Issue date	September 25, 2018
Coupon dates	25 th of March, June, September, and December every year
Credit ratings	Moody's: A1; S&P: A
Issue size	€500 million
Maturity	September 25, 2020 (2 years)

Environmental and Social Friendliness in Investment and Loan Business

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, especially with the purpose of minimizing negative impact.



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.

Signing of the Equator Principles and Initiatives

In February 2016, SuMi TRUST Bank became 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. In fiscal year 2018, SuMi TRUST Bank has implemented 22 projects subject to the Equator Principles (including one Project-Related Corporate Loan).

Environmental and Social Considerations in Asset Management

As a responsible institutional investor, Sumitomo Mitsui Trust Asset Management has established the ESG guidelines. These guidelines are based on the United Nations Global Compact, which is 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 extortion and bribery, among others. In accordance with the ESG guidelines, Sumitomo Mitsui Trust Asset Management is involved in numerous engagements (dialogue) with investee companies regarding ESG issues. Engagements are carried out by its analysts and the dedicated members of the Stewardship Development Department, and joint engagements are also carried out with domestic and overseas institutional investors on specific themes, such as palm oil and forest resources.

As an asset management company, Nikko Asset Management’s mission is to prioritize clients’ interests in its actions. Nikko Asset Management positions fiduciary principles and ESG principles at the highest level among its corporate principles and activities, and has established the Code of Conduct Regarding Fiduciary and ESG Principles.

SuMi TRUST Bank, Sumitomo Mitsui Trust Asset Management, and Nikko Asset Management are signatory institutions of the Principles of Responsible Investment (PRI), which promotes the inclusion of ESG in the investment process.

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 2019 (see page 45 for project financing for coal-fired power plants).

Initiatives Related to Climate Change

• Climate Change Governance

The Group positions responses to climate change as an important management issue for both the corporate value of the Group and the construction of a sustainable society. We have established the Action Guidelines for Mitigating Climate Change, and are enhancing risk management and information disclosure, and developing solution businesses to help solve these issues.

Action Guidelines for Mitigating Climate Change

1. Implementation of Initiatives and Support for Climate Change Mitigation, etc.
2. Provision of Products and Services
3. Cooperation with Stakeholders
4. Education and Training
5. Information Disclosure

• Declaration of Support for TCFD

SuMi TRUST Holdings, Sumitomo Mitsui Trust Asset Management, and Nikko Asset Management support the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) established by the Financial Stability Board (FSB), and promote initiatives in line with these recommendations, based on our recognition that climate risks are already manifesting as financial risks.

Since fiscal year 2013, the Group has issued a special report on climate change, and our policy is to enhance the content of this report according to TCFD standards.



• Dealing with Climate Change Issues in Asset Management Member of Climate Action 100+

Sumitomo Mitsui Trust Asset Management and Nikko Asset Management are members 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. While Sumitomo Mitsui Trust Asset Management has conducted its own engagement with the cement, pulp-and-paper, electricity, oil, and other industries, which are large GHG emitters, the company has also been active in collaborative engagement through Climate Action 100+, and has played a leading role among the numerous target companies, which include overseas corporations.

In October 2018, Nikko Asset Management became the first Asian asset management company to declare its support for the four areas listed in The Investor Agenda, namely informa-

tion disclosure, engagement, policy proposals, and investment. The Investor Agenda provides guidance for global institutional investors who are working together to address issues related to climate change. Nikko Asset Management participates in Climate Action 100+ as part of the "engagement" area.

Collaboration with LGIM

In June 2019, Sumitomo Mitsui Trust Asset Management agreed to collaborate with Legal & General Investment Management ("LGIM"), a subsidiary of the Legal & General Group, a major U.K. life insurer, on ESG activities including climate change. The ICSA (Institute of Chartered Secretaries and Administrators), a U.K. corporate governance association, has presented LGIM with the Best Investor Engagement award for four years running, from 2015 to 2018. Sumitomo Mitsui Trust Asset Management will further enhance its engagement activities related to climate change and other issues with individual overseas companies, by making the most of LGIM's experience and knowledge base on stewardship activities, which will also serve to enhance our stewardship activities in Japan.

• 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, in principle, does not 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.

• Pursuing Business Opportunities

The Group views climate change issues as one of the five major sustainability themes in its business, and is actively developing businesses that contribute to resolving climate changes (please see page 40).

(2) Providing Value to the Community

• Basic Philosophy

The Group engages in various social contribution and regional contribution initiatives, while also considering the perspective of the SDGs, in communities to which the business bases of the Group companies belong.

Because providing value to the community, which is a component of society, helps to maintain a sound business foundation, we consider it to be a license that is required to conduct business. From this point of view, the SuMi TRUST Group practices providing value to the community in various forms, while also incorporating the perspective of the SDGs.

* See ESG Report 2018/2019 for details.

“With You” Activities at SuMi TRUST Bank

In order to build strong relationships of trust with community members, SuMi Trust Bank carries out sustainability activities, known as “With You” activities, which are linked to achievement of the SDG targets at branch offices across Japan. Through the steady implementation of activities rooted in local communities, SuMi Trust Bank aims to establish a greater presence within communities and contribute to the long-term growth of its client transaction base.

■ “With You” Activities Related to the Targets of the 17 SDGs



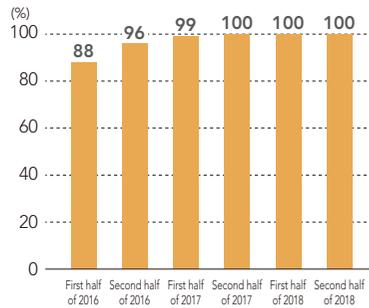
In order to promote “With You” activities, the Corporate Planning Department’s Sustainability Management Office divides activities into categories, measures their degree of difficulty and effectiveness, and defines activity targets under a standard point system that has been introduced for use as a guideline for the targets. It has also introduced activity budget allocation and award systems.

In fiscal year 2019, each branch office thought about which activities would be its own strengths, formulated an “Our SDGs Declaration” for itself, and began to carry out specific activities.

■ Goals of “With You” Activities



■ Standard point achievement rates



Standard points achievement rate
For three consecutive terms
100%

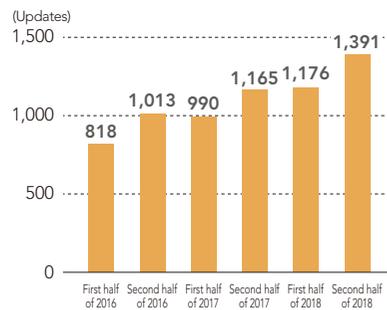
The “With You” branch blog, which was launched in 2012, is an information dissemination tool that introduces the “With You” activities being conducted at branch offices across Japan. Each branch office posts text, along with a visual illustration and a logo that shows how its “With You” activities contribute to achieving the SDGs. The number of blog updates is rising each year, and reached a total of 1,391 posts in the second half of 2018, which was a record high. The blog has become an increasingly important tool for communicating specific information in a timely manner to a wide range of stakeholders.

■ “With You” Branch Blog

URL: <https://branchblog.smtb.jp/>



■ Number of branch blog updates



Total Number of Posts
10,641
(as of March 31, 2019)

Challenge for SDGs!

The Group, with the aim of ensuring that each and every employee becomes responsible for promoting and raising awareness of the SDGs, is implementing measures to promote understanding of the SDGs, so that they can be understood and practiced by all employees. In order to enable employees to practice “With You” activities, which contribute to achieving the SDGs, “SDG In-house Study Groups” have been held at SuMi TRUST Bank’s Retail Total Solution Services Business branches across Japan, with a total of 3,112 employees from all branches participating. In May 2019, all employees of SuMi TRUST Bank began wearing SDG badges. Expansion of this initiative to all Group companies is planned during fiscal year 2019.

■ Explaining why the Group works on SDG initiatives and how each business is linked to the SDGs



Employee Integrated Report (May 2018 edition)



“Future Bloom” in-house booklet (October 2018 edition)



E-learning held in December 2018

Number of SDG badges distributed
Approximately
14,500
(March to June 2019)

Number of participants in “SDG In-house Study Groups”
3,112
(November 2018 to March 2019)



Sumitomo Mitsui Trust Bank, Limited
President

Masaru Hashimoto

Continuing to Evolve as Our Clients' "Best Partner"

Japan's social structure is undergoing significant changes, including the coming of an aging society, the rapid evolution of digital technologies, and the diversification of working styles and lifestyles. In light of these developments, we believe clients' needs will become even more diverse and sophisticated than in the past.

In what is called "the age of 100-year life," the average life expectancy in Japan has grown thanks to the evolution of medical technologies, with many people living long lives of around 100 years. However, the various social security programs currently in place don't assume people will live to 100 years, making many people feel uncertain. This has resulted in a wide variety of needs.

We have gradually expanded our service menu in order to support individual clients in this age of 100-year life with an individual life plan design and the realization of affluent living. Our menu includes all areas, not only asset growth, but also preparation and protection through insurance product development, consulting, and monitoring, enjoyment of life through Diners Club and Silver College, and assistance with passing wealth on to the next generation through inheritance and gifting-related services.

For corporate clients, it is becoming necessary to respond to growing corporate pension and health insurance burdens and a diversification of employment forms to compensate for a lack of human resources. We will offer comprehensive solutions that cover addressing challenges other than loan/investment services including appropriate life-plan consulting in consideration of the respective corporate plans for employees, in addition to comprehensive consulting on retirement benefits and corporate pension plans.

As the social structure changes significantly in this era of increasingly diverse and sophisticated needs, it is important not only to respond to clients' requests as needs that have become apparent, but also for each and every employee to have a good knowledge of the client and the imagination required for envisioning potential needs from the client's perspective. To this end, it is necessary for us to thoroughly implement client-oriented business operations to an even greater extent than in the past. I believe this will be the biggest differentiator that will enable the Group to be a financial institution that clients will continue to choose as the only financial group in Japan specialized in trust banking.

There has been growing social pressure on financial institutions related to fiduciary duties and customer satisfaction. We will go back to client-oriented business operations, which are a basic principle of trusts and our starting point, and refine these operations. We will leverage our strength of possessing significant expertise and a client-oriented fiduciary spirit, which has not changed since our foundation, as a driving force as we blaze a trail in this new era as a "Best Partner" for clients.

July 2019

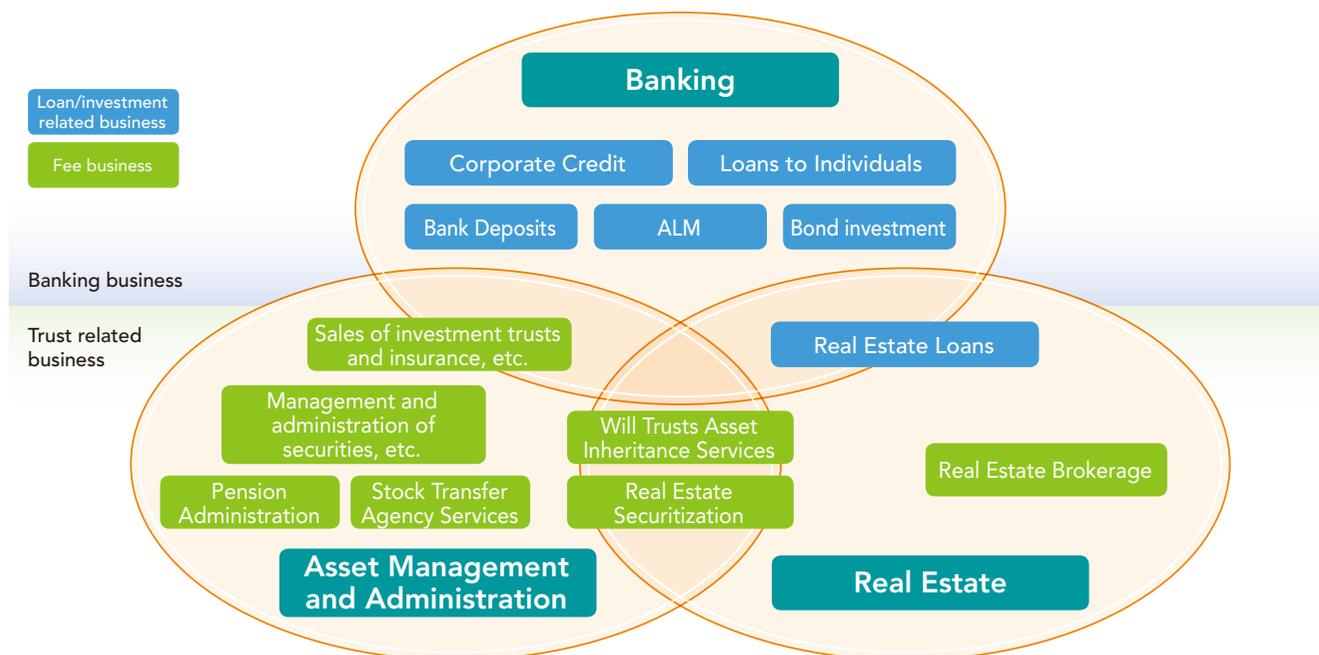
Sumitomo Mitsui Trust Bank, Limited
President

Masaru Hashimoto



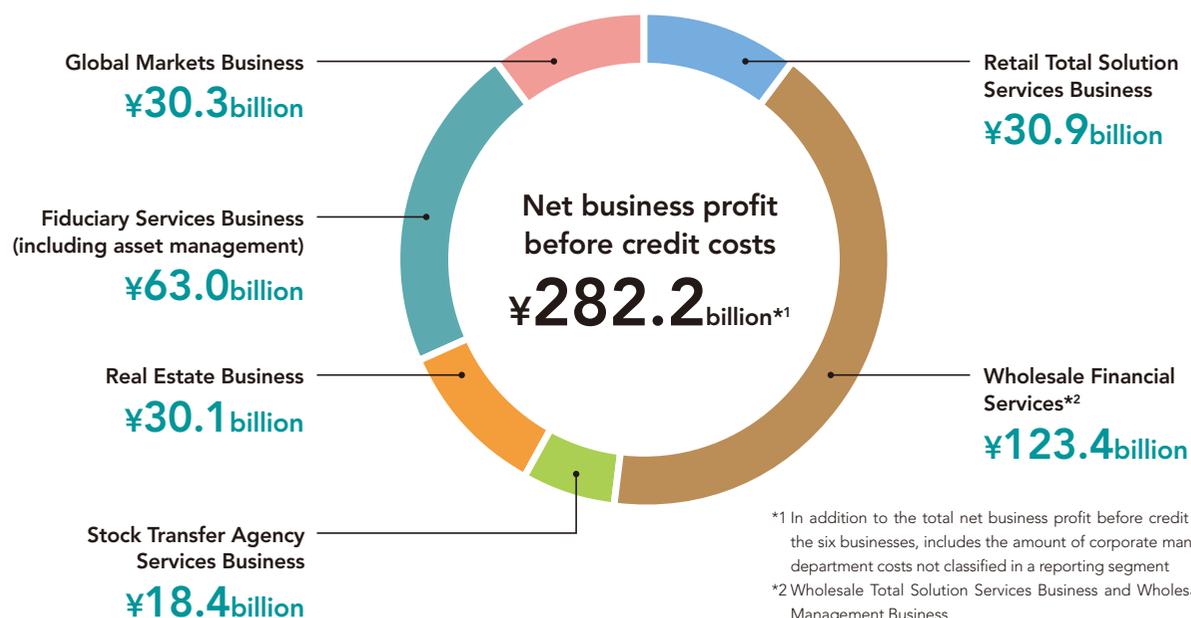
Group Structure

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



	Retail Total Solution Services Business	Wholesale Total Solution Services Business	Wholesale Asset Management Business	Stock Transfer Agency Services Business
Major subsidiaries and affiliates	Sumitomo Mitsui Trust Bank, Limited			
	Sumitomo Mitsui Trust Wealth Partners Co., Ltd.	Sumitomo Mitsui Trust Panasonic Finance Co., Ltd.	Sumitomo Mitsui Trust (Hong Kong) Limited	Tokyo Securities Transfer Agent Co., Ltd.
	Sumitomo Mitsui Trust Club Co., Ltd.	Sumitomo Mitsui Trust Loan & Finance Co., Ltd.	Sumitomo Mitsui Trust Investment Co., Ltd.	Japan Securities Agents, Ltd.
	SBI Sumishin Net Bank, Ltd.	Sumitomo Mitsui Trust Bank (Thai) Public Company Limited	Sumitomo Mitsui Trust Real Estate Investment Management Co., Ltd.	Sumitomo Mitsui Trust TA Solution Co., Ltd.
	Sumitomo Mitsui Trust Life Partners, Co., Ltd.	Zijin Trust Co., Ltd.		Japan Stockholders Data Service Company, Limited

■ Net business profit before credit costs by segment



Real Estate Business

Global Markets Business

Fiduciary Services Business

Asset Management

Sumitomo Mitsui Trust Realty Co., Ltd.

Sumitomo Mitsui Trust Research Institute Co., Ltd.

Japan Trustee Services Bank, Ltd.

Sumitomo Mitsui Trust Bank (U.S.A.) Limited

Sumitomo Mitsui Trust (Ireland) Limited

Japan Pension Operation Service, Ltd.

Sumitomo Mitsui Trust Asset Management Co., Ltd.

Nikko Asset Management Co., Ltd.

Sky Ocean Asset Management Co., Ltd.

JP Asset Management Co., Ltd.

Retail Total Solution Services Business



Through our high-quality comprehensive consulting, the Retail Total Solution Services Business provides diverse services unique to a financial group specialized in trust banking to meet the wide-ranging needs of individual clients that vary with their life stages. The services include asset management, asset formation, inheritance and succession, and property administration.

Deputy President and
Head of Retail Total Solution Services Business, SuMi TRUST Bank
Executive Officer, SuMi TRUST Holdings

Tsuyoshi Saito

Vision Aimed for by the Business

In what has been called “an age of 100-year life,” there have been growing needs for extending the life of assets through asset management, becoming better prepared for a long life, and ensuring the smooth transfer and succession of assets to the next generation.

The 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

based on the characteristics of individual clients’ assets and liabilities, which change along with different stages in their lives, with the aim of becoming our clients’ “Best Partner.”

We strive to be fully client-oriented and to further improve the specialist skills that form the foundation of our consulting services in order to grow together with the clients. These efforts are in accordance with our “Policies regarding the Fiduciary Duties of the Sumitomo Mitsui Trust Group.”

■ Main Group Companies

SuMi TRUST Bank	Provides services to meet wide-ranging needs of individual clients (asset management, asset formation, housing acquisition, inheritance, and succession, etc.)
Sumitomo Mitsui Trust Wealth Partners	Provides specialized, tailor-made consulting services regarding asset inheritance and business succession to individual and corporate clients
Sumitomo Mitsui Trust Club	Sole issuer of Diners Club Cards in Japan. Utilize its brand strengths to provide high-quality services
Sumitomo Mitsui Trust Card	Issues global brand credit cards, VISA and MasterCard
Sumitomo Mitsui Trust Guarantee	Provides guarantee services for clients with mortgage loans, consumer loans, etc. provided by SuMi TRUST Bank
SBI Sumishin Net Bank	Online 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.
Cardif Assurance Vie Japan	Joint venture with BNP Paribas Cardif; provides insurance products through SuMi TRUST Bank and other Japanese financial institutions
Sumitomo Mitsui Trust Life Partners, Co., Ltd.	Established in May 2019. Insurance sales company that sells insurance to individual clients and provides monitoring for contract holders

Recognition of environment and challenges

- Prolonged negative interest rates and decline in fee rates for financial instruments
- Increase in elderly population size, medium- to long-term population decline
- Acceleration of shift from savings to asset formation
- Business process and branch reform through digitalization

Opportunities and our strengths

- Strategic deployment centered around face-to-face consulting unique to a financial group specialized in trust banking (client-oriented business structure, one-stop provision of comprehensive consulting, etc.)
- Broad client base that ranges from asset-formation generation to seniors

Key Measures

Increasing of assets under management

We aim to establish stable profit structures by increasing the amount of assets under management through the provision of diverse products and services unique to a financial group specialized in trust banking. These include asset management and administration, wills and inheritance, and real estate with consulting based on the client's life stage and comprehensively responding to diverse needs.

Expansion of the branch network and improving operational efficiency

We will expand and optimize our branch network with the aim of expanding opportunities for face-to-face consulting, which are a source of competitiveness. We will also work to dramatically improve productivity and strengthen consulting capabilities by significantly reducing administrative work conducted at branches.

Aiming to be the Best Partner in an age of 100-year life —Start handling of 100-Year Life Solution Trust (100-Year Passport)

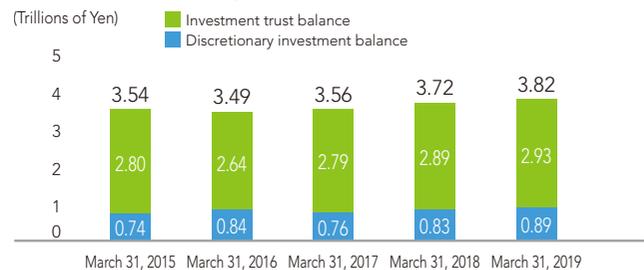
The 100-Year Passport was born as a trust product that can be relied upon to ensure living with a peace of mind in the age of 100-year life. It has a function that provides reassurance in the face of future uncertainties such as dementia and other health concerns and a range of various services for a more enjoyable and fulfilling life. The product is proposed according to the individual circumstances of each and every client.



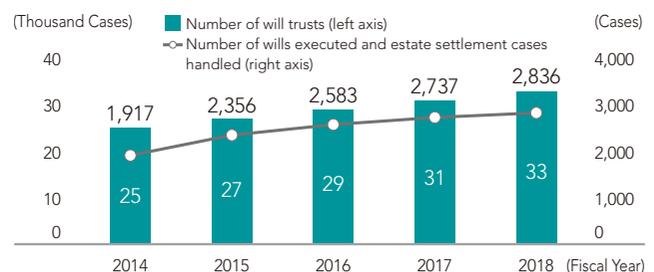
Alliance with the UBS Group in the wealth management business

We aim for total wealth management that offers optimal solutions through the flexible combination of the world-leading asset management and securities services of the UBS Group and the wide range of products and services of the SuMi TRUST Group, including inheritance and succession and real estate.

Assets under management



Number of cases of wills and inheritance handled



Real estate brokerage deals for individuals*



*Only Sumitomo Mitsui Trust Realty brokerage deals

Improvements in efficiency of branch operations

Reduction of back office work at branches by 70% over five years from fiscal year 2017
Reassignment of an equivalent of approximately 1,600 employees to strengthen consulting capabilities



Expected to achieve 40% reduction in fiscal year 2019

Sustainability initiatives

Super-aging society issues

We will fulfill a leading role in the financial sector with a focus on the super-aging society issues, one of the five major sustainability themes. We will employ such means as asset management and the steady succession of wealth to the next generation, consultations on housing, participation in the industry, government, and the academia collaborative project COLTEM in response to the issue of dementia, which has become more serious recently, and the expansion of property administration services (for details, please see page 42).



Wholesale Total Solution Services Business



The Wholesale Total Solution Services Business serves as a general point of contact for all transactions with corporate clients, in addition to the services under its supervision, such as loans and arrangement of various financing schemes, corporate consultations, and M&A advisory services.

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

Masahiro Tsuchiya

Vision Aimed for by the Business

Government initiatives such as those related to the Corporate Governance Code 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, finance, and accounting.

In the area of governance, there are growing needs for a 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 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. 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.

The Group will leverage its strengths to contribute to client development in various fields as a "Best Partner" for clients.

■ Main Group Companies

SuMi TRUST Bank	General point of contact for all matters related to corporate transactions, such as financing schemes, corporate consultations, and M&A advisory services
Sumitomo Mitsui Trust Panasonic Finance	Comprehensive finance company owned by Panasonic Corporation and SuMi TRUST Bank that offers leases, credit, etc.
Sumitomo Mitsui Trust Loan & Finance	Finance company wholly owned by SuMi TRUST Bank and focusing primarily on mortgage loans
Sumitomo Mitsui Trust Bank (Thai)	Wholly owned overseas subsidiary of SuMi TRUST Bank that conducts banking services in Thailand
Zijin Trust	Trust company headquartered in Nanjing, China that is 19.9% owned by SuMi TRUST Bank
Midwest Railcar Corporation	Joint venture of Marubeni Corporation and the SuMi TRUST Bank Group engaged in the freight railcar leasing business in North America
BIDV-SuMi TRUST Leasing Company	Leasing company jointly established by SuMi TRUST Bank and BIDV, which is one of Vietnam's top four state-owned commercial banks

Recognition of environment and challenges

- Uncertainty on the outlook of the global economy
- Continuation of excessive liquidity at a global level
- Tighter financial regulations on a global level
- Prolonged negative interest rates in Japan
- Labor shortage as a result of the declining birthrate and aging population
- Financial business model reform through digitalization

Opportunities and our strengths

- Base of blue-chip clients with high creditworthiness
- Strategic deployment centered around extensive and advanced expertise and the provision of comprehensive solutions unique to a financial group specialized in trust banking
- Multiple strong contact points with clients and one-stop support

Key Measures

Promotion of credit portfolio reform

We will reform credit portfolios with the aim of improving profits by increasing the profitability of balance sheets rather than by expanding their scale. In the meantime, we will take into consideration the uncertainty toward global economic trends.

We will continue to pursue corporate transactions with clients as part of total solutions while further strengthening product-related assets.

We will focus on profitability and safety (recovery rates and tenor) in the product-related assets that are being focused on.

Measures in response to ESG/SDGs related needs

In order for companies to continue to grow, appropriate and timely responses to the expectations required by stakeholders in the operating environment are necessary.

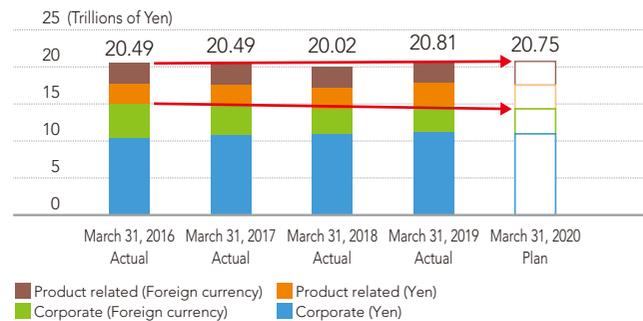
In particular, there has been an increase in stakeholders calling for ESG/SDG initiatives. Responding to such demands is becoming a management issue. We offer a variety of solutions in response to the management issues of clients through various proposals from perspectives including information disclosure, finance, and real estate.

Life plan consulting based on corporate plans

Ways of thinking about individual life plans are becoming more diverse as a result of changes in the working environment of employees, along with the coming of the age of 100-year life.

It can be expected that companies will need to respond in the form of measures for company welfare and human resources. We offer appropriate life plan consulting in line with the corporate plans of clients for the employees of clients.

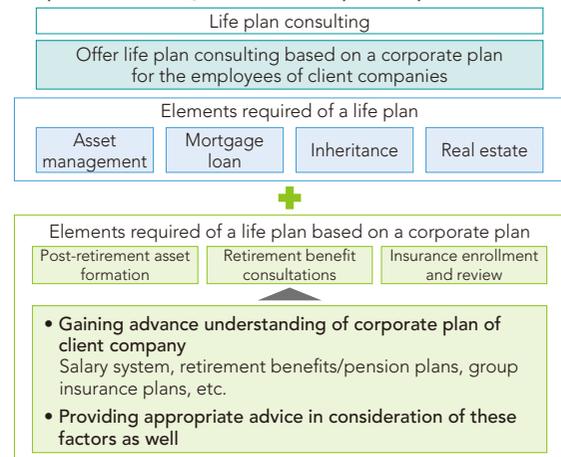
Corporate credit portfolio plan



ESG/SDG initiatives



Life plan consulting based on corporate plans



Sustainability initiatives

Positive impact finance

SuMi TRUST Bank signed a loan agreement for positive impact finance with unspecified use of funds for an operating company with FUJI OIL HOLDINGS INC. in March 2019 as prescribed by the UNEP FI (United Nations Environment Programme Finance Initiative). This was the world's first agreement of its type (for details, please see page 43).



Wholesale Asset Management Business



The Wholesale Asset Management Business offers corporate clients total solutions unique to a financial group specialized in trust banking, encompassing both assets and liabilities, amid the asset management difficulties brought about by changes in the social structure and the financial environment and the management challenges produced by these factors.

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

Kengo Noguchi

Vision Aimed for by the Business

We aim to be an essential and reliable best partner for clients by providing asset management solutions through accurate consulting and thorough monitoring for financial and non-profit organization clients. We also offer total solutions that leverage the diverse property administration functions unique to a financial group specialized in trust banking.

We will work to expand a lineup of differentiated investment products by focusing on the development of new asset management products that invest in real assets including

unlisted shares (private equity), aircraft, and real estate, in pursuit of medium- to long-term investment profitability and risk diversification.

We will broadly develop win-win collaborative business to ensure that regional financial institutions that have a strong presence in the regional economy take advantage of the Group's diverse functions including inheritance, succession, and real estate. The aim is to create mutual, sustainable business growth and contribute to local communities.

■ Main Group Companies

SuMi TRUST Bank	Provides total solutions encompassing both assets and liabilities to clients including financial and non-profit organizations
Sumitomo Mitsui Trust (Hong Kong) Limited	Provides investment advisory services such as advice related to investments and private equity fund investments
Sumitomo Mitsui Trust Investment	Provides various services related to private equity fund management and related advisory services
Sumitomo Mitsui Trust Real Estate Investment Management	Real estate investment advisory company engaged in real estate private placement fund management for investors mainly consisting of institutional investors

Recognition of environment and challenges

- Support for the management issues of clients in response to changes in the social structure and the financial environment including prolonged negative interest rates, the declining birth-rate and aging population
- Continuing to take on the challenge of improving competitiveness in the constantly evolving asset management industry
- Contributions to the realization of SDGs including the healthy development of the regional economy and response to environmental issues

Opportunities and our strengths

- Provision of asset management solutions centered around consulting that encompasses both assets and liabilities and an abundant product lineup
- Provision of total solutions in response to management issues that leverage the diverse property administration functions unique to a financial group specialized in trust banking
- Win-win collaboration with the regional financial institutions, etc.

Key Measures

Growth of AUM* from clients

We focus on expanding AUM that has been entrusted from financial and non-profit organization clients through proposals for optimal asset management portfolios, depending on clients' financial characteristics, investment experience, etc.

In an aim to further strengthen asset management solutions, we will endeavor to offer more sophisticated consulting in response to the asset management needs of clients and expand our abundant lineup of asset management products. These include distinct alternative products, private investment trusts, and joint money trusts.

*Assets under management

Expansion of alternative products

In the constantly evolving asset management industry, there are growing investment needs for alternative assets, such as unlisted shares, loan receivables, infrastructure, and real estate. These can have limitations in terms of liquidity, but they enable the pursuit of medium- to long-term returns.

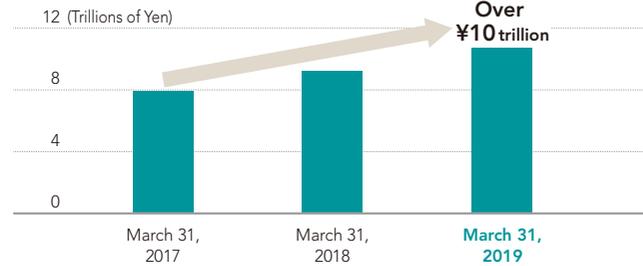
We will expand AUM in various alternative products including an unlisted shares fund that has an investment track record of 20 years, while focusing on expanding the lineup of products that can be offered.

Development of collaborative businesses with regional financial institutions, etc.

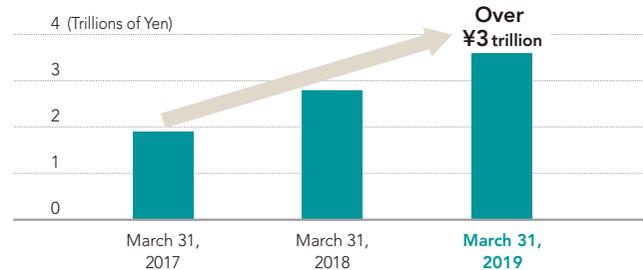
As changes in the social structure advance, including the declining birthrate and aging population, there are broader opportunities that require the varied expertise of the Group in areas such as inheritance, succession, and real estate in an aim to achieve regional revitalization.

In order to further develop win-win collaborative business that combines the client base of regional financial institutions and the property administration functions of the Group, we will work to increase the number of partners and the amounts handled through such partnerships.

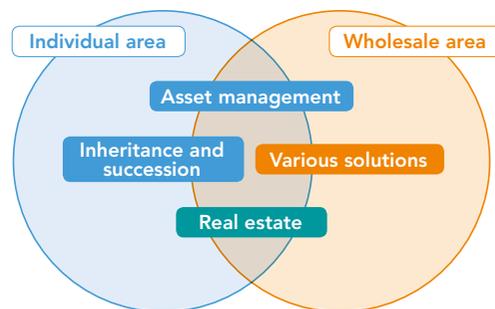
Wholesale Asset Management Business AUM



Private investment trust for financial organizations and alternative product AUM



Collaborative business with the regional financial institutions, etc.



Sustainability initiatives

Contributing to the building of a sustainable society

We manage a fund that invests in typical forms of renewable energy such as solar power generation projects. We also participate in initiatives that use private sector funds involving regional public infrastructure such as the renewal of waterworks facilities.

In response to the challenges facing local communities and society, we will contribute to the building of a new ecosystem through collaboration with various partners. The goal is to achieve solutions that take advantage of the knowledge of not only the financial area but also the non-financial area.



Stock Transfer Agency Services Business



The Stock Transfer Agency Services Business, as our clients' "Best Partner," provides a wide range of solutions that assist with stock practices and support for the general meeting of shareholders, strengthening governance, and promoting dialogues with institutional investors by taking advantage of the valuable data, information, and case studies gained from our client base, the number one in the industry in terms of both the number of listed companies under management and the number of shareholders under administration.

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

Atsushi Kaibara

*Executive Officers as defined in our internal policy

Vision Aimed for by the Business

We seek to be our clients' "Best Partner." We offer 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.

Transformation in governance reform that will lead to improvements in corporate value is getting fully underway including revisions to the Corporate Governance Code and the

Cabinet Office Ordinance on Disclosure of Corporate Affairs. In the meantime, client needs are expanding beyond stock practices and support for general meetings of shareholders up until now to include enhancement of governance and consulting on incentive compensation and institutional design, becoming more complex and diverse.

The Group contributes to the further improvement of clients' corporate and market value by providing optimal, high-quality solutions to management issues for investors/capital strategies.

■ Main Group Companies

SuMi TRUST Bank	Shareholder list management services and consulting services related to IPO, governance, IR/SR, etc.
Tokyo Securities Transfer Agent	Shareholder list management services and consulting services related to IPO, governance, IR/SR, etc.
Japan Securities Agents	Overall stock transfer agency services and securities services including administration and delivery settlement of investment trusts and general bonds
Sumitomo Mitsui Trust TA Solution	Administration and system operations for the entire range of stock transfer agency services
Japan Stockholders Data Service	Undertaking administration of the shareholders' registry and system development and operations

Recognition of environment and challenges

- Further pursuit of effective measures in governance reform
- More stringent voting rights exercising standards for institutional investors and growing presence of activists
- Requirements for expanded scope of disclosure including non-financial information
- Need to provide speedy and accurate solutions because clients' needs are becoming more diverse and growing as a result of the environment above

Opportunities and our strengths

- Client base that is the number one in the industry in terms of both the number of listed companies under management and the number of shareholders under administration
- Data gained through Japan's largest governance survey and executive compensation survey
- Specialized personnel and specialist staff backed by an abundance of experience in corporate legal affairs, executive compensation, and IR/SR areas

Key Measures

Expand transaction base

The Group's largest strengths are our client base, the number one in the industry in terms of both the number of listed companies under management and the number of shareholders under administration, and its track record and expertise in responding to an abundance of cases.

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

Enhance solution marketing

Governance survey/executive compensation survey

We have been conducting both surveys since fiscal year 2017.

We will continue to enhance the reliability of this data by securing among the highest number of participating companies in both surveys in Japan and improve the usefulness of the data by adding questions as appropriate according to the times.

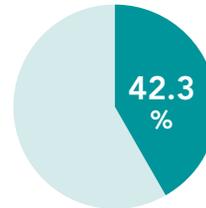
This tremendous amount of survey data not only makes it possible to assess initiatives related to overall governance or executive compensation in listed companies, but also identify client issues and needs by comparing the results of analyses of individual companies against average initiative conditions 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.

Individual measures we will particularly focus on in fiscal year 2019

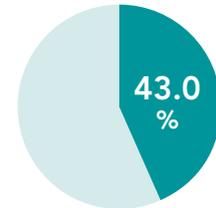
- (1) In light of demands for constructive dialogue with institutional investors that are stronger than ever, we will significantly expand the contents and number of subscriber companies to FOCUS CLUB that provides IR/SR related information throughout the year and tie this into stable revenue earned.
- (2) We will constantly explore cutting-edge solutions as an industry leader, including the expansion of the smart exercising function for the voting rights exercising service using smartphones that was started from 2018.

Industry Share of Stock Transfer Agency Services Business* (March 31, 2019)

<Number of Listed Companies under Management>
No. 1 in industry



<Number of Shareholders under Administration>
No. 1 in industry



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

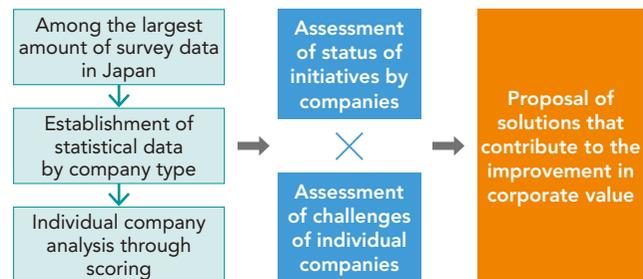
Corporate governance survey

- 1,407 participating companies, among the highest number of survey participants in Japan (approximately 40% of all listed companies)
- Supervised by Professor Kunio Ito (Adjunct Professor, School of Business Administration, Hitotsubashi University), an authority in corporate governance reform in Japan
- Indexation of statistical data that will contribute to strengthening governance + analysis through scoring

Executive compensation survey*

- Data on executive compensation for over 10,000 people at 659 participating companies, among the highest number of survey participants in Japan
- Survey also conducted on evaluation system structure and system in addition to the standard and composition of compensation

*In coordination with Deloitte Tohmatsu Consulting



- (3) We will actively use RPA/AI in an aim to provide solutions that are speedier and more accurate, and work to improve the solidity of business operations.

Sustainability initiatives

Various forms of consulting

We support the ESG activities of clients through consulting services for investors/capital strategies to support clients' investor strategies, capital strategies, and public relations activities (IR/SR) including ESG advisory services, integrated report review services, and support for evaluations of the effectiveness of the board of directors.



Real Estate Business



In our Real Estate Business, 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 be the “Best Partner” for clients in real estate.

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

Shigeki Tanaka

Vision Aimed for by the Business

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 Group companies, we also make use of our external networks with regional financial institutions and overseas financial organizations 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 will further improve our provision of real estate information aligned with the life stages and life events of clients and endeavor to maximize asset value for our clients.

We have also secured the top position in Japan in terms of both real estate securitization trusts and J-REIT business, and we will continue to support investment management for clients including institutional investors and provide the important social infrastructure function of contributing to the growth of the real estate investment market.

We aim to create and provide value that responds to the true needs of clients as the “Best Partner” for clients in real estate.

In addition, we will further contribute to the achievement of SDGs through means such as the provision of environmentally friendly property consulting in an aim to improve the environmental performance of real estate that has attracted much attention and acquire performance evaluations.

■ Main Group Companies

SuMi 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 and public institution clients

Recognition of environment and challenges

- Continuation of plateauing real estate prices underpinned by low interest rates and strong office demand
- However, there is a need to keep a close watch for signs of changes in market conditions
- Need to strengthen support in response to the strong investment appetite of overseas investors toward Japanese real estate
- Provision of real estate services in response to the increase in the elderly population and number of inheritances is essential

Opportunities and our strengths

- Abundant specialized personnel and specialist staff with top-class experience and know-how related to the real estate market
- Capabilities for proposing and executing speeding business partnerships and total solutions unique to a financial group specialized in trust banking
- Neutral position that makes it possible to build a win-win relationship with regional financial institutions and overseas financial organizations, etc.

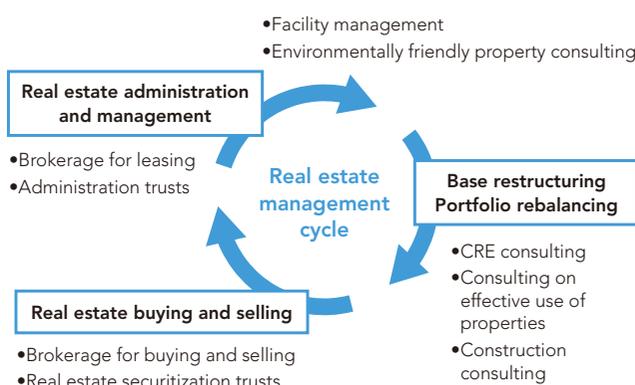
Key Measures

One-stop provision of solutions according to the real estate management cycle

We provide optimal solutions aligned with each stage of the real estate management cycle over the medium to long term based on a deep understanding of the relationship between the status of real estate owned by clients and their investment policy and business strategy.

We will continue to offer a varied menu of one-stop service options including not only support for real estate buying and selling, but also support for repair and renewal work and reconstruction in the administration and management phase as well as CRE (corporate real estate) consulting regarding facility management for improving the efficiency of and rationalizing administration and management and base strategy.

Varied service menu according to the real estate management cycle

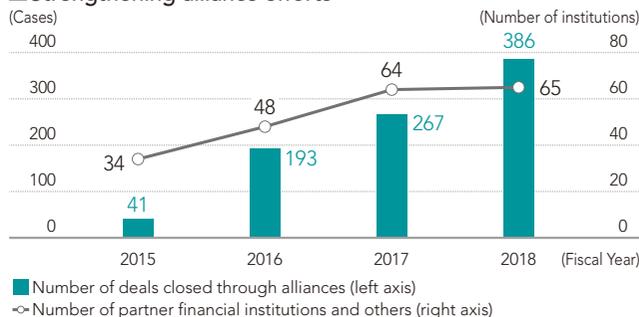


Strengthening alliance efforts

We are expanding and revitalizing alliances with Japanese financial institutions including regional financial institutions and external networks with overseas financial organizations and major overseas real estate companies.

As a real estate business professional, we will respond carefully to the real estate needs and resolve the challenges of clients that don't have a business relationship with the Group in order to contribute to the business of not only clients, but also alliance companies.

Strengthening alliance efforts

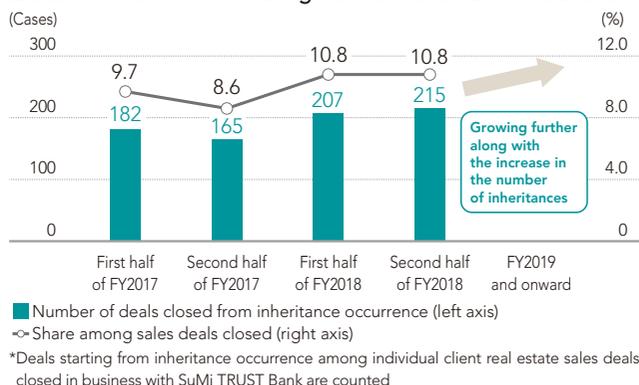


Real estate for individuals

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

As both the elderly population and the number of inheritance cases can be expected to increase going forward, we will take advantage of the many qualified real estate transaction agents at branch offices in the Retail TS Business to stimulate demand and strengthen services for real estate acquisition for inheritance to the next generation, sales of inherited real estate, residence change into barrier-free properties, etc.

Sales of real estate resulting from an inheritance occurrence*



Sustainability initiatives

Environmentally friendly property consulting

The Group has been a pioneer in the creation of the environmentally friendly property market up until now. In particular, we have conducted research on the price formation mechanism incorporating the perspective of real estate transactions in environmentally friendly initiatives including energy conservation in construction that had been a matter exclusively managed by builder, made recommendations to the national government on the introduction of new labeling systems and verification of improvements in value, and led initiatives aimed at the materialization of such efforts. We are involved with support for nearly half of CASBEE certifications acquired, which is a certification system for the environmental performance of real estate, and working to promote and spread the CASBEE. The Group is also focused on the development of new products and services that take advantage of this kind of knowledge.



Global Markets Business



Our Global Markets Business includes three functions — client service functions, which undertake marketing operations and market-making operations that meet client needs regarding such matters as interest rate and foreign exchange related transactions; market functions, which handle investment operations and financial management operations; and administrative functions. We combine these three functions and operations to leverage our significant expertise and comprehensive capabilities and provide services in a timely manner.

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

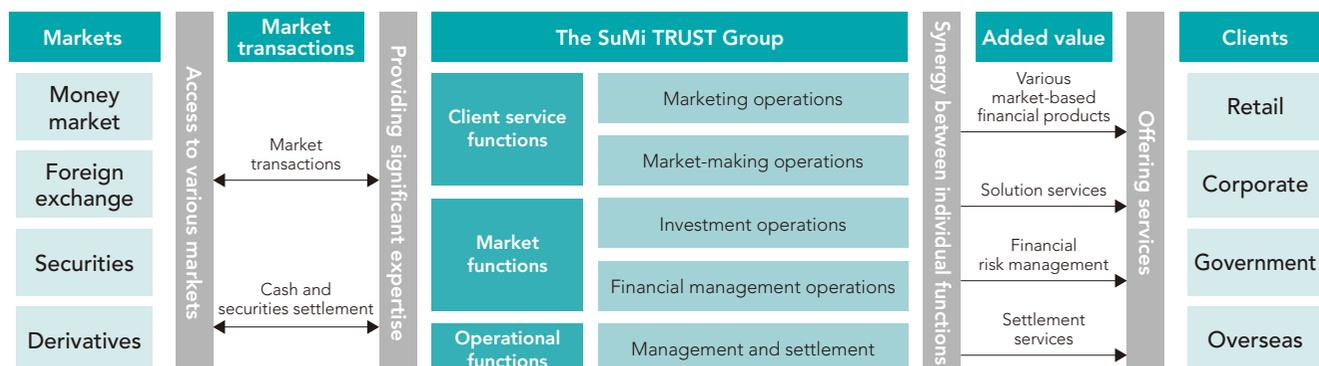
Yoshinori Momose

Vision Aimed for by the Business

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.

Business Model of Global Markets Business



Recognition of environment and challenges

- Prolongation of negative interest rates
- Preparations for market risks and liquidity risks arising from factors including a disruption in international coordination and risks of deterioration in economic conditions
- Increase in the elderly population, medium- to long-term population decline
- Acceleration of shift from savings to asset formation

Opportunities and our strengths

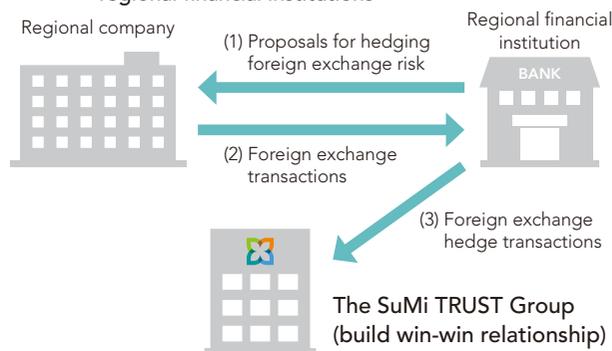
- Market risk and liquidity risk management capabilities
- Leading player in the financial markets
- Outstanding client base
- Neutral position that makes it possible to build a win-win relationship with regional financial institutions, etc.

Key Measures

Expand foreign exchange and derivative transactions with financial organizations

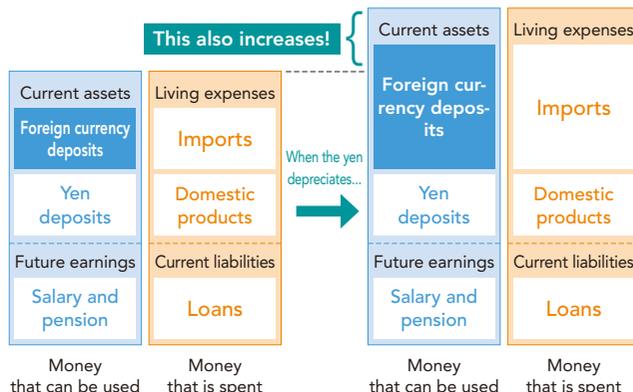
The advance of globalization is stimulating overseas expansion, including M&As, by Japanese companies and foreign asset management by financial organizations, producing a rising need for appropriate hedging against interest rate and foreign exchange risks. Our specialized market volatility management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

(Example) "B to B to C" in foreign exchange transactions with regional financial institutions



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. In addition, as negative interest rates have become prolonged in Japan, individuals have growing needs for long-term asset formation accompanying changes in the social structure including an aging population. From the perspective of protecting clients' asset value (purchasing power), we propose to clients foreign currency deposits as a tool to hedge their risks.



Improve financial literacy

In our Global Markets Business, we issue publications on an ongoing basis to deepen the understanding of a broad range of people toward financial markets and financial products. We will contribute to asset formation by clients and the development of sound financial markets through improvements to financial literacy.

- "The Financial Markets Forecasting Handbook for Investors" (6th Edition, NHK Publishing)
- "Derivatives: 360 Keywords" (5th Edition, Kinzai Institute for Financial Affairs, Inc.)
- "Workings of the Financial Market You Should Know by Age 60" (NHK Publishing)



Sustainability initiatives

Issuance of green bonds

Recently, new types of green financing methods such as green bonds and social bonds have attracted much attention, and a large market centered around Europe has formed for these instruments. SuMi TRUST Bank has also issued green bonds for the purpose of accelerating sustainable finance initiatives related to climate change, natural capital, and environmentally friendly property (for details, please see page 43).



Fiduciary Services Business



The Fiduciary Services Business seamlessly combines our significant expertise and know-how with the Group as a whole as we provide client-oriented, high added value services ranging from design of pension systems to management and administration.

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

Toru Takakura

Vision Aimed for by the Business

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.

To that end, we will increase the pension plan member base and improve service quality including investment education with a focus on defined contribution pension funds in the pension business and pursue diversification of services in asset

management and asset administration businesses to further refine and enhance existing strengths, while seeking to expand our balance of assets under management and custody, revenue, and client base.

In addition, through the completion of the integration of the asset management business of SuMi TRUST Bank and Sumitomo Mitsui Trust Asset Management and asset administration bank integrations planned for the future, we will strengthen asset management capabilities and rationalize and improve services in the asset administration business.

■ Main Group Companies

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)
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

Recognition of environment and challenges

- Growing needs for asset formation in preparation for an age of 100-year life
- Growing needs for pension system reform along with work style reforms and the extension of retirement age
- Ongoing asset management and administration needs along with the prolongation of negative interest rates
- Refinement of asset management methods and diversification of assets managed

Opportunities and our strengths

- Comprehensive support for pension systems, pension asset management, and company welfare programs
- Broad product lineup
- Service provision capabilities based on close coordination between Group companies
- Catering to outsourcing needs, economies of scale

Key Measures

Strengthen defined contribution pension funds

As defined contribution pension funds become increasingly important from the perspective of changes to systems in light of the extension of retirement age and strengthening company welfare programs to secure human resources, SuMi TRUST Holdings has leveraged its strong reputation among clients for investment education, online service, call centers, and other services to continue growth in the number of DC plan members and maintain a top position in the industry. We will contribute to improvements in financial literacy enhancing investment education and supporting asset formation by DC plan members in order to achieve even further sustainable growth.

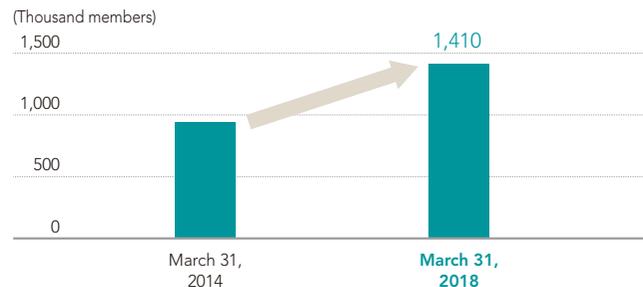
Establishment of JTC Holdings

In March 2018, we reached an in-principle agreement between the major shareholders of Japan Trustee Services Bank (JTSB) that is the core company of the asset administration business and Trust & Custody Services Bank (TCSB) that is a subsidiary of Mizuho Financial Group, to merge the two companies. In October 2018, a holding company that wholly owns both companies was established in order to establish an integrated company with 2021 as a target. The economies of scale will be leveraged to rationalize and enhance their service levels.

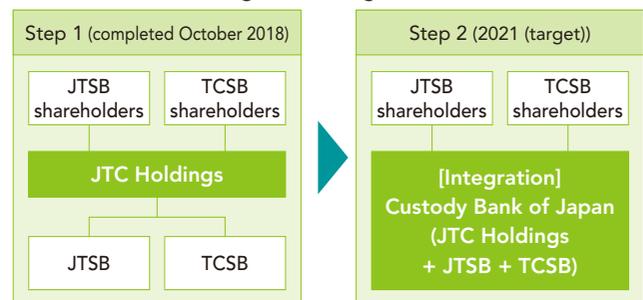
Increase in assets under custody of the Group

Assets under custody of the Group have gradually increased in both Japan and overseas. We aim to further increase our balance and expand our client base through the refinement of asset management methods and diversification of the assets we manage for our balance of domestic assets under custody, and the refinement of services for Japanese clients as local overseas subsidiaries and domestic departments in Japan work closely together for our balance of overseas assets under custody.

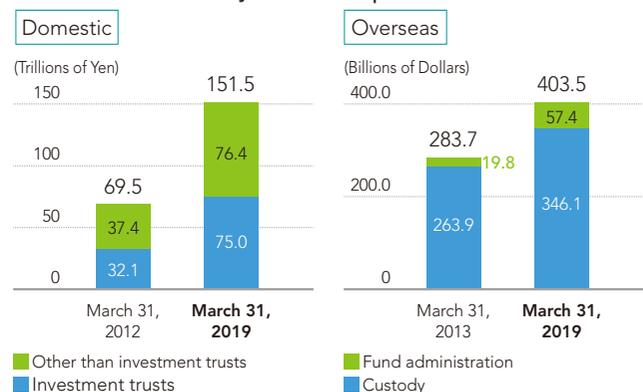
Trend of DC Plan Members



Structure after management integration



Assets under custody of the Group



Sustainability initiatives

SRI and ESG fund development

The Group has led Japan's ESG market through the development of new investment methods including Japan's first environmental fund (1999), a Chinese stock SRI fund (2010), and biodiversity companies support fund (2010). The SRI fund that was first provided for corporate pensions in Japan in 2003 before the establishment of PRI is an investment concept that focused on ESG from the beginning, through which the Group has accumulated investment know-how and track record as a pioneer in ESG investment to the letter.



Asset Management Business of the Sumitomo Mitsui Trust Group

 SUMITOMO MITSUI TRUST ASSET MANAGEMENT



Representative Director and President
Sumitomo Mitsui Trust Asset Management
Yoshio Hishida

The asset management business of the Group provides an asset management function to clients, centered around Sumitomo Mitsui Trust Asset Management and Nikko Asset Management. We have approximately ¥94 trillion* of assets under management on a Group basis, which is among the highest level in Asia.

*As of March 31, 2019

 **nikko am**
Nikko Asset Management



President & Co-CEO
Nikko Asset Management
Hideo Abe

Efforts to refine governance

In light of our position of managing the assets of clients, we focus on efforts to refine governance and have actively strengthened and promoted governance through such efforts. As a specific example of an initiative, Sumitomo Mitsui Trust Asset Management and Nikko Asset Management have been transitioned into a company with an audit and supervisory committee. In addition, Nikko Asset Management became a directly-owned subsidiary of SuMi TRUST Holdings in July 2019, in the same manner as Sumitomo Mitsui Trust Asset Management.

Director, Senior Managing Executive Officer, SuMi TRUST Holdings

Jiro Araumi



Vision Aimed for by the Business

As the global asset management market has grown year by year, the Group has positioned the asset management business as both a core business and growth area and strengthened this business.

As part of these efforts, the asset management function of SuMi TRUST Bank that has a solid track record with institutional investor clients including pension funds was integrated with Sumitomo Mitsui Trust Asset Management in October 2018. In addition, the Group includes companies such as Nikko Asset Management that

has strengths in product development capabilities leveraging a global network, as well as Sky Ocean Asset Management and JP Asset Management that were established in partnership with other financial groups.

The Group will pursue a multi-boutique strategy that fully leverages the characteristics and strengths of the various asset management companies and provide optimal asset management solutions to clients ranging from institutional investors to individual in Japan and overseas.

■ Main Group Companies

Sumitomo Mitsui Trust Asset Management	Asset management company that integrated the asset management function of SuMi TRUST Bank in October 2018 and forms the core of the Group
Nikko Asset Management	Unique asset management company that operates globally with a focus on Asia
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

Recognition of environment and challenges

- Increase in assets under management on a global level
- Scale of asset management companies becoming larger and larger due to cross-border reorganization
- Downward pressure on fees as a result of factors including adoption of passive investment, intensifying competition, and regulations

Opportunities and our strengths

- Business foundation capable of supporting the needs of a broad range of clients ranging from institutional investors to individuals in Japan and overseas
- Strong presence in corporate pension business (defined benefit, defined contribution, etc.) in the field of asset management with trust banking as the origins
- Broad sales channel in the domestic investment trust market

Key Measures

Extend asset management capabilities and product development capabilities

• Sumitomo Mitsui Trust Asset Management

The company has the most assets under management in Asia, and it will aim for even further growth in the domestic retail market as a growth area in addition to the presence it has developed among domestic institutional investors up until now.

• Nikko Asset Management

The company has a network of business bases (including JVs) in 11 countries around the world, and it can leverage strengths that include unique product development capabilities that actively take advantage of this network and sales support that has a strong reputation in Japan.

We have expanded assets under management by providing asset management and products that support the diverse needs of a wide variety of clients while taking advantage of the characteristics and strengths of primarily these two companies. So that we can continue to contribute to the maximization of profits for clients, we will refine these strengths and expand into new fields of active assets including smart β and illiquid asset for which needs are growing in order to strengthen asset management capabilities and product development capabilities.

Accelerate global expansion

Global expansion is becoming more important to achieve sustainable growth in the asset management business. We will work to expand the overseas business of both Sumitomo Mitsui Trust Asset Management and Nikko Asset Management in the global market that continues to grow.

In addition, we will accelerate global expansion as a Group through alliance strategy (including investment) with asset management companies overseas.

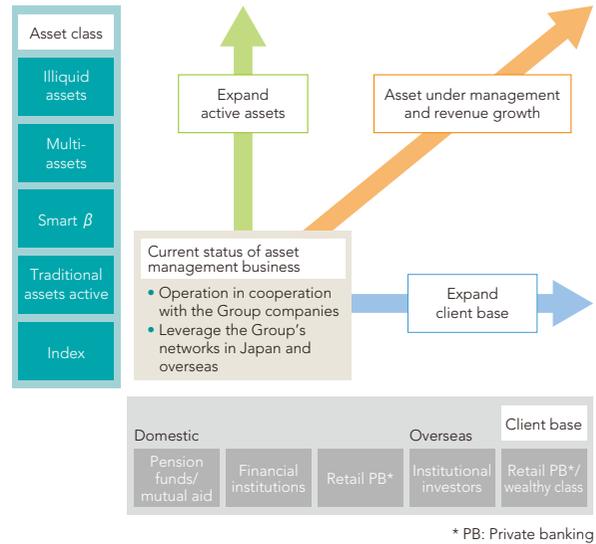
Expand assets under management in an aim to become a global top 20 company

As a group with one of the highest balances of assets under management in Japan and Asia, we will also demonstrate our presence in the global market. Over the medium to long term, we aim to become a global top 20 company and drive growth for the Group's fee business.

Expand the service provision base

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

Strengthening of Asset Management/Asset Administration Functions



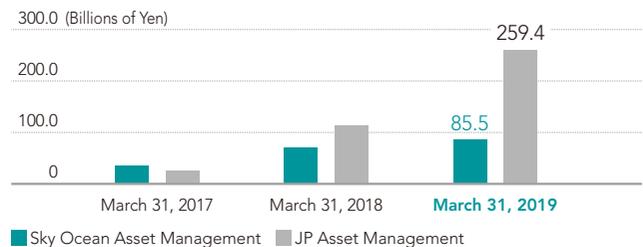
Assets under management

[Sumitomo Mitsui Trust Asset Management and Nikko Asset Management]



Assets under management

[Sky Ocean Asset Management and JP Asset Management]



Sustainability initiatives

Sustainable investment (ESG investment)

We will contribute to the expansion of the ESG investment market and increase in corporate consideration of the environment and society through stewardship activities through the issuance of various ESG funds and stewardship activities (global engagement, ESG integration, and exercise of voting rights) (for details, please see page 42).



Management Foundation

Risk Appetite Framework

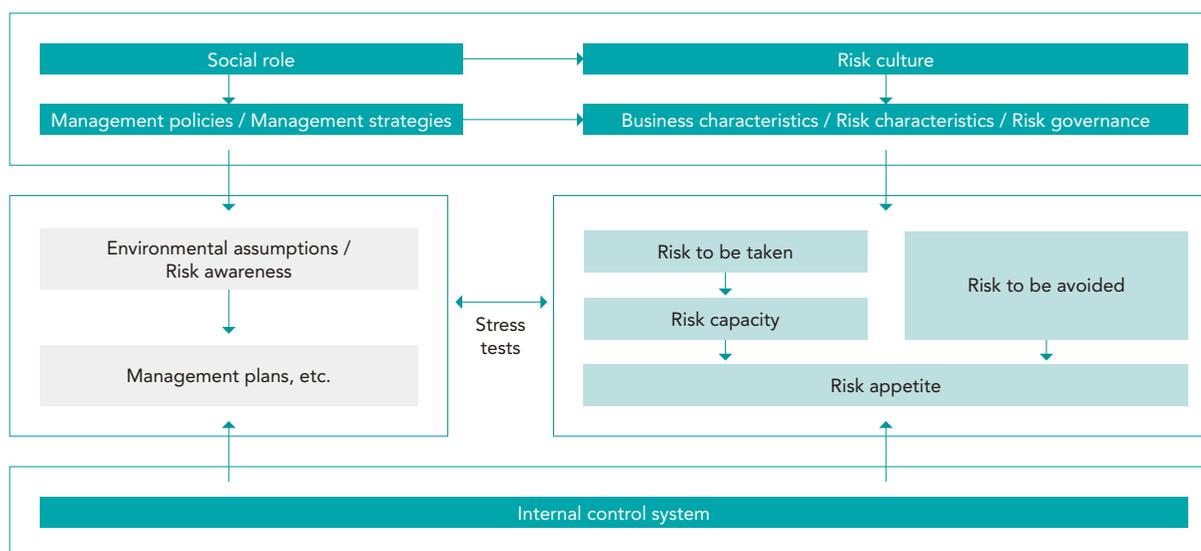
1. Positioning of the Risk Appetite Framework

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

The Group's RAF aims primarily to strengthen profitability

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

■ Outline of the Risk Appetite Framework



2. Operation of Risk Appetite

(1) Determining Risk Appetite

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

Under RAF, the Group establishes a risk-taking policy, which is an overriding management policy based on its Mission, Vision, and Value, and sets risk appetite indicators to be resolved by the Board of Directors. In addition, the Group sets more in-depth risk-taking policy and risk appetite indicators by business within the scope of policy set by the Board of Directors, which will be resolved by the Management Committee.

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

(2) Monitoring of Risk Appetite

In order to verify that risk taking is carried out appropriately based on its business model, the Group sets separate risk appetite indicators from the perspective of return, risk, and cost, and monitors them regularly. If the indicators deviate from the set levels, the Group analyzes the cause and implements counter-measures or revises the levels.

(3) Risk Governance

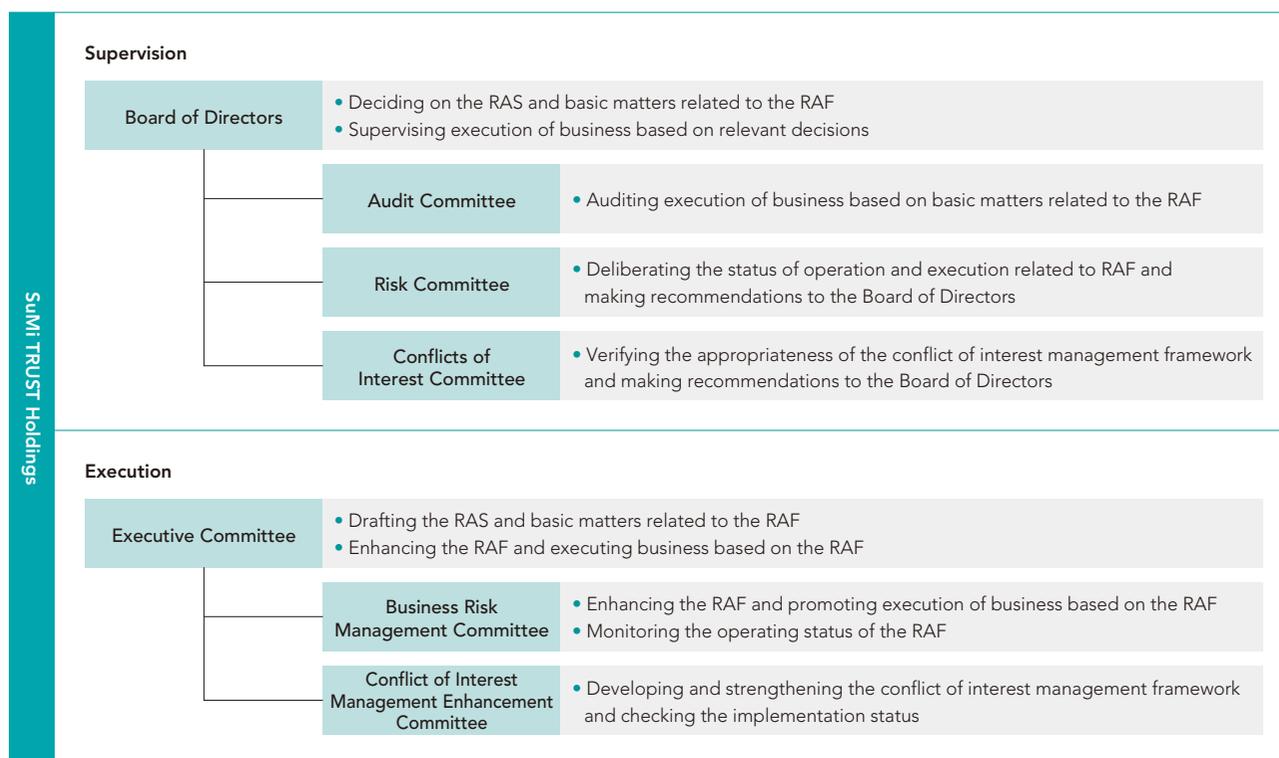
Risk governance, which forms a part of corporate governance, is a framework for identifying, measuring, managing, and controlling risks, as well as ensuring appropriate risk taking, by clarifying and monitoring risk appetite.

The Group promotes the enhancement of risk governance,

with the aim of achieving the sound development of the Group.

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

■ Risk Appetite Framework Operating System



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

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

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

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

Risk Management

1. Basic Policy on Risk Management

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

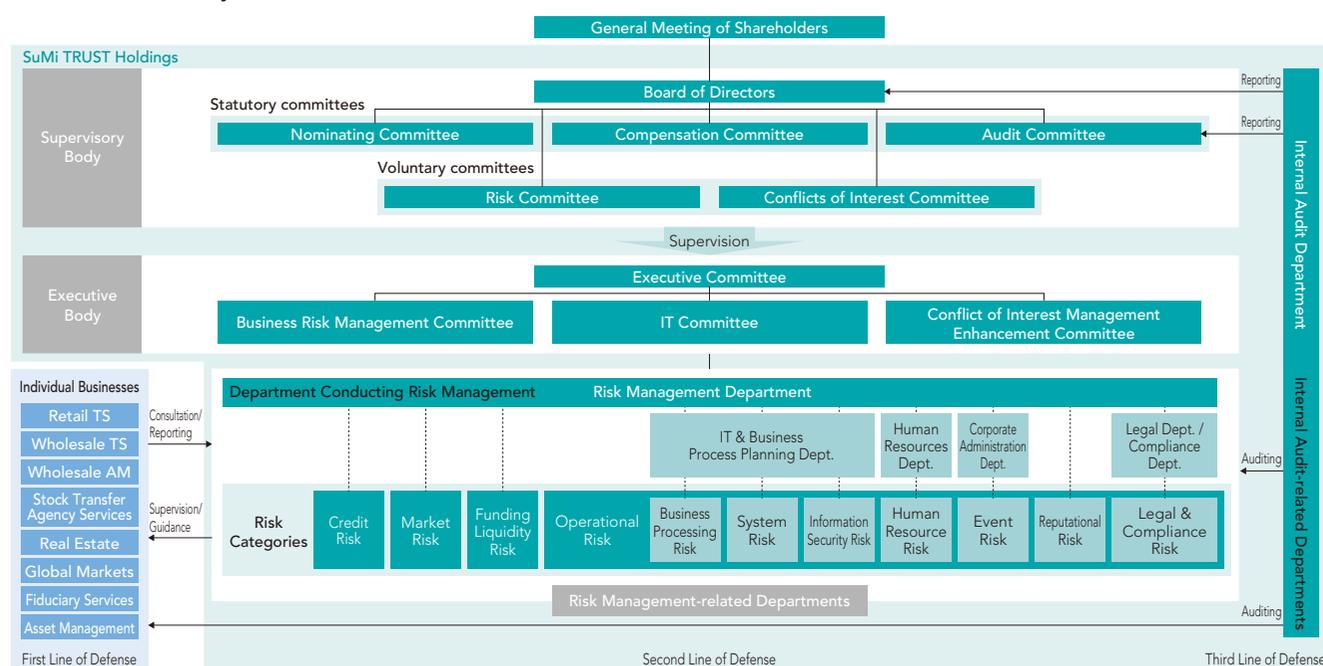
Risk Category	Definition
Credit Risk	Risk that the Group may incur losses due to a decrease or impairment of the value of assets (including off-balance sheet assets), for reasons such as deterioration of the financial condition of obligors. In this regard, "country risk" in particular refers to the risk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

3. Risk Governance System

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

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

■ Risk Governance System



(1) First Line of Defense

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

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

(2) Second Line of Defense

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

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

The Risk Management Department reports on the status of

risk management to the Executive Committee and the Board of Directors.

(3) Third Line of Defense

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

(4) Executive Committee

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

(5) Board of Directors

The Board of Directors is composed of all of the directors. It decides on the Group's management policy and strategic goals for risk taking, formulates a risk management policy, etc. that reflects these strategic goals based on a solid understanding of the location and nature of risks, and develops an appropriate risk governance system and supervises its implementation. The Board

of Directors has voluntarily established the Risk Committee and the Conflicts of Interest Committee, as advisory bodies, based on the business strategies and risk characteristics of the Group.

- **Risk Committee**

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

reports its findings.

- **Conflicts of Interest Committee**

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

4. Risk Management Process

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

(1) Risk Identification

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

(2) Risk Evaluation

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

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.

(3) Risk Monitoring

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

guidance, and advice are given to each of the Group's businesses based on the risk conditions. Monitoring contents are reported and submitted to the Board of Directors, the Executive Committee, and other bodies regularly or as needed.

Risk predictor management for top risks, etc.

Risk appetite indicators are defined for risks resulting from internal factors, based on the features of the Group's business model and risk characteristics, and these management indicators are monitored. Regarding risks resulting from external factors, the top risks (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" and "risk of insufficient measures against money laundering and terrorism funding."

(4) Risk Control and Mitigation

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

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

6. Crisis Management

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

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

For large-scale natural disasters such as earthquake, which

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.

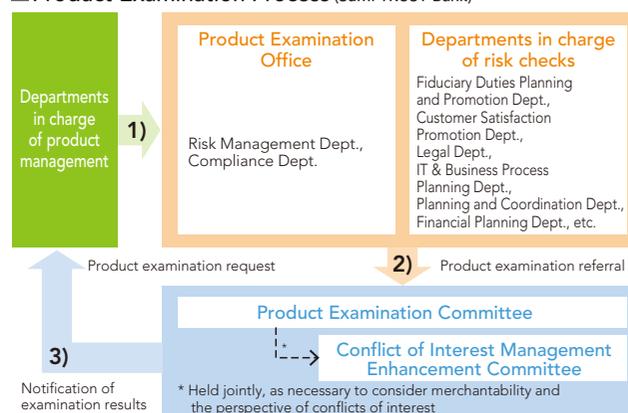
are envisioned as having a significant impact, we are enhancing our response system through the preparation of backup offices and backup systems.

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

7. New Product and New Operation Examination System

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

Product Examination Process (SuMi TRUST Bank)



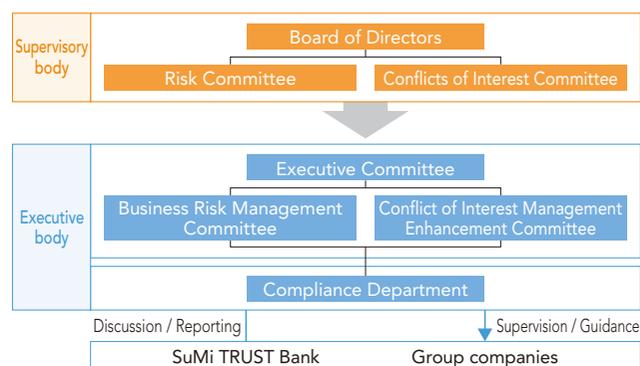
Compliance

1. Basic Initiative Policy

The Group has positioned compliance as one of its most important management issues necessary for the realization of “The Trust Bank,” its management principles and ideal model, and set out “strict compliance with applicable laws and regulations” in the Codes of Conduct (“Value”).

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

■ Compliance System of SuMi TRUST Holdings



2. Group Compliance Framework

The Group formulates the Compliance Program, which consists of specific practice plans for implementing compliance within the Group each fiscal year, with the approval of the Board of Directors, and the Board of Directors periodically receives reports on the progress and evaluation of the Compliance Program.

SuMi TRUST Holdings manages the compliance framework for the entire Group in order to create an appropriate framework in line with the characteristics of operations of each Group company. This is done by formulating the companies’ Compliance Programs and providing guidance and oversight on the progress and achievement status of these programs.

3. Initiatives to Foster Compliance Awareness

The Group has created a Compliance Manual containing explanation of laws and regulations that must be followed and actions to be taken in the event of the discovery of compliance infractions, with the approval of the Board of Directors, and employees across the Group are thoroughly informed regarding its contents.

SuMi TRUST Holdings is also improving compliance education to promote the fostering of compliance awareness throughout the entire Group. Specifically, we provide training materials, dispatch instructors, and plan and implement discussion-based study sessions on themes shared by the entire Group. In addition to the above, each Group company implements training

and study sessions in accordance with the characteristics of operations and products of each company and attributes of clients, as well as e-learning on specific themes, to foster compliance awareness among employees.

Furthermore, in order to accurately grasp the status of the penetration of compliance awareness, the Group conducts an awareness survey on compliance at major subsidiaries and elsewhere each fiscal year. The survey is to identify and address issues. It is designed to grasp issues shared across the Group and to implement effective measures by means such as setting common questions. The Group is working to grasp the current situation with this survey.

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. A simple reporting function (reporting via the website) has also been put in place.

An accounting hotline system has also been established for the reporting of inappropriate accounting.

5. Prevention of Money Laundering*1

The Group has released its "Anti-Money Laundering Compliance Policy" with the approval of the Board of Directors, and made clear its resoluteness in standing up to money laundering.

We oversee the status of the anti-money laundering framework's development and provide guidance on improving the framework at each Group company through periodic risk assessment on the framework. This effort is to prevent abuse of financial services within the entire Group including overseas bases. For risks that are identified, each Group company implements risk control measures according to risks. For instance, SuMi TRUST Bank carries out additional confirmation according to the transactions' content, and it verifies, using an AML system*2, whether any illicit transfers between accounts have taken

place, and has a system in place for employees, when coming across transactions suspected to be related to illegally obtained money or used to finance terrorism, to immediately report to the person in charge, who notifies the relevant authorities.

In addition, we support internal training programs by each Group company and employees' acquisition of specialized certifications on anti-money laundering. Internal training programs on anti-money laundering are provided periodically.

*1 Money Laundering is the act of hiding a source of money obtained illegally (for example, through the sale of illegal drugs) by routing it through multiple bank accounts or financial instruments. Terrorists and perpetrators of remittance scams are examples of people who may abuse the accounts of financial institutions. It is the responsibility of financial institutions to prevent the misuse of financial services. Such efforts are referred to as "money laundering prevention countermeasures."

*2 AML system: Anti-Money Laundering system

6. Initiatives to Prevent Bribery

The Group, with the approval of the Board of Directors, has published its "Anti-Bribery and Corruption Compliance Policy," and under the supervision of the management team, implements anti-bribery and anticorruption programs. We review and strengthen the programs through regular assessment of risks related to bribery and corruption, and endeavor to improve the framework for prevention of bribery and corruption. We do this by taking such measures as fostering a

close-knit collaboration between our overseas bases and local legal offices to allow for swift and proper responses at overseas bases, where such risk is high.

In addition, the Group provides directors, officers and employees with regular training each fiscal year. Also provided is additional specialized training for employees at departments with a high potential risk of facing bribery, and written pledges for compliance are obtained from the employees.

7. Response to Antisocial Forces

The Group has declared its resolute stance against antisocial forces in its Codes of Conduct ("Value") and takes initiatives to prevent transactions by antisocial forces. The aim is to realize "The Trust Bank," the Group's management principles, and ideal model. Specifically, we have incorporated a clause to exclude organized crime from transactions in various products, services, etc., and established a framework to prevent transactions with antisocial forces by checking with a database operated by the National Police Agency, via the Deposit Insurance Corporation of

Japan, before providing new personal loans, etc. In cases in which the counterparty in a transaction is found to be an antisocial force after the commencement of a transaction, we take measures in close coordination with the police and other external expert organizations for the eventual cancellation of the transaction.

In addition, we provide directors, officers and employees with training for the prevention of transactions with antisocial forces each fiscal year to strengthen awareness of preventing such transactions.

8. Initiatives to Prevent Insider Trading

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

In addition, we have established a framework for regular training on prevention of insider trading, and we obtain written pledges for compliance with internal rules from all directors, officers, and employees.

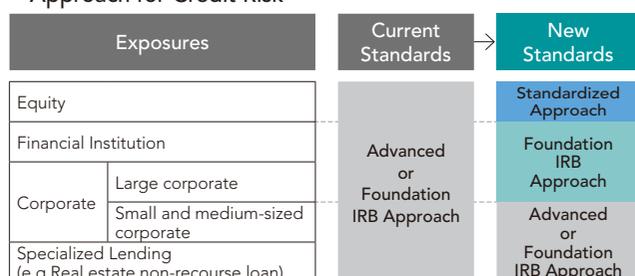
Compliance with International Financial Regulations

1. Compliance with Finalized Basel III Reforms

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

Subsequently, in December 2017, an international agreement was reached on “Finalized Basel III,” which aims to constrain the use of internally modelled approaches by banks and

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

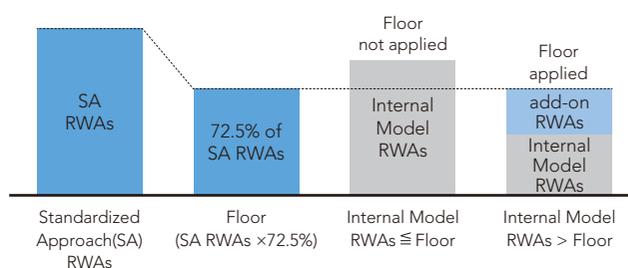


Standardized Approach: Supervisory risk weight according to external credit ratings
 Foundation IRB Approach: Risk weight calculated based on banks’ own estimates of probability of default (PD)
 Advanced IRB Approach: Risk weight calculated based on banks’ own estimates of probability of default (PD)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

to introduce a new capital floor based on the standardized approaches to the risk-weighted assets measurement approach in the calculation of the capital adequacy ratio.

“Finalized Basel III” is required to be implemented from 2022. The Group will work to secure the target level through the future accumulation of capital and other means, and promote appropriate profitability and portfolio management to establish a framework for introducing tighter capital requirements.

■ Capital Floor Structure



- In the case where 72.5%* of SA RWAs (Floor) is larger than internal model RWAs, Add-on RWAs are charged.
 * As for the applicable multiplier of the floor, starting at 50% in 2022, it will be raised by 5% each year to 72.5% in 2027.

2. Strengthening of Regulations on Non-financial Risk Areas

Regarding financial risks, BCBS made the agreement on Basel III as described above, and major frameworks for various liquidity risk regulations and Single Counterparty Credit Limit (SCCL) are close to being determined and although minor modifications of details are still needed, the hardest part is over.

With this background, international organizations and the financial authorities of each country are focusing on tightening and enhancing regulations on non-financial risk areas. Examples of non-financial risk areas include:

- Conduct risk management
- AML/CFT (Anti-Money Laundering and Countering the Financing of Terrorism)
- Cybersecurity
- Subcontractor (third party) management
- Maintenance of important functions/strengthening business continuity framework of financial institutions

These areas are correlated and we are being required to strengthen regulations across areas, not only tightening management of our own conduct risk and cybersecurity, but also checking the management status of those of subcontractors and requiring them to establish a certain level of management framework.

There is no established method in place for the financial authorities or the financial industry to tighten these non-financial

risk areas yet, and we are still in a stage where various proposals are being made. Some of the areas, such as cybersecurity, require continuous enhancement of regulations.

The Group, as a trust bank group entrusted with the investment and management of the assets of our clients, is committed to further strengthening and enhancing the framework of asset investment and management, while paying close attention to these global regulatory trends.

■ Framework for Compliance with International Financial Regulations

Overall supervision	Corporate Planning Dept. (Global Business Management Office)
Capital adequacy ratio/ Liquidity requirements	Risk Management Dept., Financial Planning Dept.
Extra-territorial application of laws Conduct risks	Compliance Dept. (Global Compliance Office)
Support for regulations for overseas bases	Global Business Planning and Coordination Dept.*, Global Markets Business Planning Dept.*, Fiduciary Business Planning Dept.*, Asset Management Business Planning Dept.
Cybersecurity	Risk Management Dept., IT & Business Process Planning Dept.
Overseas Office Recovery & Resolution Planning	Corporate Planning Dept. (Corporate Information Office), Risk Management Dept.

*SuMi TRUST Bank

Internal Auditing

1. Basic Initiative Policy

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

Therefore, with the aim of ensuring the soundness of management by improving and enhancing the business execution system

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

2. Internal Auditing Implementation System

(1) SuMi TRUST Holdings

1) Organization

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

2) Functions and Roles

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

In addition, the Internal Audit Department, as the department

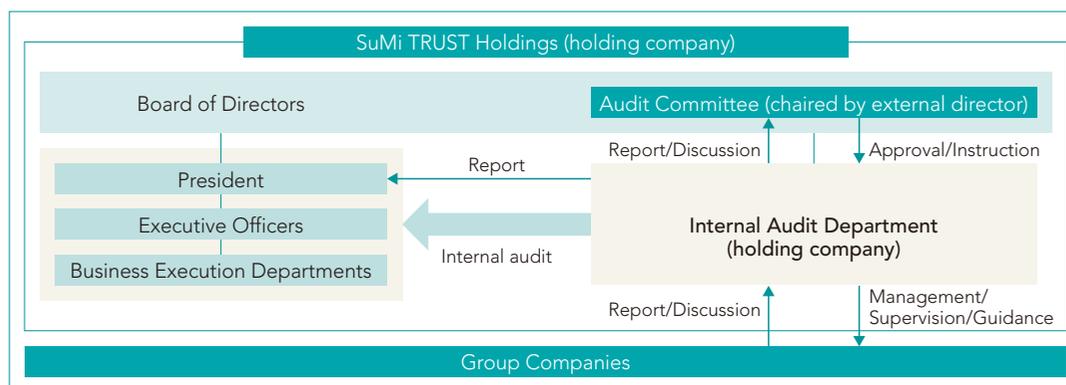
supervising the Group's internal auditing, receives consultations from each Group company regarding the audit plan, and confirms its consistency with the basic policy. The Internal Audit Department carries out internal audits in collaboration with the internal auditing unit of each Group company. The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

(2) Group Companies

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

■ The SuMi TRUST Group



Client-Oriented Initiatives

1. Providing Value to Clients

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. The Group formulated and published the Voluntary Declaration of

Consumer-Orientation in June 2019 and will take concrete initiatives in order to become a group trusted by clients and society, and to grow together continuously through constant efforts for improving customer satisfaction and thoroughly implementing a client-oriented approach, as well as contributing to resolving social issues including super-aging society.

Voluntary Declaration of Consumer-Orientation

The Voluntary Declaration of Consumer-Orientation is the Group’s declaration for the approach toward consumer-oriented management (a business activity respecting general consumers’ viewpoints and gaining consumer trust as the providers of a sound market, while being aware of its social responsibilities, and working toward the creation of a sustainable and desirable society) as promoted by the Consumer Affairs Agency and others.

2. Enhancement of Customer Satisfaction

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

1) SuMi TRUST Bank receives a large amount of 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 questionnaires collected by mail, etc. 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.

CS (Customer Satisfaction) Promotion Cycle of SuMi TRUST Bank



(2) Product Development Capabilities Supporting Total Solutions

In order to leverage the flexibility and expertise of its various financial and trust functions as a financial group specialized in trust banking, and put together an extensive lineup of unique and sophisticated products and services that are essential to providing total solutions, the SuMi TRUST Group focuses on promoting group-wide initiatives that combine the expertise of each business and Group company, rather than simply using their strengths and know-how. In this manner, the SuMi TRUST Group is creating a product development system that carries out medium-term, ongoing research activities on themes that

would be difficult to categorize within the domains of individual businesses or Group companies.

Specifically, SuMi TRUST Bank has established a product development department in each business, as well as the Business Research and Development Department, and a product development off-site meeting as its product development organization. The product development departments in each business analyze the client needs that have been collected in the course of business, and engage in improvement and development, mainly of products for immediate application,

including reviews of existing products and design of new products. In addition, the Business Research and Development Department, which was established as a dedicated unit primarily for the development of trust products, serves as the engine that drives product development and provides development support for each business, while carrying out 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.

(3) Technologies to Support Total Solutions

As digitization progresses at a rapid pace, the SuMi TRUST Group regards digital reform initiatives as one of its most important management strategies.

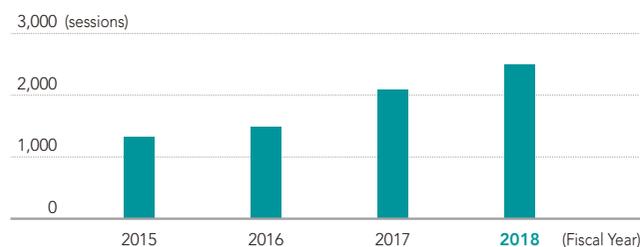
SuMi TRUST Bank introduced AI assisted automatic forecast analysis to understand the changing client needs due to the advent of the age of 100-year life and make proposals that are more client focused and appropriate. At trust type next generation branches, we provide consultation spaces that can comfortably accommodate clients together with their family members

(4) 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 of Clients

Number of Seminar Sessions Held



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.

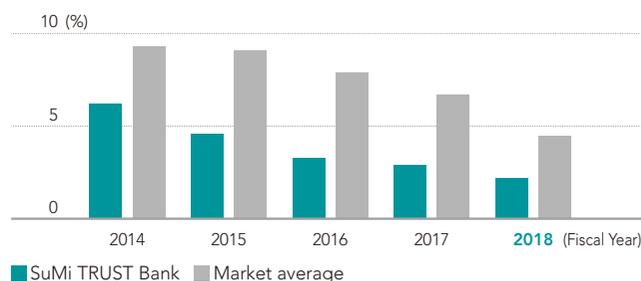
The SuMi TRUST Group also focuses its efforts on nurturing human resources who are capable of flexible thinking that sustains product development. At SuMi TRUST Bank, product development experience is included in the new employee training curriculum, and human resource development seminars on product 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.

spanning multiple generations, while actively utilizing digital technologies such as introducing new tablet devices. In this manner, we will transform branches from places to handle procedures to spaces for consultation.

By providing total solutions through the optimal combination of consulting and digital technologies, we will continually strive to provide a client experience that exceeds their expectations (please see page 84).

Assisting Clients with Long-term Asset Formation

Ratio of Dividend Distribution* to Balance of Investment Trusts

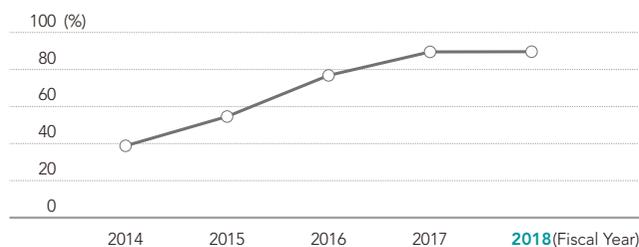


We propose products with low dividend frequency for clients' long-term asset formation needs. As a result, the ratio of dividend distribution to the balance of investment trusts is lower than the market average.

* 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.

Improvement of Value of Investee Companies

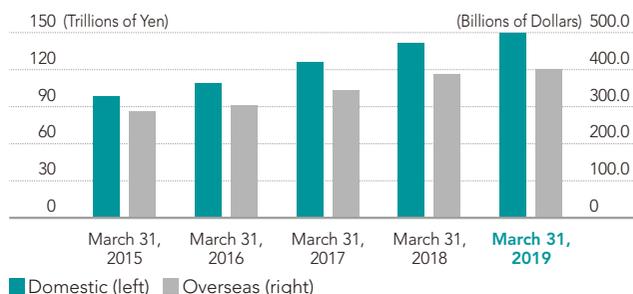
Ratio of Market Capitalization of Companies where Engagement is Implemented Compared to TOPIX Base Market Capitalization



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

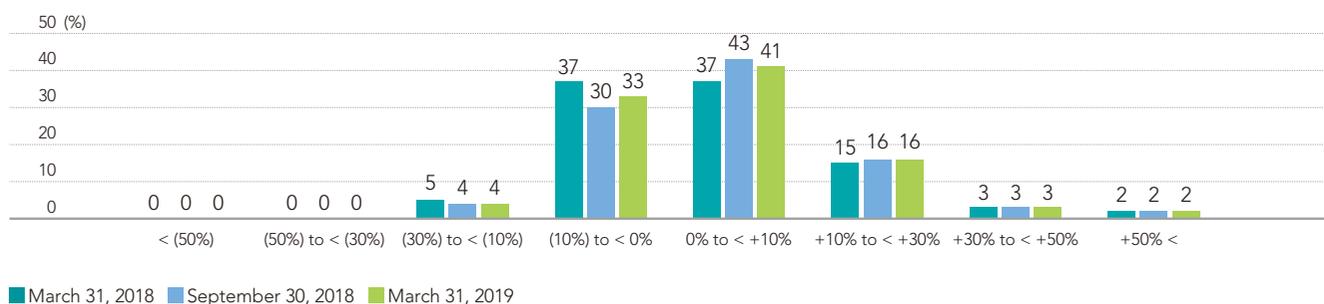
Group Assets under Custody



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.

Improving Investment Returns for Clients

Spread of Clients with Investment Trust Gains/losses, Including Realized Profit and Loss



While investment gains/losses fluctuate depending on market trends and other factors, we make every effort to improve returns and realized profits/losses for our clients. To this end, when proposing investment products to our clients, we emphasize the importance of carefully following up on their intentions in light of major life events and changes in the market environment. In this way, we strive to maintain an ongoing dialogue with our clients.

3. Initiatives Related to Fiduciary Duties (FD)

(1) Practicing Fiduciary Duties

The aim of the SuMi TRUST Group to be the “best partner” for clients is based on our client-oriented spirit. The Group has hitherto endeavored to be completely client-oriented given that a fiduciary spirit is essentially ingrained into our DNA. To this end, since we formulated and released our Policies regarding the Fiduciary Duties of the Sumitomo Mitsui Trust Group (the “Policies”) in September 2016, we have continued to

further strengthen our initiatives by revising the Policies when-ever necessary.

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 manage-ment.” The SuMi TRUST Group has put in place an extensive

organizational structure from the management level to the working level, and strives constantly to enhance its initiatives in this area.

The SuMi TRUST Group makes public indicators that allow confirmation of the status of initiatives and Key Performance

Indicators (KPIs) aimed at becoming our clients' "Best Partner," in order to communicate the results of these initiatives in a simple manner. These indicators are revised each fiscal year, and include the common KPIs, which are common indicators comparable across investment trust distributors.

■ Promoting/Supervising Structure of the Group

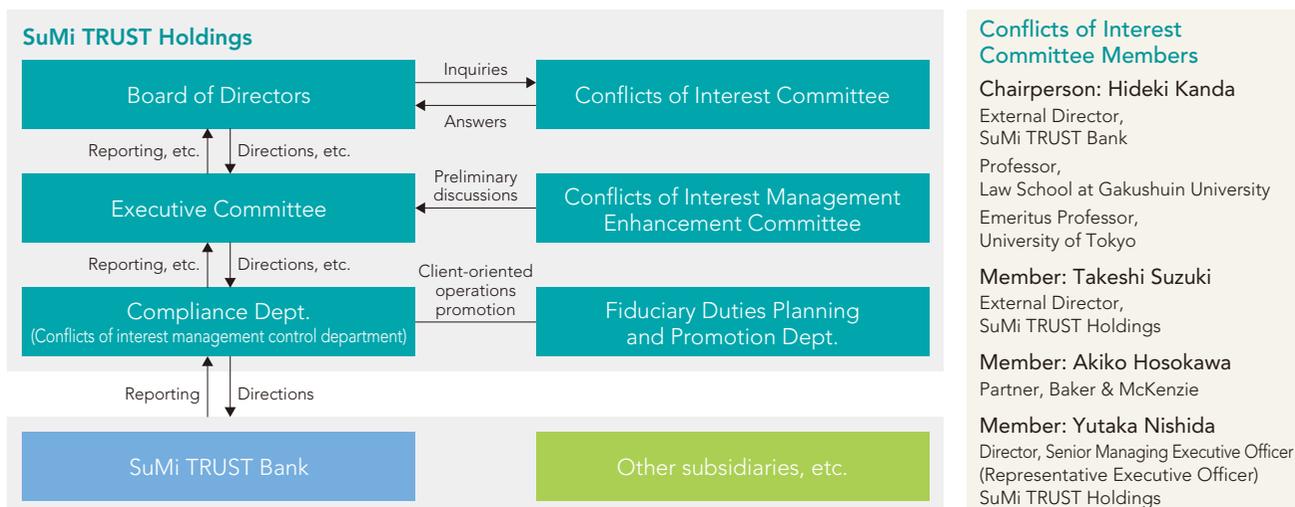
	Organization	Initiatives		
SuMi TRUST Holdings	Board of Directors	Conflicts of Interest Committee	<ul style="list-style-type: none"> Supervise conflict of interest management for the Group, monitor FD progress 	
	SuMi TRUST Bank	Executive Committee	Conflicts of Interest Management Enhancement Committee	<ul style="list-style-type: none"> Discuss important cases Guide the improvement of relevant departments
		Department in charge	Fiduciary Duties Planning and Promotion Dept.	<ul style="list-style-type: none"> Promote FD within the organization
	Compliance Dept.		<ul style="list-style-type: none"> Enhance conflict of interest management 	
Group companies	Group-wide	Fiduciary Duties Discussion Panel	<ul style="list-style-type: none"> Consult with external experts, implement within the company 	

(2) Conflict of Interest Management

With the approval of the Board of Directors, the Group announced the Management Policy Concerning Conflicts of Interest (Outline), in order to protect the interests of our clients from undue harm caused by provision of various services by Group companies and their related parties. The Group identifies and classifies transactions that have possible conflicts of interest in advance and manages such transactions appropriately.

Furthermore, we have established a system in which the Compliance Department, which is the department that controls conflict of interest management independently of sales divisions, regularly verifies the effectiveness of conflict of interest management across the Group. The results are regularly reported to the Board of Directors, etc., and improvement and direction are carried out continuously, as needed.

■ Conflict of Interest Management Framework*

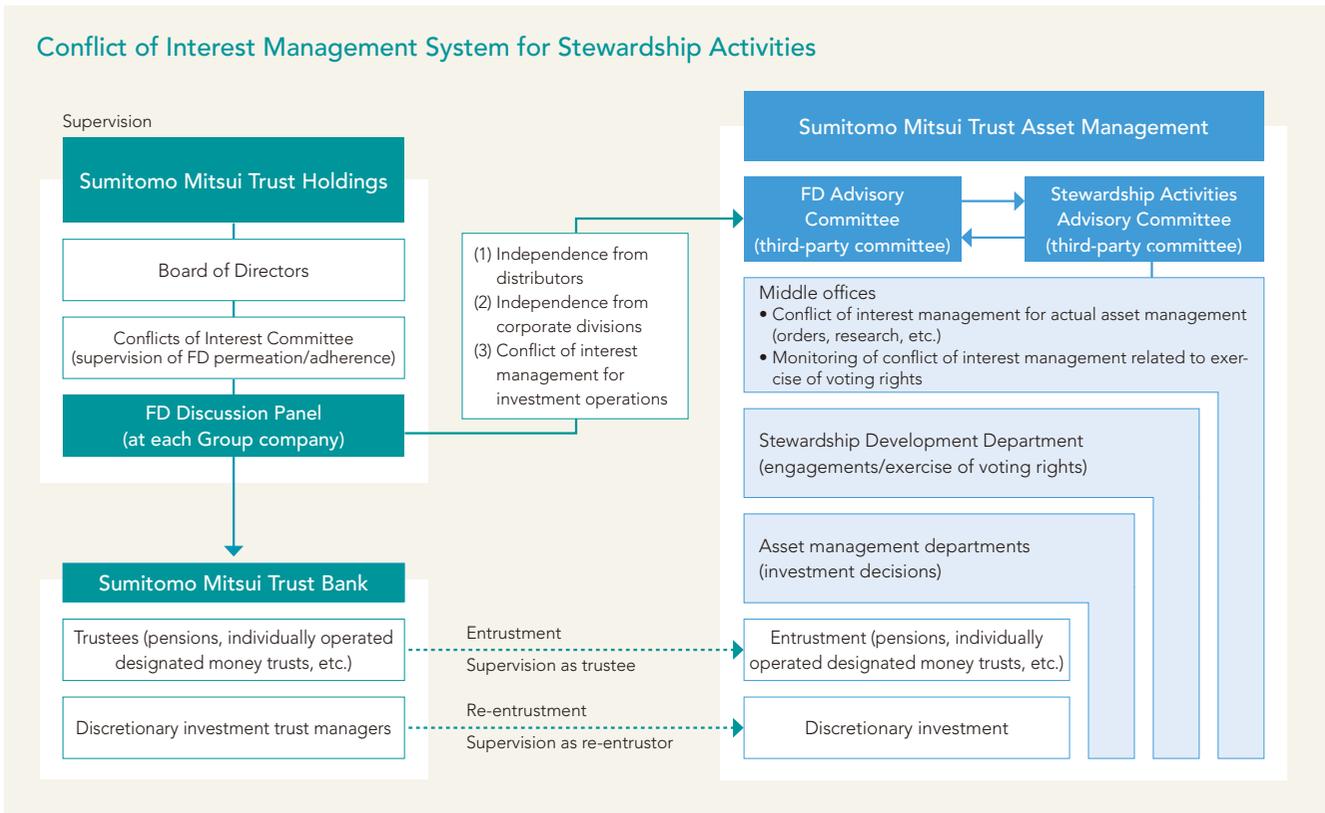


* For the specific role of the Conflicts of Interest Committee, please refer to page 31.

In addition, the Group has established the Conflicts of Interest Committee in an effort to enhance the effectiveness of the Group's conflict of interest management framework. The majority on the committee consists of external members. It serves as an advisory body to the Board of Directors and receives verification of the appropriateness of the Group's conflict of interest management. The summary of agendas of the committee has continuously been made available for public review.

The Group established and started activities of the Stewardship Services (SS) Working Group in the Conflicts of Interest Committee in fiscal year 2018, following the integration of the investment management function of SuMi TRUST Bank into Sumitomo Mitsui Trust Asset Management. The aim is to strengthen information coordination and oversight functions on the Group-level SS activities.

Conflict of Interest Management System for Stewardship Activities



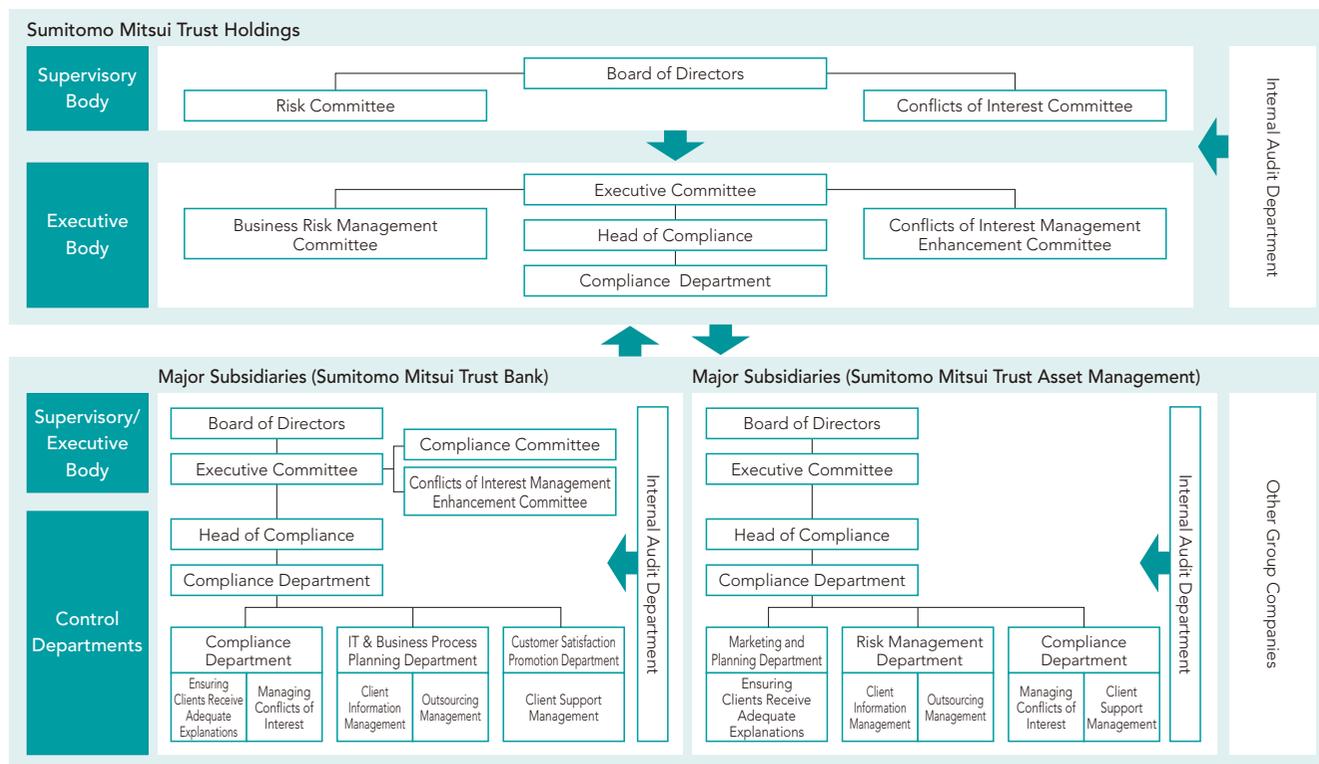
4. Initiatives for Management of Client Protection, Etc.

(1) Basic Initiative Policy

The Group regards client protection as one of its most important management issues. SuMi TRUST Holdings has established a basic policy in its Client Protection Management Rule designed to enhance the Group's client protection and convenience, to enable the Group companies to develop appropriate client protection management systems in accordance with the characteristics of their own operations. Based on the basic policy, each Group company has established the control

departments for client protection management and supervisory departments according to functions. The control departments oversee client protection management as a whole, through the preparation of internal company rules and regular reporting to the Board of Directors and others. Supervisory departments develop frameworks for each function, and ensure appropriateness and sufficiency of each function through guidance for related departments, and training expansion, and improvement.

■ Client Protection Management Framework



(2) Ensuring Clients Receive Adequate Explanations

When providing financial products and services, the SuMi TRUST Group provides appropriate and sufficient explanations and easy-to-understand information so that our clients understand and are assured about the products and services. Specifically, we have created a client protection management framework, such as thoroughly enforcing the suitability rule,* creating a client explanation manual that stipulates appropriate provision of information to clients, etc. and expanding and improving training, based on the solicitation policy regarding provision of financial products and services and the Policies regarding the

Fiduciary Duties of the Sumitomo Mitsui Trust Group.

In particular, we monitor whether appropriate explanations are provided to our clients to ensure their understanding in transactions involving financial products that may pose risk, including investment trusts and life insurance. We revise our solicitation rules, as necessary, to ensure that solicitation and sales activities for financial products are conducted appropriately from the perspective of the clients.

* Rules that prohibit inappropriate solicitation in view of clients' knowledge, experience, financial position, and purpose of transactions.

(3) Client Information Management

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

Protection Regulation (GDPR), which took effect in fiscal year 2018, we published "Fair Processing Notice" and appropriately process personal data in compliance with the GDPR.

The SuMi TRUST Group requires all employees to submit a written affirmation of their duty of confidentiality, so that they clearly recognize the duty they have to keep important information, including personal data they come across while working, confidential.

Digitalization Strategy

1. Progressing with a Total Solution Model

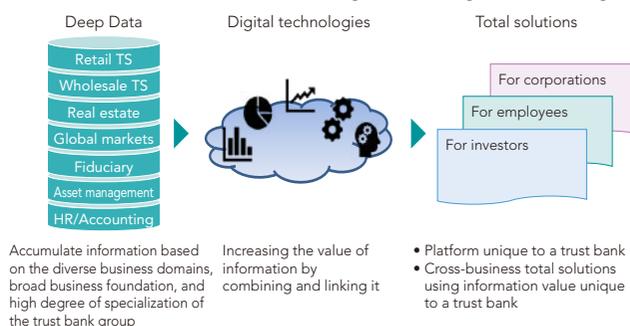
The Group has a wide range of business domains, and develops highly specialized businesses targeting a broad client base. Each business domain holds “Deep Data”: a variety of data accumulated by leveraging the highly specialized know-how unique to a financial group specialized in trust banking. Deep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

We analyze this information and convert it into a form that provides high added value for clients, and utilize the optimal digital technologies to determine the ideal timing to make proposals.

Our goal is to use digital technologies to deliver experiences that exceed client expectations and to offer total solutions that

are unique to a financial group specialized in trust banking, and go beyond our business domains. Our digitalization strategy serves as the 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

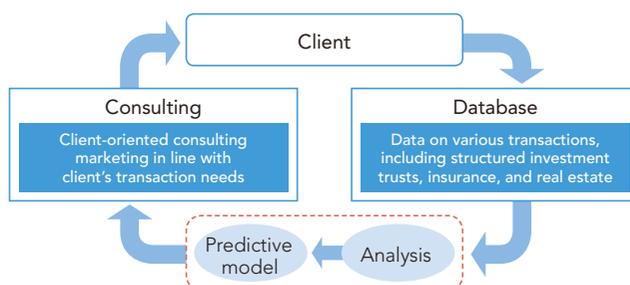


2. Pursuing Experiences Exceeding Client Expectations and Innovation Using Technology

In 2015, we launched FinTech project teams, and in November 2017, we created Digital Transformation Departments at SuMi TRUST Holdings and SuMi TRUST Bank. The activities of these teams and departments have included verification experiments aimed at using technologies such as blockchain and AI, as well as joint research with external partners.

(1) Consulting with regard to the 100-year life using AI

We are working to offer a higher level of consulting based on data analysis through automatic predictive analysis using AI. Given the advent of the age of 100-year life, we will make more accurate, client-oriented proposals, such as consulting that reflects changes in transaction needs according to client life stages.



(2) Using digital technologies to offer a higher level of consulting

In addition to the above, we will continue to perform verification experiments aimed at improving client experiences, including using AI in the asset management field and AI specialized for text analysis to offer consulting that meets hidden client needs.

3. Combining Consulting and Use of Digital Technologies

—Transforming Branches from Places to Carry Out Procedures to Spaces for Consultation—

SuMi TRUST Bank is pursuing optimization across branches, including consolidation and review of functions in terminal branches and suburban branches, and expanding hours of operation on holidays, weekends and after hours, through the use of digital technologies and reform of operational processes.

The Bank opened the Consulting Plaza Chofu in September 2018 to test its new trust type next generation branch.

Consulting Plaza Chofu was set up as a branch specialized in

consulting unique to a trust bank, transformed from a “place to carry out procedures” to a “space for consultation” through the introduction of new devices that reduce the burden of filling out paperwork for clients and booths where consultations can be carried out with clients, even several generations of family members, in a relaxed atmosphere.

Through such efforts, we will transform our traditional branch offices into trust type next generation branches unique to a trust

bank, where clients from different generations gather.

In promoting its digitalization strategy, including the above-mentioned measures, the Group will place great value on its contact with clients. While actively using digital technologies, we will not simply aim for mechanization and efficiency,

particularly when it comes to the client contact. Through an optimal combination of consulting and use of digital technologies (combining online and offline), we aim to deliver experiences that exceed client expectations.

4. Initiatives to Improve Productivity—Promotion of BPR Activities Using Digital Technologies—

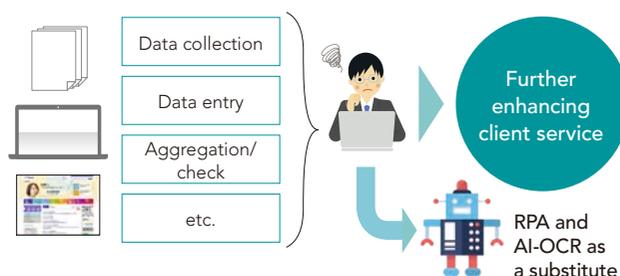
SuMi TRUST Bank has achieved savings of approximately 100,000 person-hours of labor in one year since the full-scale introduction of Robotic Process Automation (RPA) to automate operations that were previously performed by humans.

We are improving both operational efficiency and quality by replacing standard back-office tasks, mainly at the head office, with RPA. At the same time, we are promoting digitalization of back-office tasks and a shift to paperless operations by introducing the AI-Optical Character Reader (AI-OCR) in data entry and other operations that were previously done on paper.

In addition to automating back-office tasks and shifting to paperless operations with the introduction of RPA and AI-OCR, we are also working on Business Process Re-engineering (BPR), which uses digital technologies to redesign operational processes that had previously been optimized on the assumption

that they would be performed by humans.

These BPR activities have a wide range of applications, from banking operations such as mortgage loan-related tasks, to real estate and other trust operations. We aim to further enhance client services through BPR by improving group-wide productivity and shifting personnel from the head office to branch offices.



5. Initiatives at SBI Sumishin Net Bank, Ltd.

Since its founding in September 2007, SBI Sumishin Net Bank, Ltd. (“SBI Sumishin Net Bank”), a Group company, has worked to achieve “the most user-friendly internet banking, offering attractive products and services 24 hours a day, 365 days a year.” Going forward, SBI Sumishin Net Bank will actively use AI and other leading-edge technologies to develop products and services that help improve client convenience.

(1) Providing AI Screening Services

Hitachi, Ltd. (“Hitachi”) and SBI Sumishin Net Bank have established Daya Consulting, a joint venture that provides AI screening services by bringing together Hitachi’s high-performance AI and SBI Sumishin Net Bank’s credit know-how.

As its first initiative, Daya Consulting plans to begin offering AI screening services for mortgage loans at multiple financial institutions, including regional financial institutions, starting in

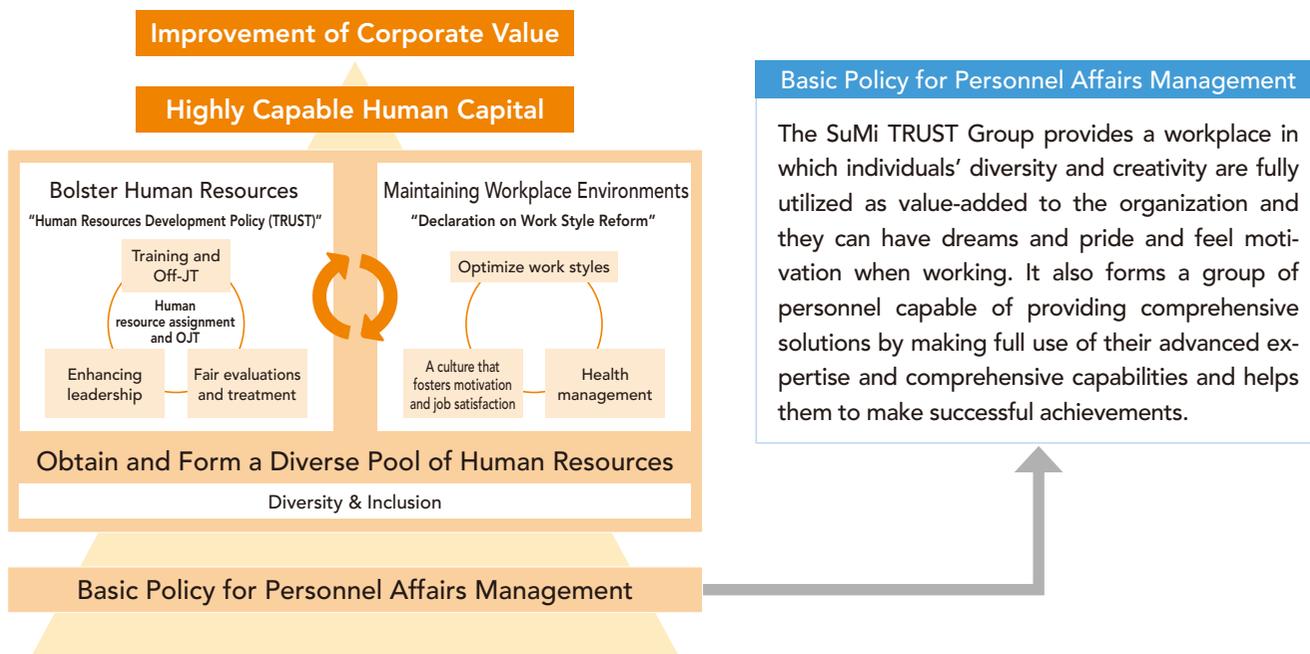
October 2019. The company will steadily expand the scope of applications for AI screening services to include transaction lending that provides loans based on the settlement data, and credit card loans, etc.

(2) Initiatives for the Cashless Market

As of April 1, 2019, SBI Sumishin Net Bank acquired NetMove Corporation (“NetMove”), which provides settlement terminals and systems for credit cards and QR codes and develops security software for financial institutions. This is the first example in Japan of a bank acquiring and making a subsidiary of a FinTech-related company. SBI Sumishin Net Bank will continue to provide new services by combining its banking services with the functions of NetMove, including use in lending based on payment history data in addition to capturing the demands of the cashless market, where continued expansion is expected.

Human Resources Strategy

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

Number of financial consultants
 (number of female consultants shown in parentheses)
 March 31, 2018: 249 (9)
 March 31, 2019: 264 (9)

Fellows (“SEI-KAIIN”) of the Institute of Actuaries of Japan
 March 31, 2018: 43
 March 31, 2019: 44

Number of registered real estate transaction agents
 March 31, 2018: 5,518
 March 31, 2019: 5,638

Bolster Human Resources

Number of hours of training held
 FY2017: 6,033 hours
 FY2018: 5,145 hours

Number of applicants for voluntary training
 FY2017: 886
 FY2018: 1,105

Status of positions of female employees
 (March 31, 2019)
 Executives: 2
 Level of general manager: 21
 Level of section manager: 261

Maintaining Workplace Environments

Number of leave days used
 FY2017: 14.3 days
 FY2018: 14.9 days

Supporting work-life balance
 Childcare leave: 368 (March 31, 2019)
 Nursing care leave: 114 (cumulative total for FY2018)
 Male employees taking childcare leave: 132 (cumulative total for FY2018)

Number of users of the internal job posting system
 FY2017: 445
 FY2018: 494

(All figures are actual results of SuMi TRUST Bank)

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 group 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 vital to reaffirm the SuMi TRUST Group’s strengths and to enhance the organization’s diversity.

SuMi TRUST Holdings and SuMi TRUST Bank have each established a Diversity & Inclusion Office (“D&I Office”) within the Human Resources Department. SuMi TRUST Bank’s D&I Office is comprised of dedicated staff members from the Human Resources Department and members of business supervision departments. In addition to promoting diversified work styles for individual employees, the D&I Office implements measures according to the situation of each business that will lead to enhancement of corporate value.

	Total	Women	Men
Number of employees (SuMi TRUST Bank)			
March 31, 2019	13,469	7,513	5,956
Number of new graduates hired (SuMi TRUST Bank)			
FY2019	396	243	153

(1) Initiatives to Promote Active Participation by Women

SuMi TRUST Bank has set a business owner action plan target of “placing 300 female employees in managerial positions at the level of section manager or higher” by March 31, 2020, and is providing growth opportunities through various training programs and wide-ranging assignments with a view to promoting women to management.

SuMi TRUST Bank provides carefully designed training both before and at the time of promotion to assistant manager level, as well as before promotion to section manager, to coincide with turning points in career development, in order to give female employees opportunities to think proactively about career development and to build networks.

Executives are also actively engaged in activities related to nurturing female employees. SuMi TRUST Bank provides a range of growth opportunities for female employees, including seminars for women in addition to voluntary seminars open to everyone, regardless of sex or age.

Branch offices promote voluntary interaction with female employees from other companies, and carry out activities that broaden women’s perspective and let them think about their careers.

Number of Female Employees in Management Positions at SuMi TRUST Bank

	March 31, 2017	March 31, 2018	March 31, 2019
Director	1	0 (0%)	0 (0%)
Executive officers	0	2 (4.3%)	2 (4.2%)
Level of general manager	14	16 (2.6%)	21 (3.3%)
Level of section manager	232	245 (11.9%)	261 (13.2%)
Level of assistant manager	1,069	1,108 (32.7%)	1,141 (34.1%)

* Numbers in parentheses are ratio of women

* As of March 31, 2019, there is one female external director at SuMi TRUST Holdings.

* As of June 30, 2019, there are two female external directors at SuMi TRUST Bank.



Enhanced training curriculum for female employees



Held voluntary seminars for employees in relevant businesses open to all, regardless of sex or age

(2) Initiatives to Support Work-life Balance

SuMi TRUST Bank has made it possible for employees, whose jobs do not normally involve relocation, to change their work location if their spouse is transferred. In addition, both male and female employees can take leave to accompany a spouse (whether an employee of the company or of another company) who is transferred overseas. Both systems are being used and these initiatives are helping ensure that career continuity is not interrupted by life events.

Number of users of system	
Change of work location in Japan as of March 31, 2019	System for taking leave to accompany spouse transferred overseas, as of March 31, 2019
102	12

SuMi TRUST Bank also holds seminars by outside instructors for employees on childcare leave who will soon return to work, and organizes “Seminar on Balancing Work with Nursing Care” on nursing care issues jointly with the employees’ union. The Bank implements initiatives that take into account employees whose work is restricted by nursing care, such as publishing a handbook on support for balancing work with nursing care, holding seminars that employees can participate online, and providing telephone consultation meetings.

(3) Promoting Active Participation by Diverse Human Resources

• Promoting Active Participation by Disabled Persons

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

Disabled person employment ratio (as of March 31, 2019) 2.21%	Branch offices and departments with employees with disabilities (as of March 31, 2019) 103 branch offices and departments
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(SuMi TRUST Bank)

• Promoting Active Participation by Global Employees

SuMi TRUST Bank offers training every year to national staff working at its overseas branches and overseas subsidiaries to deepen their understanding of the Group and its operations and to strengthen networks among participants and with line of business. In order to promote smooth communication with employees of other nationalities, the Bank also organizes a Japanese Language School that offers courses to help with learning Japanese and holds intercultural communications training for supervisors of foreign national employees. In order to encourage active participation and promotion to management of staff hired at overseas bases, the Bank organizes transfers to bases in different countries or long-term dispatches to Japan.

External Evaluation

Sumitomo Mitsui Trust Holdings, Inc.



March, 2019
 Selected as Semi-Nadeshiko Brand by Ministry of Economy, Trade and Industry (METI) and Tokyo Stock Exchange (TSE)



2019
健康経営優良法人
 Health and productivity
 ホワイト500
 February, 2019
 Selected by METI and Nippon Kenko Kaigi as "Certified Health and Productivity Management Organization (White 500)" for second consecutive year



January, 2019
 Selected by Bloomberg for inclusion in 2019 Bloomberg Gender-Equality Index (GEI)

Sumitomo Mitsui Trust Bank, Limited



March, 2019
 Selected by METI among winners of New Diversity Management Selection 100 project



February, 2019
 Obtained "Platinum Kurumin" certification from Ministry of Health, Labour and Welfare



October, 2018
 Received Gold rating in PRIDE INDEX, operated by "work with Pride" (wwP)

Membership

Sumitomo Mitsui Trust Asset Management



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

2. Bolstering Human Resource



The SuMi TRUST Group Human Resources Development Policy

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

- 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.

Having set the goal of being the "No. 1 financial group for human resource development," the Group established its Human Resources Development Policy (TRUST) in April 2018. Starting in fiscal year 2019, we will also strive to be the "No. 1 financial group for human resource participation," where diverse human resources can play active roles based on this Human Resources Development Policy.

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

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

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

(2) Enhancing Off-JT* such as Training

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 in its self-development programs 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. In fiscal year 2018, we also worked to broaden our perspective and cultivate digital knowledge through co-creation with other business categories, such as manufacturers and universities, in order to bolster human resources.

* 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 through various rank-based training. After the employees complete their training, operations are conducted such as providing them with opportunities to practice what they have learned during training in a variety of environments, primarily through promotion and job rotation.

(4) Fair Evaluations and Treatment

The personnel evaluation system at SuMi TRUST Bank is a participatory model, in which employees communicate closely with their supervisors on a daily basis to set specific tasks and review them. The evaluation process looks not only at issues related to performance of duties, but formulates and offers feedback on the individual's future career development. 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

Declaration on Work Style Reform

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

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

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

With regard to “maintaining workplace environments,” we set up 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. The efforts undertaken based on this declaration were recognized by various organizations during fiscal year 2018 (please see page 88).

(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. In addition to enhancing its various systems related to childbirth and childcare, including encouraging male employees to take childcare leave (in fiscal year 2018, 73.3% of eligible male employees took childcare leave), SuMi TRUST Bank is introducing a new leave system in fiscal year 2019 to help employees balance cancer treatment and work.

During this fiscal year, back-office work at branches will continue to decrease as a result of measures such as enhancing the functions of in-house systems, and we will cut resources required at head office by 10% by conducting another review of head office operations. Human resources who have more time available due to the reduction of back-office work will be reassigned to sales or strategic areas and we will expand client contact by optimizing functions across branches.

(2) Health Management

The SuMi TRUST Group’s active initiatives to support health promotion, aimed at promoting the physical and mental health of all Group employees, have been recognized with certification as

a “Certified Health and Productivity Management Organization (White 500)” for two consecutive years. With regard to physical health, we provide health examinations every year and make reexaminations mandatory. The Human Resources Department and others provide individualized follow-up to ensure that everyone who requires treatment at a healthcare institution receives it. With regard to mental health, we provide care by line management and carry out stress checks once a year. Group results are provided to the employees’ union, and we discuss “improvement in workplace environments” and strive toward such improvement.

Specific initiatives

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

(3) A Culture that Fosters Motivation and Job Satisfaction

We work to build a climate that supports challenges and learning and activates bi-directional dialogue toward “providing opportunities for all employees to grow while participating actively with motivation.” The SuMi TRUST Group has always encouraged activities that create opportunities for learning, such as circles formed by groups both in-house and outside, and has regularly held lectures by outside instructors. SuMi TRUST Bank encourages employees to independently and voluntarily shape their own careers through changes in job position or through an internal job-posting system. Since fiscal year 2018, we have promoted activities for employees to shape their own futures, which solicit ideas from employees for the creation of new businesses and services. We received a total of 213 ideas from 468 employees group-wide in fiscal year 2018, which has helped improve employee motivation. In order to spread and maintain this culture, it is essential to have good bi-directional dialogue between executives and employees. SuMi TRUST Bank held 26 consultation meetings and informal meetings between union and management in fiscal year 2018. The Bank also uses occasions when employees gather, such as rank-based training, as opportunities for discussion and questions about management policies, leadership, and other topics by the president and other executives.



Seminar by executives

4. Human Rights

(1) Human Rights Management

• Basic Philosophy

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

(Human Rights Policy: https://www.smth.jp/en/csr/management/human_rights_policy/index.html)

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

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

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

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

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

• Human Rights Due Diligence Liaison Committee

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

engages in the formulation and implementation of various training programs and education activities concerning human rights issues at all Group companies, branches and departments (for details on human rights due diligence, see page 147 of the 2018/2019 ESG Report).

In fiscal year 2018, training to raise awareness of human rights was held in 267 departments, and, including lectures during 24 rank-based training sessions, a total of approximately 413 hours was spent on training attended by 24,099 people.

(2) Protecting Various Human Rights

• Initiatives to Address Dowa and Foreign Residents Issues

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

• Prevention of Sexual Harassment and Power Harassment

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

The Personnel Consultation Desk (LGBT Consultation Desk) responds to various consultations related to human rights and, in cases where a negative impact on human rights is evident, cooperates with the related departments to promptly take measures as needed. In fiscal year 2018, the Personnel Consultation Desk received 76 consultations, of which 35 were situations involving concerns about human rights violations, including harassment. Five of these situations remain unresolved, and we are working with the related departments to settle these cases.

• Initiatives to Prevent Discrimination Against LGBT People

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

• Investments and Loans Related to Cluster Bombs

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

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. Activities Carried Out

(1) Activities for Individual Investors

We strive to provide information that will allow individual shareholders and investors to better understand the Group through measures such as organizing information meetings, setting up a dedicated website for individual investors, and distributing a newsletter for shareholders ("The Trust Newsletter – Business Report").

At an information meeting held in March 2019, we had a dialogue on management issues surrounding the banking industry, including specific initiatives, with Mr. Takashi Mitachi of the Boston Consulting Group as our guest.



For details, please see our website (Japanese only).
https://www.smth.jp/investors/individual_meeting/index.html

(2) Activities for Institutional Investors

Investor meetings on financial results aimed mainly at analysts and institutional investors are held twice a year, for the full-year and interim results. We also conduct briefings on our management strategy and financial position, etc. by participating in conferences organized by securities companies and by holding one-on-one investor meetings in Japan and overseas. At SuMi TRUST IR Day, held in December 2018, frontline leaders

described the features and strengths of the Group's digitalization strategy and real estate business, as well as our strategic direction. In addition, Mr. Shinichi Saito, an external director and chairperson of the Audit Committee, gave a presentation on our governance.

(3) Received Japan Investor Relations Association "IR Special Award"

At the 2018 IR Awards selected by the Japan Investor Relations Association in November 2018, SuMi TRUST Holdings received the "IR Special Award" for the second time, following its first award in fiscal year 2010. The award recognizes our unique IR practices, which include "consistently improving IR practices," "taking on a leadership role in IR activities in the industry," and "being highly regarded for promoting IR to individual investors."



IR Activities Carried Out in FY2018

Investor meetings on financial results for analysts and institutional investors	2 times
Overseas IR events	9 times
One-on-one meetings with institutional investors in Japan and overseas	Number of companies: 391 (including 199 overseas investors)
Information meetings for individual investors	Number of participants: 858

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 continues to provide appropriate and proactive financial intermediary services to facilitate the business activities of SMEs and to provide mortgage loan clients with financial security. Also, when there are consultations about, or requests for, the restructuring of loan repayment conditions, etc. from clients who have been directly or indirectly affected by natural disasters such as Great East Japan Earthquake, The 2016 Kumamoto Earthquake, 2018 Osaka Earthquake or 2018 Hokkaido Eastern Iburi 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.

(2) Framework of Management Support for SMEs

In order to carry out management support for SMEs, SuMi TRUST Bank has established "Financing Facilitation Promotion Offices" in the Wholesale Business Planning Department and in the Personal Loan Business Promotion Department, to prepare a framework to deal appropriately and satisfactorily with various consultations and requests from clients.

In terms of specific measures related to management support for SMEs, branch offices and the head office are engaged in efforts such as support for formulating business reconstruction plans tailored to individual circumstances, and assistance aimed at making progress with business reconstruction plans, taking into account the industry conditions and the business dealings of individual SMEs. Furthermore, SuMi TRUST Bank prepares to support clients in overseas expansion and business succession as well as in electronically recorded monetary claims.

1) Initiatives related to support for overseas expansion

SuMi TRUST Bank has the five-branch one-subsi-dary system that includes New York, London, Singapore, Hong Kong, Shanghai and Thailand. These branches offer financial services

such as loans, deposits, foreign exchange, and derivatives to Japanese client companies who are expanding overseas. In addition to developing our own offices, we are making efforts to address the growing need for financial services denominated in local currencies through partnerships with leading banks in Asian countries. In 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

Private Banking Department of SuMi TRUST Bank provides detailed proposals and prompt information to meet the diverse asset inheritance and business succession needs of both its corporate and individual clients. Tailor-made services for the needs of company-owner and high-net-worth clients are provided in collaboration with an affiliate company, Sumitomo Mitsui Trust Wealth Partners.

Financial consultants have been assigned to branches nationwide as immediate counseling service counter so that company-owner clients may consult on any inheritance or business succession concerns or issues they may have. Our financial consultants draw on the expertise they have accumulated through a rich, wide-ranging set of experiences to consult with clients on matters concerning inheritance, asset inheritance and business succession as well as asset management and administration.

Furthermore, we cooperate with our tax accountant corporate partner to hold seminars for business owners on the inheritance and business succession tax system and business succession measures that make use of trusts. These events serve as opportunities to make SuMi TRUST Bank's consulting function more broadly known among people who have never had dealings with a trust bank.

Moreover, in August 2018, for the first time at a specialized trust bank, the Bank was nationally recognized as a Support agency for business innovation, providing specialized support, such as support on tax matters, finance and financial affairs, for small and medium-sized enterprises.

3) Initiatives related to "Densai" (electronically recorded monetary claims)

In order to facilitate fundraising for SMEs, SuMi TRUST Bank has offered "Densai Services" since February 2012. The service is based on the Zengin Electronic Monetary Claims Recording Network, in which financial institutions nationwide are members. We also provide "Densai lump-sum factoring services."

(3) Status of Management Support Initiatives for SMEs and of Regional Revitalization Initiatives

SuMi TRUST Bank has branches throughout the country. Although it is not engaged in initiatives for the revitalization of specific regions, it carries out initiatives focused on support to improve the business operations of clients at each branch according to their individual circumstances and business dealings.

Examples of Specific Initiatives

- Introduced prospective buyers of idle real estate (buildings for rent and other properties) of clients and brokered the sale of such assets. Contributed to reducing interest-bearing debt of the clients.
- Carried out sales mediation services (real estate surveys) for clients to other clients, and contributed to increasing their sales.

Financial Review

Terms with an asterisk are explained in "Glossary" on page 95.

In the consolidated financial results for fiscal year 2018, net business profit before credit costs increased by ¥11.6 billion year on year to ¥282.2 billion. The rise was mainly due to higher net fees and commissions and related profits from the stock transfer agency services business as well as asset management subsidiaries, on top of an increase in net interest income from the international business divisions of SuMi TRUST Bank. In the meantime, net income attributable to owners of the parent grew by ¥19.9 billion year on year to ¥173.8 billion.

Both net business profit before credit costs and net income attributable to owners of the parent achieved constant progress in line with the published earnings forecast.

■ Overview of the Financial Results in FY2018

<Consolidated> SuMi TRUST Holdings (Consolidated)

Billions of Yen (Unless specified otherwise)

	FY2018 (A)	FY2017 (B)	Change (A)–(B)	Rate of change
Net Business Profit before Credit Costs*	282.2	270.5	11.6	4.3%
Ordinary Profit	256.4	232.6	23.7	10.2%
Net Income Attributable to Owners of the Parent	173.8	153.9	19.9	12.9%
Total Credit Costs*	(2.9)	2.9	(5.9)	—
Return on Equity*	7.95%	7.40%	0.55%	—
Net Income per Common Shares (EPS) (Yen)	458.91	403.92	54.99	13.6%
Net Assets per Common Shares (BPS) (Yen)	7,008.67	6,897.36	111.31	1.6%

* Return on shareholders' equity = [Net income attributable to owners of the parent / (FY-start total shareholders' equity + FY-end shareholders' equity) / 2] × 100

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

Billions of Yen (Unless specified otherwise)

	FY2018 (A)	FY2017 (B)	Change (A)–(B)	Rate of change
Net Business Profit before Credit Costs*	231.4	189.7	41.7	22.0%
Net Interest Income and Related Profit*	172.7	176.5	(3.8)	(2.2%)
Net Fees and Commissions and Related Profit*	186.3	190.2	(3.9)	(2.1%)
Net Trading Profit	27.9	10.4	17.5	168.0%
Net Other Operating Profit	80.3	49.5	30.7	62.1%
General and Administrative Expenses	(235.8)	(237.0)	1.2	(0.5%)
Net Non-recurring Profit, etc.	(22.3)	(16.7)	(5.6)	(33.4%)
Ordinary Profit	209.0	172.9	36.1	20.9%
Extraordinary Profit	(4.2)	(8.3)	4.0	(48.5%)
Net Income	148.6	117.9	30.6	26.0%
Total Credit Costs*	1.9	7.0	(5.0)	—

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

<Dividends>

	FY2018 (A)	FY2017 (B)	Change (A)–(B)
Dividend per Share on Common Share (Yen)	140.00	130.00	10.00

Status of Profit and Loss

• Net Business Profit before Credit Costs*



Net business profit before credit costs after implementing realization of U.S. treasury related unrealized loss rose by ¥11.6 billion year on year to ¥282.2 billion, due to increases in net fees and commissions and related profits from the stock transfer agency services business as well as asset management subsidiaries, on top of an increase in net interest income from the international business divisions of SuMi TRUST Bank.

• Net Fees and Commissions and Related Profit*



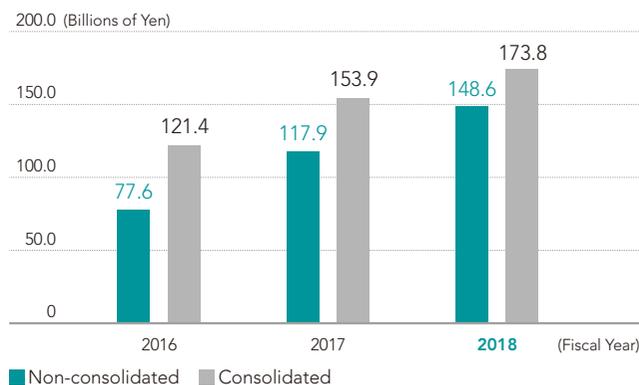
Decreases were registered in revenue related to investment management consulting services as well as revenue related to corporate credit business. Even so, consistent increases were registered in real estate brokerage fees and revenue from asset management and administration (including those from subsidiaries). The result was a rise in net fees and commissions and related profit by ¥7.8 billion year on year to ¥413.2 billion.

• Net Interest Income and Related Profit*



Net interest income and related profit in the domestic business divisions remained nearly flat year on year. They increased effectively in the international business divisions including profit attributable to deployment of foreign currency surplus funds, on top of an improvement in loan-deposit income, thereby securing an effective increase in net interest income on the whole.

• Net Income Attributable to Owners of the Parent



Net income attributable to owners of the parent increased by ¥19.9 billion year on year to ¥173.8 billion, after adjustment to alleviate the future financial burden through impairment of goodwill at subsidiaries, etc. The rise was thanks mainly to higher net business profit before credit costs, demonstrating steady progress toward fiscal year 2019, the final year of the midterm management plan.

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.

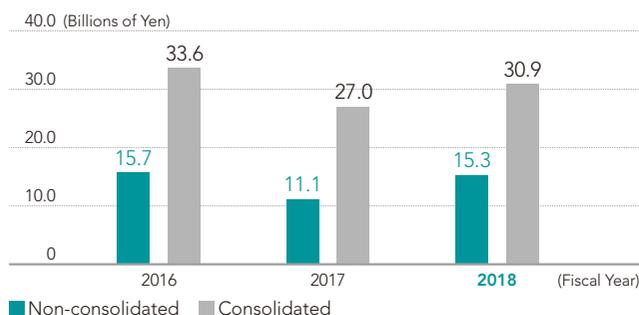
Net Fees and Commissions and Related Profit

Net profit of the sales fees of investment trusts, real estate brokerage fees, and trust fees for assets under management, etc.

Terms with an asterisk are explained in "Glossary" on page 97.

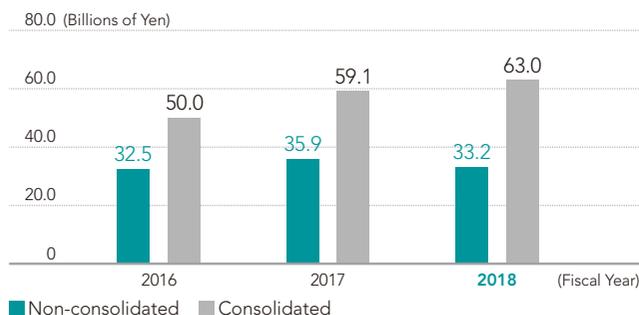
Net Business Profit before Credit Costs by Business Segment

• Retail Total Solution Services Business



Sales fees of investment trust/insurance fell due to uncertainty in the market environment. However, the decrease was outweighed by the combined effect of a fall in deposit funding cost and rise in mortgage loan-related revenue. As a result, net business profit before credit costs grew by ¥4.2 billion year on year to ¥15.3 billion on a non-consolidated basis. It increased by ¥3.9 billion year on year to ¥30.9 billion on a consolidated basis.

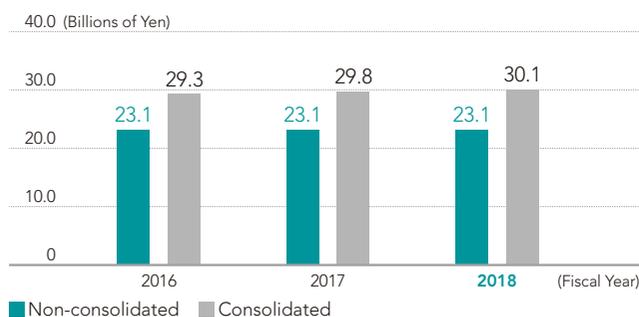
• Fiduciary Services Business (including asset management)



In our corporate pension business, we steadily increased the balance of corporate pension funds, by timely capturing the diverse needs of individuals as well as financial institutions at both asset management and asset administration levels, on top of a constant increase in the number of DC plan members.* As a result, consolidated net business profit before credit costs increased by ¥3.8 billion year on year to ¥63.0 billion.

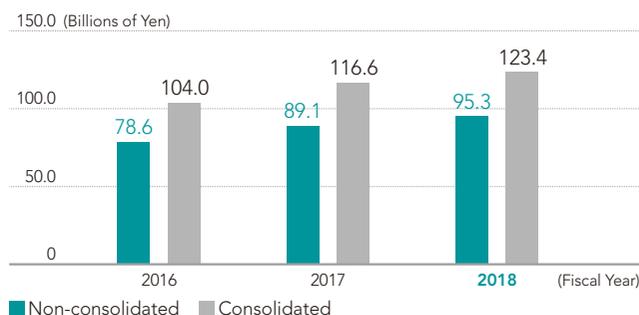
*Number of subscribers in SuMi TRUST Bank-mandated DC pension plans

• Real Estate Business



Net business profit before credit costs remained flat year on year at ¥23.1 billion on a non-consolidated basis. It increased by ¥0.3 billion year on year to ¥30.1 billion on a consolidated basis, due to a constant inflow of small and medium-scale business, acquisitions of some large-scale business in the brokerage for corporate clients, and a solid inflow of revenue from the brokerage for individual clients.

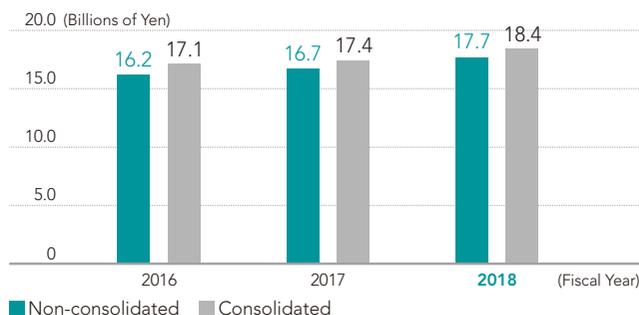
• Wholesale Financial Services*



Net business profit before credit costs increased by ¥6.1 billion year on year to ¥95.3 billion on a non-consolidated basis. It grew by ¥6.7 billion year on year to ¥123.4 billion on a consolidated basis, thanks to the improvement in cash management due to an improvement in margins achieved through cutting foreign currency funding costs, as well as reducing low-profitability assets including primarily those denominated in foreign currencies.

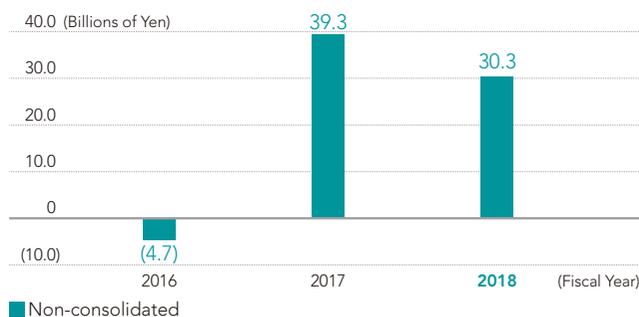
*Wholesale Total Solution Services Business and Wholesale Asset Management Business

• Stock Transfer Agency Services Business



Net business profit before credit costs rose by ¥1.0 billion year on year to ¥17.7 billion on a non-consolidated basis. It increased by ¥0.9 billion year on year to ¥18.4 billion on a consolidated basis, due to a rise in recurring fees and commissions received as a result of an increase in the number of shareholders under administration, as well as higher various consulting fees.

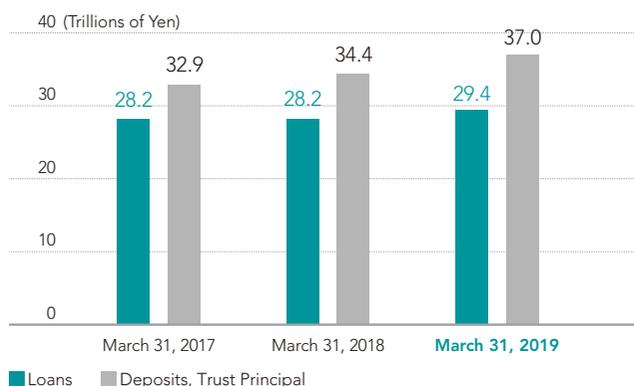
• Global Markets Business



Net business profit before credit costs shrank ¥9.0 billion year on year to ¥30.3 billion, due to the posting of approximately ¥12.0 billion loss on realization of U.S. treasury related unrealized loss at the year-end, offsetting the solid performance of client services such as marketing operations and market-making operations.

Financial Status

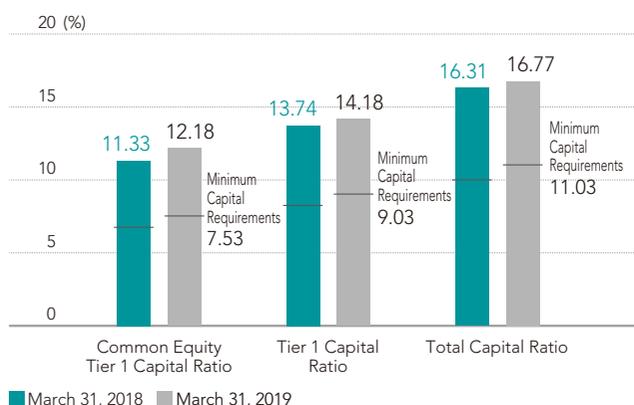
• Loans and Deposits (Non-consolidated)



Loans and bills discounted increased by ¥1.1 trillion from the end of the previous fiscal year to ¥29.4 trillion, due to rises in both mortgage loans and loans to corporations. Deposits, etc.,* increased by ¥2.5 trillion from the end of the previous fiscal year to ¥37.0 trillion, as a fall in time deposits was more than offset by higher 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)

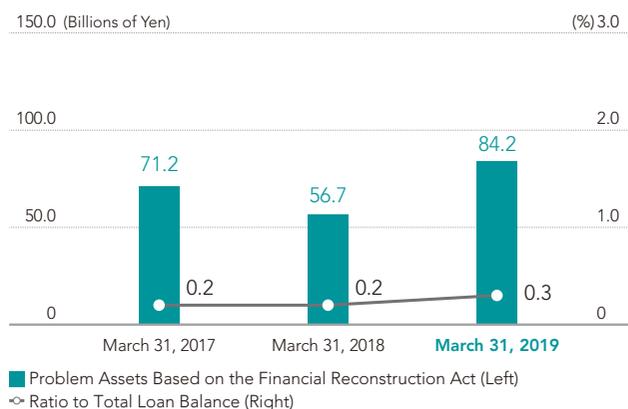


The Common Equity Tier 1 capital ratio increased by 0.85 percentage points from the end of the previous fiscal year to 12.18%. The rise was due to an increase in Common Equity Tier 1 capital resulting from the accumulation of net income attributable to owners of the parent, along with a decrease in risk-weighted assets. Total capital ratio also rose by 0.46 percentage points from the end of the previous fiscal year to 16.77%. As seen, the Common Equity Tier 1 capital ratio as well as the total capital ratio remain well above the corresponding regulatorily required level of 7.53% and 11.03%, respectively.

Basel III:

Basel III is a new capital regulatory standard that was announced by the Basel Committee on Banking Supervision in December 2010. Basel III, intended to enhance the soundness of internationally active banks, has been adopted in Japan as of the end of March 2013 in a phased manner. Basel III newly defines "Common Equity Tier 1," which is comprised of capital components that can be used to cover unexpected losses and do not need to be repaid, such as common equity and retained earnings, and requires that the ratio of those capital components to risk-weighted assets, such as investments and loans, ("Common Equity Tier 1 ratio") must be kept higher than a prescribed level.

• Problem Assets Based on the Financial Reconstruction Act* (Non-consolidated)



The total balance of problem assets based on the Financial Reconstruction Act grew by ¥27.5 billion from the end of the previous fiscal year to ¥84.2 billion, due to an increase in doubtful loans, whereby its ratio to total loan balance increased by 0.1 percentage point to 0.3%, remaining contained at a sufficiently low level. As for the ratio of problem assets covered by collateral and the allowance for loan losses, the ratio was 86% for doubtful loans and 79% for substandard loans, both of which are deemed sufficiently high.

Glossary

Problem Assets Based on the Financial Reconstruction Act

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

Bankrupt and Practically Bankrupt

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

Doubtful

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

Substandard

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

Capital Adequacy Ratio, etc.

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

Common Equity Tier 1 Capital

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

Tier 1 Capital

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

Total Capital

Total capital is the total amount of capital, composed of Tier 1 capital and Tier 2 capital, which includes debt capital such as subordinated debt and subordinated loans.

Corporate Information (as of March 31, 2019)

Registered Trade Name: Sumitomo Mitsui Trust Holdings, Inc.
Headquarters Location: 1-4-1 Marunouchi, Chiyoda-ku, Tokyo 100-8233, Japan
Date of Establishment: February 1, 2002 (Change of trade name: April 1, 2011)
Main Business: With trust banking at its core, Sumitomo Mitsui Trust Holdings, Inc., will focus on the management of business operations, as the holding company of the Sumitomo Mitsui Trust Group, and sets the following (1) - (8) as its key functions:
 (1) Supervising management strategies (including the allocation of management resources)
 (2) Supervising financial management
 (3) Supervising human resource management
 (4) Controlling budget and expenses
 (5) Supervising IT management
 (6) Supervising risk management
 (7) Supervising compliance management
 (8) Managing internal auditing

Capital: 261,608,725,000 Yen
Stock Exchange Listings: Tokyo, Nagoya Stock Exchanges
 Tokyo (1st Section), Nagoya (1st Section)
Securities Code: 8309

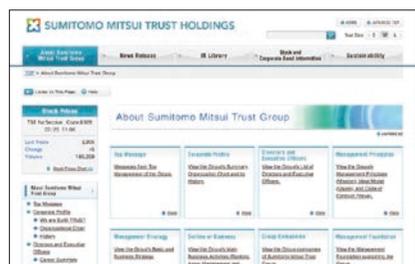
Rating Information (as of June 30, 2019)

		Long-term	Outlook	Short-term	Financial
Sumitomo Mitsui Trust Holdings	JCR	AA-	Stable	—	—
	R&I	A	Stable	—	—
	S&P	A	Positive	A-1	—
Sumitomo Mitsui Trust Bank	Moody's	A1	Stable	P-1	—
	Fitch	A-	Stable	F1	a-*
	JCR	AA-	Stable	—	—
	R&I	A+	Stable	a-1	—

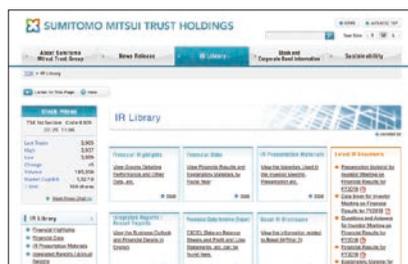
* Viability Rating

Website

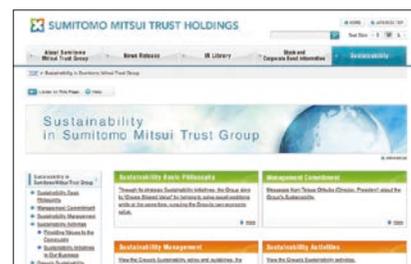
Please go to our website for specifics on our Group.



About The Sumitomo Mitsui Trust Group
https://www.smth.jp/en/about_us/index.html



IR Library
<https://www.smth.jp/en/ir/index.html>



Sustainability in The Sumitomo Mitsui Trust Group
<https://www.smth.jp/en/csr/index.html>

Contact:

IR Department

Telephone: +81 (3) 3286-8354
 Facsimile: +81 (3) 3286-4654
 e-mail: ir@smth.jp
 URL: <https://www.smth.jp/en/ir/index.html>



SuMi TRUST



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.”



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.

