

Wholesale Total Solution Services Business



Message from Executive Officer

As a general provider of broad-ranging solutions typical of a trust bank that address the increasingly diverse and complex financial and non-financial business issues of clients mainly as a result of greater ESG awareness, the Wholesale Total Solution Services Business contributes to the enhancement of corporate value for clients and helps solve social issues.

Masahiro Tsuchiya

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

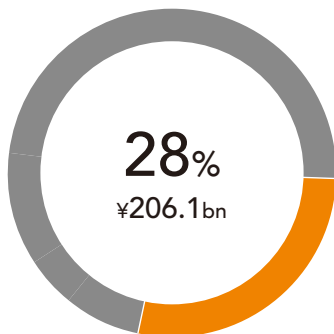
*Executive Officer as defined in our internal policy.

Medium- to long-term vision

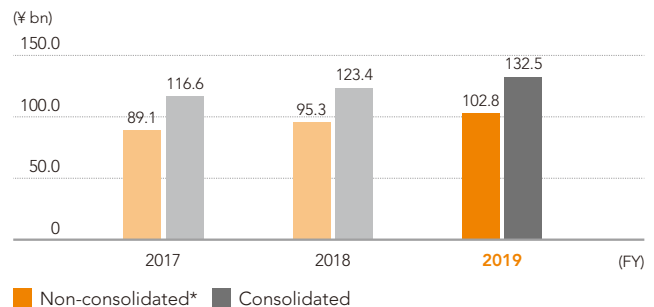
The expectations for our corporate clients required by business partners, employees, shareholders, and various other stakeholders have changed significantly, which is why it is becoming increasingly important to address the issues of each stakeholder in order to continuously enhance corporate value. This change is also manifesting itself in the way many companies around the world are endeavoring to disclose non-financial information, like ESG topics and the SDGs, alongside financial data such as sales and profits.

The SuMi TRUST Group excels in providing solutions that lead to improvements in corporate value based on non-financial information we have amassed thus far through our banking and trust operations. In our new Medium-Term Management Plan, we will further strengthen our ability to offer solutions with the use of ESG, SDGs, and other non-financial information, and aim to contribute to the advancement of our clients' businesses in various fields as their "Best Partner" and help solve issues in society.

Weighting of substantial gross business profit



Net business profit before credit costs



Mainly owing to higher net interest income from the accumulation of overseas credit investment assets and growth in non-interest income related to business for corporate clients, net business profit before credit costs rose ¥7.5 billion year on year to ¥102.8 billion on a non-consolidated basis and increased ¥9.0 billion to ¥132.5 billion on a consolidated basis.

*SuMi TRUST Bank

Business environment awareness

Environment awareness and issues

- Clouded outlook for the global economy
- Continuing global excess liquidity, more stringent financial regulations
- Financial business model transformation driven by digitalization

Opportunities and Group strengths

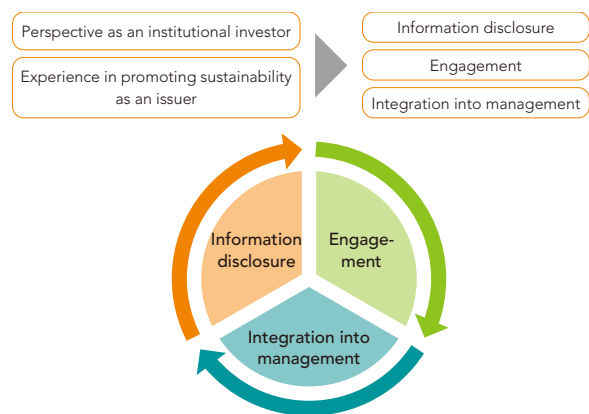
- Good-standing client base characterized by strong creditworthiness
- Versatile and highly specialized comprehensive solutions that only a financial group specialized in trust banking can provide based on the acquisition and analysis of non-financial information

Key measures in Medium-Term Management Plan

Stepping up ESG-oriented total solutions

We deliver total solutions that connect clients with stakeholders, improve relationships, and enhance corporate value by drawing on our advantage of being able to interact with numerous stakeholders with whom we enjoy business relationships through banking and trust operations, in addition to our ability to provide a wide range of solutions. In particular, because our clients have a keen interest in the topics of ESG and institutional and activist investors, we will set up a dedicated ESG organization at SuMi TRUST Bank to meet the needs of our clients.

Our goal is to contribute to the development of Japanese society as a whole by providing solutions to mainly ESG issues for our clients.

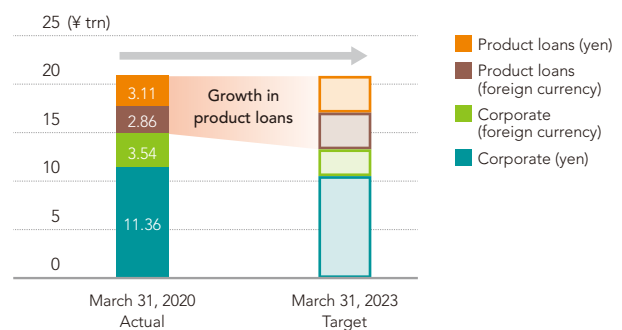


Continued credit portfolio reform

Despite mounting uncertainty regarding the future outlook for the global economy, we will continue to engage in appropriate balance sheet management so as to meet the capital needs of our clients.

We will aim to boost earnings by improving profitability instead of expanding the size of our balance sheet and in addition to strengthening our approach to product-related assets, we will continue to reform our credit portfolio with the objective of building a downside-resilient portfolio.

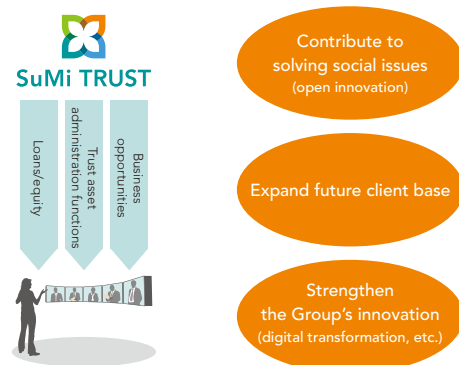
Corporate credit portfolio plan



Promoting transactions with startup firms

With industrial structures changing due to the advancement of digitalization and other factors, the presence of startups and the new industries and values they create have become even more crucial to Japanese economic growth. A dedicated unit (Innovative Corporate Promotion Department) has been established at SuMi TRUST Bank to offer various solutions to such firms based on their stage of growth. By properly catering to the needs of startup firms, we can help solve social issues, expand our future client base, and take steps towards bolstering the Group's own innovation.

Strengthening initiatives in the area of startup firms



Sustainability initiatives

Total solutions geared towards solving ESG/SDG issues

The sustainable growth of the Japanese economy and corporations (both financial and non-financial issues to be taken up) has been incorporated into the Group's Medium-Term Management Plan as a social issue that warrants the attention of the Wholesale Total Solution Services Business. There has recently been a sharp influx in the number of companies ramping up growth strategy measures for addressing ESG/SDG topics. We intend to harness the sustainability know-how and networks honed thus far to support our clients in their efforts.



Positive Impact Finance

In Positive Impact Finance (PIF), we comprehensively analyze and assess the impacts (both positive and negative) of a client's corporate activities on the environment, society, and economy and then work together with the client to set goals for mitigating the negative impacts and expanding the positive ones. The client then commits to achieving those goals as a condition for financing. In recognition of its initiatives for mainly developing a PIF product concept, in February 2020, SuMi TRUST Bank won the Gold Prize in the financing category of the Ministry of the Environment's inaugural ESG Finance Awards Japan. As of the end of June 2020, we have concluded nine PIF transactions since the first one went through in March 2019.



President Ohkubo with Japanese environment minister Shinjiro Koizumi

ESG & integrated report consulting

By drawing on the insight as an institutional investor, thanks mainly to the long-time involvement of its analysts in the asset management business, together with its viewpoints on, and experience in, promoting sustainability as an issuing entity itself, SuMi TRUST Bank is contributing to the achievement of a sustainable society by providing solutions that deliver total support on the most important points in advancing sustainable management; namely, integrating ESG into management, information disclosure, and engagement.

Information provision	<ul style="list-style-type: none"> Study sessions for executives and Sustainable Management Secretariat staffs
Analysis & evaluation	<ul style="list-style-type: none"> Analysis of challenges in ESG initiatives based on the evaluations by ESG assessment organizations Comparative analysis against benchmark companies
Support for improving initiatives	<ul style="list-style-type: none"> Support on materiality identification process Support for materiality management practices (including proposals for strengthening management)
Disclosure	<ul style="list-style-type: none"> Support for development of a framework for non-financial information disclosure Advice on the composition and content of integrated reports
Engagement	<ul style="list-style-type: none"> Support for dialogue with institutional investors in Japan and overseas

Environmental and energy finance

There is a growing possibility that climate change-related businesses driving change in energy, transportation, and other social systems will have a much greater influence in a post-COVID-19 economy. In particular, increased adoption of renewable energy and other aspects of social infrastructure present enormous business opportunities. The SuMi TRUST Group is intent on accelerating its initiatives in this area.



Renewable energy finance

Through project finance, SuMi TRUST Bank facilitates the roll-out of large-scale projects, such as wind and solar power generation, and has set up and manages a renewable energy fund for the purpose of investing exclusively in large-scale renewable energy projects. In project finance, both offshore and onshore wind power generation projects overseas are increasingly large-scale endeavors. In Japan, the number of mega-solar projects has further increased. The total potential power generation capacity of projects SuMi TRUST Bank has been involved in comes to 15,140MW. These projects, with annual power output of 38,775GWh, reduces annual CO₂ emissions by 18.50 million t-CO₂.

Micro-power generation in water supply systems

Sumitomo Mitsui Trust Panasonic Finance proposes the installation of micro-power generation systems in water supply systems across Japan as a way of promoting regional measures to counteract global warming with the use of natural energy. As of November 2019, the highly efficient power generation systems used in this scheme have been installed at 18 water facilities (including those scheduled for installation) across Japan to produce a total 480kW of power. We expect annual power generation to reach 3,581MWh and annual CO₂ emissions to be reduced by 1,970t-CO₂.

Schematic diagram

