

Asset Management Business

The SuMi TRUST Group's asset management business provides clients with asset management services mainly through Sumitomo Mitsui Trust Asset Management and Nikko Asset Management. The Group as a whole has approximately ¥87 trillion of assets under management, which is among the largest in Asia.



Yoshio Hishida

Representative Director, President
Sumitomo Mitsui Trust Asset Management



Hideo Abe

President, Co-CEO
Nikko Asset Management

Junichi Sayato

Executive Chairman, Co-CEO
Nikko Asset Management

The SuMi TRUST Group is well placed to manage the various funds of its clients, whether they be institutional investors or individuals. We will continue to fully maximize the investment functions of the Group to deliver optimal asset management solutions to our clients and help find solutions to social issues through ESG-focused engagement with investee companies.



Jiro Araumi

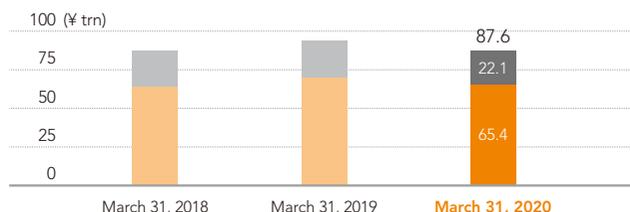
Director, Senior Managing Executive Officer, SuMi TRUST Holdings

Medium- to long-term vision

While we anticipate long-term growth in the global asset management market up ahead, the near- and medium-term business environment is growing increasingly uncertain against a backdrop of geopolitical risks, pandemic risks like COVID-19, and greater downward pressure on management fees owing to intensifying competition and stricter regulations.

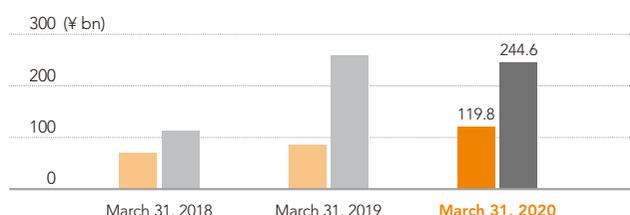
That said, we view this environment as an opportunity to draw on our strength of having multiple asset managers with different attributes within the Group, covering the full gamut of investment services, from passive to active funds, and even alternatives. We will therefore aim to cater to the changing needs of our broad range of institutional investors and individual clients in and outside of Japan.

Assets under management*
[Sumitomo Mitsui Trust Asset Management and Nikko Asset Management]



■ Sumitomo Mitsui Trust Asset Management ■ Nikko Asset Management
*Includes some assets under management at SuMi TRUST Bank from October 2018 onwards

Assets under management [Sky Ocean Asset Management and JP Asset Management]



■ Sky Ocean Asset Management ■ JP Asset Management

Business environment awareness

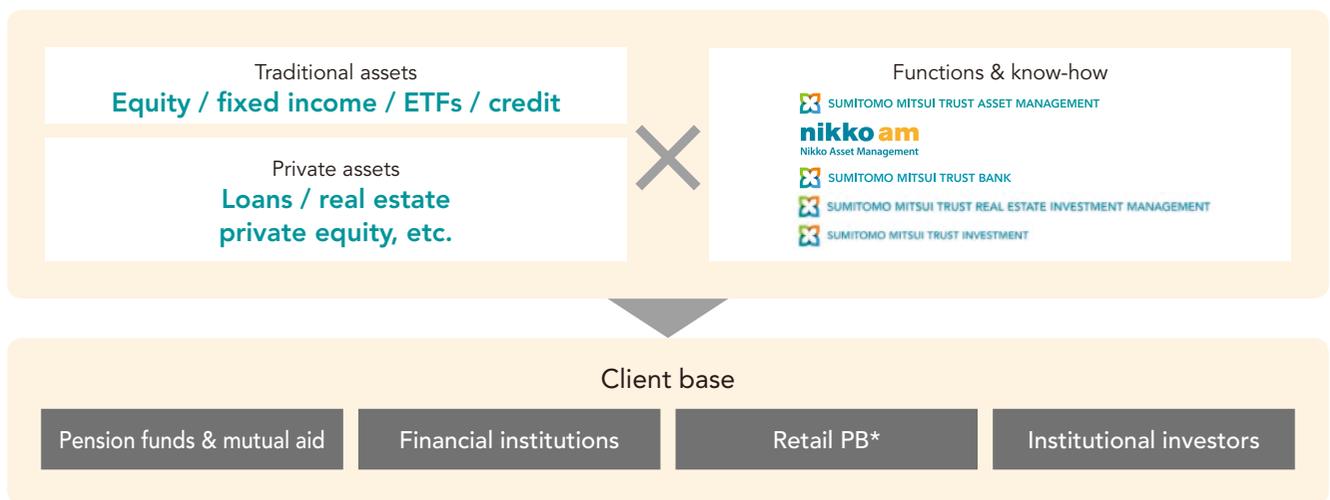
Environment awareness and issues

- Expanding global asset management market
- Larger asset management firms as a result of mainly cross-border realignments
- Downward pressure on fee rates triggered by ongoing shift to passive management, tougher competition, regulations, etc.
- Increased global investment demand for illiquid assets

Opportunities and Group strengths

- Business foundation capable of accommodating the needs of a wide spectrum of clients in Japan and overseas, from institutional investors through to individuals
- Strong presence in the corporate pension business in asset management domains that originate from trust banking
- Broad range of distribution channels in the domestic investment trust market
- Global network coverage with Group overseas offices and strategic partners

Key measures in Medium-Term Management Plan



*Private banking

■ Traditional asset management and strengthening private asset functions

As a Group with one of the largest AUMs in Japan and Asia, we will aim to further refine our management capabilities and demonstrate our presence in the global market. To complement the high-liquidity asset-based conventional solutions currently offered by the Group's asset management arms, namely multi-asset, smart beta, actively managed traditional assets, index, and exchange-traded funds, we will seek to expand our scope of investments to private assets, including loan receivables, real estate, and private equity.

■ Accelerating our global expansion

Considering the increasingly stronger downward pressure on fee rates as a result of competition between asset management firms, it is now even more important that we expand our business globally in order to realize sustainable growth in the asset management business. Alongside the overseas business expansion by taking advantage of the characteristics of each asset management company, we will ramp up the Group's global expansion by forming strategic alliances (including equity stakes) with overseas asset managers.

■ Expanding our client base

By maximizing to the fullest extent possible the asset management functions of the Group, we will aim to deliver optimum solutions to even more institutional investors and DC clients. In the domestic retail market, we will seek to further boost our presence by providing funds that contribute to the long-term formation of assets for investor clients. We also have plans to extend the Group's asset management know-how to Sky Ocean Asset Management and JP Asset Management as one way of delivering our asset management services to the broad-ranging client base of mostly regional financial institutions.

■ Helping to solve social issues

The SuMi TRUST Group participates in the PRI and various other global initiatives, and has hitherto engaged in trailblazing ESG activities on a global basis. We aim to maximize medium- to long-term investment returns by taking ESG issues into consideration. By initiating engagement activities with a broad range of investee companies in Japan and overseas, we aim to solve social issues and enhance corporate value.

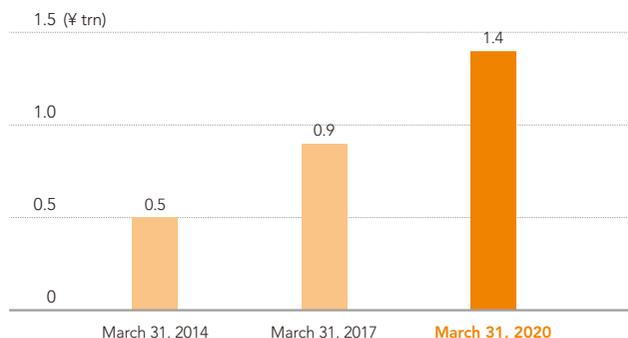
Sumitomo Mitsui Trust Asset Management

Boasting the biggest AUM in Asia, Sumitomo Mitsui Trust Asset Management (SMTAM) aims to further grow its business in the expanding domestic retail market to complement the strong presence it already commands among domestic institutional investors.

In the domestic DC market—in which it maintains a strong client base—SMTAM will endeavor to expand its product lineup based on the needs of its clients and shore up its client support framework.

Furthermore, SMTAM will ramp up its ESG engagement activities by leveraging the know-how of Legal & General Investment Management (LGIM), the UK's largest asset manager, with whom it entered into a partnership agreement in June 2019.

DC investment trusts



Sustainability initiatives

Addressing the Principles for Responsible Investment (PRI)

SuMi TRUST Holdings, Sumitomo Mitsui Trust Asset Management, and Nikko Asset Management are signatories to the UN-supported Principles for Responsible Investment that came into force in May 2006. The Principles encourage institutional investors such as pension funds and asset managers to incorporate environmental, social, and governance (ESG) factors into investment decision-making processes. As one of the founding signatories, we have continued to play a leading role in expanding Japan's ESG market.



Sumitomo Mitsui Trust Asset Management

Signatory to PRI	May 2006
Total assets under management (of which, ESG initiatives)	¥62trn (¥21trn)*
Approach to ESG	ESG issues reside in non-financial domains and do not manifest themselves in financial reporting, but they can have a considerable impact on corporate value over time. Based on this thinking, SMTAM considers the actions taken to address such issues to be integral to stewardship activities, alongside engagement and the exercise of voting rights. Through these activities, SMTAM aims to maximize returns for its clients and contribute to the achievement of the SDGs by actively fulfilling its role as an asset manager in the investment chain.
Specific ESG initiatives	Through engagement, the exercise of voting rights, and other activities, SMTAM encourages investee companies to grow sustainably by addressing ESG issues. Its main ESG activities currently revolve around four topics: (1) climate change; (2) water resources and marine pollution; (3) backing governance reforms; and (4) promoting ESG information disclosure. SMTAM shares its awareness of these ESG issues with companies and promotes efforts that contribute to their improvement by encouraging companies to draw up and disclose time horizon-based measures. It also applies ESG integration (incorporation of ESG factors) to all of its actively managed products for domestic and foreign stocks and bonds. This maximizes medium- to long-term investment returns for clients, minimizes downside risks, and also encourages the realization of a sustainable society.
PRI assessment (2019)	Comprehensive assessment: A+ (five years running) (Responsible investment integration: A+, Active ownership: A+ (Engagement: A+, Exercise of voting rights: A+), Fixed income investment: A)

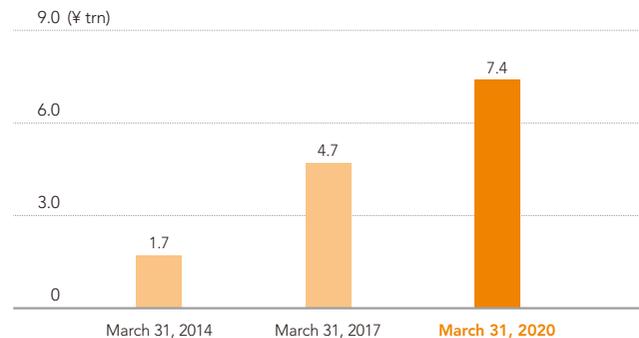
*Voting rights are exercised for all managed assets and therefore the ESG investment ratio is almost 100% when the exercise of voting rights is included in ESG investment. For more information, please refer to Sumitomo Mitsui Trust Asset Management's Stewardship Report 2019/2020. https://www.sumitrust-am.com/file/02/ss_report.pdf

Nikko Asset Management

Nikko Asset Management (Nikko AM) will continue to draw on its strengths to provide innovative products and services to its clients. Those strengths include a network of offices (including JVs) spanning 11 countries, unique product development capabilities that take active advantage of this global network, and highly reputable distributor support services in Japan. Nikko AM has its sights set on sustainable growth by beefing up distribution overseas and diversifying its product lineup by expanding its range of investment to also include illiquid assets.

Nikko AM boasts one of the largest ETF businesses in Japan and is currently augmenting its global ETF operations by expanding overseas with a primary focus on Asian markets. It will lead the industry by driving forward collaboration between the Japan ETF team and ETF managers in Singapore, Hong Kong, and the UK.

Balance of domestic ETFs



Sustainability initiatives

Nikko Asset Management



Signatory to PRI	October 2007
Total assets under management (of which, ESG initiatives)	¥22trn (¥8.7trn)*
Approach to ESG	As an asset management company, Nikko AM's mission is to always act in the best interests of its clients. For that reason, it places utmost importance on fiduciary and ESG principles in its corporate philosophy and corporate activities. Guided by the belief that reflecting ESG in investment practices enhances the long-term value of corporations and contributes to sustainable economic growth, Nikko AM strives to incorporate ESG principles into numerous investment decision-making processes so that it can fulfill its fiduciary duties.
Specific ESG initiatives	Nikko AM's ESG Global Steering Committee meets quarterly to discuss the incorporation of ESG investment, methods for implementation, and new approaches. The Committee comprises leaders from investment teams worldwide, while multiple observers also attend the Committee meetings, which are run by Nikko AM's ESG specialists. The ESG specialists mainly support the investment teams in their ESG activities, formulate ESG policies, examine and assist the company's participation in various ESG-related initiatives, and coordinate joint engagements. Nikko AM believes that appropriately incorporating ESG into investment processes is key to achieving excess returns over the medium to long term. All of its active domestic equity investment strategies incorporate Creating Shared Value (CSV) evaluations, which also take ESG factors into consideration. The evaluation score is based on the application of the CSV theory and assesses how companies balance their engagement of ESG issues with the pursuit of profitability and competitiveness, in order to create value for both society and shareholders. Through continuous engagement with companies, Nikko AM's analysts actively evaluate how proactive they are in addressing ESG issues.
PRI assessment (2019)	Comprehensive assessment: A+ (six years running) (Responsible investment integration: A+, Active ownership: A+ (Engagement: A+, Exercise of voting rights: A+), Fixed income investment: A+)

*Nikko AM endeavors to fulfill its fiduciary duties by incorporating ESG principles into its many investment decision-making processes.

For more information, please refer to Nikko AM's 2019 Sustainability Report.

https://sustainability.nikkoam.com/files/pdf/annual-report/nikko_am_2019_sustainability_report_en.pdf