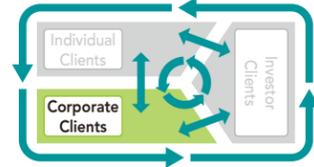




Initiatives for Corporate Clients



While the business environment surrounding companies has been changing immensely and becoming complicated, corporate clients are faced with management issues that cannot be solved merely by providing products and services. The Group aims to become the “Best Partner” financial institution for clients by further bolstering our versatility and expertise as a trust bank group.

Key Measures

- Initiatives for sustainable finance to achieve a sustainable society
- Delivery of total solutions that cover non-financial areas, including support for enhanced governance and disclosure of information related to Environmental, Social, and Governance (ESG)
- Advance and achieve a virtuous circulation of funds, assets and capital by financial intermediation

Medium-Term Management Plan in review

During FY2020 and FY2021, amid the changes in business environment due to the COVID-19 pandemic, we worked to ensure the steady supply of funds through our banking operations to support clients, while implementing improvements in the quality of our credit portfolios and advancing financial intermediation.

Moreover, we have successfully enhanced our ESG solutions that include sustainable finance, advanced transactions with innovative companies, and expanded our client base by increasing the number of companies to which we provide stock transfer agency services.

SuMi TRUST Vision

To become the “Best Partner” of our clients and society, we will contribute to the sound development of capital markets by assisting clients through our stock transfer agency services, in addition to enhancing the corporate value of clients and creating a virtuous circulation of funds, assets and capital.

We plan to remain in contact with diverse economic entities and stakeholders, strengthen our business focus in connecting different economic entities, and create a “sustainable value chain” to enhance our total solutions services.

Environment Awareness

Environment awareness and issues

- Growing uncertainty and higher volatility of markets due to the pandemic, international conflicts, and greater geopolitical risks
- Initiatives to fulfill ESG criteria and achieve the SDGs that are gaining momentum worldwide
- Financial business model transformation driven by digitalization

Opportunities and strengths

- Specialists with talents to offer high value-added services to clients
- Providing versatile and highly-specialized comprehensive solutions through acquisition and analysis of non-financial information

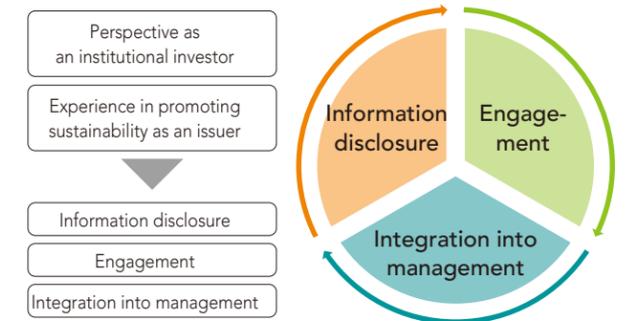
Specific Initiatives

1 Providing ESG Solutions to Clients

Taking advantage of touchpoints with diverse stakeholders through our banking operations and trust services in addition to wide variety of product lineups, our Group connects clients with stakeholders and provides solutions that lead to the enhancement of corporate value.

With initiatives to achieve the Sustainable Development Goals (SDGs) gaining momentum across the world, clients are facing challenges that are increasingly complex and sophisticated such as the promotion of sustainable management, and they are swiftly expected to respond to these challenges. We combine and leverage the Group’s various services, which include banking, asset management and asset administration, and real estate, so that we may serve one-stop solutions to these issues. Through these service offerings, we aim to become the “Best Partner” that responds to diversifying needs and challenges facing clients.

We will continue to help develop a sustainable society, where economic value and social value are created simultaneously, through the solutions we deliver to our clients.



2 Serving as a Unique Financial Intermediary

With social and industrial structures undergoing dramatic changes, enormous amount of capital is required to address various social issues, which include decarbonization and the revitalization of local economies.

Through the delivery of total solutions to corporate clients, the Group confronts clients’ management and social issues and meet their financial needs to solve those issues. We will promote circulation of funds with the power of highly specialized trusts to areas needed by our clients and society by connecting the investment-related needs of diverse investors with whom we have contact through our banking and trust business. We shall also contribute to the creation of a virtuous circulation of funds, assets and capital that brings fruit to households through increased corporate value by establishing financial intermediary functions that leverage the Group’s strengths.



Specific Initiatives

3 Initiatives to Support Clients Strengthen Their Governance

We seamlessly support corporate stock administration practices for general meetings of shareholders, IR/SR, governance, and executive compensation areas, utilizing the data, information and case studies gained from our client base—number one in the industry in terms of both the number of listed companies under management and the number of shareholders under administration—and the data from Governance surveys and the Executive compensation surveys. This dataset is among Japan’s largest.

There is a need for continuous delivery of stable, strong, and reliable social infrastructure. There is also a need for solutions to management issues related to governance and dialogue with investors, and these issues are becoming increasingly sophisticated and complex. We are committed to support our clients to achieve their growth as the “Best Partner” through the offering of optimum and high-quality solutions to establish a solid position in the stock transfer agency services business.

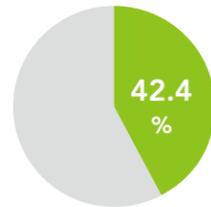
We shall also lead sound development of Japan’s capital markets by capturing trends in the progress of digital technologies, supporting the digitization of general meetings of shareholders, and improving the convenience for shareholders.

Market share of the Stock Transfer Agency Services Business in the industry* (as of March 31, 2022)

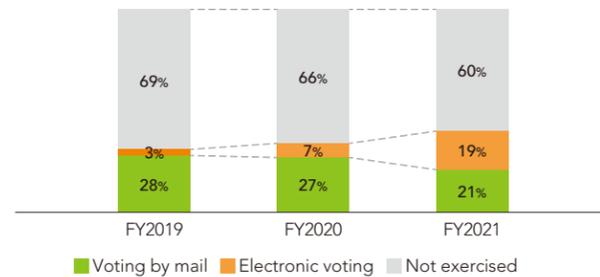
Number of listed companies under management

No.1 in the industry

* The total of SuMi TRUST Bank, Tokyo Securities Transfer Agent Co., Ltd., and JAPAN SECURITIES AGENTS, LTD.



Voting rights exercised/not exercised (entities to which SuMi TRUST Bank provides stock transfer agency services)



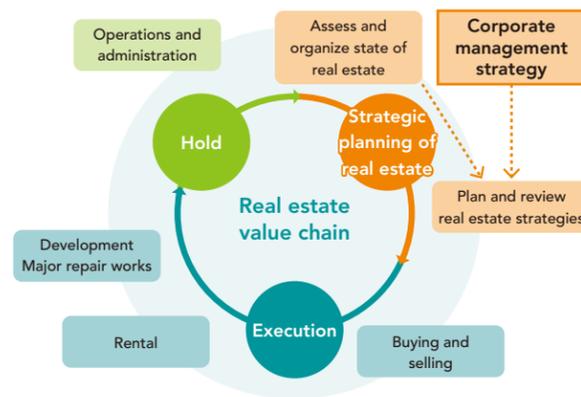
4 Enhancement of Real Estate Value for Clients

Real estate is one of corporate clients’ primary assets. It has come to play an increasingly vital role in solving management issues and increasing corporate value.

The Group plans to offer a variety of services to meet the needs that arise in a real estate value chain spanning the process from the development of strategies for real estate to purchase/sale, lease, repairs, operation and management, with the goal of serving as clients’ “Best Partner for real estate”.

<Examples of client needs and our support>

- The COVID-19 pandemic has created needs to reconsider ways of working and locations of offices. We offer services designed to assist clients in developing their strategies and to propose new locations and broker leases thereon.
- Clients seek to meet the need for decarbonization. We offer consulting services to assist clients to be certified as businesses that work to reduce CO₂ and ensure good environmental performance of their buildings.
- Clients in Japan seek to acquire properties in overseas locations and have other global needs for real estate. We offer services that leverage our overseas networks, including our business partners.



Initiatives for Sustainability

Total solutions towards solving ESG/SDGs challenges

Our Group supports the enhancement of clients’ corporate value leveraging our sustainability-related know-how and networks accumulated through the engagement with stakeholders.

Climate solutions

SuMi TRUST Bank organically combines all-embracing advisories (e.g., scenario analysis based on the Recommendations from the Task Force on Climate-related Financial Disclosures (TCFD)) with a wide range of solutions expected of a trust bank.

Scenario analysis based on the TCFD Recommendations identifies financial and non-financial management issues that must be addressed to achieve net-zero emissions (e.g., funds for equipment, financial plans that include working capital, reviews of fund-raising plans, how to ensure greater resilience of real estate assets, how logistics systems deal with climate change). We provide a wide range of solutions to these issues, thereby contributing to enhancement of clients’ corporate value and solutions to social issues.



Renewable energy finance projects

In addition to promoting the deployment of renewable energy through project finances, SuMi TRUST Bank originates and manages renewable energy funds that invest funds solely on renewable energy-type large-scale power generation businesses. Particularly in Japan, the deployment and expansion of offshore wind power generation is gaining attention. More specifically, biddings for offshore power plants in the open seas have started, in addition to the current biddings for solar and onshore wind power plants, towards the achievement of a carbon-neutral society by 2050. In total, the electricity generation capacity of projects in which SuMi TRUST Bank has been involved amounts to 17,364 MW, generating 47,255 GWh annually. Accordingly, its annual impact of reducing CO₂ emission is 20.69 million tons of CO₂. The total electricity generation capacity to which SMTB contributes per ratio is 3,582 MW, generating 7,342 GWh annually. Its annual impact of reducing CO₂ is 3.33 million tons of CO₂.

Consultation for sustainable management support

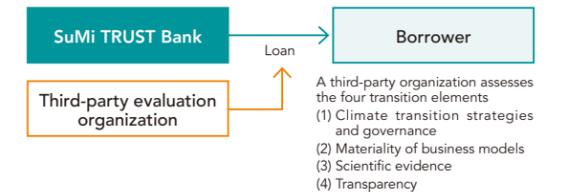
SuMi TRUST Bank combines the “perspective of investors” with whom we have engaged for many years in the asset management business and the “perspective of a practitioner of sustainable management” as an issuer company to create a cycle of “information disclosure,” “engagement,” and “integration into management,” which are the key to sustainable management. Through this effort, we provide comprehensive consulting services to support clients in establishing their sustainable management. As of March 31, 2022, we have a record of 70 projects in which we successfully provided support for clients.



Transition finance (transition loan)

Transition loans are offered to support companies engaging in CO₂ reduction efforts according to their long-term corporate strategies to effectively address climate change-related risks towards a transition to a low-carbon society. In February 2021, SuMi TRUST Bank entered into Japan’s first agreement for a transition loan to a shipping company. The fund is used to acquire next-generation environment-type LNG fuel vessels for automobiles. By March 31, 2022, five transition loan agreements have been signed.

<Financial schemes>



Consulting as part of stock transfer agency services

SuMi TRUST Bank has the largest client base, and its Governance survey and Executive compensation survey are among the most extensive in Japan. We utilize client base and results of surveys for our stock transfer agency services to support each company’s independent initiatives for corporate governance, along with their efforts to increase their corporate value, such as efforts to advance the understanding of changes in the business environment and investors’ opinions, thereby leading the sound development of Japan’s capital markets.



Initiatives for Sustainability



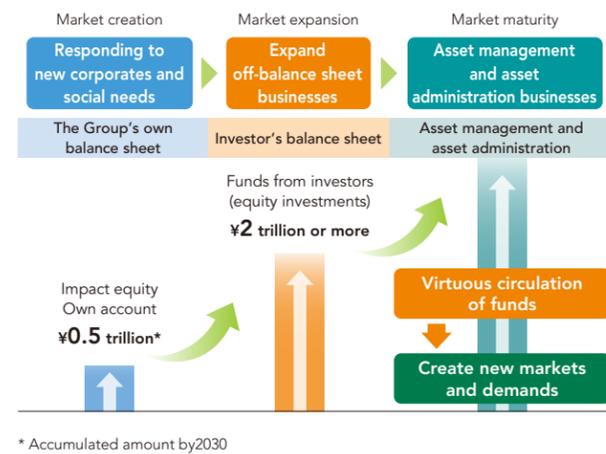
Impact Business

The Group defines “impact” in this context as a short- and medium- to long-term effect that a corporate’s products and services or activities have on the economy, society and environment.

SuMi TRUST Bank promotes impact finance in various asset classes including equity and debts in accordance with international principles, such as the Principles for Positive Impact Finance developed by the United Nations Environment Program Finance Initiative (UNEP FI) and with the Operating Principles for Impact Management by the International Finance Corporation (IFC). We assess the impact that a company has on the economy, society, and environment, which are the three aspects of SDGs. We set the corporate clients’ KPIs through our engagement with them to measure progress toward their goals and monitor these indicators over the investment/loan period. Then we provide the company with the results of monitoring as our feedback to support their value creation process, thereby contributing to their increased corporate value and to the development of a sustainable society as a financial institution.

Impact equity

SuMi TRUST Bank plans to increase equity investments in companies, funds, and projects, among others, that are meant to create a positive impact on society and environment. We aim to invest our own funds of 500 billion yen in total by FY2030, leveraging the capital created by reducing strategic shareholdings. We have already invested substantially in renewable energy-related projects, such as solar and wind power. We plan to expand our investment areas to the next-generation technologies, such as hydrogen fuel, rechargeable batteries, smart mobility, next-generation healthcare, FinTech, that are expected to create a medium- to long-term impact. We also hope that investing our own funds in these areas will act as a catalyst for equity investments by other institutional investors so-called expansion of the off-balance business. We will supply the total of more than ¥2 trillion from equity investments by FY2030, aiming to create and expand new markets.



* Accumulated amount by2030

Positive impact finance (PIF)

PIF required the conditions as follows: comprehensively analyze and assess the positive and negative impacts of corporate activities on the economy, society, and environment; set goals to alleviate negative impacts and expand positive impacts; and commit to realizing these goals. As recognition of this product concept, SuMi TRUST Bank was awarded the LCA Japan Forum Chairman’s Award at the 17th LCA Japan Forum in February 2021, following a Gold Award in Loan at the 1st “ESG Finance Awards Japan” in February 2020. Starting from the first loan granted in March 2019, 26 loans were arranged by March 31, 2022.



Technology-based Finance Team

We have established the Technology-based Finance (TBF) Team in the Sustainability Management Department of SuMi TRUST Bank in order to assist society with the practical implementation of innovative technologies, which are needed to address issues that the SDGs and the Paris Agreement aim to resolve, in the way that incorporates a financial perspective. To achieve a carbon-neutral society that works in harmony with the environment, we teamed up researchers and experts who are doctors of science or engineering in the fields of hydrogen fuel, rechargeable batteries, and inorganic chemistry, among others, so that their knowledge and views are incorporated into the process of impact evaluation as innovative technologies are implemented in society. This will accelerate initiatives that advance positive impacts and inhibit negative impacts, contributing to solutions to social issues.

Initiatives for Sustainability



Initiatives for Real Estate related to ESG



The amount of CO2 emissions from the construction and management of buildings is said to account for approximately 40% of all CO2 emissions in Japan, including indirect emissions. In addition, given that humans spend a lot of time indoors, indoor environments naturally affect the health and productivity of occupants. As real estate has a significant impact on the environment, society, and the economy, integrated initiatives for achieving the SDGs are thought to be highly beneficial in improving the sustainability of these three aspects. Therefore, the Group aims to further promote energy-efficient and resource-efficient cities and buildings, as well as the wide adoption of environmentally friendly properties that contribute to improving production efficiency. In particular, as the number one company regarding the entrusted balance of securitized real estate in the industry, we will further advance initiatives that contribute to enhancing property value mainly through high levels of environmental performance, which boosts revenue and reduces risks.

Support menu to improve and visualize the environmental performance of real estate

CASBEE certification support consulting

Under the guidance of the Ministry of Land, Infrastructure, Transport and Tourism (MLIT), CASBEE (Comprehensive Assessment System for Built Environment Efficiency) was developed as a method to evaluate and rank the environmental performance of buildings.

SuMi TRUST Bank played a leading role in the development of CASBEE for Real Estate and related economic impact surveys. We also focus on developing Japan’s environmentally friendly property market in line with CASBEE by proactively evaluating each property and town.



Suita Sustainable Smart Town (Osaka Prefecture)

Construction-phase support for environmental considerations

SuMi TRUST Bank’s construction consulting services provide advice on factoring in environmental considerations in line with client requests, such as installing energy-saving systems in buildings, taking into account landscapes and ecosystems, extending building lifespans, and adopting recycling systems.

These days, we have more clients than before who seek to have their properties certified for good environmental performance or as zero-energy buildings (ZEB), and/or to be selected for the “Leading Projects” Program for Sustainable Buildings led by the MLIT.



Hiroshima Orizuru Tower (Hiroshima Prefecture)

Support menu to advance the use of renewable energy and achieve carbon neutrality

With more and more businesses working toward the goal of achieving carbon neutrality by 2050, SuMi TRUST Bank offers “consulting for saving energy,” a service to develop measures to reduce GHG emissions from buildings, through its real estate management business designed to support clients’ business activities.

Moreover, leveraging our know-how to adopt renewable energy at our office buildings, we offer “support for the introduction of renewable energy.” To deliver this support, we gain an accurate picture of each client’s net zero carbon strategies and select a procurement process that balances environmental concerns and economic efficiency.



* Please see “ESG Real Estate,” a supplementary booklet of the Sustainability Report 2021/2022. <https://www.smth.jp/english/-/media/th/english/sustainability/report/2021/esg-real-estate.pdf>