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With our “Purpose” (reason for existence) in mind, we shall strive to become the “Best Partner” favored by society and clients

It is my great privilege to be appointed as president of Sumitomo Mitsui Trust Holdings in April, 2021. I shall endeavor to realize a sustainable society and work towards sustainable and stable growth for the SuMi TRUST Group by committing to the Group’s “Purpose” defined as “Creating new value with the power of trusts and let prosperous future for our clients and society bloom.”

Tackling social issues head-on with the power of trusts

More than one year has passed since COVID-19 became a global pandemic. The outlook for the future remains uncertain, with no imminent end in sight to the pandemic and it is under these circumstances that society, companies, and individuals are being tested once again as to whether they can flexibly respond to the situation and cultivate changes in a forward-looking manner.

The pandemic has induced far-reaching changes to people’s livelihoods and wrought extensive economic damage. On the other hand, it has given impetus to the digitalization of society as a whole and considerably changed people’s working styles and the values they hold. In the SuMi TRUST Group too, we have deployed network infrastructure and a communications environment that permits various in-house procedures to be completed online, which has greatly transformed our workflow; so much so that online meetings and working from home are now considered routine. It also means that employees telecommuting in Japan can assume the work of overseas offices, while those living outside of the Greater Tokyo area can still handle operations for the head office.

Until recently, it had been normal practice in the Group’s retail business to provide face-to-face consulting services to many of our elderly clients. However, major changes are afoot in the awareness of our clients and it was simply groundbreaking that we were able to achieve a smooth rollout of online-based consulting. The evolution of digital technology that eliminates the limitations of time and place is occurring with ever-gathering speed.

One more change in the external environment currently in the spotlight is decarbonization. Last year, new administrations came to power in Japan and the United States, which accelerated efforts towards decarbonization on the government policy front. To realize its stated goal of carbon neutrality by the year 2050 as announced by the Japanese Government, technological developments and enormous investment will be essential to reduce greenhouse gas emissions to net zero at company facilities and in the value chain mainly in the manufacturing industry. Accordingly, social infrastructure and industrial structures may well undergo large-scale transformations going forward.

When observing such major developments in society, and given the distortions that have emerged as a consequence of global economic growth, I have come to the realization that in this day and age, we can no longer turn our eyes away from current events.

A key topic for the business of the SuMi TRUST Group is to adapt to the changing times, create systems that are well-suited to the present day, and assist in building a new social framework. In the past, we leveraged the diverse and flexible functions of trusts to provide numerous solutions to social issues. For example, from the 1950s post-war reconstruction period through to Japan’s period of high economic growth, our loan trusts played a significant role in supplying long-term capital investment funds to core industries, thereby supporting Japan’s economic growth. In the 1960s, we endeavored to promote the adoption of corporate pension plans with the

use of pension trusts to assist the post-retirement livelihoods of company employees. And in various roles, we have participated in entire investment chains encompassing households, corporations, and investors by exerting positive impacts on the economy, society, and the environment.

Having such a track record is the very reason why I believe we can harness the power of trusts to help address social issues we currently face. For instance, we can contribute to the better functioning of capital markets by acting as an intermediary to steadily supply investor capital to areas that require it, such as current issues of promoting decarbonization and innovation,

by utilizing our asset management and administration capabilities. To address the problem of Japan's super-aged society, we can provide a plethora of asset formation services mainly in the form of asset management, administration, and consulting. Moreover, we are making every effort to develop various trust products that cater to the needs of households to support capital transfer to the next-generation and asset inheritance.

Contributing to the realization of a sustainable society by solving social issues and delivering sustainable and stable growth for the Group is my vision for "The Trust Bank" in this new era.

Review of first year of Medium-Term Management Plan and important business initiatives

At the start of FY2020, the first year of our Medium-Term Management Plan, we harbored concerns about the impact the COVID-19 pandemic might have on our businesses. Nevertheless, we were able to demonstrate our resilience to external shocks as both consolidated net business profit before credit costs and net income exceeded our targets. This reconfirmed our conviction that the Group's strengths lie in our revenue base backed by a solid and diverse business portfolio based on the two-pronged approach of banking and fee businesses, as well as a broad-ranging client base centering on asset management and administration services.

However, it recently came to light that we had long engaged in inappropriate handling of tallying general shareholders meeting voting rights exercise forms on behalf of client companies, thus greatly undermining the trust placed in us by our clients, the capital markets, and society. Personally, I seriously take these kinds of incidents to heart.

Taking this situation into account, in FY2021 we conducted a review of the Group's management foundation and turned our attention to the following three key initiatives from the standpoint of strengthening the Group's value creation.

- (1) Enhancement and sophistication of business operational quality beyond client expectations
- (2) Accelerate businesses unique to the trust banking group
- (3) Strengthening sustainability in management and society (including a reduction of strategic shareholdings)

(1) Enhancement and sophistication of business operational quality beyond client expectations

Owing to our inappropriate handling of operations when tallying voting rights exercise forms in our stock transfer agency services, we were duly reprimanded by not only the client companies that had entrusted such operations to us, but also by the capital markets and society at large. A trust banking group is deeply entrenched as part of Japan's social infrastructure and serves as a focal point for many different stakeholders. As such, we became painfully aware again just how far our responsibilities extend beyond the clients we normally interact with. Enhancing and sophisticating business operational quality is listed as our first important business initiative for FY2021 because we believe it to be a trust banking group's starting point as a fiduciary.

The word "fiduciary" can be traced back to 16th century England, originating from the Latin term meaning a reliable or trustworthy person. While the party (fiduciary) that accepts the trust of another party provides professional services under its own discretion, the party (settlor) extending that trust does face some element of risk by placing their complete trust in the fiduciary. Accordingly, policies and laws have continually been developed to strengthen the responsibilities of fiduciaries and now one of the "fiduciary duties" of a fiduciary is the duty of loyalty to act faithfully in the sole best interests of beneficiaries. At the same time, for us as the trust banking group and as an original fiduciary, I believe our real duty is to conscientiously and autonomously respond to the cordial trust placed

in us as professionals entrusted to look after our clients' precious assets rather than simply upholding the heteronomous obligations, rules, and regulations imposed on our businesses.

We intend to reaffirm this spirit across the entire Group, always keep our client-oriented approach in mind, and steadily build on our efforts to improve service quality that exceeds not just our contractual obligations, but also our client expectations. In doing so, I am confident that we can forge even stronger relationships of trust with clients and society alike.

To be more specific, we will further enhance the visibility of our business processes, review from scratch what our front-offices have hitherto considered "normal" procedures, and enhance the abilities of our risk management-related departments to identify problematic processes. In other words, rather than just uncovering and improving current issues, we hope to set in motion a cycle of continuous risk management and autonomous improvement.

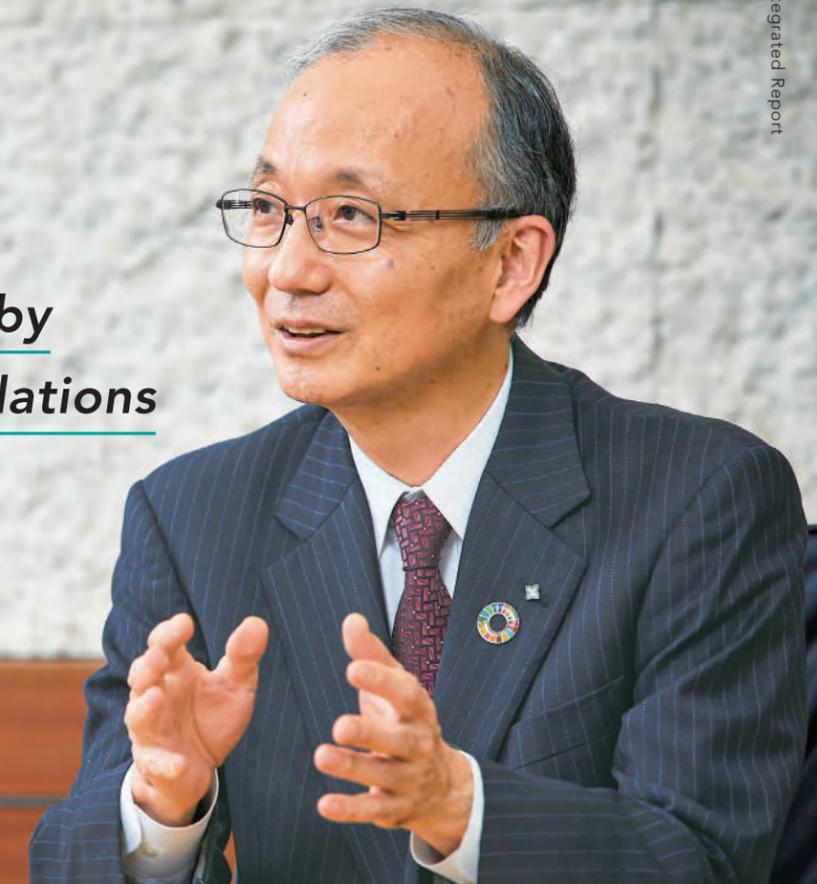
Also, in order to boost the effectiveness of our activities, I want our employees to maintain an even stronger feeling of being "connected." The meaning of connected here is two-fold. Firstly, improving the communication channels between front-offices and risk management-related departments so

that a frank exchange of views and information, as well as constructive dialogue, can take place specifically with regard to whether our service quality is surpassing client expectations. In other words, "connections" between organizations. And secondly, the "connected" feeling that employees recognize when they know that their work is contributing to clients and society, even though their direct contact with clients may be limited. I believe this sense of being connected can be a source of motivation and pride for employees and become a driving force behind our efforts to improve our client services.

(2) Accelerating businesses unique to the trust banking group

The second important business initiative is the acceleration of businesses unique to the trust banking group. The SuMi TRUST Group is inseparably connected to the investment chain of the capital markets because our asset management and administration functions are integral to its workings. I believe that by making full use of these functions, we can contribute further to the virtuous circulations in the life stages of individuals, across multiple generations, and also in capital markets. These virtuous circulations can help solve issues

**Growing sustainably
together with society by
creating virtuous circulations
in capital markets**



faced by society by steadily supplying capital to where it is needed, such as the elderly, the next generation, or even growth fields like decarbonization. And I believe that the very contributions made to these virtuous circulations will ultimately lead to the sustainable growth of the SuMi TRUST Group.

To begin with, to complement our asset management and administration consulting services for elderly individual clients; an area in which we have long excelled, we feel there is business potential in similar services targeting clients of the working generation. This is because the COVID-19 pandemic has led to a rapid increase in opportunities for us to interact with clients online and eliminated the limits of scale and physical barriers imposed by our branch and staff resources. For example, SuMi TRUST Bank offers pension and other employee benefit services to employees of client companies by way of corporate transactions under proper information management, but it was difficult to organize meetings with those employees before the pandemic. However, online methods have been established to directly contact with individual employees recently, and we have been able to provide effective solutions that cater to the needs of every person. The funds that these employees hold will likely be allocated to medium to long-term investments, which in turn will also assist the intergenerational circulation of capital between individuals in the form of money being gifted to, or inherited by, the next generation.

For transactions with business owner clients too, we are focusing on the management of abundant risk capital and business succession by the next-generation; in other words, business needs that mark the starting point of a virtuous circulation. In January 2020, we established UBS SuMi TRUST Wealth Advisory Inc. and so far, we have worked on establishing a consulting process to mainly meet the real estate and asset management needs of business owners and high-net-worth clients. And we are still adhering to our plan of jointly establishing a securities company specializing in wealth management after the summer of 2021.

In our corporate business, through the provision of positive impact finance and other products and services that involve impact assessments, we are well ahead of our competitors in terms of supporting the circulation of capital in sectors where companies are required to solve social issues such as carbon neutrality.

In our asset management business, the Group's three asset management firms continue to draw on their respective strengths to contribute to the circulation of funds and capi-

tal. Sumitomo Mitsui Trust Asset Management is bolstering its management of long-selling products that are pivotal to medium to long-term asset formation, whilst also stepping up engagement activities with the aim of encouraging companies to address ESG issues. Nikko Asset Management is utilizing its own in-house capabilities together with a global network of overseas partners to launch industry-leading products in Japan and abroad and expand its ETF business offerings. Meanwhile, SuMi TRUST Bank is working to provide private asset investment opportunities. It is currently diversifying investment assets such as project finance for renewable energy with the aim of launching a sophisticated product in the environmental field and is taking steps to offer smaller units for private asset investment.

By leveraging the Group's diverse and flexible functions in this way, we are beginning to see more areas open up in which we can contribute to the building of virtuous circulations in society and I certainly feel that the Group's business growth is benefitting from tailwinds from the changing times. And I am even more confident now that the Group can achieve sustainable and stable growth in the future.

(3) Bolstering sustainability in management and society

The third important business initiative—strengthening sustainability in management and society—embodies two concepts. One is the building of a rock-solid, efficient management foundation by streamlining the allocation of managerial resources, while the other is the promotion of sustainability in society.

1) Streamlining the allocation of managerial resources

So that we can contribute to solving the medium to long-term issues currently faced by society and our clients, the SuMi TRUST Group itself must lead a sustainable existence. To that end, we will review our management plans, make optimum use of capital, expenses, personnel, and other managerial resources, and transition to a capital-light business model characterized by asset efficiency without compromising on service quality. Particularly with regard to capital, this fiscal year we made some major changes to our policy on strategic shareholdings. We believe a reduction in strategic shareholdings will not only improve the Group's capital efficiency, but also contribute to the development of Japan's capital markets and the virtuous circulations of funds and capital. The Group's current policy, in principle, is to divest all strategic shareholdings as a conventional stable shareholder and accelerate

the pace of divestment. Top management will spearhead dialogue with clients, make known its approach to corporate governance, and continue to deliver solutions geared towards sustainably enhancing corporate value and solving issues for clients. In this way, I believe we can gain the understanding of all stakeholders to reduce our strategic shareholdings and forge stronger mutually trusting relationships with clients.

We will also continue to implement cost structure reforms, as called for in our Medium-Term Management Plan, and hasten legacy cost cutbacks, including the reduction of excess office space at branches of SuMi TRUST Bank and the head office. The resources we raise from the aforementioned measures will be reallocated to improving our internal control systems for the purpose of ensuring service quality, and we also intend to invest in growth areas centering on fee businesses with high returns on invested capital.

2) Promoting sustainability in society

Sustainable and stable growth of the SuMi TRUST Group hinges on the existence of a sustainable environment and society. As such, we are focused on value creation that integrates the relationship between society and the Group's management and we

are strengthening how we communicate this information.

We have divided the Group's management materiality into three categories: (1) impact; (2) governance and management foundation; and (3) finance. Of these categories, we are strongly aware of the connections to business in the "impact" category because that is where our corporate activities have positive or negative impacts on the economy, society, and the environment. While this integrated report does touch on our views regarding issues of materiality, in January 2021, we were one of the first financial institutions to publish a Sustainability Report incorporating the common metrics for measuring stakeholder capitalism compiled by the World Economic Forum and others, and have been enhancing dialogue with markets and society. Furthermore, in December 2020, we published our first TCFD Report in light of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In it, we updated our sector policy on coal-fired power generation as part of our objective in assisting to realize a sustainable society by intensifying our stance on decarbonization, and we also announced a new long-term target for sustainable finance of ¥5.0 trillion in cumulative loans for the period FY2021 through 2030.

Creating a vibrant work environment

In the second year of the Medium-Term Management Plan we intend to survey the entire SuMi TRUST Group, steadily develop business operations systems that continue to be favored by our clients, and double down on our efforts to prepare for the next stage of growth. In particular, our human resources are a topic of utmost importance because they underpin the Group's sustainable growth.

We employ a large number of people possessing expertise in asset management, pension systems, real estate, and other lines of business. The Group has always been a veritable breeding ground where specialist personnel can demonstrate their capabilities to the fullest, but we are further committed to creating a workplace environment in which ranks of specialists boasting various qualifications and skills are able to acknowledge and respect one another's differences and work with much enthusiasm so that the collective know-how of everyone can be pooled to generate even higher levels of added value.

More specifically, we will ramp up personnel placements and exchanges across the Group to support business strate-

gies, hire more specialists to reinforce our sustainable growth, and bolster our IT and global workforce. Not only will we actively appoint female employees to managerial positions and support their career development, we will look to incorporate different sets of values into management and create new businesses by pushing ahead with the hiring of energy and chemical technology experts with the aim of deploying their technology in social settings, as well as the recruitment of IT proficient human resources through the establishment of a new strategic subsidiary.

Our employees form the basis of our managerial resources. That is why we aim to engage in health and productivity management so that every individual can fully demonstrate their potential capabilities and concentrate to work with a healthy mind and body. Added value is created when employees demonstrate their high levels of expertise, which in turn improves the well-being of our clients and society as a whole. I believe that when our employees are aware of this, their own well-being is also likely to improve.

Returns to shareholders

In line with the Group's sustainable and stable growth, we hope to keep on steadily expanding returns to all of our shareholders going forward.

We aim to boost the return of profits to shareholders via dividends in line with sustainable business growth, so in FY2021 we forecast a ¥10 increase and a dividend payment of ¥160. We are targeting a dividend payout ratio of 40% in or around

FY2022, as outlined in our shareholder return policy, and in addition to profit growth, we will endeavor to further strengthen shareholder returns.

We will also consider executing share repurchases in a flexible manner from the viewpoint of striking the best balance between capital adequacy and efficiency.

In conclusion

As the business environment continues to transform at a blistering pace, we are now in an era in which it is difficult to predict what lies in store for the future because systems, rules, and other givens, as well as anticipated risks, are constantly changing. To stand up and face these uncertain times, I believe the most effective method is possess the determination to create and set in motion one's own future.

For the SuMi TRUST Group, it is now even more important that we put in place the systems with which we can flexibly respond to change and remain our clients' "Best Partner" as a reliable part of social infrastructure befitting of a sustainable future.

For the very reason that society is experiencing such troubled and uncertain times, we will ensure that every executive and employee is conscious of, and takes responsibility for, their own thoughts, decisions, and actions by keeping in

mind the Group's "Purpose" (reason for existence) defined as "Creating new value with the power of trusts and let prosperous future for our clients and society bloom." In doing so, we will forge ahead with the building of the Sumitomo Mitsui Trust Group that continues to be favored by society and our clients.

We appreciate your continued understanding and cooperation.

July 2021

Director, President
Sumitomo Mitsui Trust Holdings, Inc.

Tou Takakura



Pioneering the future with the power of trusts

My most important principle for work is "to exercise my own judgment and be my own driving force when striving for what I have set out to achieve." Immediately after the Great Hanshin-Awaji Earthquake in 1995, I took command of business affairs on behalf of the Human Resources Department. During that time when there was a very real possibility that telephone conversations could be cut off at any minute, I learned the hard way that during times of crisis, making quick decisions and taking swift action was crucial and that being in two minds and delaying one's decision would only aggravate matters. For me, this experience was a major turning point in my career because it prompted me to reassess about my attitude towards work.

At the same time, it is important that one's own decisions are well-informed as much as possible. Therefore, habitually obtaining firsthand information from close to the source is key. Everyone has a bias to unconsciously select the most convenient information on which to base their decisions. As everyone has past experiences and accumulated knowledge, completely eliminating one's bias is not possible, but ever since I assumed a management position, I have endeavored to broadly listen to various opinions and challenged myself to view things from a neutral standpoint so that my own thoughts are impartial. One example of this approach would be the series of seminars that we hosted for small number of employees to engage in active discussion. Despite the fact that these seminars required the participants to spend a considerable amount of time and preparation over a few months to read the assigned books and submit a report before sitting down for discussion, approximately 200 employees took part over nearly seven years through to March 2020. Even though I was keen to communicate my own thoughts to the participants, I wanted to cherish the opportunity of hearing the opinions of young and mid-level employees from different backgrounds to explore what they thought and what kind of values they hold. In doing so, I unexpectedly acquired fresh perspectives previously unfamiliar to me. I always contend that the strength of an organization is borne of diversity and lending an ear to the wide-ranging opinions of others on a day-to-day basis is, I believe, an important preparatory step towards making swift, level-headed decisions.

At the time of the merger between the former Chuo Mitsui Trust and Banking Group and the former Sumitomo Trust and Banking Group, I worked as the



general manager of the department tasked with facilitating the business integration. Despite the fact that both entities were trust banking groups, there were so many differences in internal rules and non-verbal corporate culture. So, with the aim of realizing a true integration, we set about formulating a mission, a vision, and values that would encourage the employees of the new company to quickly unite and set their sights on a single common objective. We also engaged in discussions on countless occasions with various members in order to build a foundation that the Group could always return to when faced with challenging times in the future. Particularly regarding the Group's values, we inherited those from the codes of conduct of the legacy banks; namely, "Trustfulness and Loyalty," from the former Sumitomo Trust and Banking, "Dedication and Development," from the former Mitsui Trust and Banking, and "Trust and Creativity," from the former Chuo Trust and Banking. We then added "Self-help and Self-discipline," to represent our existence as an independent trust banking group. While securing diversity is key to the development of our organization, the underlying assumption is that, all individuals have established their individual identity through self-help and self-discipline. To complement our mission, vision and values, we defined our "Purpose," when we unveiled our new Medium-Term Management Plan last year. Given the many unimaginable and fitful changes occurring in society today, like the COVID-19 pandemic for instance, it is even more important that we discern the essence of our purpose based on our set of principles. The entire SuMi TRUST Group shall work together to give shape to our purpose by utilizing the power of trusts in an increasing number of fields.